INTESA SANPAOLO

Annual Report 2015

This is an English translation of the Italian language original "Bilanci 2015" that has been prepared solely for the convenience of the reader. The Italian language original "Bilanci 2015" was approved by the Supervisory Board of Intesa Sanpaolo on 15 March 2016 and is available on group.intesasanpaolo.com

This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Supervisory Board
of 15 March 2016

Report and consolidated financial statements of the Intesa Sanpaolo Group 2015

Report and Parent Company’s financial statements 2015

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 8,731,874,498.36. 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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THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

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

CARISBO | FIDEURAM INTESA SANPAOLO PRIVATE BANKING | MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,216	Fideuram	89
	Banca Prossima	29
	Mediocredito Italiano	2
	Banca IMI	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
214	CR del Veneto	314
	CR in Bologna	169
	CR del Friuli Venezia Giulia	94
	CR di Forlì e della Romagna	84
	Fideuram	57
	Banca Prossima	16
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
321	Banca CR Firenze	412
	Banca dell'Adriatico	103
	Fideuram	42
	Banca Prossima	9
	Banco di Napoli	3
	Mediocredito Italiano	2
	Banca IMI	1

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
4	Banco di Napoli	572
	Banca dell'Adriatico	94
	Fideuram	28
	Banca Prossima	20
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
224	Fideuram	10
	Banca Prossima	9
	Mediocredito Italiano	1

Figures as at 31 December 2015

Product Companies

INTESA SANPAOLO VITA

Bancassurance and Pension Funds

MEDIOCREDITO ITALIANO

Industrial credit, Factoring and Leasing

EurizonCapital

Asset Management

SETEFI

Electronic Payments

SIREFID

Fiduciary Services

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية — BANCA IMI — BANCA INTESA — BANCA INTESA Beograd

BANKA KOPER — CIB BANK — FIDEURAM INTESA SANPAOLO PRIVATE BANKING — INTESA SANPAOLO BANK Albania

INTESA SANPAOLO BANK LUXEMBOURG — INTESA SANPAOLO BANK Romania — INTESA SANPAOLO BANKA Bosna i Hercegovina — INTESA SANPAOLO BANK IRELAND

INTESA SANPAOLO BRASIL SA — INTESA SANPAOLO PRIVATE BANK SUISSE — PRAVEX-BANK — PRIVREDNA BANKA ZAGREB

VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

OCEANIA

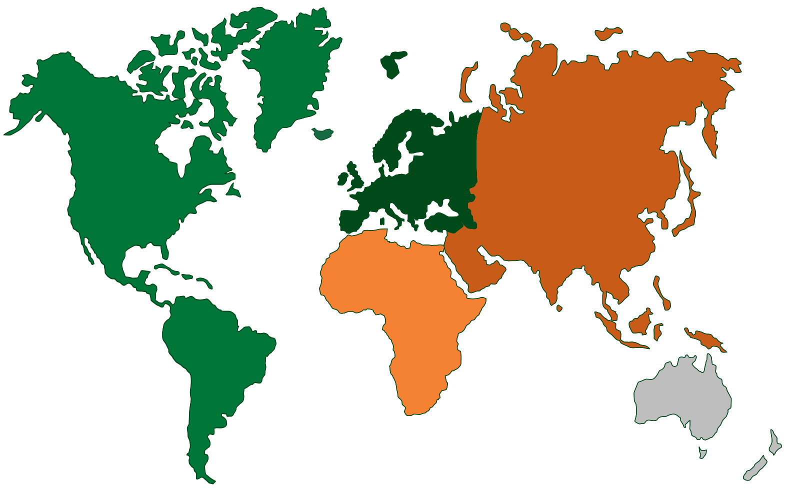
Representative Offices
Sydney

ASIA

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

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	52
Croatia	Privredna Banka Zagreb	198
Czech Republic	VUB Banka	1
Hungary	CIB Bank	83
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram	1
	Intesa Sanpaolo Bank Luxembourg	1
Romania	Intesa Sanpaolo Bank Romania	45
Russian Federation	Banca Intesa	50
Serbia	Banca Intesa Beograd	170
Slovakia	VUB Banka	230
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	137
United Kingdom	Banca IMI	1
	Intesa Sanpaolo Private Banking	1

AFRICA

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

Figures as at 31 December 2015
(1) International and Regulatory Affairs

Product Companies

CONSUMER FINANCE HOLDING — INTESA SANPAOLO CARD — PBZ CARD

Consumer Credit, E-money and Payment Systems

CIB LEASING — INTESA LEASING Beograd — PBZ LEASING — VÚB LEASING

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Asset Management

VÚB FACTORING — CIB FACTOR

Factoring

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 [1]
Members	Stefano DEL PUNTA Carla Patrizia FERRARI [2] Piera FILIPPI Gaetano MICCICHE' [1] Giuseppe MORBIDELLI [3] Bruno PICCA

Manager responsible for preparing the Company's financial reports

Fabrizio DABBENE

Independent Auditors

KPMG S.p.A.

(1) General Managers
(2) Resigned with effect from 14 July 2015
(3) Resigned with effect from 16 March 2015
(*) On voluntary suspension from 10 February 2016

Letter from the Chairmen

Dear Shareholders,

An important change occurred in the history of the Intesa Sanpaolo Group in 2015. Eight years since its creation and after a careful, extensive and complex examination, involving the joint work of your company's bodies, numerous experts, academics and operators in corporate governance of other companies, it was decided to propose that the parent company's governance model be transformed from a dual system to a one-tier system. With the approval of the new Articles of Association based on said model, the bank is moving towards an effective, compact decision-making structure: a single Board of Directors with an internal Management Control Committee.

The year just ended saw additional significant changes, including a drastic rationalisation of the companies in the Group, with the correlated reduction in brands, the integration of Banca Fideuram and ISP Private Banking, the launch of the new service model in the Banca dei Territori Division and the establishment of Capital Light Bank, whose mission is to extract value from non-core activities also by managing doubtful loans and the sale of non-strategic investments. Furthermore, Banca IMI - the Group's investment bank - strengthened its international position, confirming its leadership in structured finance and share and bond placement in Italy. Lastly, the New Headquarters became fully operational in April 2015. This also houses our Innovation Centre: a new entity dedicated to disseminating the culture of innovation in the Group and concretely developing projects and making our products/services increasingly advanced and digital, as well as promoting the innovation of small and medium-sized enterprises.

We were an Official Global Partner of Expo Milano 2015. Intesa Sanpaolo's exposition space hosted numerous cultural events and facilitated business meetings, which involved over 3,000 companies overall, from different production fields. This was a considerable investment with excellent returns and, as we are ever-more the bank for Italian households and businesses, we believe that we provided a significant contribution to the success of this exhibition.

After excelling the assessments by the ECB, with capital and liquidity ratios significantly exceeding the levels required, since 2015 the Bank has been subject to the Single Supervisory Mechanism. This is the first step towards the Banking Union, a plan which should resolve the fragmentation of the European banking system.

The changes in the supervisory mechanism and the structure of internal governance were accompanied by an economic climate that is still dominated by significant uncertainty. Internationally, the slowdown of emerging economies, specifically Brazil and China, was only partially offset by the strength of the leading advanced economies and the moderate recovery in several economies in the Eurozone. For this year, the global growth rate is estimated at around 3%.

Nonetheless, the signs of economic improvement in Italy gained strength for the first time following three consecutive years of recession. The gradual recovery in the real economy was supported by the positive trend in internal demand and, according to preliminary estimates, the annual growth rate of industrial production returned to positive ground for the first time since 2011.

At the beginning of 2015, the European Central Bank's adoption of extraordinary expansive measures increased the effectiveness of the transmission of monetary policy and led to a reduction in interest rates on long-term loans. Governor Draghi's communication and mediation abilities kept the situation under control at times of greater tension relating to the worsening of the Greek crisis.

Even during phases of uncertainty, the Intesa Sanpaolo Group continued to support businesses and households. In 2015, the bank was the main source of financing for the national economy, with over 41 billion euro, an increase on the previous year of approximately 50% in credit granted to Italian customers.

2015 closed with positive performance of all income margins. The increase in revenues as a result of the trend in fee and commission income, profits on trading and the reduction in net adjustments to loans drove net income for the year to 2,739 million euro, doubling the income of 2014. An achievement that seems even more positive when considering that operating expenses were posted for the contributions to the European Single Resolution Fund and deposit guarantee schemes. If we consider the soundness of the capital ratios (after proposed dividends, fully loaded CET 1 ratio of 13.1%), the liquidity ratios (already in line with Basel 3 requirements for 2018), and the low risk profile of our business model, we can state that the results for 2015 are particularly significant.

The cooperation of all stakeholders in the 2014-2017 Business Plan targets, with the successful implementation of the operating strategies agreed upon have made the Bank a reference point in the Italian market and one of the leading banks in the Eurozone. At the beginning of 2016, the Group was also included on the list of O-SII (Other Systemically Important Institutions).

Ours is a bank undergoing continuous transformation, rooted in the past but looking towards the future, with an extraordinary, proven ability to anticipate trends. As all organisations that have a history, our way of banking has changed over time, but has always remained consistent with the goal of creating a reliable financial system that is worthy of investors' trust. Transparency, soundness, careful risk management and integrity underlie our decisions and our every day work.

We are a competitive group with the ambition of further consolidation and growth, and we cultivate both relations with customers as well as the feeling of belonging in all those who make these results possible (who we sincerely thank).

Evidence of the satisfaction with our efforts so far is provided by the opinions of our shareholders, our customers, investors and, above all, the people that work with us. The community has repeatedly recognised our efforts on important issues such as supporting cultural activities, focusing on the environment and financial education. A commitment made not of statements, but of concrete actions and significant investments.

Considering net income for the year of 2,739 million euro, a proposal was made to the Ordinary Shareholders' Meeting to distribute cash dividends amounting to 2,361 billion euro, equal to 14 eurocents per ordinary share and 15.1 eurocents per savings share, before tax.

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 2015 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 Pillar 3, as well as press releases published during the year and other financial documentation.

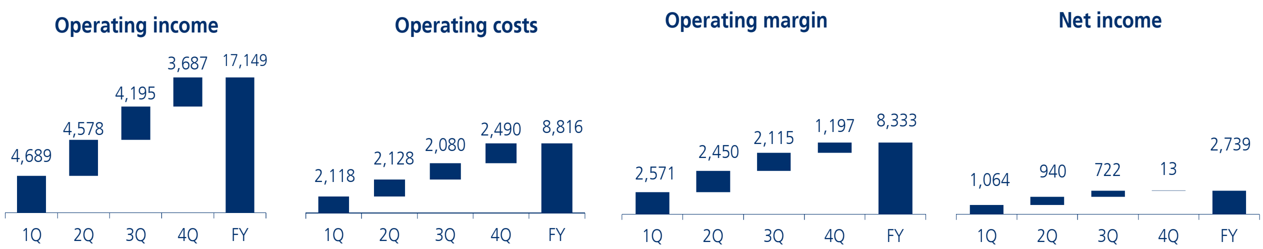
Report on operations

Overview of 2015

Income statement figures and alternative performance measures

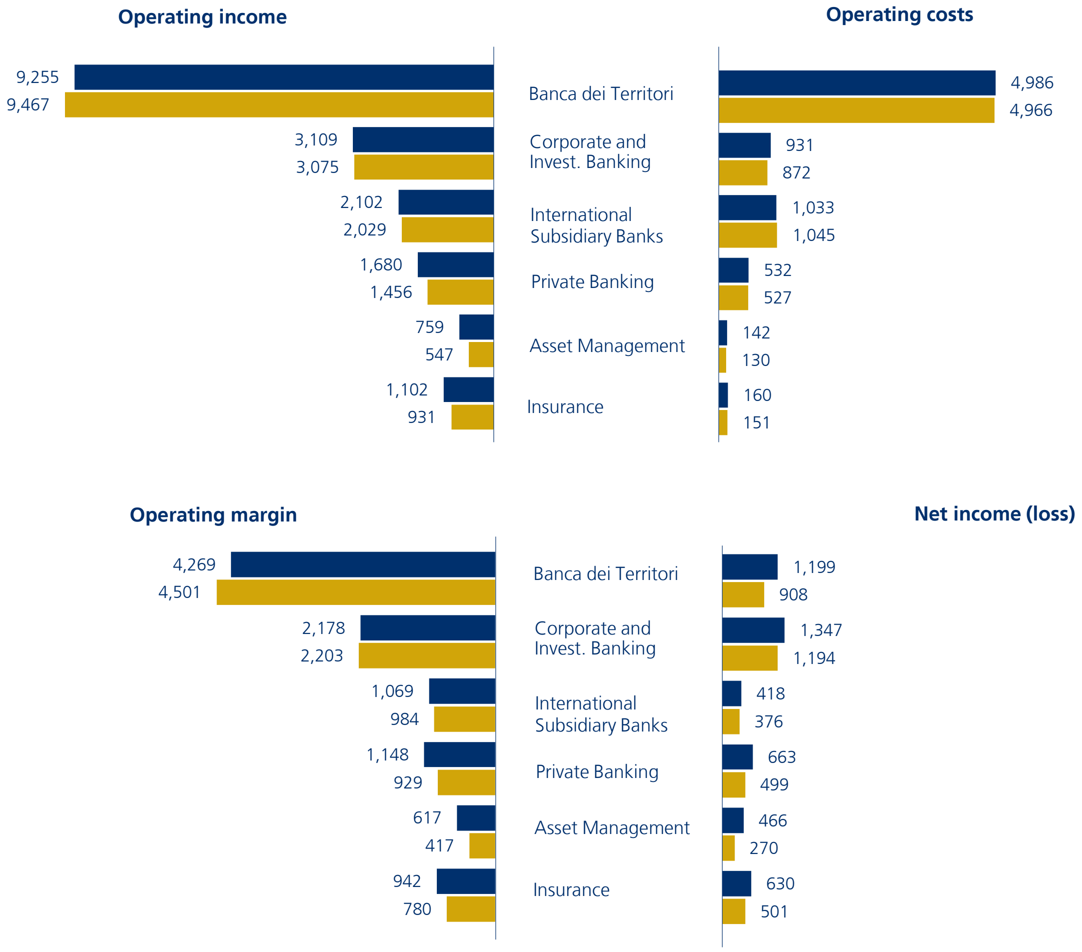
Consolidated income statement figures (millions of euro)	2015	2014	Changes amount	Changes %
Net interest income	7,812	8,358	-546	-6.5
Net fee and commission income	7,496	6,765	731	10.8
Profits (losses) on trading	1,034	736	298	40.5
Income from insurance business	997	932	65	7.0
Operating income	17,149	16,828	321	1.9
Operating costs	-8,816	-8,606	210	2.4
Operating margin	8,333	8,222	111	1.4
Net adjustments to loans	-3,306	-4,568	-1,262	-27.6
Income (Loss) after tax from discontinued operations	-3	276	-279	
Net income (loss)	2,739	1,251	1,488	

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



2015
2014

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



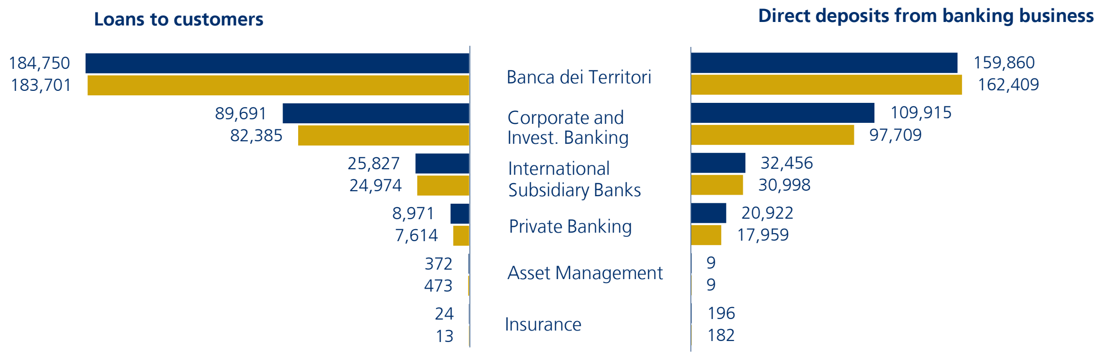
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

(*) The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	31.12.2015	31.12.2014	**Changes amount**	**%**
Financial assets	238,048	223,251	14,797	6.6
of which: Insurance Companies	*128,893*	*115,046*	*13,847*	*12.0*
Loans to customers	350,010	339,002	11,008	3.2
Total assets	676,496	647,343	29,153	4.5
Direct deposits from banking business	372,183	359,808	12,375	3.4
Direct deposits from insurance business and technical reserves	132,948	118,612	14,336	12.1
Indirect deposits:	493,737	465,777	27,960	6.0
of which: Assets under management	*327,826*	*301,715*	*26,111*	*8.7*
Shareholders' equity	47,776	44,683	3,093	6.9

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



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

(*) The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.

31.12.2015

31.12.2014

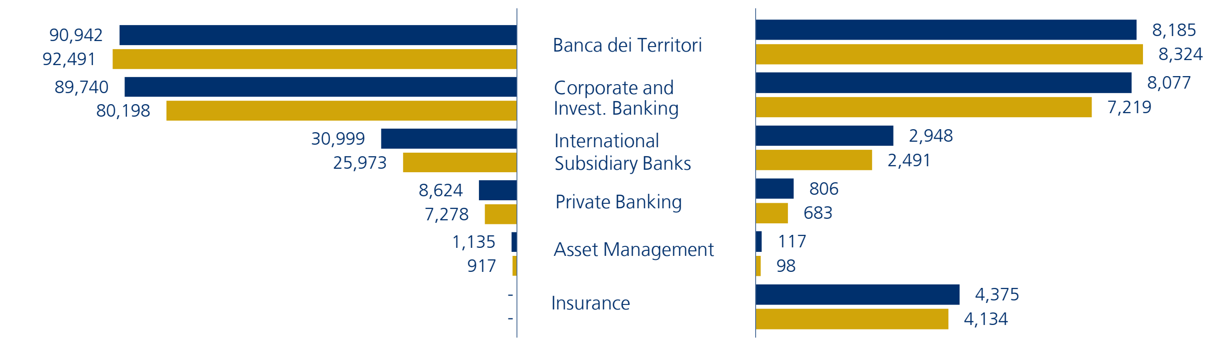
Other alternative performance measures

Consolidated capital ratios (%)

Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	13.0	13.5
TIER 1 Capital / Risk-weighted assets	13.8	14.2
Total owns funds / Risk-weighted assets	16.6	17.2
Risk-weighted assets (millions of euro)	284,319	269,790
Absorbed capital (millions of euro)	30,167	28,613

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

Absorbed capital by sector (*)
(millions of euro)



Information on the stock	**2015**	**2014**
Number of ordinary shares (thousands)	15,859,576	15,846,090
Share price at period-end - ordinary share (euro)	3.088	2.422
Average share price for the period - ordinary share (euro)	3.109	2.288
Average market capitalisation (million)	51,903	38,096
Shareholders' equity (million)	47,776	44,683
Book value per share (euro) [(a)]	2.897	2.700

Long-term rating	**2015**	**2014**
Moody's	Baa1	Baa2
Standard & Poor's	BBB-	BBB-
Fitch	BBB+	BBB+
DBRS	A(low)	A(low)

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

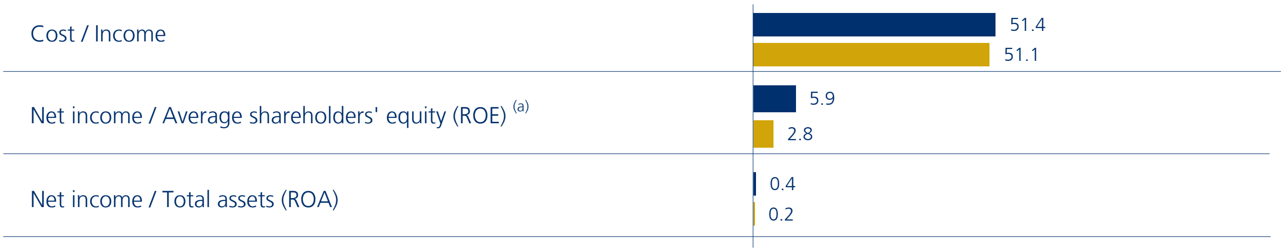
(*) The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.

(a) Book value per share does not consider treasury shares.

31.12.2015

31.12.2014

Consolidated profitability ratios (%)



Earnings per share (euro)

Consolidated risk ratios (%)

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

[a] Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves

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

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

Operating structure	2015	2014	Changes amount
Number of employees	**90,807**	**92,763**	**-1,956**
Italy	64,416	64,837	-421
Abroad	26,391	27,926	-1,535
Number of financial advisors	**5,050**	**5,044**	**6**
Number of branches [d]	**5,386**	**5,867**	**-481**
Italy	4,144	4,473	-329
Abroad	1,242	1,394	-152

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

[d] Including Retail Branches, Private Banking Branches, SME Branches and Corporate Branches.

Executive summary

Intesa Sanpaolo in 2015

Economic trends in 2015

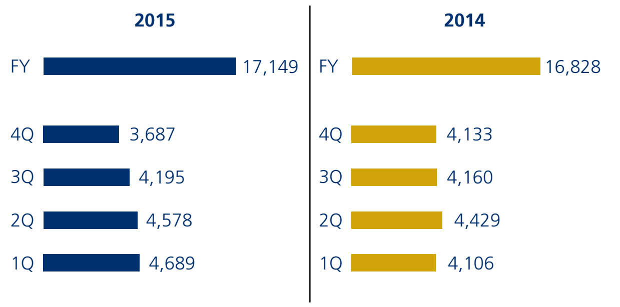
In 2015, the global economy was marked by moderate growth, low inflation, weakness in commodity prices and accommodating monetary conditions in advanced countries. Confidence was rocked in the spring by a new crisis in Greece, which then subsided, and subsequently by the collapse of the Chinese stock markets. Throughout the year there were signs of a sharp economic slowdown in numerous emerging countries relating to, on one hand, the decline in economic activity in Latin America and CIS countries and, on the other, the leading Asian economies, with a slowdown in China. The greater uncertainty on the global economic outlook and signs of suffering in the US manufacturing sector in relation to the strengthening of the US dollar led the Federal Reserve to procrastinate in executing the expected raise in official interest rates until December. In the Eurozone, economic growth gained strength, increasingly driven by internal demand, and, specifically, by household consumer spending. The positive reflections of the recovery on employment reduced the unemployment rate. There continued to be no inflationary pressure. Central and South Eastern Europe confirmed sustained growth, with acceleration in Slovakia and a more moderate trend in Slovenia and Hungary. There was a significant recovery in SEE countries, with Croatia and Serbia coming out of recession, and GDP growth in Romania.
In Italy, economic recovery was confirmed. GDP growth was more the result of internal demand than the trade balance, which was still penalised by the weak performance of demand in emerging countries. The pace of expansion in industrial production remained modest, but growth has become more widespread across sectors. Employment grew and, along with the recovery in real wages, supported consumer spending. The unemployment rate dropped significantly.
In March, the European Central Bank launched a Public Sector Purchase Programme (PSPP) integrating the two previous programmes dedicated to covered bonds and ABSs. At the end of the year, the duration of the programme was extended to March 2017. The ECB also cut the rate on deposits to -0.30%. On money markets, the negative level of the rate on deposits and the excess reserves further drove down interest rates, pushing them to negative values. Government bond yields declined sharply with the launch of the ECB purchase programme and subsequently recorded significant fluctuations. For ten-year Italian bonds, the annual average spread with the Bund dropped from 165 basis points in 2014 to 119 basis points. The Euro depreciated quickly against the US dollar in the initial months of the year. It then gained ground, closing 2015 at 1.0922, well below the figure of 1.2261 at the end of 2014.

As regards the Italian banking system, in 2015 the cost of funding decreased significantly, due to the decline in rates on deposits and the lesser weight of bonds. Rates on new loans to non-financial companies and those on new mortgage loans to households reached historical lows. As rates are low or declining, the banking spread continued to be under pressure, though the annual average remained stable on the 2014 figure.
The improvement in the trend of bank loans to the private sector continued, with signs of resumed growth in several operating segments, specifically in loans to consumer households and loans to the manufacturing industry. For total loans to non-financial companies, the gradual recovery from the recessive cycle was driven by medium-term loans, which have resumed growth since the beginning of the year. However, as a result of the ongoing decline in short-term loans, the aggregate of loans to non-financial companies continued to decrease on the whole, though at a more moderate pace than in the previous year. For loans to households, since mid-2015 the stock has resumed slight growth, driven by the significant trend in the disbursement of residential mortgages, specifically fixed-rate. Concerning credit quality, the growth in the stock of doubtful loans decreased its pace. There was an even more significant slowdown in the flow of the ratio of new non-performing loans to total loans, thanks to the improvement in economic activity.
As regards funding, the trends seen in 2015 confirmed previous trends, specifically the growth in deposits, driven by the trend in current accounts, and the reduction in bonds, the performance of which was affected by customer portfolio reallocation processes. Overall, direct customer deposits continued to decline slightly, not dissimilar to the average trend in the previous year.
The asset management sector confirmed its robust performance. The year began with particularly high net inflows which, in the second half were lower while remaining still positive.

The results for 2015

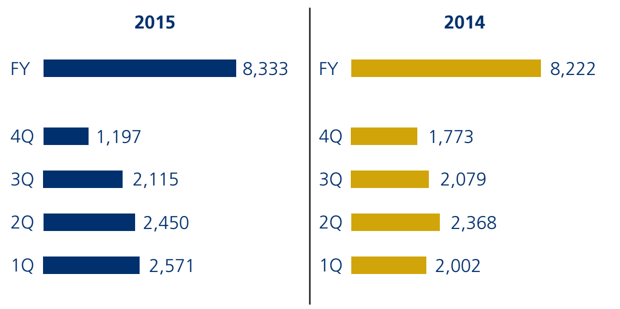
The consolidated income statement for 2015 reported net income of 2,739 million euro, a sharp rise on 1,251 million euro in 2014, not only due to the positive trend in operating income, but also due to the decreased need for adjustments to loans. A significant contribution was made to operating income by net fee and commission income, as well as by profits on trading and, to a lesser extent, income from insurance business. The positive trends in these segments absorbed the downturn recorded in net interest income and the marginal growth in operating costs, as well as the significant charges (516 million euro in total) related to the new resolution mechanisms for banking crises and deposit guarantee schemes and the resolutions of four Italian banks placed in receivership. The operating margin rose by 1.4% compared to 2014, which would have come to 7.6% excluding said charges for the resolution fund and deposit guarantees, which were not present in the previous year.
The decreased need for adjustments and provisions, above all for credit risk, then enabled growth by approximately 41% in income before tax from continuing operations.

Operating income
(millions of euro)



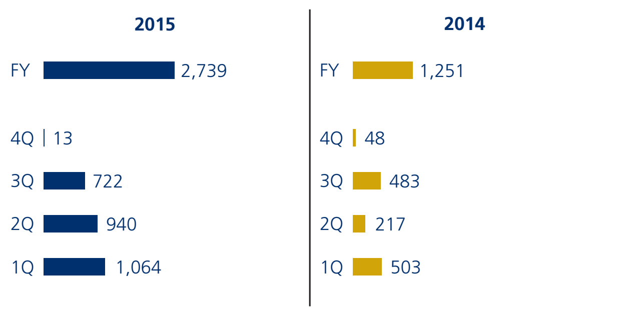
A detailed breakdown of the components of operating income shows that the income statement for 2015 recorded net interest income of 7,812 million euro, down 6.5% compared to 2014, primarily relating to the decrease in customer dealing attributable to lower interest on financial assets and lower average volumes. The services segment generated net fee and commission income of 7,496 million euro, substantially confirming the favourable trend seen during the year, increasing by 10.8% on 2014. This result is attributable to the positive contribution from financial instrument dealing and management activities (approximately +21%), in relation to renewed interest among customers in all forms of professional asset management and the positive reception of new insurance products.
Profits on trading amounted to 1,034 million euro (approximately +41%), due to the positive results of securities available for sale as well as, above all, due to profits on trading, aimed at maximising contributions from the trend in financial markets, where possible. Income from insurance business, which aggregates specific costs and revenues of the insurance business of the Group companies operating in the life and non-life segments, amounted to 997 million euro (+7%), essentially due to the higher net investment result.
Other operating expenses, which amounted to 286 million euro, included 211 million euro pertaining to the IMI-SIR dispute, as described in detail in the notes on legal risks. This item also includes a negative amount of 473 million euro referring to the new resolution mechanism of banking crises: this takes the form of ordinary and extraordinary contributions, the latter in relation to the resolution of four banks under extraordinary administration (Banca delle Marche, BP dell'Etruria e del Lazio, CR Ferrara and CR Chieti). In addition, ordinary charges were required by the National Interbank Deposit Guarantee Fund for a total of 43 million euro.

Operating margin
(millions of euro)

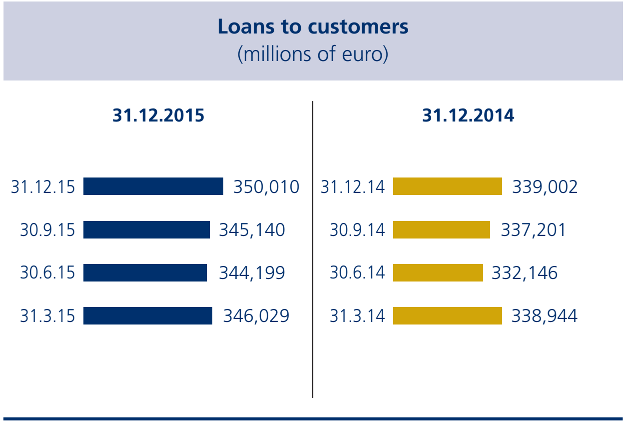


As a result of the above trends, operating income in 2015 amounted to 17,149 million euro, up 1.9% on 2014.
Operating costs recorded limited growth (+2.4% to 8,816 million euro). In particular, personnel expenses reported an increase (+3.9%), essentially attributable to greater provisions for the variable component, in relation to the results achieved by the Group.
Adjustments also increased (+5.8%), especially due to amortisation of intangible assets linked to investments for growth, whereas other administrative expenses decreased (-1%), confirming the success of structural measures aimed at containing such expenses.
The operating margin therefore came to 8,333 million euro, up compared to 2014 (+1.4%).

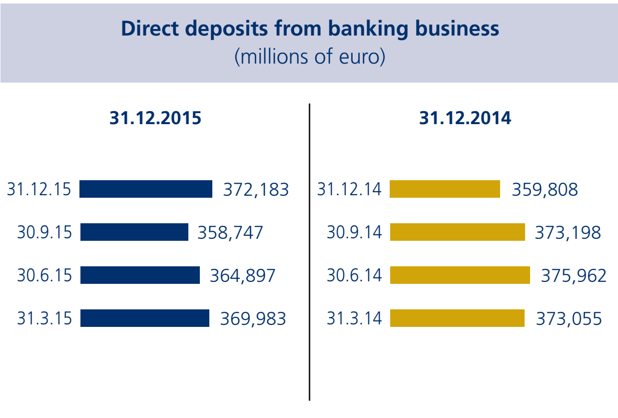
Net income (loss)
(millions of euro)



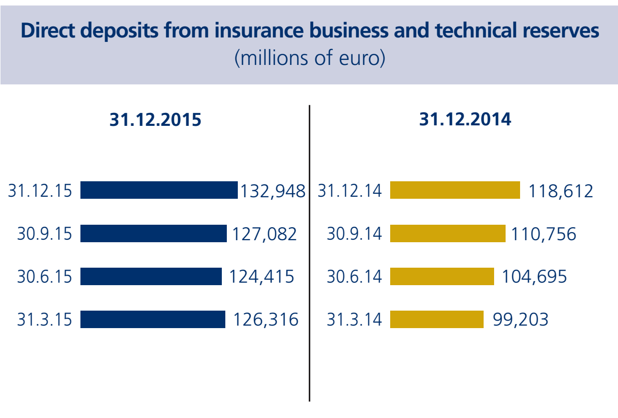
Adjustments and provisions for risks, as a whole, were down around 28%, overall, primarily due to the decreased need for adjustments to loans (approximately -28%). Provisions for risks included the provisions of the Croatian subsidiary PBZ relating to regulatory measures concerning the country, on the matter of loans in Swiss francs (172 million euro).
Despite the lower contribution of profits on investments held to maturity and on other investments (138 million euro compared to 388 million euro in 2014), income before tax from continuing operations came to 4,597 million euro, up by approximately 41%.
After recognition of income tax for the period of 1,594 million euro (approximately -10%), charges for integration and exit incentives of 83 million euro and purchase price allocation effects of 119 million euro, as well as losses of discontinued operations of 3 million euro and minority interests of 59 million euro, the Group's income statement closed, as already noted, with net income of 2,739 million euro, more than twice the 1,251 million euro of 2014.



As to balance sheet aggregates, loans to customers amounted to 350 billion euro (+3.2% compared to the end of 2014). In this area, the positive trend in commercial banking loans, up by 2.6% overall, is attributable to the positive performance of advances, loans and mortgages, which benefited from the improved outlook for the economy. This growth fully absorbed the drop in current accounts (approximately -9%) and the slight downturn in loans represented by securities (-3.3%).
Short-term financial loans represented by repurchase agreements increased significantly during the year (approximately +27%).



On the funding side, direct deposits from banking business reached 372 billion euro (+3.4% compared to the end of 2014).
The overall trend of the aggregate was attributable to the positive performance of current accounts and deposits (approximately +13%). The growth in the demand component more than offset the downturn in funding through bonds (approximately -12%), subordinated liabilities (approximately -8%) and certificates of deposit (approximately -11%). Other deposits also grew (+3.3%).
Repurchase agreements came to amounts in line with those of the end of 2014 (-0.8%).



Direct deposits from insurance business, which include technical reserves, also increased approximately (approximately +12%, to over 133 billion euro). The overall increase was primarily attributable to the higher value of financial liabilities in the insurance sector designated at fair value through profit and loss (approximately +25%), particularly unit-linked products. Technical reserves also grew (+6.2%), which represent the amount owed to customers who have taken out traditional insurance policies.
The new business of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 27.3 billion euro for the year.

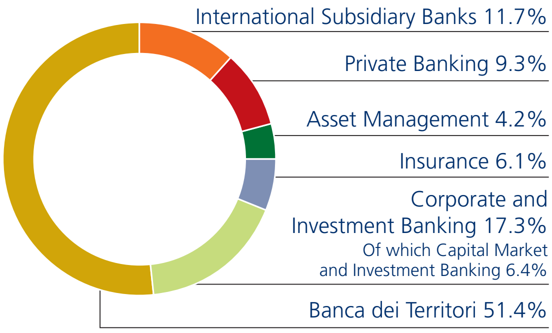
As at 31 December 2015, indirect customer deposits reached 494 billion euro, up 6% over the end of 2014, despite fluctuating financial market performance. During the year, customers continued to reposition into forms of professional asset management, which were the destination for new funding inflows, though with customers maintaining adequate liquidity.
Assets under management increased (approximately +26 billion euro, or 8.7%) as a result of net inflows, with a positive performance recorded for both portfolio management and mutual funds. Positive performance, though more limited in absolute terms, was also seen in life policies and collective and individual pension forms.
Assets under administration increased (+1.8 billion or approximately +1%) due to the positive contribution from institutional customers, which offset disinvestments by retail customers in favour of asset management.

Results of the Business Units

In 2015, the Intesa Sanpaolo Group organisational structure was based on six business areas. These are in addition to the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.
This new organisational structure, implemented in late 2014, involved in particular the creation of the new Private Banking, Asset Management and Insurance divisions, and the Capital Light Bank (CLB) business unit within the Corporate Centre.
The share of operating income attributable to each business area confirms that commercial banking activities in Italy continue to account for the majority (slightly less than 52% of the operating income of the business areas), although significant contributions

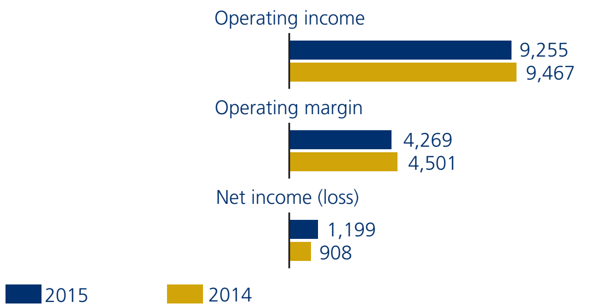
were also provided by corporate and investment banking (approximately 17%), commercial banking activity abroad (approximately 12%), private banking activity (9%), insurance activity (approximately 6%) and asset management (approximately 4%).

Operating income: Breakdown by business area [1]



[1] Excluding Corporate Centre

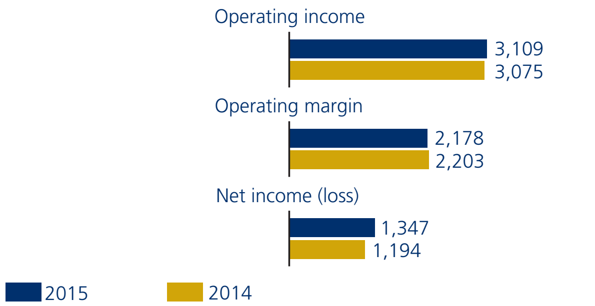
Banca dei Territori



In 2015, Banca dei Territori Division – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 9,255 million euro, down 2.2% compared to the previous year. More specifically, the decrease in net interest income (-9.5%) was partly offset by the increase in net fee and commission income (+7.2%), driven by those relating to asset management and bancassurance products. Operating costs remained largely stable due to a contrasting increase in personnel expenses (correlated with the trend in results) and a decrease in administrative expenses. As a consequence of the above trends, operating margin decreased (-5.2%), whereas income before tax from continuing operations increased significantly (approximately +26.5%) due to the reduced need for net adjustments to loans. After accounting for the Division's taxes (893 million euro), charges for integration (37 million euro) and the economic effects of purchase price allocation (a negative 2 million euro), net income stands at 1,199 million euro, up 32%.

The balance sheet figures at the end of 2015 showed slightly increasing loans to customers (+0.6% to approximately 185 billion euro) compared to the end of 2014, mainly as a result of the growth in loans to retail customers. Conversely, direct deposits from banking business decreased slightly, mainly due to the declining trend in securities issued. Indirect customer deposits reached 222 billion euro, up by 6.1%, driven by the good performance of all components of assets under management, which more than offset the outflow from assets under administration.

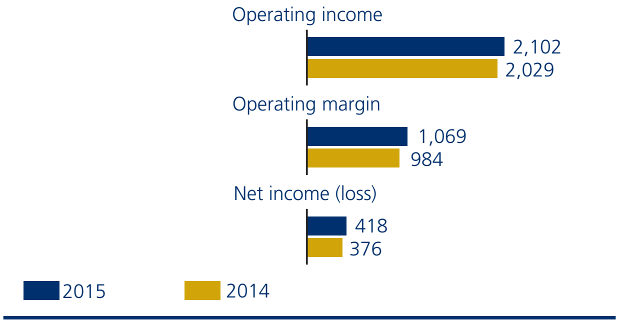
Corporate and Investment Banking



The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – reported operating income up 1.1% (3,109 million euro) compared to 2014. In detail, net interest income declined (-13.4%), specifically attributable to the lesser contribution by the capital markets segment. Net fee and commission income showed an increasing trend (+4.9%) due to higher income in the investment banking sector. Profits on trading also grew (+48.6%), due to the greater contribution from capital markets activity. Operating costs (+6.8%) increased both relating to personnel expenses and administrative expenses. As a result of the above revenue and cost trends, the operating margin decreased (-1.1%), while income before tax from continuing operations showed a positive trend (+12.9%), favoured by the reduced need for adjustments to loans. The Division closed the income statement for 2015 with net income of 1,347 million euro (+12.8%).

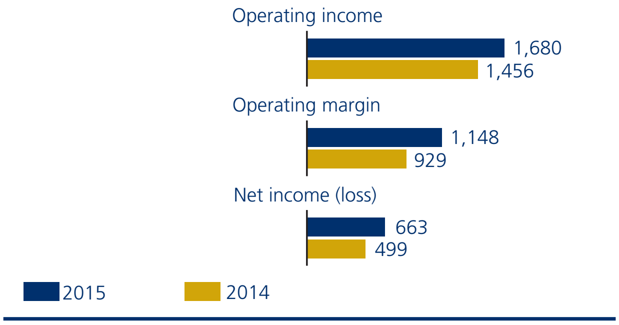
The Division's intermediated volumes increased compared to the end of 2014. Growth was seen in both direct deposits from banking business (+12.5% to approximately 110 billion), mainly in relation to repurchase agreements, and in loans to customers (+8.9% to approximately 90 billion euro).

International Subsidiary Banks



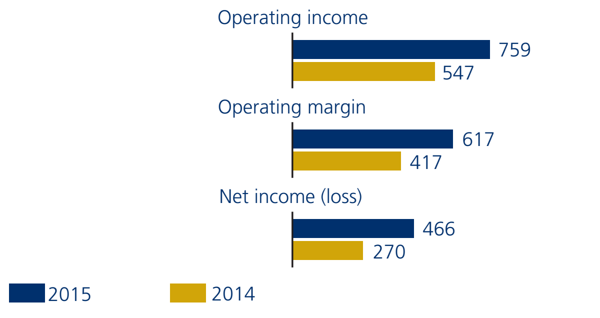
In 2015, the operating income of the International Subsidiary Banks Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks primarily involved in retail banking operations – increased compared to the previous year (+3.6% to 2,102 million euro). The increase in net interest income (+2.7%), the growth of net fee and commission income (+2.1%) and the larger contribution of companies carried at equity (+8 million euro) more than offset the decline in profits on trading (-17.2%) and other operating income (approximately -37%). Operating costs decreased by 1.1%. As a result of the above revenue and cost trends, the operating margin increased by 8.6%, just as income before tax from continuing operations which, on one hand, was penalised by greater provisions for risks and charges of Privredna Banka Zagreb, resulting from the previously mentioned regulatory measures concerning Croatia, on the matter of loans in Swiss francs and, on the other, benefited from lower net adjustments to loans and net impairment losses on other assets. The Division closed its income statement with net income of 418 million euro (+11.2%).
The Division's intermediated volumes increased compared to the end of December 2014 (+4.1%) owing to the favourable trend in loans to customers (+3.4%) as well as amounts due to customers under direct deposits from banking business (+4.7%).

Private Banking

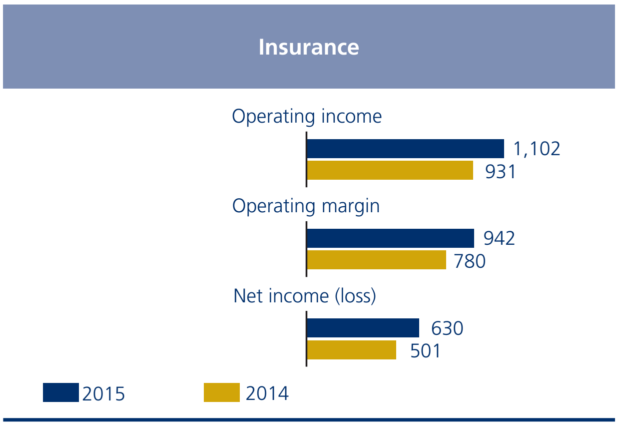


When the ongoing integration process is complete, the establishment of the Private Banking Division, which provides the private and high net worth individuals segment with specific products and services, led to the creation of a service hub aimed at the customers of Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse), Sirefid and Banca Fideuram, with the aim of providing greater visibility for the Group's private banking operations, achieving significant revenue synergies and managing resources more efficiently.
In 2015, the Division recorded a significant increase in income before tax from continuing operations (+32.2% to 1,109 million euro). The increase in operating income (+15.4%), essentially to be attributed to higher fee and commission income (approximately +20%), more than offset the slight growth in operating costs (+0.9%). The income statement closed with net income for the year of 663 million euro (+32.9%).
As at 31 December 2015 assets under administration amounted to 190 billion euro (+10.1 billion euro compared to the end of 2014). This positive performance is primarily attributable to the trend in net inflows, which more than doubled on those of 2014, in addition to the overall positive market performance.

Asset Management



The Asset Management Division is tasked with developing asset management solutions aimed at the Group's customers, non-Group distribution networks and institutional customers, through the subsidiary Eurizon Capital.
During 2015, the Division's operating income increased (+38.8% to 759 million euro) compared to 2014 due to the increase in net fee and commission income (+33.7%), largely attributable to the growth of average assets under management. Despite the increase in operating costs (approximately +9.2%), to be attributed to both personnel expenses and administrative costs, the operating margin rose sharply (+48%). The Division closed the income statement of 2015 with net income of 446 million euro, a sharp increase (+72.6%) on the amount of the previous year.
Overall, total assets managed by Eurizon Capital as at the end of December 2015 came to 227 billion euro (+11.9%), mainly as a result of positive net inflows.



The Insurance Division oversees management of the subsidiaries Intesa Sanpaolo Vita and Fideuram Vita, with the mission of further developing insurance and pension products targeted at Group customers.
The Division's income before tax from continuing operations increased (+18.5% to 923 million euro) on the 2014 figure, due to the rise in operating income (+18.4%) as a result of the increase in income from insurance business, which benefited from greater net capital gains, including the gain relating to the sale of Union Life (58 million euro). After recording an increase of 6% in operating costs, the operating margin came to 942 million euro (+20.8%). Net income amounted to 630 million euro, compared to 501 million euro in 2014 (approximately +26%).
Collected premiums for life policies, amounting to 27.5 billion euro, grew compared to those of 2014. Direct deposits from insurance business, amounting to approximately 133 billion euro, increased 12.1% since the end of 2014, largely attributable to the development of financial liabilities of the insurance segment designated at fair value and of technical reserves.

Highlights

The 2014-2017 Business Plan

With the Business Plan approved in March 2014, the Intesa Sanpaolo Group has introduced the 2014-2017 objective to pursue a new growth phase based on an innovative strategy which, focusing on the individuals and adopting a clear and effective business model, aims at increasing profitability in a sustainable manner, optimising capital and liquidity.
The new strategy hinges on a number of priorities that are now part of the inheritance of Intesa Sanpaolo, which aims to become:
- a real-economy Bank, which supports households and businesses and, leveraging a strong balance sheet and leadership, matches healthy credit demand and manages the financial wealth of customers with care;
- a Bank with sustainable profitability, in which operational performance, productivity, risk profile, liquidity and solidity/leverage are carefully balanced;
- a leader in retail and corporate banking in Italy and a few other key countries;
- a 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 carries out the role of "Local bank abroad" for Italian companies;
- a simple yet innovative Bank, acting with a truly multi-channel model.

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

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

a) New Growth Bank
As part of the "New Growth Bank" initiative, the Banca 5® project continues, relying on an ad hoc offer and on a dedicated commercial value chain of approximately 3,000 people to revamp approximately five million retail customers currently marked by low profitability but with good loyalty potential. During the year, following the roll-out of the new service model, the number of dedicated managers increased by approximately 700 (about 3,000 total), and such managers continued to receive training. Numerous commercial activities were implemented, designed to favour the development of cross selling and increase customer loyalty. In the last part of the year, in particular, commercial activities focused on personal loans and on home needs. In order to improve the customer experience, the initiatives aimed at promoting the use of digital channels by customers were further developed.
Numerous activities were performed to develop the multi-channel approach, which will enable customers to purchase products and services from all channels through consistent, integrated paths. During the year, the possibility was provided to use the remote offering of payment cards and insurance and investment products. The mortgage simulator was launched on the Showcase Website and Internet Banking Website and new mobile and tablet app features were activated. The implementation plan for the new front-end for digital channels (Internet Banking and Showcase Website) was drawn up. Work continued on implementing the new integrated model for managing telephone contact between branches and contact units. The process of dematerialisation of documentation was launched, for branch and out-of-branch transactions. A plan was defined for the creation of new native digital products. The redesign of Group apps was also launched. Lastly, specific attention was focused on solutions to guarantee the best security standards in using digital channels.
The size of the new Fideuram-Intesa Sanpaolo Private Banking Group on the market makes it a leader in Italy and places it at a top position in private banking at European level, allowing it to develop domestic and international markets in the future. Following the corporate transactions concluded at the end of June 2015, the integration of the two companies continued, with a specific

focus on exploiting synergies and pooling the excellence and distinctive skills of Fideuram and Intesa Sanpaolo Private Banking. The numerous activities carried out include those relating to the launch of new advanced advisory platforms and services (which include the expansion of the High Net Worth Individual competence centre and the opening of the first dedicated branches). Internationally, the revitalisation of ISPB Suisse continued and, at the beginning of December, the London branch was inaugurated. The enhancement of private banking operations abroad will specifically leverage the distinctive expertise of the Intesa Sanpaolo Group in advanced advisory services for Private and High Net Worth Individual customers, exporting the excellence which made Fideuram – Intesa Sanpaolo Private Banking the leader in Italy.

The Asset Management Division took steps in several areas during the year. In particular, in support for the Banca dei Territori Division, several changes were made to the product catalogue to ensure that it continued to suit customers' needs. Works were also implemented to strengthen specialised support provided to the distribution network. Particular care was devoted to supporting the growth of the Private Banking Division by establishing a dedicated team, improving promotional materials, developing training and launching a dedicated product line. Great attention was also given to extra-captive and institutional customers, for whom specific commercial offers were created, along with a new website dedicated to financial advisors that provides additional information and specifically created multimedia content. The services offered to the Group Insurance Division were expanded both in the product innovation and after-sales support stages. Finally, work on developing international business was no less intense. As regards the Hong Kong subsidiary, pending the issue by the local Supervisory Authorities of the licences authorising advisory and investment activities, respectively, in the fourth quarter of 2015 implementation continued of the operating model defined for the company's start-up period. The authorisation process for the establishment of a wealth management company in the People's Republic of China (main branch in Qingdao), as a joint venture with Intesa Sanpaolo's International Subsidiary Banks Division and Fideuram-Intesa Sanpaolo Private Banking is pending finalisation at the Bank of Italy. The company's object will be to provide financial advice and distribute and promote wealth management products. In Taiwan, fund-raising activity began with the new master agent, First Capital Management. The Group is also participating in the "Magnifica 2.0" project, which is aimed at creating a new service model for international hub companies, in keeping with the model in which Eurizon Capital and Banca dei Territori play a key role. The international commercial structure was enhanced by appointing the new Head of International Sales and creating a sales desk based in Paris. Lastly, activities continued for international development on the London market.

The SME Finance Hub is the Group's specialised credit and business advisory service unit. In 2015, implementation of the new commercial model resulted in the establishment of a single Commercial Department, according to an organisational logic consistent with the Banca dei Territori Network's new Business Customer Service Model. The new website was developed and development activity continued for the credit model, as did work on integrating the IT systems of Mediocredito and Mediofactoring. Lastly, with regard to the doubtful loans disposal project, the deed of demerger from Mediocredito to Provis (Leasing doubtful loans) and the Parent Company (medium/long-term doubtful loans) was signed. The factoring offer was developed due to a new cross-divisional IT platform. Lastly, in the last quarter the first Italian confirming contract was signed.

The activities of the Insurance Division focused on developing of the product mix in the Life and Non-Life segments. During the year, in the Life business work was done on creating multi-line products for Banca dei Territori and extending such products to the Private Banking network. Measures were also implemented with the aim of rationalising the pension business and renewing the product lines which combine income and capital protection, thus meeting a widespread need among customers. In the Non-life business, work focused on developing and marketing insurance products in the following categories - CPI - Credit Product Insurance, health and accident, home, car and motorcycle insurance, including special promotions in conjunction with lending products. New products were developed for business customers, and the planned developments for both the life and non-life businesses were completed, which will further improve both sales efficiency and customer services.

Moreover, the implementation of a new strategy and commercial initiatives for Transaction Banking is under way. A single product company at Group level will support the growth of business, guaranteeing product innovation, excellence in commercial support and pro-active development of partnerships (for example, a partnership with the Italian Association of Business Treasuries - AITI - has already been signed). A number of initiatives related to the project aimed at extending Banca IMI's product range. The High Net Worth Individual (HNWI) initiative was launched, in partnership with the Private Banking Division, to offer that customer segment a complete range of products and services usually reserved for professional investors. As part of the development of the offering of Advisory and Structuring services regarding third-party NPL (Non-Performing Loans), through which the Bank aims to act as an "aggregator" for all Italian cooperative banks and Tier 2 banks in relation to their main specialised investors, the first transactions for the sale of Non-Performing Loans (NPL) through the new multi-originator platform were structured. The Gas Commodity Trading activities continued, the first green certificate deals were concluded, and the design phase of all major risk-hedging activities was completed.

On the international front, further progress was made on the project to extend the Foreign Network to economically emerging areas, in order to expand the offer and improve geographical coverage. Specifically, commercial development continued for the Istanbul brand (Turkey) and the subsidiary ISP Brasil SA, and the reinforcement of the ISP Bank Luxembourg unit (former SEB) continued, aimed at expanding the effectiveness of commercial coverage on customers in the Benelux market. Lastly, the new Representative Office was opened in Washington, DC and preparations are ongoing for the opening of branches in Abu Dhabi, Qatar and Jakarta.

A large number of initiatives and considerable effort were devoted to participating in and supporting EXPO 2015, of which Intesa Sanpaolo was the Official Banking Partner. As part of the Bank' participation in the event, "The Waterstone", Intesa Sanpaolo's exhibition space was created, where the Bank not only offered guests of the exhibition banking services (with full coverage in the opening hours of Expo) but also hosted cultural events and chances to meet with its leading customer companies in the Made in Italy sector. To that end, over 1,000 events were held in our exposition space. From the over 1,100 candidates who participated in the contest "Nominate your Company", 400 companies were selected and showcased in our exposition space. Also at Expo, a Branch was opened for self-service transactions, and a network of ATMs was installed throughout the exhibition space. Intesa Sanpaolo also supported the exhibition through ticketing services, and a line of payment cards dedicated to EXPO 2015 was launched.

The event was also the occasion for designing "Created in Italy", the new Intesa Sanpaolo e-commerce portal dedicated to businesses operating in the sectors of the economy in which Italy excels (tourism, restaurants, food, design and fashion), to offer them visibility and opportunities to sell their products and services. After conclusion of EXPO 2015, the development of "Created In Italia" will continue, to keep offering our business and retail customers a cutting edge service. With a view to the ongoing

evolution of the service model, for example, a partnership with Mercato Metropolitano was launched, which is the first physical sales channel for products in the portal’s catalogue.
With regard to the “new jobs” envisaged in the 2014-17 Business Plan, Intesa Sanpaolo Casa, a new company that operates in residential real estate brokerage between individuals (including non-customers) and between individuals and the Group’s construction company customers, was established. The new company offers customers an advanced range of high-value services based on the soundness and professionalism of a large Group. For example, customers registered in the reserved section of the Intesa Sanpaolo Casa website can use the new interior design and renovation services and request quotes from professionals participating in the platforms of the bank’s partners Cocontest and Habitissimo. The first 13 branches were opened (in Turin, Milan, Monza and Rome) and the first sales transactions have been concluded. Intesa Sanpaolo Casa also provides an opportunity for professional growth for Group employees. The new real estate agencies include agents hired from outside as well as employees of Intesa Sanpaolo, who decided to accept a new challenge by using their experience and professionalism to develop the new business. The launch of Intesa Sanpaolo Casa, supported by an extensive advertising campaign, is an important opportunity for the entire Group, owing to the possibility of developing synergies with the banking business, in line with the principle of separating the real estate business from banking. The initiative aims to complete the offering regarding all home needs which, during the year, also involved an extensive marketing campaign on home mortgages, aimed at consolidating the Group’s market share and increasing customer loyalty by applying highly competitive pricing and the option of renegotiating the interest rate from floating to fixed.
The project “Insieme per la Crescita” (Together for Growth), consisting of management change measures and new methods of securing employee involvement, was extended to the entire Banca dei Territori Network. The idea of the project is to target commercial behaviour with the aim of improving the network’s performance through a stronger focus on relationships, thereby increasing customer and employee satisfaction so as to generate pervasive, permanent change.

b) Core Growth Bank

With regard to the "Core Growth Bank" initiatives, Banca dei Territori continued three projects aimed at optimising the service model for Retail customers ("Full Potential"), Personal customers ("Investment House") and Business customers ("Business-Entrepreneur").
In further detail, work on the “Full Potential” included the roll-out of the network's new service model. As regards rationalisation measures for the network, 292 branches have been closed since the beginning of the year (565 in total since 2014). With regard to the “Counter Service Development" initiative, at the end of the year 1,542 branches had counter closures at 1 p.m. and 150 branches were fully dedicated to financial advisory services. The new branch layout concept was consolidated, completing the tests on the prototype and the transformation of 34 branches. This initiative was accompanied by the activation of hundreds of assisted self service counters and the expediting of the plan to replace obsolete ATMs. The creation of the new brand “Per Te Prestito” is also worth noting, aimed at enhancing the easy and fast disbursement of loans in a multi-channel scheme, thus increasing the visibility of solutions offered.
In the “Investment House” initiative, work during the year focused on developing the product range. The process of developing the “Financial Advisory” project also continued, as did work relating to the offering of asset management products according to a multi-channel scheme and the implementation of solutions to dematerialise contracts.
In the "Business-Entrepreneur" project, operations of the new local network were consolidated, the manager training plan continued and business branches saw the launch of the programme "Together for Growth-Business" aimed at improving relationships with customers. In order to confirm Intesa Sanpaolo as a key partner in defining the strategic decisions of its customer companies, “Skill4Business” was launched, a knowledge transfer initiative at various levels, including business digitalisation and internationalisation. On this latter front, numerous additional initiatives were developed to support companies in their growth on foreign markets. Numerous web platforms were also activated, with the common purpose of supporting customer companies in developing their business. In addition to the above-mentioned “Created in Italia”, companies were also offered the “Opportunity Network” and “Tech Marketplace”. The former brings together - at international level - companies that want to share opportunities for business and work with selected partners. The latter promotes interaction between technology start-ups and SMEs and large companies, facilitating the matching of demand and supply of innovation.
Development work continued on the “Commercial Excellence” project, aimed at increasing the level of service provided to high added-value customers, also through different organisation of the work and leveraging of leads generated by the multi-channel platform and the use of technologies capable of increasing the effectiveness and efficiency of commercial processes. In particular, during the year training initiatives concerning the new commercial method (which involved all resources of commercial areas) were launched, the project "Together for Growth" was extended to the entire network, and solutions for reducing sales time spent on mortgages and F24 tax forms were implemented. Furthermore, the technological upgrade of equipment continued for customer transactions in self-service mode.
The service model improvement projects for the various customer segments are supported by the new organisational model of Banca dei Territori: in fact, in each of the seven existing regional governance centres, three specialised “commercial areas” have been identified – Retail, Personal and Business – to maximise the specific skills of personnel.
The Corporate and Investment Banking Division moved ahead at full pace with work on developing an asset light model aimed at making its loan assets marketable. As part of the programme aimed at increasing business with international customers, commercial development action was implemented, exit monitoring activities for foreign corporate companies continued and the Global Industries and Foreign Corporate Departments were reorganised, with the creation of the International Network & Global Industries Department. Implementation continued of the service model by Industry and several commercial operations supporting synergies with the ISP Bank Luxembourg project were intensified, also as a result of the gradual expansion of the product catalogue. In the area of selective growth involving Italian Corporate Customers, dedicated commercial campaigns were launched and work on refining the service model and the product range was carried out. Specifically, development continued of the “Programma Filiere”, a business model unique in the banking system to support top-end industrial product chains. With regard to Financial Institutions customers, work continued on commercial development and achievement of the factors that will enable the full realisation of the segment's potential.
The International Subsidiary Banks Division is implementing a major project to revise the operational model which, by redefining the functional relationships between Governance structures and local banks and unifying the commercial and marketing organisation, will enable better coordination and greater efficiency of the commercial initiatives. During the year the implementation of the new organisational model of International Subsidiary Banks for Control and Staff Functions has been

substantially completed. With regard to the initiatives to simplify Governance and optimise synergies between PBZ and ISP BiH (Nexus project), the transfer of ISP BiH shares held by Intesa Sanpaolo Holding International S.A. (ISPHI) to PBZ was finalised and the actions planned for 2015 were realised in the main areas (Retail, Corporate-SME, Risk, Operations, IT and Reporting). The new commercial segmentation was completed and work was done on the development of service models dedicated to individual customer segments, with specific focus on investment services. Development of the Division's target multi-channel platform continued, extending the pilot to CIB (Hungary) and Alex Bank (Egypt). Transaction banking services integrated into the Group's range were issued, thereby increasing commercial efforts focusing on corporate and SME customers in particular. Lastly, the Export-Facile product was rolled out in Slovenia, dedicated to Corporate and SME customers, and its launch was planned in Serbia and Croatia.
In the strategic area of dynamic loan management, projects continued with the aim of increasing the speed of the loan granting process and pro-active loan management, which contributed to stemming the deterioration of credit quality. Also owing to these loan management programmes, since the beginning of the year approximately 20,000 businesses returned their loans to performing status from non-performing status, confirming Intesa Sanpaolo' intention to be a bank that supports the real economy and focuses on sustainable growth.
The Business Plan envisages an important simplification in the corporate breakdown of Banca dei Territori. The objective is to achieve a gradual and significant reduction in the number of legal entities, from 17 banks at the end of 2013 to 6 banks.
The first corporate transaction involved the merger of Banca di Credito Sardo and CR Venezia, 100%-owned, into Intesa Sanpaolo (10 November 2014). The mergers by incorporation of Banca di Trento e Bolzano and Banca Monte Parma into Intesa Sanpaolo took effect on 20 July 2015. The merger by incorporation of Cassa di Risparmio di Rieti, Cassa di Risparmio di Civitavecchia and Cassa di Risparmio della provincia di Viterbo into the Parent Company took effect on 23 November 2015. The process of merger by incorporation of Banca dell'Adriatico into Intesa Sanpaolo was launched, which will conclude in 2016. Finally, the rationalisation of the local presence resulted in the closure of 292 branches during the year (for a total of 565 closures since 2014).

c) Capital Light Bank
In addition to growth in revenues, reduction in operating costs and optimisation of credit and risk management, the Business Plan is also based on a clear strategy for optimisation of capital and liquidity, as well as deleveraging of the Group's non-core assets, implemented through the Capital Light Bank division.
During the year, the organisational model was finalised and the process of populating the new Division's structures continued, a necessary condition to achieving full operation. During the same period, Loan Recovery Department collected significant amounts. The market share of doubtful loans dropped from 17.1% at the beginning of the year to 16.4%. Organisational rationalisation in Ukraine resulted in a reduction of the workforce by approximately 850, while in Hungary deleverage of approximately 810 million euro was achieved. The sale of non-strategic investments then continued, following those of NH Hotels, Gabetti, Union Life and Telecom (Telco). Lastly, after the authorisation of the demerger of leased assets to Provis, the accelerated collection of doubtful loans pertaining to a gross book value of approximately 300 million euro continued.
Approximately 190 million euro in assets measured at level 3 was also transferred.
Intesa Sanpaolo REOCO, the Group company whose mission is to extract the most value from repossessed properties and to safeguard the bank's assets, continued to carry out its activity. During the year, actions were taken which resulted in overall benefits for the Group of approximately 20 million euro.

d) People and investments as key enablers
At the end of 2013, following development of technology and customer trends, the bank had an excess capacity of about 4,500 people, equal to about 5% of the total employees of the Group. However, there has been a strong desire to involve all colleagues in the new Business Plan right from the beginning, fostering the sense of belonging to the Bank.
In line with these values, as opposed to the measures of its main competitors, the Bank decided to maintain the current employment levels, preserving know-how and the professional expertise within the company. To this end, a major project for professional re-allocation has been initiated in order to support development of the new business initiatives under the Plan. As at December 2015, approximately 4,200 employees had already been reassigned to priority initiatives. This set-up has permitted the implementation of key initiatives like Banca 5® which, as stated above, already counts some 3,000 managers dedicated to developing the relationship with Retail customers.
The Chief Innovation Officer Governance Area, which is fully operational, has continued to promote and expedite innovation within the Group.
In a world where data are becoming increasingly important and their correct use provides a growing competitive advantage, the Intesa Sanpaolo Group launched the "Big Financial Data" programme for integrated management of Bank data. The project will achieve three important goals: i) satisfying the new regulatory requirements; ii) supporting the business; and iii) supporting the Bank in its transformation from a "Data Company" to an "Information Company".

Highlights in the year

Herein are reported a number of significant events experienced by the Group in 2015.

On 25 February 2015 Intesa Sanpaolo received the ECB's final decision regarding the specific capital requirements to be respected at consolidated level, i.e.: 9% in terms of Common Equity Tier 1 ratio and 11.5% in terms of Total Capital ratio. The Bank's directors predict no difficulty with regard to Intesa Sanpaolo's present and prospective ability to comply with these requirements. An equivalent decision was then received from the ECB on 27 November 2015, concerning the capital requirements to be observed with effect from 1 January 2016, in light of the results of the Supervisory Review and Evaluation Process (SREP), which consist of a consolidated capital requirement of 9.5% in terms of the CET1 ratio.

On 28 May 2015 Intesa Sanpaolo terminated the agreement concerning the sale of 100% of the capital of its Ukrainian subsidiary Pravex-Bank to CentraGas Holding GmbH signed on 23 January 2014, as it did not obtain the regulatory approval needed to

finalise the transaction. In this regard, an amount of 10 million euro was posted to the income statement in the third quarter, relating to the guarantee enforced following the failure of the negotiations with Centra Gas, as no notice of claim was received from the counterparty by the established deadline. As a result of the termination of the agreement, the factors underlying the reclassification of the subsidiary Pravex Bank under discontinued operations no longer applied. Thus, Pravex Bank was reconsolidated on a line-by-line basis in these consolidated financial statements of Intesa Sanpaolo. Provisions for risks and charges (approximately 38 million euro) allocated in 2013 in application of IFRS 5 to align the value of balance sheet assets of the company to the lower price of sale that was agreed with CentraGas, were released to the income statement for the fourth quarter.
In 2015 Intesa Sanpaolo subscribed a capital increase of the subsidiary for 82 million euro. After recording a loss for the year of 52 million euro, the company's carrying amount was aligned with the shareholders' equity.

With effect from 1 June 2015, as part of the reorganisation of the consumer credit business of the Group, following the partial demerger of Intesa Sanpaolo Personal Finance in favour of Intesa Sanpaolo with the aim of specialising captive and extra-captive distribution networks, while optimising their respective particular characteristics, the range of personal loans has been transferred to Intesa Sanpaolo, which has become the consumer credit hub of excellence for the entire Group.
Intesa Sanpaolo Personal Finance, concurrently renamed Accedo S.p.A., remains dedicated to one-fifth of salary loans and special-purpose loans, through a network of single-firm agents and financial intermediaries.

On 5 June 2015 the sale of the stake held by the subsidiary Intesa Sanpaolo Vita in the Chinese life insurance company Union Life was finalised for a consideration of approximately 165 million euro, representing a positive contribution of 48 million euro to the consolidated net income, net of the tax effect.

On 12 June 2015 Intesa Sanpaolo announced the opening of the offer period for the voluntary exchange offer of its subordinated notes up to a maximum nominal amount of 1,576 million euro, with new Tier 2 subordinated debt notes to be issued, named "Intesa Sanpaolo S.p.A. Subordinato Tier 2 Tasso Variabile 30.06.2015 – 30.06.2022". The transaction was aimed at optimising the Group's regulatory capital with respect to the requirements set forth by EU Regulation no. 575/2013 ("CRR") concerning Tier 2 capital and did not have any material impact on the income statement.
At the end of the offer period, the aggregate nominal value of the notes validly tendered amounted to 737.7 million euro (47% of the total outstanding amount).

After obtaining the necessary authorisations from the Antitrust and regulatory authorities, on 17 June 2015 the deed of demerger of Telco was executed, requested in June 2014 by the shareholders (Assicurazioni Generali, Intesa Sanpaolo and Mediobanca) pursuant to the provisions of the shareholders' agreement signed with Telefonica in December 2013.
The partial non-pro rata demerger of the company resulted in the allocation, to the four newly established beneficiary companies – each 100-owned by each shareholder – of the respective stake held in Telecom Italia (totalling approximately 22.3% of the latter's ordinary share capital), and the respective debt.
Intesa Sanpaolo was allocated 220.5 million shares of Telecom (1.64% of ordinary capital). These shares had been hedged against price changes by entering into options which were exercised on 30 June 2015, resulting in the sale on the market of the stake at a value in line with the carrying value.
For the purposes of complete disclosure, Intesa Sanpaolo remains a shareholder of the old Telco, with an equity investment of 50,000 euro, reclassified in the "available for sale" portfolio. That company continued to operate with minimum capital and without holding any Telecom Italia shares, for the purpose of managing the residual assets and liabilities on the balance sheet.

On 30 June the corporate transactions of transfer of the controlling stakes of Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) to Banca Fideuram was finalised. Concurrently, the operational governance business unit of Intesa Sanpaolo Private Banking was transferred to Banca Fideuram, and the latter's name changed to Fideuram - Intesa Sanpaolo Private Banking. The integration activities, involving over 100 resources in the launch of 72 projects at ten dedicated worksites, resulted in the creation of a new company focused on the following objectives: gaining greater market visibility for the Group's significant private-banking activities, achieving significant revenue synergies and managing resources efficiently.

With regard to Risanamento S.p.A, in which Intesa Sanpaolo owns a stake of 48.88%, following the conclusion of the procedure pursuant to art. 182 bis of the bankruptcy law and the appointment of the majority of directors by Intesa Sanpaolo at the Shareholders' Meeting of 29 April 2015, the company and its subsidiaries were consolidated on a line-by-line basis by Intesa Sanpaolo by virtue of the acquisition of control of the accounts pursuant to IFRS 10.
Even following acquisition of control for accounting purposes, Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 *et seq.* of the Italian Civil Code.

On 10 July 2015, based on the provisions of the Business Plan, the following were entered into:
– the deed relating to the merger by incorporation of Banca di Trento e Bolzano S.p.A. into Intesa Sanpaolo S.p.A., with an increase in the absorbing company's share capital of 4,158,029.72 euro through the issue of 7,996,211 ordinary shares having a nominal value of 0.52 euro each;
– the deed relating to the merger by incorporation of Banca Monte Parma S.p.A. into Intesa Sanpaolo S.p.A., with an increase in the absorbing company's share capital of 861,646.24 euro through the issue of 1,657,012 ordinary shares having a nominal value of 0.52 euro each.

This has led to an overall increase amounting to 5,019,675.96 euro, with a consequent increase in the absorbing company's capital from 8,724,861,778.88 euro to 8,729,881,454.84 euro.
The mergers came into legal effect as of 20 July 2015, the date from which the exchange transactions started. The operations conducted by the incorporated companies were posted to the financial statements of the incorporating companies, effective from 1 January 2015, also for tax purposes.

On 17 September 2015 Intesa Sanpaolo launched a U.S.$1 billion Additional Tier 1 (AT1) issue targeted at the US and Canadian markets. The Additional Tier 1, issued under the U.S.$ Medium Term Notes Programme of Intesa Sanpaolo, has characteristics in line with CRD IV provisions, is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of

association) and can be redeemed in advance by the issuer after 10 years from the issue date and on every coupon payment date thereafter.
The issuer will pay a fixed rate coupon of 7.70% per annum, payable semi-annually in arrears every 17 March and 17 September of each year, with the first coupon payment on 17 March 2016. Such coupon corresponds to the fixed 10-year Mid Swap Rate in USD reckoned at the moment of issuance plus a spread equal to 546.15 basis points. In the event that the early redemption rights are not utilised on 17 September 2025, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). As envisaged in the regulations applicable to AT1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.
At the beginning of 2016, Intesa Sanpaolo launched a second Additional Tier 1 issue of 1.25 billion euro, targeted at the international markets. This second issue also has characteristics in line with CRD IV provisions, is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be redeemed in advance by the issuer after 5 years from the issue date and on every coupon payment date thereafter. The issuer will pay a fixed rate coupon of 7.00% per annum, payable semi-annually in arrears every 19 January and 19 July of each year, with the first coupon payment on 19 July 2016.
In the event that the early redemption rights are not utilised on 19 January 2021, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. falls below such trigger, the nominal value of AT1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.

On 9 October 2015 the ordinary share buy-back programme was launched and concluded for the plan of assignment to employees, free of charge. This covers the part of the Lecoip investment plan regarding the subsidiaries which were not included in last year's programme as well as the share-based incentive plan for 2014, reserved for risk takers. These plans were approved, respectively, at the Intesa Sanpaolo Shareholders' Meetings of 8 May 2014 and 27 April 2015. The subsidiaries also terminated their purchase programmes of the Parent Company's shares to be assigned free of charge to their employees. These programmes were analogous to the programmes approved by the Parent Company' Shareholders' Meetings.
On the day of execution of the programme, the Intesa Sanpaolo Group purchased a total of 6,885,565 Intesa Sanpaolo ordinary shares at an average purchase price of 3.197 euro per share, for a total countervalue of 22,012,769 euro. The Parent Company purchased 2,392,970 shares at an average purchase price of 3.203 euro per share, for a countervalue of 7,663,546 euro.

On 12 November 2015 the deeds for partial demerger of Cassa di Risparmio di Firenze to Intesa Sanpaolo of the investments in Cassa di Risparmio di Viterbo, Cassa di Risparmio di Civitavecchia, Cassa di Risparmio di Rieti e Cassa di Risparmio dell'Umbria and the subsequent merger by incorporation of Cassa di Risparmio di Viterbo, Cassa di Risparmio di Civitavecchia and Cassa di Risparmio di Rieti into Intesa Sanpaolo, based on the demerger and merger plans approved by the Management Board on 15 September 2015 and the Extraordinary Shareholders' Meetings of the incorporated companies. Minority shareholders of Cassa di Risparmio di Viterbo that did not exercise their right of withdrawal had their shares exchanged following the issue of 3,832,776 Intesa Sanpaolo ordinary shares, corresponding to a total of 1,993,043.52 euro. As a result, the share capital increased from 8,729,881,454.84 euro to 8,731,874,498.36 euro.

On 16 November 2015, through Legislative Decrees no. 180 and no. 181, Italy implemented European Directive 2014/59 (BRRD - Bank Recovery and Resolution Directive), which introduced new rules for preventing and managing possible banking crises. Given the importance of the new rules, Consob required all banks to suitably inform their customers on the main aspects of these regulations.
The purpose of the new rules is to intervene at the first signs of deterioration in the financial situation and, if a crisis is already under way, manage it without government interventions and, thus, without costs to taxpayers.
To manage crises under way, the rules state that the resources necessary to cover the bank's losses shall be obtained firstly from shareholders and, only afterwards, if necessary, also from creditors. This means that the procedures will involve both bank shares and receivables due by the bank to customers (deposits, bonds, certificates, etc.). To absorb the losses of banks in difficulty and recapitalise them in order to maintain confidence of the market, the competent authorities may also implement bail-ins. In the event of a crisis, a bail-in involves reducing the value of shares and certain bank liabilities (for example: bonds - firstly subordinated bonds) and converting liabilities into shares. Bail-in rules set out a hierarchy of parties that will be involved in the bail-in of a bank: shareholders and creditors/investors holding the riskiest instruments are the first to incur any losses or the conversion of their receivables into shares.
Only when all the resources in the highest-risk category have been deployed is the next category covered, based on this hierarchy:
a. shareholders;
b. holders of other capital instruments;
c. other subordinated creditors (including holders of subordinated bonds);
d. unsecured creditors, lacking collateral (ex. pledge or mortgage) or personal guarantees (ex. bank guarantees), including:
   - holders of unsubordinated, unguaranteed bonds;
   - holders of certificates;
   - customers holding derivatives with the bank, for the credit balance following the automatic unwinding of the derivative;
   - holders of current accounts and other deposits, for amounts exceeding 100,000 euro per depositor, other than the parties indicated in the point below;
e. individuals, microbusinesses, small and medium-sized companies holding current accounts and other deposits for amounts exceeding 100,000 euro per depositor (depositor preference). Starting in 2019, depositor preference will be extended to all current accounts and other deposits, always for amounts exceeding 100,000 euro per depositor. The competent authorities

also have the power to eliminate bonds, change their maturity dates, the amount of interest payable or the date from which said interest falls, even suspending payment thereof for a transitional period.

Certain categories of receivables are protected, in any event, and shall not incur losses in the event of default:
- current accounts and other deposits up to 100,000 euro per single depositor (as these are guaranteed by the National Deposit Guarantee Fund);
- receivables deriving from guaranteed liabilities (for example, covered bonds);
- valuable for the return of customer assets in custody (for example, the contents of safety deposit boxes, deposits under administration other than those issued by the banks in difficulty).

The new rules strengthen the principle by which capital soundness is a fundamental factor to assess the quality of a bank to invest in or to entrust one' savings to. The Intesa Sanpaolo Group is among the most sound banks in Europe, at the top of the sector.
Based on the above-mentioned Legislative Decrees and Law Decree no. 183 of 22 November 2015 issued by the President of the Republic of Italy, the resolution process of four Italian banks under extraordinary administration (Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio della Provincia di Chieti and Cassa di Risparmio di Ferrara) was launched. This intervention affected the ISP Group as follows:
- granting of a loan to the resolution Fund of approximately 780 million euro (representing the portion pertaining to the Bank of an overall facility of 2,350 million euro), repaid in December 2015 drawing on the contributions that Italian banks made to the Fund;
- granting of a loan to the Fund of approximately 550 million euro (representing the portion pertaining to the Bank of an overall facility of 1,650 million euro). This is a short-term loan (maturing in 18 months less one day), which was subsequently reduced to 250 million euro as a result of syndication, for which Cassa Depositi e Prestiti undertook a commitment of financial support in the event the Fund has insufficient funds at the maturity date of the loan;
- payment of the extraordinary contributions to the Fund, as envisaged by art. 83 of the above-mentioned Legislative Decree no. 180/2015.

Overall, the Group has paid the National Resolution Fund (ordinary and extraordinary) contributions amounting to 459 million euro, in addition to the ordinary contributions paid by the Group's international subsidiary banks to their respective funds, as a result of the entry into force of Directive 2014/59 in the various countries, totalling 14 million euro.
Lastly, note that the change in the Articles of Association of the National Interbank Deposit Guarantee Fund as a result of Directive 2014/49 (DGS – Deposit Guarantee Schemes), which has not been implemented into Italian law yet, resulted in the payment of a contribution of 43 million euro in 2015.

In November 2015, Intesa Sanpaolo, Unicredit and KKR (a US asset management firm), signed a Framework Agreement that governs the transfer by banks to third party entities established by KKR for such purpose, of their exposures to the same debtor company, undergoing difficulties, which may be deemed recoverable through financial and industrial restructuring.
The purpose of this operation is to ensure the management of the transferred exposures by entities established and managed by KKR to optimise the recovery of the overall exposure by using the know-how and experience of the parties involved in the financial and industrial restructuring processes and, possibly, the granting of new financing to benefit the transferred debtors.

At the end of 2015 Intesa Sanpaolo sold - at nominal value, equal to the book value - a total stake of approximately 5.7% in the capital of the Bank of Italy, classified under financial assets available for sale, for an equivalent value of approximately 430 million euro. The number of shares held dropped from 127,266 to 110,014 (36.7% of capital), for a carrying value of 2,750 million euro.

Among significant evens subsequent to the financial statement date it is noted that in early February 2016 Intesa Sanpaolo received the required authorisation from the competent authorities for the amendments to its Articles of Association resulting from the adoption of a one-tier governance system, which will be submitted for the approval of the Extraordinary Shareholders' Meeting called for 26 February 2016.
The dual corporate governance model adopted by Intesa Sanpaolo has so far confirmed its concrete operation and consistency with respect to the Bank's overall structure, demonstrating its capacity to meet the efficiency and effectiveness needs of governance and of the control system of a structured and complex Group. Nine years on from its adoption, however, it was considered appropriate to evaluate a change, especially in light of the results of the last self-assessment process carried out by the two Corporate Bodies which, while showing the full and extensive adequacy of each Board with regards to all the aspects under examination, identified some areas for improvement: aside from the external factors, other factors suggested a wide-ranging assessment: first and foremost, the amendments introduced in the regulatory framework as well as the ongoing developments at Supervision level (with the transition of prudential supervision to the ECB, with a view to the Single Supervisory Mechanism) and the shareholder base of Intesa Sanpaolo (with the strong growth of foreign investors).
The relevant assessments were entrusted to a Commission set up ad hoc within the Supervisory Board - whose composition reflected the (legal and business) expertise and the (academic and professional) experiences that appeared to be best suited to meet the relevant requirements - with the task of analysing the benefits and advantages underlying the different governance models, in order to identify possible areas for improvement in Intesa Sanpaolo's dual governance system or, alternatively, possible reasons that could have led to its replacement.
Having taken into account all the factors and considerations outlined above, the Commission identified the one-tier system - characterised by the presence of a board of directors and a management control committee established within it, which will be both appointed at the General Meeting - as the most suitable model to ensure actual management efficiency and control effectiveness at Intesa Sanpaolo.
Thus, in the Commission's opinion, the centralisation within a single body of strategic supervision and management functions - together with a balanced system of powers and fair debate within the board - is conducive to pursue the dual objective of greater efficiency in the performance of the governance function and of safeguarding, in line with the two-tier system, the immediacy, incisiveness and effectiveness of the control function, centralised within the management control committee.
The Commission has kept the Supervisory Board and the Chairman of the Management Board constantly updated on the progress of the works, in order to incorporate any useful indications that may be conducive to a more in-depth analysis.
The Management Board - also in the light of the analyses carried out during specific induction sessions - and the Supervisory Board approved, at their respective meetings of 16 October 2015, the proposed new Articles of Association associated with the

adoption of the one-tier model. The change in Intesa Sanpaolo's governance will be submitted for the approval of the Extraordinary Shareholders' Meeting of 26 February 2016 through the approval of the new Articles of Association.

Main risks and uncertainties

The macroeconomic scenario, which remains challenging, and the high volatility of the financial markets require constant monitoring of the factors that make it possible to pursue sustainable profitability: high liquidity, funding capacity, low leverage, adequate capital base, and prudent asset valuations.

Group liquidity remains high: as at 31 December 2015, both regulatory indicators envisaged by Basel 3 (LCR and NSFR), adopted also as internal liquidity risk measurement metrics, had reached a level well above fully phased-in requirements. At the end of the year, the Central Banks eligible liquidity reserves came to 117 billion euro (105 billion euro at the end of December 2014), of which 78 billion euro, net of haircut, was unencumbered (70 billion euro at the end of December 2014). The *loan to deposit ratio* at the end of 2015, calculated as the ratio of loans to customers to direct deposits from banking business, came to 94%.
In terms of funding, the widespread branch network remains a stable, reliable source: 70% of direct deposits from banking business come from retail operations (262 billion euro). Moreover, during the year, 6.5 billion euro in eurobonds was placed on the wholesale market (of which 2.25 billion euro in covered bonds) and 1 billion USD of Additional Tier 1. In 2015, 15 billion euro of funding was obtained from the targeted longer-term refinancing operation (TLTRO) programme launched by the European Central Bank, in addition to approximately 12.5 billion euro in 2014.

Intesa Sanpaolo Group leverage (6.8% as at 31 December 2015) continues to be at the top levels recorded in the sector and among the best in Europe.

The capital base also remains high. Own funds, risk-weighted assets and the capital ratios at 31 December 2015 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transposed the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285 and 286 (issued in 2013) and Circular 154 (updated during 2013).
At the end of 2015, total Own Funds came to 47,299 million euro, against risk-weighted assets of 284,319 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The total capital ratio stood at 16.6%, while the ratio of the Group's tier 1 capital to its total risk-weighted assets (tier 1 ratio) was 13.8%. The Common Equity Tier 1 ratio stood at 13.0%.
As the regulatory conditions for its inclusion (Art. 26, paragraph 2 of the CRR) were met, Common Equity Tier 1 capital includes net income for the year and, consequently, the related pro-rata dividend proposed.

With regard to the insurance segment, as at 31 December 2015 the available individual solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, was 4,041 million euro, up on the 4,033 million euro of 31 December 2014 due to the profit achieved during the year and the distribution to the Parent Company of equity reserves in the fourth quarter of 2015. The capital absorption level was 2,979 million euro, up compared to 2,736 million euro as at 31 December 2014. The margin is 1,062 million euro higher than the requirement under the supervisory provisions.
The solvency ratio of ISP Vita S.p.A., the Group's main insurance company, came to 135.6% as at 31 December 2015. Net of the distribution of equity reserves of 452 million euro to the Parent Company, the solvency ratio would have grown on 31 December 2014, mainly due to the profit for the year and the rebalancing of the product mix towards multi-line products with lower capital absorption.

The Group's risk profile, while rising, remained within the limits approved by the Risk Appetite Framework, consistently with the Group's intention to continue to privilege commercial banking operations. The trend in the Group's VaR over a twelve-month period, shown in the following chart, was mainly determined by Banca IMI. The increase in the first part of the first half was substantially attributable to the positioning on government securities, while in the following months, the risk measurements reached peaks due to the volatility of the financial markets in relation to the uncertainty surrounding the Greek debt crisis. In the last quarter, risks fell slightly. The Group's average risk profile for the twelve months was 94.4 million euro, compared to the 2014 average of 48.5 million euro.

Market risks trend:
VaR (millions of euro)

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

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over quality loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Retail SME, Retail Mortgage, Other Retail, Sovereigns, Italian Public sector entities and Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor's position are promptly recognised. The economic crisis has called for constant review of the values of loans that had already shown problematic symptoms and of loans with no obvious signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average coverage percentages for doubtful loans (61.8%) and unlikely to pay loans[1] (24.8%).
With regard to performing loans to customers, the "collective" adjustments provide a portfolio coverage ratio of 0.7% (0.8% at the end of 2014). These adjustments to loans, amounting to 2,018 million euro, cover the expected loss calculated according to the Basel 3 rules.

Constant attention has been paid to the valuation of financial items. The majority of financial assets are measured at fair value, since classified as held for trading using the fair value option, under assets available for sale, or represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: approximately 78% using level 1 inputs, around 20% using level 2 inputs and only close to 2% using level 3 inputs. Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (approximately 90%) were measured using the level 2 approach.

As regards the Intesa Sanpaolo Group' sovereign debt exposure, exposure in securities to the Italian government amounted to a total of approximately 88 billion euro, in addition to receivables for approximately 17 billion euro.
The Group banks' exposure in securities amounted to approximately 36 billion euro and is still concentrated in the short-term segment (approximately 15 billion euro up to 3 years, 44%), with a duration of 4.5 years. On the other hand, the duration of the insurance portfolio is longer, at 6.5 years, consistently with that of liabilities.
Investment levels in structured credit products and hedge funds remained low. For the first of these products, the fair value changes over the year generated a negative impact of 7 million euro (as opposed to 7 million euro in profits from disposals). For hedge funds, the impact of fair value changes during the year considered was a negative 8 million euro.

As regards taxation, recorded in compliance with IAS 12, the book value of deferred tax assets must 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.
The amount of deferred tax assets posted in the financial statements came to 11,395 million euro, of which 8,749 million euro convertible into tax credits. Deferred tax liabilities of 1,859 million euro are also posted in the financial statements.
In the 2015 financial statements, an analysis was again 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").

[1] The Bank of Italy introduced amendments to Circulars 272 and 115 that, among other changes, resulted in a new breakdown of non-performing loans into three categories: Doubtful, Unlikely to Pay and Past Due loans.

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 2015.

In volatile market environments, measuring the recoverable amount of intangible assets is also particularly important.
Intangible assets with finite useful lives (the asset management and insurance portfolios), the amounts of which (a total of 371 million euro) are being gradually amortised (with 168 million euro of amortisation recognised in the income statement for 2015) were analysed with respect to their volume, profitability and discount rates in order to detect any impairment indicators. These analyses did not identify any critical positions.
As regards intangible assets with an indefinite useful life, represented by goodwill (3,914 million euro) and brand name (1,882 million euro), for the 2015 Financial Statements the method for determining the value was the same used in previous years, based on the calculation of the value in use, i.e. the current value of future cash flows that the Group can expect to generate. To that end, for the forecasting period of the analysis a time frame of 3 financial years was used, i.e. the three-year period 2016-2018, considering the fact that the current Business Plan includes only two remaining years of planning, and in line with the extension requested by the European Central Bank in the Supervisory Review and Evaluation Process (SREP). Specifically, for the financial years 2016-2017 the update to the 2014-2017 Business Plan to take account of the evolution of the macroeconomic scenario was considered, while 2018 was estimated through inertial tracking of the flows for 2017, based on the forecast macroeconomic scenario, thus, without considering the effect of managerial leverage.
The cash flows so determined have been discounted, net of the "g" long term growth rate, by applying a discount rate expressing the cost of capital and calculated as the sum of the returns on a risk-free investment and a risk premium, in turn dependent on the specific risks implicit in the business activities and in country risk. In defining the discount rates, given the extremely low market rates at present, associated with contingent expansionary monetary policies adopted by the ECB, for the purpose of the Terminal Value those rates were prudentially considered risk free and with country risk spreads globally higher by over 80 bps compared to the current year-end values used for the discounting of flows for the "explicit" horizon.
As this valuation method has yielded value in use for the various CGUs which are higher than their respective book values, no value adjustments have been made to intangible assets with indefinite useful life.
In terms of market values, Intesa Sanpaolo's ordinary stock performance grew during 2015 (up 28%), considerably higher than the increase recorded by the FTSE MIB index for the same period and also higher than the Italian bank stock index. Likewise, the target prices published by the main investment firms rose compared to the end of 2014.
Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses were carried out to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses. In particular, the impact on the value in use of an increase in discounting rates of up to 100 bps and a decrease in the growth rate for Terminal value purposes of 50 bps was verified. In addition, analyses were conducted of changes in the value in use resulting from a 10% decrease in Terminal Value flows. These analyses show that such changes would not result in a value in use lower than the book value for any of the CGUs.

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

The risks associated with the trends in the global economy and financial markets are discussed in the introduction to the Report on operations, in the chapter on the macroeconomic scenario and in the following chapter on the forecast for 2016. 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 in Part B of the Notes to the consolidated financial statements, in the section on impairment tests.

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

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

With regard to the going concern assumption, the Directors of Intesa Sanpaolo re-affirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the financial statements for 2015 on a going concern basis. The Directors have not detected any uncertainties in the asset and financial structure or in the performance of operations that question the going concern assumption.

The macroeconomic context and the banking system

The macroeconomic context and the banking system

The macroeconomic context

The economy and the markets

In 2015, the trend in the global economy was marked by moderate growth, low inflation, significant weakness in commodity prices and accommodating monetary conditions in advanced countries. Confidence was rocked in the spring by a new crisis in Greece, which then subsided, and subsequently by the collapse of the Chinese stock markets. Throughout the year there were signs of a sharp economic slowdown in numerous emerging countries. In several cases, these developments were accompanied by considerable tensions over currencies. The situation stabilised somewhat from September to December, though without convincing signs of recovery arising.

The greater uncertainty on the global economic outlook and signs of suffering in the US manufacturing sector in relation to the strengthening of the US dollar led the Federal Reserve to procrastinate in executing the expected raise in official interest rates until December. In the United States internal demand is sound, and employment growth reduced the unemployment rate to 5%. However, the Fed continued to communicate its intention to gradually raise official interest rates in 2016.

In the Eurozone, economic growth gained strength, rising from 0.9% in 2014 to 1.5%, increasingly driven by internal demand, and, specifically, by household consumer spending. At sector level, there was a greater increase in activity in the services sector than in the industrial sector, which was affected by the slowdown in global demand. In November, year-on-year growth in industrial production was slightly more than 1%. The positive reflections of the recovery on employment reduced the unemployment rate from 11.2% at the beginning of the year to 10.5% in November. There continued to be no inflationary pressure, especially due to the exceptional drop in oil prices starting in 2014: average inflation was nil and at the end of the year it still came to 0.2%.

In March, the European Central Bank launched a Public Sector Purchase Programme (PSPP) integrating the two previous programmes dedicated to covered bonds and ABSs. At the end of the year, the duration of the programme, initially planned up to September 2016, was extended to March 2017. As at 31 December, purchases of only government securities amounted to 364 billion euro, of which 59 billion euro relating to Italian bonds. The President of the ECB warned that the central bank is ready to modify the composition, amount and characteristics of the purchase programme, if necessary. In addition, the ECB cut the deposit rates to -0.30% and extended the full allocation on main refinancing transactions and on quarterly refinancing transactions to 2017.

On money markets, the negative level of the rate on deposits and the increase in excess reserves further drove down interest rates pushing them down to negative levels: the one-month Euribor, which began 2015 at 0.016%, fell to -0.205% as at 31 December. The three-month rate dropped in the same period from 0.08% to -0.13%.

The yield curve on German debt declined sharply due to the launch of the ECB purchase programme, dropping to negative rates also on medium/long-term issues. The same ten-year yield reached a low of 0.08% in April. Subsequently, interest rates violently jumped until mid-June and then resumed falling, without, however, ever nearing the lows reached in the spring. Ten-year Italian bond yields recorded similar fluctuations, exacerbated by the tensions concerning Greek debt up to July. The yield on ten-year BTP dropped to 1.14% in March, subsequently jumping to levels exceeding 2.3% between the end of June and the beginning of July. The drop in the third quarter and the stabilisation in the fourth quarter resulted in a year-end level of 1.595%. The annual average spread with the Bund dropped from 165 basis points in 2014 to 119 basis points. The performance of Italian debt was better than that of Spanish debt, which was penalised by the increase in political risk in the last few months of the year. Italy benefited from a more favourable climate among international investors, both due to signs of economic recovery and due to progress in structural reforms.

The Euro depreciated quickly against the US dollar in the initial months of the year, reaching the low of 1.0460 in 2015. It then gained ground, closing the year at 1.0922, well below the figure of 1.2261 at the end of 2014.

In Italy, economic recovery was further confirmed. In the fourth quarter, gross domestic product grew by 1.0% on the same period of 2014, while average annual growth came to 0.7%. This increase is more the result of internal demand than the trade balance, as the latter was penalised by the weak performance of demand in emerging countries. Fixed investments resumed growth, though very weak and confined to transportation means. The pace of industrial production remained modest, but growth has become more widespread across sectors.

Employment also grew in the third quarter (+0.1%) following its robust rise in the second quarter (+0.5%) and, along with the recovery in real wages, supported consumer spending. The unemployment rate dropped significantly from January (12.2%) to November (11.3%), also reflecting the one-off effects of the reforms and tax incentives on the demand for labour.

At the end of 2015 the government's borrowing requirements had fallen significantly on 2014, a decrease in the deficit/GDP ratio but a new increase in debt. The government reduced the fiscal targets planned for 2016, while confirming the further reduction in the deficit and the start of a process of reducing the debt/GDP ratio.

In 2015, the performance of international stock markets was volatile overall, reflecting concerns over growth in several emerging countries, the weakness in commodities prices, uncertainties over the Fed's monetary policy actions and a rise in sovereign risk in the Eurozone in the middle months of the year.

The strong depreciation of the Euro on currency markets, which peaked in March with the launch of the ECB QE programme, mainly favoured stock markets in the Eurozone, and, specifically, export-oriented sectors that sell to the US dollar area. The

currency factor was added to by the sharp decline in oil prices, with a positive effect on the disposable income of consumers and, looking forward, on the margins of industrial companies. Macroeconomic data for the first quarter also gave visibility to the economic recovery.
After peaking in April, stock indices in the Eurozone subsequently lost momentum, following the gradual worsening of the political and financial crisis in Greece. Political risk returned to the centre of attention, due to the progress of anti-EU political forces in numerous European countries. At the end of June, the stall in negotiations between Greece and international institutions triggered a significant correction on stock markets, accompanied by a temporary rise in bond yields, an expansion of spreads in peripheral countries and a return to risk aversion by investors.
In August and September the decline in the international stock markets grew sharper: firstly due to growing concerns on the strength of growth in China and due to the weakness in commodities, and then due to the uncertainties linked to the timing of the Fed's planned rise in interest rates and, lastly, due to the impact of the Volkswagen scandal on the European automobile industry.
In the final months of 2015, stock markets showed lateral movement, pending clearer signs of growth in the Eurozone and in the Far East, and monetary policy decisions from the Fed and the ECB. A rise in geopolitical risk, following the terrorist attacks in Paris also weighed on market performance during the period.
On a positive note, the expectations of an extension of the ECB securities acquisition programme (which was then approved at the beginning of December, with an extension at least until March 2017) provided support to the stock markets. The 3rd quarter company reporting season then showed a slight recovery in demand in the Eurozone and a consolidation of industrial margins, specifically for export-oriented groups, providing support to prices on stock indices.
The EuroStoxx index closed 2015 up by 8.5%. The performance of DAX 30 at the end of December was slightly higher (+9.6%), as well as that of the CAC 40 (+9.5%). The Spanish stock market underperformed, with the IBEX 35 index dropping by 6.2% at 31 December. Outside the Eurozone, the benchmark market index for the Swiss market, SMI, recorded a slight drop in the period (-1.8%), while the FTSE 100 in the UK market closed the twelve months down by 4.5%.
The S&P 500 index closed 2015 substantially unchanged (+0.2%). The main stock markets in Asia showed positive performances: the Chinese benchmark index SSE A-Share rose by 10.5%, while the Nikkei 225 index closed at 31 December up by 9.1%.
In 2015, the Italian stock market outperformed the main benchmark indexes in the Eurozone, thanks to the gradual start of the economic recovery, the favourable exchange rate effect for exports to the US dollar area, the drop in yields and, more generally, lower aversion to Italy risk by investors. The FTSE MIB index closed the year up 12.7% (+18.1% at the end of June), and the FTSE Italia All Share index posted a slightly greater increase (+15.4%) at the end of the year. Mid-cap stocks once again largely outperformed blue chips; the FTSE Italia STAR index ended the year up 39.8%.

European corporate bond markets ended 2015 in the negative, with an increased risk premium (measured as the asset swap spread – ASW), and with the riskiest asset classes showing better performance, in relative terms, than investment grade securities. Concurrently, investors' continuous search for yields somehow offset the gradual increase in spreads, enabling European corporate bonds to close 2015 with total returns that were slightly positive.
In the beginning of 2015, the announcement of the launch of the ECB's purchase programme had resulted in a considerable and generalised reduction of yields. Subsequently, the uncertainties relating to the situation in Greece, concerns about the international macroeconomic scenario, specifically the possible slowdown of China, and the events involving several individual issuers (e.g.: Volkswagen, RWE and Glencore) led to a rise in volatility and negatively influenced the performance of spreads, which peaked in September (from August to September risk premiums expanded by about 30%). After a strong recovery in bond prices in October, for the remainder of 2015 the main market driver was the expectation of monetary policy measures by central banks. Investors' disappointment in the ECB's decisions in December, the additional drop in oil prices and new concerns about international economic growth resulted in a generalised rise in risk aversion in the first half of December.
In detail, over 2015, risk premium grew by about 40% for investment grade securities and by 20% for more speculative securities, while in terms of total return, performances were +0.78% and +0.30%, respectively. At the sector level, the concerns regarding the international economic scenario mentioned above weighed especially heavily on securities linked to commodities and cyclical consumption. Also at the level of the iTraxx indices, the CDS (Credit Default Swap) indices that summarise the risk perceived by the market, 2015 was marked by high volatility, with rising insolvency risk hedging costs. The only exception was the Crossover index, which closed the year basically unchanged.
In terms of new issues, the favourable lending conditions and the search for yields resulted in continued high volumes, in line with the levels reached in 2014. During the year, the primary market also benefited from issues in EUR by US companies (e.g.: Apple and Coca Cola) aiming at exploiting the low interest rates on the Euro.
It is also important to note that the low interest rates favoured the increase of liability management transactions by individual companies, through the repurchase of securities issued and their replacement with longer-term securities under more favourable conditions.

The emerging economies and markets

Based on preliminary estimates by the IMF published in January, the average GDP growth of emerging countries slowed to 4.0% in 2015 from 4.6% in 2014. The slowdown is attributable to the decrease in economic activity in Latin America and CIS countries, on one hand, with the GDP in Brazil dropping by 3.8% and that of Russia by 3.7%, and, on the other, to the slowdown in the leading Asian economies, with a deceleration in China (+6.9% in 2015 from +7.3% in 2014) and in MENA countries (+2.5% from +2.8% in 2014).
In Central and South Eastern Europe, GDP figures available regarding 2015 confirmed the expectations of continued sustained growth, even if slightly slowing on the whole in 2015 compared to 2014, with further acceleration in Slovakia (GDP growth of 3.3% in the first three quarters, from +2.4% in the same period of 2014) and a more moderate trend in Slovenia (+2.7% from +3.1%) and Hungary (+2.9% from +3.8%). In SEE countries, the available information, which regards to the first three quarters of the year, shows a significant recovery in economic activity, in line with the previous forecasts, with an accelerating trend in the GDP in Croatia (+1.5% from -0.5% in the same period of 2014) and Serbia (+0.4% from -1.7%), coming out of recession, and Romania (+3.7% from +2.9%).

Overall, the IMF estimated the average inflation rate in emerging countries as rising slightly to 5.5% in 2015, from 5.1% in 2014, but decelerating in certain cases, specifically in China. On the whole, the weakness of the economic trend, the sharp drop in commodities prices and the positive results of the agricultural season contributed to balancing the inflationary pressures due, in various areas, to the significant depreciation of exchange rates and increases in regulated prices and rates in order to reduce public deficits.

Monetary policy decisions of central banks in emerging countries were not homogeneous. In Asia, easing measures prevailed (specifically in China and India), while in Latin America restrictive measures prevailed to offset the inflationary pressures due to the significant depreciation of exchange rates. In Russia and Ukraine, whose currencies were driven sharply downwards, the central banks brought the benchmark rates to record levels in the initial months of 2015 (17% and 30%, respectively). Subsequently, as a result of the easing of the tensions on the markets, both countries reduced their benchmark rates and ended the year at 11% and 22%, respectively in Russia and Ukraine. Following the cuts made by several central banks in CEE and SEE countries in the first half of the year, no further easing measures were implemented in the second half of 2015, with the exception of Serbia, where the policy rate was decreased to 4.5%. Egypt, which cut the benchmark rate at the beginning of the year, raised it again by 50 basis points in December, bringing it to the level of end 2014.

As regards financial markets in 2015, due to the geopolitical tensions in certain areas (CIS and MENA), the drop in commodities prices in exporting countries and the sharp outflows of capital from these countries overall (specifically from China) had significant repercussions on emerging markets, with depreciation of exchange rates, the decline in the main stock prices and widening of CDS spreads.
The appreciation of the US dollar (with the OITP index rising by 10.2%, following an increase of 7.3% in 2014) was considerably sharp versus the currencies of other commodity-exporter countries such as Brazil (+47%), Russia (+29%), South Africa (+34%) or those with current imbalances such as Turkey (+25%). The persistent geopolitical tensions along with significant internal macroeconomic imbalances caused the Ukrainian hryvnia to lose over half of its value on the US dollar. Currencies in Central and South Eastern Europe were relatively impacted by those trends and substantially followed the euro, which depreciated by about 10% on the US dollar. The Egyptian pound also depreciated by 9.5% on the US dollar.
The MSCI composite index of emerging countries' stock markets dropped by 8.6% in 2015 after gaining 2.6% in 2014. The Shangai market was quite volatile and, though in the second half it lost the significant earnings recorded in the first half of the year, it managed to end 2015 with a positive sign (+9%). In Europe, the positive economic trend provided a sharp boost to stock prices in Hungary (+43.8%) and Slovakia (+31.5%), while Russia (-4.3%), Croatia (-2.8%), Slovenia (-11.2%) and Serbia (-3.4%) suffered declines. The Egyptian market made a downwards correction due to tensions in the region (-21.5%).
On the bond markets, the average EMBI+ spread for emerging countries expanded to 410 basis points in 2015 from 387 basis points at the end of 2014. The rises often followed rating downgrades which, among others, regarded Brazil, in Latin America, which lost its investment grade rating (S&P rating from BBB- to BB+), Nigeria, in Africa (S&P rating from BB- to B+) and Saudi Arabia in the Middle East (S&P rating from AA- to A+). Russia's spread, though volatile and despite the fact that the country lost its investment grade rating (S&P rating from BBB- to BB+), managed to decrease due to the stabilisation of the domestic financial scenario. In the other countries where ISP subsidiaries are located, S&P raised Hungary's rating (from BB to BB+) Slovenia's outlook (to A-/P) while it downgraded Croatia's outlook (to BB/N). Ukraine's rating was downgraded during 2015 (to SD), however, following the agreement on foreign debt restructuring, it was raised back to the levels of the beginning of the year (B-).

The Italian banking system

Rates and spreads

In 2015, banking interest rates continued to fall, reaching new lows. In particular, the cost of funding decreased significantly, due to the joint effects of the decline in average rates on deposits and the lesser weight of bonds. Following the mentioned low recorded in the summer months, the overall rate on deposits continued to decrease in the last part of the year. Likewise, over the year, overnight deposit rates showed further slight decreases, despite the very low level they have already reached. Conversely, the overall average rate on new time deposits started a trend of settling in the spring, while the average rates on stocks of bonds remained marked by marginal changes, though sharper in the last quarter.
Rates on new loans to non-financial companies confirmed their decline, with the average rate dropping below 2% in August, to reach historical lows in the subsequent months. Interest rate terms reached the lowest levels ever recorded, both for new loans of less than 1 million euro and for loans of greater amounts. Rates on new loans to households for house purchase reached new lows at the end of the year, both for fixed-rate and for floating-rate mortgages. The favourable lending environment is also clear from the comparison between Italian rates on new loans to businesses and the average rates for the Eurozone. During the year, spreads decreased significantly. Specifically, the spread calculated on rates for new loans of over 1 million euro began declining in mid-2015 to negative values once again, highlighting conditions that are relatively more advantageous for Italian borrowers than the average in the Eurozone. For this size class of loans, the spread with German interest rates also reached negative ground. In that easing scenario, the reduction in interest rates on the stock of loans continued, with the overall average rate dropping to record lows.
With low or dropping interest rates, the spread between lending and funding rate remained under pressure. After recovering up to the initial months of 2015, the spread then declined slightly due to the faster pace of the reduction in lending rates, though remaining in line with the annual average of 2014 (average of the fourth quarter 2.20%, average of 2.23% for 2015 compared to 2.25% in 2014). The contribution from deposits, measured on short-term rates, remained in negative territory for the fourth consecutive year, marginally worsening in the last quarter (mark-down[2] on the 1-month Euribor at -0.32% in the fourth quarter, from -0.28% in the previous one, with an annual average of -0.27%, compared to -0.20% in 2014). The mark-up[3] on the 1-month Euribor continued the gradual decline that began in 2014, dropping to lows since the end of 2011, but remaining high

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

[3] Difference between the interest rate applied to households and businesses on loans with maturity up to one year and the 1-month Euribor.

compared to pre-crisis levels (4.04% on average in the fourth quarter, from 4.09% in the third quarter of 2015, average of 4.19% in 2015 compared to 4.73% in 2014).

Loans

The improvement in the trend of bank loans to the private sector continued, with several segments resuming growth. Specifically, the recovery in loans to consumer households gained strength and the growth in loans to non-financial companies operating in the manufacturing industry was confirmed, while loans to construction companies showed a less sharp decline. For total loans to non-financial companies, the gradual recovery from the low points in the recessive cycle continued to be driven by medium-term loans, which have resumed growth since the beginning of the year, with a double digit trend since June. Nonetheless, the recovery of medium-term flows only partially offset the reduction in the other two components, short- and long-term, so that the average annual trend dropped overall, even though at a slower pace than in the previous year.
For loans to households, the improvement in the market scenario gained strength, with the easing of credit conditions for residential mortgages under way for over two years. After an upturn near mid-2015, in the second half the stock of loans to households confirmed slight growth, accelerating in the last quarter. This recovery is driven by the significant trend in the disbursement of residential mortgages, only partially due to the renegotiation of existing loans. Specifically, the sharp growth in the disbursement of fixed-rate mortgages continued, justified by the very low levels of interest rates applied and a smaller spread between the fixed and floating rates.
The performance of loans was driven by the recovery in demand, in addition to the easing of supply conditions. According to the lending survey conducted by the Bank of Italy on banks, demand from businesses confirmed its increasing trend also in the last part of the year, after reversing in the second quarter for the first time since 2011. A further increase in demand is expected in the first quarter of 2016. Applications for loans from households increased, both for house purchases and consumer credit. Among credit supply factors, competitive pressure continued to significantly encourage the easing of credit access conditions, whereas banks continued to show reduced concern with the perceived risks. Companies' opinions on credit access conditions also confirmed their improvement.
The growth in the stock of gross doubtful loans decreased its pace. There was an even more significant slowdown in the ratio of new non-performing loans, specifically of new doubtful loans, to total loans, thanks to the gradual improvement in economic activity.

Direct deposits

As regards funding, previous trends continued in 2015, specifically for deposits, which increased, driven by the strong growth in overnight deposits. At the same time, the double digit decline in time deposits continued. The performance of customer deposits was driven by the solidity of household deposits, characterised by a moderate year-on-year change, and the lively trend in deposits by non-financial companies, which reported double-digit growth during the year, though with high variability. The growth in deposits continued to be offset by the reduction in the stock of bank bonds, the trend of which was affected by customer portfolio reallocation processes.
Overall, customer deposits continued to decline slightly, not dissimilar to the average trend in the previous year.

Indirect deposits and asset management

With regard to assets under administration, the sharp decline in debt securities held in custody by banks on behalf of households and businesses continued. This performance was also impacted by the constant decline of bank bonds and very low yields of government securities, set against the interest in mutual funds.
In 2015 the asset management sector confirmed its robust performance. For mutual funds, the year began with particularly high net inflows which, in the second half, were lower though remaining still positive. Assets under management thus reached 842.6 billion euro at the end of December, up by 15.9% on the end of 2014. Net inflows were driven by flexible funds, which alone represented more than half of total inflows, followed by bond ones, cumulatively positive despite the outflows in the second half of the year. Inflows to balanced and equity funds were also high, and the yearly figure for money-market funds returned to be positive. Foreign funds continued to hold the greater market share, while most net inflows were brokered by Italian groups, primarily banking operators.
In 2015 portfolio management recorded highly positive figures, with inflows to retail portfolios growing considerably on 2014, especially in the first half of the year. In 2015, total assets in portfolio management exceeded 900 billion euro, increasing by 7.7 yoy compared to December 2014.
Also for the life insurance industry, new businesses in 2015 recorded very high values, with a cumulative change of 7.2% yoy. This growth was driven by unit-linked premiums, which increased by 48.9% since the beginning of the year, compared to 2014, representing 31% of total production. More traditional premiums weakened, decreasing by 4.8% . In this segment, the new production declined for eight consecutive months, and only in the last two months of the year did it resume growth. For insurance premiums, and, specifically, traditional ones, the main brokerage channel was bank and post office branches, with a total market share of 70.1%. As regards products with higher financial content, this predominance still occurred, but to a lesser extent. For these premiums, financial advisors also play an important role, as in 2015 they brokered 41.5% of subscriptions.

The forecast for 2016

In 2016 the phase of economic growth is expected to continue, with possible signs of stabilisation in China, following the slowdown in the previous quarters. In advanced countries, the additional drop in commodities prices will favour the growth in consumer spending rather than that of exports. Markets price in just a minimum rise in official interest rates in the United States

and the pressure on medium and long-term rates in US dollars will remain modest. In the Eurozone, the ECB has forecast the adoption of new monetary policy measures which could be announced soon. This possibility will keep the interest rate curve compressed in the Eurozone. European economic growth could continue at a practically unchanged pace, supported more by the expansion of services than by manufacturing production. In Italy, the signs of recovery that marked 2015 are expected to last.
In 2016 the IMF has forecast GDP growth in emerging economies (January 2016 update to the World Economic Outlook), slightly recovering on 2015 (+4.3% compared to 4%) but at a more modest pace compared to what previously expected (forecast of 4.5% for 2016 made in October 2015). This forecast is impacted by a less unfavourable GDP trend during the year in CIS countries and in Latin America (though still in recession overall), which should counteract the downwards effect of the slowdown in Asia (specifically in China) and in numerous commodity-exporter countries in the Middle East and Africa. However, the persistent weakness in the commoditie market and the worsening of internal and external imbalances in several countries are concrete signs of the risk of revision (more sharply downwards) of growth expectations throughout the year.
In Central and South-Eastern European countries with ISP subsidiaries, whose economic performance remains primarily connected to the trends in the Eurozone, GDP growth for 2016 is forecast to decelerate slightly in CEE countries, but to accelerate in SEE countries, driven by the further recovery in Serbia and Romania. Growth is also expected to accelerate in Egypt, thanks to the investment plan announced by the government.

As regards the Italian banking system, 2016 sees prospects for a further gradual improvement in lending as a result of the highly favourable monetary conditions, the easing in the supply side and the increase in demand from businesses and households, in a scenario of consolidation of the economic recovery. Therefore, loans to businesses could finally clearly resume growth, though slightly. For households, which confirmed their financial soundness, the lending scenario remains positive: growth in stocks, which resumed in 2015, will continue at a moderate pace in 2016, favoured by interest rates at historical lows and the gradual recovery of the real estate market.
In terms of funding, growth of deposits will continue, whilst the overall trend will remain affected by households' portfolio reallocation process in favour of asset management. On the other hand, banks' funding needs should remain limited, given the performance of loans and the extensive liquidity available. These factors will continue to favour the reduction of customer deposit costs. In a context of very low, where not negative, market rates, and improved credit access conditions, loan rates are expected to stay at low levels.

Income statement and balance sheet aggregates

Economic results

General aspects

As usual, a condensed reclassified income statement is prepared to give a more immediate understanding of results. To enable consistent comparison, the figures for previous periods are restated, where necessary, to account for changes in the scope of consolidation.
The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, please note that no intragroup relations are netted where their amount is not significant.
Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments, 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;
– contributions to the Resolution Fund for Banking Crisis and the Deposit Guarantee Scheme, which were reallocated from other administrative expenses to other operating expenses;
– Profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
– Net impairment losses on other financial activities (caption 130 d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
– the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
– Net impairment losses on property, equipment and intangible assets (with the exception of impairment losses on intangible assets) have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express adjustments – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale and investments held to maturity; by contrast, impairment losses on intangible assets have been reclassified, net of the tax effects, to Impairment (net of tax) of goodwill and other intangible assets;
– Impairment losses on property and other assets resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future, which have been reclassified from Other operating income (expenses) to Net impairment losses on other assets. Accordingly, profits and losses on disposal associated with this type of asset have been reclassified from Other operating income (Expenses) to Profits (Losses) on investments held to maturity and on other investments.
– Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (Losses) on investments held to maturity and on other investments, after the deduction of net income from investments carried at equity which is posted in a specific caption in Operating income;
– Income tax, to which tax charges relating to disputes in the process of being settled were reallocated;
– Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
– Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3;
– Goodwill impairment and impairment losses on other intangible assets, as mentioned above, are shown, net of tax, in a specific caption amongst "non-current" income components.

Reclassified income statement

(millions of euro)

	2015	2014	Changes	
			amount	%
Net interest income	7,812	8,358	-546	-6.5
Profits (losses) on investments carried at equity	96	35	61	
Net fee and commission income	7,496	6,765	731	10.8
Profits (Losses) on trading	1,034	736	298	40.5
Income from insurance business	997	932	65	7.0
Other operating income (expenses)	-286	2	-288	
Operating income	**17,149**	**16,828**	**321**	**1.9**
Personnel expenses	-5,316	-5,118	198	3.9
Other administrative expenses	-2,766	-2,794	-28	-1.0
Adjustments to property, equipment and intangible assets	-734	-694	40	5.8
Operating costs	**-8,816**	**-8,606**	**210**	**2.4**
Operating margin	**8,333**	**8,222**	**111**	**1.4**
Net provisions for risks and charges	-400	-542	-142	-26.2
Net adjustments to loans	-3,306	-4,568	-1,262	-27.6
Net impairment losses on other assets	-168	-237	-69	-29.1
Profits (Losses) on investments held to maturity and on other investments	138	388	-250	-64.4
Income (Loss) before tax from continuing operations	**4,597**	**3,263**	**1,334**	**40.9**
Taxes on income from continuing operations	-1,594	-1,775	-181	-10.2
Charges (net of tax) for integration and exit incentives	-83	-103	-20	-19.4
Effect of purchase price allocation (net of tax)	-119	-193	-74	-38.3
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-3	276	-279	
Minority interests	-59	-217	-158	-72.8
Net income (loss)	**2,739**	**1,251**	**1,488**	

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

Quarterly development of the reclassified income statement

(millions of euro)

	2015				2014			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,953	1,912	1,976	1,971	2,056	2,107	2,100	2,095
Profits (losses) on investments carried at equity	1	41	15	39	12	6	-19	36
Net fee and commission income	1,918	1,786	1,979	1,813	1,813	1,647	1,725	1,580
Profits (Losses) on trading	57	1	380	596	76	135	381	144
Income from insurance business	131	241	282	343	186	240	251	255
Other operating income (expenses)	-373	214	-54	-73	-10	25	-9	-4
Operating income	**3,687**	**4,195**	**4,578**	**4,689**	**4,133**	**4,160**	**4,429**	**4,106**
Personnel expenses	-1,486	-1,257	-1,271	-1,302	-1,359	-1,257	-1,222	-1,280
Other administrative expenses	-803	-643	-679	-641	-810	-653	-673	-658
Adjustments to property, equipment and intangible assets	-201	-180	-178	-175	-191	-171	-166	-166
Operating costs	**-2,490**	**-2,080**	**-2,128**	**-2,118**	**-2,360**	**-2,081**	**-2,061**	**-2,104**
Operating margin	**1,197**	**2,115**	**2,450**	**2,571**	**1,773**	**2,079**	**2,368**	**2,002**
Net provisions for risks and charges	-56	-222	-68	-54	-291	-14	-182	-55
Net adjustments to loans	-923	-769	-847	-767	-1,043	-1,257	-1,186	-1,082
Net impairment losses on other assets	-108	-20	-31	-9	-94	-64	-67	-12
Profits (Losses) on investments held to maturity and on other investments	51	21	38	28	5	73	235	75
Income (Loss) before tax from continuing operations	**161**	**1,125**	**1,542**	**1,769**	**350**	**817**	**1,168**	**928**
Taxes on income from continuing operations	-76	-354	-516	-648	-183	-324	-904	-364
Charges (net of tax) for integration and exit incentives	-37	-15	-25	-6	-74	-9	-13	-7
Effect of purchase price allocation (net of tax)	-33	-27	-33	-26	-45	-49	-53	-46
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-2	-	-1	-	-4	45	238	-3
Minority interests	-	-7	-27	-25	4	3	-219	-5
Net income (loss)	**13**	**722**	**940**	**1,064**	**48**	**483**	**217**	**503**

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

The Intesa Sanpaolo Group closed 2015 with a positive performance of all of its income margins, in a scenario of moderate growth in the Eurozone, with some tension at the global level related initially to the Greek crisis and then to the collapse of Chinese equity markets.
The increase in revenues, driven by fees and commissions and profits on trading, accompanied by a moderate increase in costs, resulted in an improved operating margin compared to 2014. In addition, due to the significant decrease in net adjustments to loans, net income for the year reached 2,739 million euro, more than twice the profit recorded in 2014.

Operating income

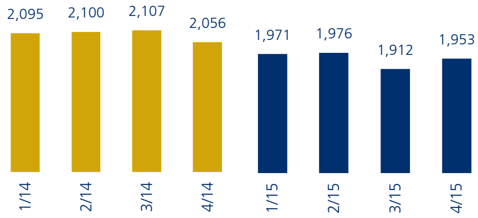
Operating income amounted to 17,149 million euro, up 1.9% compared to the 16,828 million euro of 2014 due to the increase in net fees and commissions (+10.8%), in profits on trading (+40.5%) and in income from insurance business (+7%), which more than offset the decline in net interest income and the operating expenses associated with contributions to the Resolution Fund and Deposit Guarantee Scheme. Excluding these expenses of 516 million euro, which were not present in 2014, the increase in revenues would have been 5%.

Net interest income

(millions of euro)

	2015	2014	Changes amount	Changes %
Relations with customers	8,370	9,319	-949	-10.2
Securities issued	-3,800	-4,642	-842	-18.1
Differentials on hedging derivatives	749	1,102	-353	-32.0
Customer dealing	**5,319**	**5,779**	**-460**	**-8.0**
Financial assets held for trading	228	295	-67	-22.7
Investments held to maturity	53	56	-3	-5.4
Financial assets available for sale	832	1,076	-244	-22.7
Financial assets	**1,113**	**1,427**	**-314**	**-22.0**
Relations with banks	**8**	**-18**	**26**	
Non-performing assets	**1,377**	**1,212**	**165**	**13.6**
Other net interest income	**-5**	**-42**	**-37**	**-88.1**
Net interest income	**7,812**	**8,358**	**-546**	**-6.5**

Quarterly development Net interest income



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

Net interest income settled at 7,812 million euro, down 6.5% compared to the previous year due to both the trend in lending customer dealing and the decline in interest on financial assets.
Customer dealing amounted to 5,319 million euro, down 8% compared to 2014. The decline in interest related to relations with customers may essentially be attributed to the decrease in average volumes and the reduction in hedging derivative differentials.
Interest on financial assets declined by 22% compared to the previous year due mainly to the reduction in interest on financial assets available for sale (-244 million euro), sales of which have been included in profits on trading.
Net interest income on the interbank market came to 8 million euro, compared to net expense of 18 million euro in 2014, due to the reduction in interest expense on interbank funding, including the exposure to the ECB, which on average exceeded 23 billion euro in 2015.

(millions of euro)

	2015 Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	Changes % (A/B)	(B/C)	(C/D)
Relations with customers	2,051	2,043	2,116	2,160	0.4	-3.4	-2.0
Securities issued	-895	-926	-936	-1,043	-3.3	-1.1	-10.3
Differentials on hedging derivatives	158	178	195	218	-11.2	-8.7	-10.6
Customer dealing	**1,314**	**1,295**	**1,375**	**1,335**	**1.5**	**-5.8**	**3.0**
Financial assets held for trading	51	49	64	64	4.1	-23.4	-
Investments held to maturity	14	13	14	12	7.7	-7.1	16.7
Financial assets available for sale	201	205	208	218	-2.0	-1.4	-4.6
Financial assets	**266**	**267**	**286**	**294**	**-0.4**	**-6.6**	**-2.7**
Relations with banks	**12**	**-**	**-10**	**6**	**-**		
Non-performing assets	**364**	**347**	**329**	**337**	**4.9**	**5.5**	**-2.4**
Other net interest income	**-3**	**3**	**-4**	**-1**			
Net interest income	**1,953**	**1,912**	**1,976**	**1,971**	**2.1**	**-3.2**	**0.3**

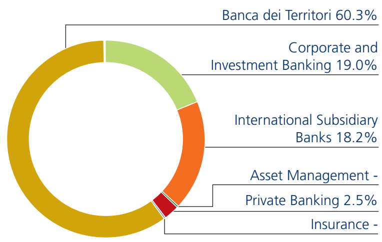
Figures restated, where necessary, considering the changes in the scope of consolidation.

Net interest income in the fourth quarter was higher than in the third quarter, due to the increase in interest on customer dealing and non-performing assets, but slightly lower than in the first two quarters of 2015.

(millions of euro)

	2015	2014	Changes amount	Changes %
Banca dei Territori	4,902	5,415	-513	-9.5
Corporate and Investment Banking	1,544	1,782	-238	-13.4
International Subsidiary Banks	1,479	1,440	39	2.7
Private Banking	201	219	-18	-8.2
Asset Management	1	1	-	-
Insurance	-	-	-	-
Total business areas	**8,127**	**8,857**	**-730**	**-8.2**
Corporate Centre	-315	-499	-184	-36.9
Intesa Sanpaolo Group	**7,812**	**8,358**	**-546**	**-6.5**

Business areas



The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

Banca dei Territori, which accounts for 60% of business area results, recorded a decline of 9.5% in net interest income. Interest attributable to the Corporate and Investment Banking division fell (-13.4%) owing in particular to the reduced contribution of the capital markets segment. The Private Banking division's net interest income decreased by 8.2%. Conversely, the International Subsidiary Banks division posted an increase in net interest income (+2.7%), which benefited from the greater contribution of lending volumes, attributable mainly to the subsidiary banks in Egypt, Croatia and Slovakia.

Profits on investments carried at equity

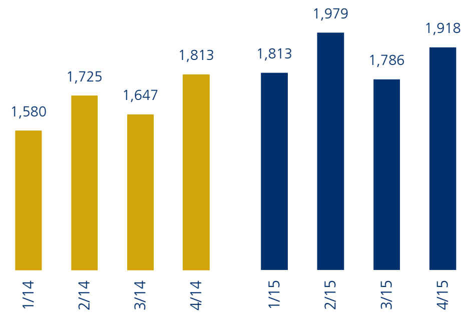
The caption had a positive balance of 96 million euro for 2015, compared to the 35 million euro recorded in 2014, due to the improved contribution of companies consolidated at equity and most markedly the subsidiaries Bank of Qingdao, Penghua Fund Management (China) and AllFunds Bank.

Net fee and commission income

(millions of euro)

	2015	2014	Changes amount	Changes %
Guarantees given / received	344	326	18	5.5
Collection and payment services	374	384	-10	-2.6
Current accounts	1,032	1,104	-72	-6.5
Credit and debit cards	524	508	16	3.1
Commercial banking activities	**2,274**	**2,322**	**-48**	**-2.1**
Dealing and placement of securities	763	781	-18	-2.3
Currency dealing	44	41	3	7.3
Portfolio management	2,112	1,621	491	30.3
Distribution of insurance products	1,232	971	261	26.9
Other	184	162	22	13.6
Management, dealing and consultancy activities	**4,335**	**3,576**	**759**	**21.2**
Other net fee and commission income	**887**	**867**	**20**	**2.3**
Net fee and commission income	**7,496**	**6,765**	**731**	**10.8**

Quarterly development
Net fee and commission income



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

Net fee and commission income for 2015, which makes up over 40% of operating income, came to 7,496 million euro, up 10.8% compared to the previous year, thanks to the growth of management fees and commissions.
Fee and commission income on commercial banking activities declined (-2.1%) due to the lower fees and commissions on current accounts (-6.5%) and on collection and payment services (-2.6%), despite the increase in fees and commissions on guarantees given (+5.5%) and on debit and credit cards (+3.1%).
Management, dealing and financial consultancy activities provided the greatest contribution, generating net fee and commission income of 4,335 million euro, up 21.2% compared to 2014. Contributing to this trend were, above all, fee and commission income on portfolio management (+491 million euro), particularly regarding both collective and individual captive portfolio management, the distribution of insurance products (+261 million euro) and, to a lesser extent, other management and dealing commissions (+22 million euro). Other net fee and commission income came to 887 million euro, up by 20 million euro.

(millions of euro)

	2015				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Guarantees given / received	86	88	78	92	-2.3	12.8	-15.2
Collection and payment services	104	89	95	86	16.9	-6.3	10.5
Current accounts	255	268	255	254	-4.9	5.1	0.4
Credit and debit cards	130	141	132	121	-7.8	6.8	9.1
Commercial banking activities	**575**	**586**	**560**	**553**	**-1.9**	**4.6**	**1.3**
Dealing and placement of securities	142	137	225	259	3.6	-39.1	-13.1
Currency dealing	11	11	11	11	-	-	-
Portfolio management	540	522	562	488	3.4	-7.1	15.2
Distribution of insurance products	332	300	335	265	10.7	-10.4	26.4
Other	49	42	48	45	16.7	-12.5	6.7
Management, dealing and consultancy activities	**1,074**	**1,012**	**1,181**	**1,068**	**6.1**	**-14.3**	**10.6**
Other net fee and commission income	**269**	**188**	**238**	**192**	**43.1**	**-21.0**	**24.0**
Net fee and commission income	**1,918**	**1,786**	**1,979**	**1,813**	**7.4**	**-9.8**	**9.2**

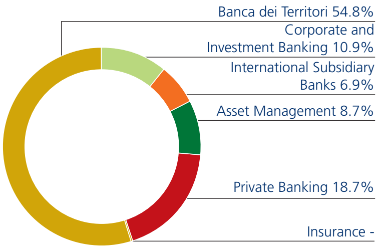
Figures restated, where necessary, considering the changes in the scope of consolidation.

Net fee and commission income in the fourth quarter of 2015 was higher than in the third quarter (+7.4%) and in the first quarter (+5.8%), but slightly lower than in the second quarter (-3.1%). In particular, the fourth quarter saw a greater concentration of performance fees attributable to asset management products and fees on the distribution of insurance products.

(millions of euro)

	2015	**2014**	**Changes**	
			amount	**%**
Banca dei Territori	4,242	3,957	285	7.2
Corporate and Investment Banking	843	804	39	4.9
International Subsidiary Banks	532	521	11	2.1
Private Banking	1,449	1,199	250	20.9
Asset Management	670	501	169	33.7
Insurance	-	-	-	-
Total business areas	**7,736**	**6,982**	**754**	**10.8**
Corporate Centre	-240	-217	23	10.6
Intesa Sanpaolo Group	**7,496**	**6,765**	**731**	**10.8**

Business areas



The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

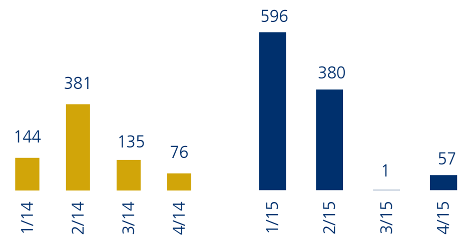
With regard to business areas, Banca dei Territori, which accounts for 55% of the fee and commission income of the business units, recorded a significant increase (+7.2%, or 285 million euro in 2015), mainly due to fee and commission income on asset management, bancassurance, and mortgage and personal loan coverage products. Asset Management posted a very significant increase (+33.7%) as a result of the marked growth in average assets under management compared to 2014, as did Private Banking (+20.9%), due to both the strong growth in average assets under management and the increase in margins due to the shift in the product mix in favour of asset management and unit-linked policies and the increasing demand for advisory services. More moderate increases were reported by Corporate and Investment Banking (+4.9%), attributable to the growth of fee and commission income in the investment banking sector, and particularly in structured finance, and by the International Subsidiary Banks (+2.1%).

Profits (Losses) on trading

(millions of euro)

	2015	2014	Changes amount	Changes %
Interest rates	13	-255	268	
Equity instruments	178	252	-74	-29.4
Currencies	141	61	80	
Structured credit products	-	38	-38	
Credit derivatives	-30	-49	-19	**-38.8**
Commodity derivatives	23	32	-9	-28.1
Trading result	**325**	**79**	**246**	
Trading on AFS securities and financial liabilities	**709**	**657**	**52**	**7.9**
Profits (Losses) on trading	**1,034**	**736**	**298**	**40.5**

Quarterly development Profits (losses) on trading



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

In 2015 trading activities yielded profits on trading of 1,034 million euro, significantly higher than the 736 million euro recognised in the previous year. The Group benefited from the favourable financial market performance in the first five months of the year, recording unrealised gains on its portfolios of financial assets available for sale, and implemented measures aimed at protecting its trading and proprietary portfolios in the second half of the year, when market turbulence increased. In particular, profits on trading benefited from the increase in transactions in currencies and interest rates attributable to the capital markets segment.
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. The dividends paid by the Bank of Italy (144 million euro in 2015 and 161 million euro in 2014) were also included in the subcaption.

(millions of euro)

	2015 Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	Changes % (A/B)	(B/C)	(C/D)
Interest rates	-38	2	51	-2		-96.1	
Equity instruments	45	-17	80	70			14.3
Currencies	-23	-1	84	81			3.7
Structured credit products	2	-3	3	-2			
Credit derivatives	27	-21	-13	-23		61.5	-43.5
Commodity derivatives	1	-12	16	18			-11.1
Trading result	**14**	**-52**	**221**	**142**			**55.6**
Trading on AFS securities and financial liabilities	**43**	**53**	**159**	**454**	**-18.9**	**-66.7**	**-65.0**
Profits (Losses) on trading	**57**	**1**	**380**	**596**		**-99.7**	**-36.2**

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

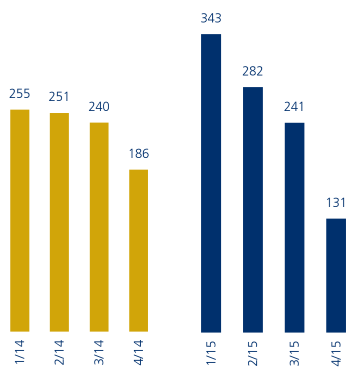
The quarterly analysis shows that the flow amounted to 57 million euro in the fourth quarter, higher than in the third but lower than in the first two quarters of the year, when the aforementioned gains on the available for sale (AFS) portfolio were recorded.

Income from insurance business

(millions of euro)

Captions (a)	2015 Life	2015 Non-life	2015 Total	2014 Life	2014 Non-life	2014 Total	Changes amount	Changes %
Technical margin	**12**	**56**	**68**	**7**	**48**	**55**	**13**	**23.6**
Net insurance premiums (b)	12,177	250	12,427	16,393	207	16,600	-4,173	-25.1
Net charges for insurance claims and surrenders (c)	-9,321	-87	-9,408	-7,004	-92	-7,096	2,312	32.6
Net charges for changes in technical reserves (d)	-4,511	-	-4,511	-11,062	-	-11,062	-6,551	-59.2
Gains (losses) on investments pertaining to insured parties on insurance products (e)	1,940	-	1,940	1,932	-	1,932	8	0.4
Net fees on investment contracts (f)	203	-	203	179	-	179	24	13.4
Commission expenses on insurance contracts (g)	-507	-68	-575	-438	-45	-483	92	19.0
Other technical income and expense (h)	31	-39	-8	7	-22	-15	-7	-46.7
Net investment result	**1,008**	**31**	**1,039**	**850**	**27**	**877**	**162**	**18.5**
Operating income from investments	3,810	31	3,841	5,343	27	5,370	-1,529	-28.5
Net interest income	*2,045*	*9*	*2,054*	*2,100*	*13*	*2,113*	*-59*	*-2.8*
Dividends	*169*	*2*	*171*	*87*	*2*	*89*	*82*	*92.1*
Gains/losses on disposal	*1,652*	*20*	*1,672*	*946*	*12*	*958*	*714*	*74.5*
Valuation gains/losses	*28*	*-*	*28*	*2,275*	*-*	*2,275*	*-2,247*	*-98.8*
Portfolio management fees paid (i)	*-84*	*-*	*-84*	*-65*	*-*	*-65*	*19*	*29.2*
Gains (losses) on investments pertaining to insured parties	-2,802	-	-2,802	-4,493	-	-4,493	-1,691	-37.6
Insurance products (j)	*-1,794*	*-*	*-1,794*	*-1,780*	*-*	*-1,780*	*14*	*0.8*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*-146*	*-*	*-146*	*-152*	*-*	*-152*	*-6*	*-3.9*
Investment products (l)	*-862*	*-*	*-862*	*-2,561*	*-*	*-2,561*	*-1,699*	*-66.3*
Income from insurance business gross of consolidation effects	**1,020**	**87**	**1,107**	**857**	**75**	**932**	**175**	**18.8**
Consolidation effects	-103	-7	-110	-	-	-	110	-
Income from insurance business	**917**	**80**	**997**	**857**	**75**	**932**	**65**	**7.0**

Quarterly development Income from insurance business



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

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

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

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

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

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

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

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

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

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

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

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

(l) 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 2015, income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, amounted to 997 million euro, up 7% on 2014. The segment's positive performance is attributable to both the life and the non-life business, with an incidence that remains marginal for the latter.
The positive performance of the life business should be viewed against the backdrop of the improved net investment result, which climbed to 1,008 million euro from 850 million euro in the previous year, also benefiting from extraordinary income of 58 million euro on the sale of Union Life. Operating income from investments, net of retrocession to policyholders, increased due to considerable realised gains and greater dividends, which offset the significant write-downs of the portfolios. The technical margin for the life business increased slightly, primarily attributable to an improved balance between net premiums and expenses and higher commissions on investment contracts.
Income from non-life business grew by 5 million euro, attributable to the net investment result, due to capital gains, and to the technical margin. The latter also grew slightly due to an increase in net premiums, supported in part by the products "aCasaConMe", which combine personalised insurance coverage with a technological device that is able to detect dangers and notify others in the event of an emergency, and "MotoConMe", the innovative new policy for motorcycles and scooters launched in June.

(millions of euro)

Captions (a)	2015				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Technical margin	**12**	**31**	**19**	**6**	**-61.3**	**63.2**	
Net insurance premiums (b)	3,702	2,642	2,908	3,175	40.1	-9.1	-8.4
Net charges for insurance claims and surrenders (c)	-2,193	-1,964	-2,722	-2,529	11.7	-27.8	7.6
Net charges for changes in technical reserves (d)	-2,006	-802	-311	-1,392			-77.7
Gains (losses) on investments pertaining to insured parties on insurance products (e)	618	231	248	843		-6.9	-70.6
Net fees on investment contracts (f)	66	51	48	38	29.4	6.3	26.3
Commission expenses on insurance contracts (g)	-161	-140	-156	-118	15.0	-10.3	32.2
Other technical income and expense (h)	-14	13	4	-11			
Net investment result	**162**	**251**	**288**	**338**	**-35.5**	**-12.8**	**-14.8**
Operating income from investments	2,029	-1,080	-627	3,519		72.2	
Net interest income	*521*	*515*	*525*	*493*	*1.2*	*-1.9*	*6.5*
Dividends	*38*	*51*	*60*	*22*	*-25.5*	*-15.0*	
Gains/losses on disposal	*198*	*268*	*608*	*598*	*-26.1*	*-55.9*	*1.7*
Valuation gains/losses	*1,288*	*-1,895*	*-1,797*	*2,432*		*5.5*	
Portfolio management fees paid (i)	*-16*	*-19*	*-23*	*-26*	*-15.8*	*-17.4*	*-11.5*
Gains (losses) on investments pertaining to insured parties	-1,867	1,331	915	-3,181		45.5	
Insurance products (j)	*-536*	*-293*	*-270*	*-695*	*82.9*	*8.5*	*-61.2*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*-82*	*62*	*22*	*-148*			
Investment products (l)	*-1,249*	*1,562*	*1,163*	*-2,338*		*34.3*	
Income from insurance business gross of consolidation effects	**174**	**282**	**307**	**344**	**-38.3**	**-8.1**	**-10.8**
Consolidation effects	**-43**	**-41**	**-25**	**-1**	4.9	64.0	
Income from insurance business	**131**	**241**	**282**	**343**	**-45.6**	**-14.5**	**-17.8**

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

For notes, see the previous table.

In the fourth quarter, income from insurance business, including both the life and non-life businesses, was less than in the first three quarters, primarily due to financial market trends.

(millions of euro)

	2015				2014
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**217**	**11,961**	**12,178**	*11,962*	**16,394**
Premiums issued on traditional products	185	11,482	11,667	*11,483*	16,117
Premiums issued on unit-linked products	14	18	32	*18*	49
Premiums issued on capitalisation products	1	1	2	*1*	1
Premiums issued on pension funds	17	460	477	*460*	227
Non-life insurance business	**56**	**195**	**251**	*76*	**215**
Premiums issued	56	222	278	*174*	211
Change in premium reserves	-	-27	-27	*-98*	4
Premiums ceded to reinsurers	**-3**	**-6**	**-9**	*-2*	**-9**
Net premiums from insurance products	**270**	**12,150**	**12,420**	***12,036***	**16,600**
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	110	15,236	15,346	*15,245*	10,287
Total business from investment contracts	**110**	**15,236**	**15,346**	***15,245***	**10,287**
Total business	**380**	**27,386**	**27,766**	***27,281***	**26,887**

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

In 2015, the total business of the insurance segment reached premiums of 27,766 million euro, up compared to total inflows of 26,887 million euro in 2014. This increase is attributable to new unit-linked contract business, which offset the decline in premiums issued against traditional life policies. New business was 27,281 million euro, confirming the fact that the premiums of the Group's insurance companies relate almost entirely to new single-premium contracts.

Other operating income (expenses)

Other operating income (expenses) is a 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. Contributions to the Resolution Fund and Deposit Guarantee Scheme of 516 million euro were reclassified to this caption. Those contributions consist of 473 million euro of ordinary contributions paid in Italy and other countries, the extraordinary contributions paid in Italy (in connection with bail-outs of four banks placed in receivership) to the National Single Resolution Fund for Banking Crises, and 43 million euro of expenses associated with financing of the new system of funding for the Deposit Guarantee Scheme.
Other net operating income for 2015 includes the income of 211 million euro pertaining to the IMI-SIR dispute.

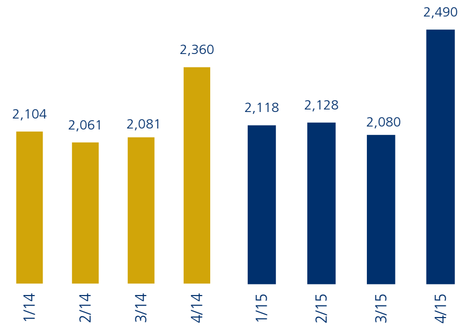
Operating costs

(millions of euro)

	2015	2014	Changes amount	Changes %
Wages and salaries	3,665	3,615	50	1.4
Social security charges	936	917	19	2.1
Other	715	586	129	22.0
Personnel expenses	**5,316**	**5,118**	**198**	**3.9**
Information technology expenses	632	640	-8	-1.3
Management of real estate assets expenses	587	634	-47	-7.4
General structure costs	414	407	7	1.7
Professional and legal expenses	443	402	41	10.2
Advertising and promotional expenses	141	160	-19	-11.9
Indirect personnel costs	97	97	-	-
Other costs	360	350	10	2.9
Indirect taxes and duties	920	955	-35	-3.7
Recovery of expenses and charges	-828	-851	-23	-2.7
Administrative expenses	**2,766**	**2,794**	**-28**	**-1.0**
Property and equipment	355	350	5	1.4
Intangible assets	379	344	35	10.2
Adjustments	**734**	**694**	**40**	**5.8**
Operating costs	**8,816**	**8,606**	**210**	**2.4**

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

Quarterly development Operating costs



Operating costs came to 8,816 million euro for a moderate increase (+2.4%) compared to the previous year. Personnel expenses of 5,316 million euro increased (+3.9% or 198 million euro), primarily due to the increased provisions for the variable component (including the cost of the LECOIP - Leveraged Employee Co-Investment Plan approved for employees in 2014) to reflect the Group's income results.

Administrative expenses came to 2,766 million euro, down 1% compared to 2014. The reduction of such expenses is mainly attributable to real estate management (-47 million euro), advertising and promotional expenses (-19 million euro) and information technology expenses (-8 million euro), only partly offset by the increase in legal and professional fees (+41 million euro). Adjustments amounted to 734 million euro, up 5.8% compared to 2014, primarily due to higher amortisation of intangible assets.

The cost/income ratio for the year was 51.4% compared to 51.1% in 2014. The indicator was affected by the 516 million euro of contributions to the Resolution Fund and the Deposit Guarantee Scheme, included among other operating expenses.

(millions of euro)

	2015 Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	Changes % (A/B)	(B/C)	(C/D)
Wages and salaries	1,031	866	874	894	19.1	-0.9	-2.2
Social security charges	259	226	222	229	14.6	1.8	-3.1
Other	196	165	175	179	18.8	-5.7	-2.2
Personnel expenses	**1,486**	**1,257**	**1,271**	**1,302**	**18.2**	**-1.1**	**-2.4**
Information technology expenses	177	149	153	153	18.8	-2.6	-
Management of real estate assets expenses	150	146	142	149	2.7	2.8	-4.7
General structure costs	99	105	102	108	-5.7	2.9	-5.6
Professional and legal expenses	155	96	106	86	61.5	-9.4	23.3
Advertising and promotional expenses	54	30	34	23	80.0	-11.8	47.8
Indirect personnel costs	29	18	27	23	61.1	-33.3	17.4
Other costs	114	84	85	77	35.7	-1.2	10.4
Indirect taxes and duties	244	212	247	217	15.1	-14.2	13.8
Recovery of expenses and charges	-219	-197	-217	-195	11.2	-9.2	11.3
Administrative expenses	**803**	**643**	**679**	**641**	**24.9**	**-5.3**	**5.9**
Property and equipment	93	88	89	85	5.7	-1.1	4.7
Intangible assets	108	92	89	90	17.4	3.4	-1.1
Adjustments	**201**	**180**	**178**	**175**	**11.7**	**1.1**	**1.7**
Operating costs	**2,490**	**2,080**	**2,128**	**2,118**	**19.7**	**-2.3**	**0.5**

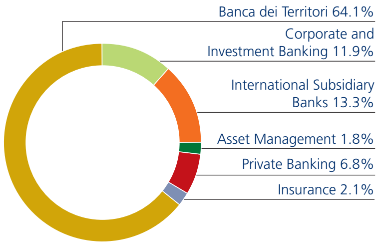
Figures restated, where necessary, considering the changes in the scope of consolidation.

At the quarterly level, operating costs amounted to 2,490 million euro, up compared to the previous three quarters. This increase may be attributed to the rise in administrative expenses and personnel expenses. Administrative expenses, which are traditionally subject to seasonal variation at the end of the year, were affected by larger flows of professional and legal expenses, advertising and promotional expenses and information technology expenses.

(millions of euro)

	2015	2014	Changes amount	Changes %
Banca dei Territori	4,986	4,966	20	0.4
Corporate and Investment Banking	931	872	59	6.8
International Subsidiary Banks	1,033	1,045	-12	-1.1
Private Banking	532	527	5	0.9
Asset Management	142	130	12	9.2
Insurance	160	151	9	6.0
Total business areas	**7,784**	**7,691**	**93**	**1.2**
Corporate Centre	1,032	915	117	12.8
Intesa Sanpaolo Group	**8,816**	**8,606**	**210**	**2.4**

Business areas



The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

The increase in the Group’s operating costs may be attributed to all business units, except for the International Subsidiary Banks (-1.1%), which achieved savings on administrative expenses and adjustments. Banca dei Territori, which accounts for 64% of all costs for the business areas, showed substantial stability of operating costs (+0.4%). Higher personnel expenses were largely offset by savings on administrative expenses. Increases were recorded by Corporate and Investment Banking (+6,8%), Asset Management (+9,2%) and Insurance (+6%), in relation to higher personnel and administrative expenses, and, to a lesser degree, by Private Banking (+0,9%), with general increases in all captions.
The higher adjustments, related to investments for growth, and expenses relating to new regulatory obligations, contributed significantly to the increase in the Corporate Centre's operating costs.

Operating margin

Operating margin was 8,333 million euro in 2015, up 1.4% compared to the previous year due to the increase in revenues. If the contributions to the Resolution Fund and Deposit Guarantee Scheme, not present in 2014, are excluded, operating margin increases by 7.6%. In the quarterly comparison, the operating margin in the fourth quarter was significantly lower than in the first three quarters of 2015, in relation to the extraordinary contribution to the Resolution Fund.

Adjustments to/write-backs on assets

Net provisions for risks and charges

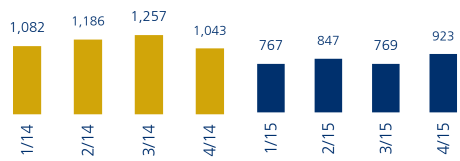
In 2015 net provisions for risks and charges stood at 400 million euro, down compared to 542 million euro in 2014. This caption also includes provisions in accordance with local legislation governing the conversion into euro of loans in Swiss francs granted by the Croatian subsidiary Privredna Banka Zagreb (172 million euro).

Net adjustments to loans

(millions of euro)

	2015	2014	Changes amount	Changes %
Doubtful loans	-1,815	-2,214	-399	-18.0
Unlikely to pay	-1,551	-1,962	-411	-20.9
Past due loans	-368	-316	52	16.5
Performing loans	298	-50	348	
Net losses/recoveries on impairment of loans	**-3,436**	**-4,542**	**-1,106**	**-24.4**
Net adjustments to/recoveries on guarantees and commitments	**130**	**-26**	**156**	
Net adjustments to loans	**-3,306**	**-4,568**	**-1,262**	**-27.6**

Quarterly development Net adjustments to loans



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

The significant reduction in net adjustments to loans for 2015, as compared to the same period of the previous year, was the result of both actions implemented under the Business Plan aimed at enhancing credit monitoring and, above all, a gradual stabilisation of the general economic context, which made it possible to contain the deterioration of the loan portfolio after the considerable adjustments implemented in 2013 and 2014.
More specifically, in 2015, net adjustments to loans amounted to 3,306 million euro, down 27.6% compared to the previous year, essentially due to lower provisions for doubtful positions and unlikely to pay exposures. Those adjustments ensure adequate coverage of both performing and non-performing loans. Doubtful positions required total net adjustments of 1,815 million euro, down 18% compared to 2014, with an average coverage ratio of 61.8%. Net impairment losses on loans included in the unlikely to pay category, totalling 1,551 million euro, decreased by 20.9% compared to the previous year, with a coverage ratio of 24.8%, up compared to the levels of the end of 2014. Net impairment losses on past due loans increased by 52 million euro (+16.5%). The coverage ratio for forborne positions within the non-performing loans category was 29% at the end of December.

Lastly, within performing loans, the generic reserve offered a stable coverage ratio for the physiological risk inherent in the portfolio of 0.7%.

(millions of euro)

	2015				Changes %		
	Fourth quarter (A)	**Third quarter** (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)	(C/D)
Doubtful loans	-656	-348	-410	-401	88.5	-15.1	2.2
Unlikely to pay	-578	-342	-313	-318	69.0	9.3	-1.6
Past due loans	-99	-85	-102	-82	16.5	-16.7	24.4
Performing loans	334	4	-25	-15			66.7
Net losses/recoveries on impairment of loans	**-999**	**-771**	**-850**	**-816**	**29.6**	**-9.3**	**4.2**
Net adjustments to/recoveries on guarantees and commitments	**76**	**2**	**3**	**49**		**-33.3**	**-93.9**
Net adjustments to loans	**-923**	**-769**	**-847**	**-767**	**20.0**	**-9.2**	**10.4**

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

Impairment losses in the fourth quarter of 2015 exceeded the first three quarters but were lower than all quarters of the previous year, when they were consistently above one billion.

Net impairment losses on other assets
In 2015 impairment losses on assets other than loans (financial assets available for sale, investments held to maturity, property plant and equipment and intangible assets) amounted to 168 million euro, compared to 237 million euro in 2014, owing in part to the decreased impairment of equity investments.

Profits (Losses) on investments held to maturity and on other investments
Profits on investments held to maturity and on other investments came to 138 million euro and derive from recoveries in the value of equity investments and gains on the sale of properties. The caption compares with the 388 million euro recorded for 2014, most of which was attributable to the sale of significant equity interests and of real estate.

Income before tax from continuing operations
Income before tax from continuing operations came to 4,597 million euro, compared to the 3,263 million euro recorded in the previous year.

Other income and expense captions

Taxes on income from continuing operations
Current and deferred taxes came to 1,594 million euro, for an effective tax rate of 34.7%, far below the 54.4% recorded for 2014, which was affected by the retroactive increase in the rate applicable to the capital gain on the stake held in the Bank of Italy.

Charges (net of tax) for integration and exit incentives
This caption amounted to 83 million euro, of which 30 million euro attributable to private banking, compared to the 103 million euro reported in 2014.

Effect of purchase price allocation (net of tax)
This caption comprises amounts 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. In 2015, these costs amounted to 119 million euro, continuing the structural decline that began in previous quarters.

Income (Loss) from discontinued operations (net of tax)
During the period, a loss of a marginal amount (-3 million euro) was recognised on discontinued operations in relation to the sale of properties being finalised by Risanamento, a subsidiary consolidated line by line.

Net income (loss)
As a result of the above trends, net income amounted to 2,739 million euro in 2015, more than twice the 1,251 million euro of the previous year.

Balance sheet aggregates

General aspects

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

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

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

Aggregations of captions refer to:

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- the aggregation in one single caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued into 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, derivatives recorded in Financial assets/liabilities held for trading and Due from/Due to banks are presented on a net basis in the tables and in the relative comments.

Reclassified balance sheet

(millions of euro)

Assets	31.12.2015	31.12.2014	Changes amount	%
Financial assets held for trading	51,597	53,741	-2,144	-4.0
of which: Insurance Companies	*728*	*785*	*-57*	*-7.3*
Financial assets designated at fair value through profit and loss	53,663	43,863	9,800	22.3
of which: Insurance Companies	*52,519*	*42,657*	*9,862*	*23.1*
Financial assets available for sale	131,402	124,176	7,226	5.8
of which: Insurance Companies	*75,646*	*71,604*	*4,042*	*5.6*
Investments held to maturity	1,386	1,471	-85	-5.8
Due from banks	34,445	31,611	2,834	9.0
Loans to customers	350,010	339,002	11,008	3.2
Investments in associates and companies subject to joint control	1,727	1,810	-83	-4.6
Property, equipment and intangible assets	12,562	12,399	163	1.3
Tax assets	15,021	14,504	517	3.6
Non-current assets held for sale and discontinued operations	27	29	-2	-6.9
Other assets	24,656	24,737	-81	-0.3
Total Assets	**676,496**	**647,343**	**29,153**	**4.5**

Liabilities and Shareholders' Equity	31.12.2015	31.12.2014	Changes amount	%
Due to banks	59,327	51,959	7,368	14.2
Due to customers and securities issued	365,402	354,685	10,717	3.0
of which: Insurance Companies	*1,310*	*1,289*	*21*	*1.6*
Financial liabilities held for trading	43,522	46,381	-2,859	-6.2
of which: Insurance Companies	*144*	*333*	*-189*	*-56.8*
Financial liabilities designated at fair value through profit and loss	47,022	37,622	9,400	25.0
of which: Insurance Companies	*47,022*	*37,622*	*9,400*	*25.0*
Tax liabilities	2,367	2,471	-104	-4.2
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	20,814	23,928	-3,114	-13.0
Technical reserves	84,616	79,701	4,915	6.2
Allowances for specific purpose	4,833	5,364	-531	-9.9
Share capital	8,732	8,725	7	0.1
Reserves	36,446	36,329	117	0.3
Valuation reserves	-1,018	-1,622	-604	-37.2
Equity instruments	877	-	877	-
Minority interests	817	549	268	48.8
Net income (loss)	2,739	1,251	1,488	
Total Liabilities and Shareholders' Equity	**676,496**	**647,343**	**29,153**	**4.5**

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2015				2014			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	51,597	52,391	51,996	62,257	53,741	55,430	52,056	52,337
of which: Insurance Companies	*728*	*775*	*754*	*823*	*785*	*745*	*763*	*834*
Financial assets designated at fair value through profit and loss	53,663	49,998	49,407	48,620	43,863	40,197	38,459	36,665
of which: Insurance Companies	*52,519*	*48,877*	*48,203*	*47,361*	*42,657*	*39,024*	*37,303*	*35,539*
Financial assets available for sale	131,402	133,363	135,438	138,079	124,176	115,430	118,369	113,429
of which: Insurance Companies	*75,646*	*72,548*	*71,463*	*74,813*	*71,604*	*63,628*	*61,395*	*57,098*
Investments held to maturity	1,386	1,379	1,426	1,470	1,471	1,465	1,455	1,526
Due from banks	34,445	33,994	31,147	34,942	31,611	29,726	31,226	28,079
Loans to customers	350,010	345,140	344,199	346,029	339,002	337,201	332,146	338,944
Investments in associates and companies subject to joint control	1,727	1,792	1,756	1,943	1,810	2,027	2,032	1,951
Property, equipment and intangible assets	12,562	12,135	12,210	12,282	12,399	12,377	12,471	12,577
Tax assets	15,021	14,815	14,952	14,380	14,504	15,181	15,033	15,011
Non-current assets held for sale and discontinued operations	27	27	27	29	29	28	170	929
Other assets	24,656	23,201	25,841	23,275	24,737	25,604	25,989	25,224
Total Assets	**676,496**	**668,235**	**668,399**	**683,306**	**647,343**	**634,666**	**629,406**	**626,672**

Liabilities and Shareholders' Equity	2015				2014			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	59,327	64,118	62,493	58,312	51,959	34,990	35,102	42,210
Due to customers and securities issued	365,402	352,962	358,854	364,283	354,685	367,297	370,362	367,380
of which: Insurance Companies	*1,310*	*1,460*	*1,319*	*1,303*	*1,289*	*544*	*568*	*569*
Financial liabilities held for trading	43,522	44,189	43,221	54,398	46,381	44,582	41,191	41,494
of which: Insurance Companies	*144*	*169*	*138*	*234*	*333*	*416*	*411*	*369*
Financial liabilities designated at fair value through profit and loss	47,022	43,657	43,451	42,088	37,622	35,461	33,441	31,433
of which: Insurance Companies	*47,022*	*43,657*	*43,451*	*42,088*	*37,622*	*35,453*	*33,433*	*31,424*
Tax liabilities	2,367	3,394	2,973	3,371	2,471	3,237	2,729	2,862
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	62	814
Other liabilities	20,814	25,043	26,842	25,907	23,928	24,260	26,065	23,466
Technical reserves	84,616	81,965	79,645	82,925	79,701	74,759	70,694	67,210
Allowances for specific purpose	4,833	4,701	4,591	5,280	5,364	4,769	4,786	4,453
Share capital	8,732	8,730	8,725	8,725	8,725	8,554	8,549	8,549
Reserves	36,446	36,435	36,415	37,545	36,329	36,166	36,230	36,778
Valuation reserves	-1,018	-1,183	-1,449	-1,147	-1,622	-1,308	-1,241	-1,076
Equity instruments	877	875	-	-	-	-	-	-
Minority interests	817	623	634	555	549	696	716	596
Net income (loss)	2,739	2,726	2,004	1,064	1,251	1,203	720	503
Total Liabilities and Shareholders' Equity	**676,496**	**668,235**	**668,399**	**683,306**	**647,343**	**634,666**	**629,406**	**626,672**

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

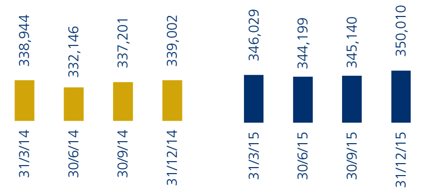
In 2015 Intesa Sanpaolo's consolidated assets and liabilities increased compared to the end of 2014 (+4.5%). With regard to assets, growth was posted in both loans (to customers and banks) and total financial assets. In detail, financial assets designated at fair value through profit or loss increased by 9.8 billion euro, due to operations of the insurance companies, and financial assets available for sale by 7.2 billion euro; loans to customers increased by 11 billion euro, essentially due to the positive performance of commercial banking loans, while loans to banking counterparties were up 2.8 billion euro. Financial assets held for trading decreased (-2.1 billion euro). Liabilities showed increases of 10.7 billion euro in amounts due to customers and securities issued, of 7.4 billion euro in amounts due to banks, of 9.4 billion in financial liabilities designated at fair value through profit and loss and of 4.9 billion euro in technical reserves, both attributable to the Group's insurance companies. By contrast, there were declines in financial liabilities held for trading (-2.9 billion euro) and other liabilities (-3.1 billion euro).

Loans to customers

(millions of euro)

	31.12.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	24,535	7.0	27,003	8.0	-2,468	-9.1
Mortgages	138,036	39.4	135,851	40.1	2,185	1.6
Advances and other loans	119,520	34.2	112,068	33.0	7,452	6.6
Commercial banking loans	**282,091**	**80.6**	**274,922**	**81.1**	**7,169**	**2.6**
Repurchase agreements	**21,449**	**6.1**	**16,927**	**5.0**	**4,522**	**26.7**
Loans represented by securities	**13,384**	**3.8**	**13,837**	**4.1**	**-453**	**-3.3**
Non-performing loans	**33,086**	**9.5**	**33,316**	**9.8**	**-230**	**-0.7**
Loans to customers	**350,010**	**100.0**	**339,002**	**100.0**	**11,008**	**3.2**

Quarterly development Loans to customers



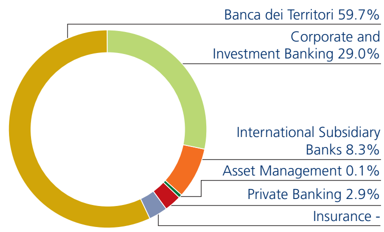
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As at 31 December 2015, Intesa Sanpaolo Group loans to customers amounted to 350 billion euro, up 3.2% compared to the end of the previous year.
The year-on-year increase in loans was essentially due to the rise in commercial banking loans (+7.2 billion euro or +2.6%) and reverse repurchase agreements, which rose by 4.5 billion euro (+26.7%). The recovery in commercial banking loans, which benefited from the improved outlook for the economy, was driven by advances and other loans, which rose by 7.5 billion euro (+6.6%), and mortgages (+2.2 billion euro, or +1.6%).
In the domestic medium-/long-term loan market, in 2015 disbursements to households (including the small business accounts having similar needs to family businesses) were approximately 15.3 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 11.7 billion euro. During the same period, medium-/long-term disbursements to segments included in the scope of the Corporate Division in Italy amounted to 12.6 billion euro. Including the extra-captive activities of Mediocredito, disbursements within Italy exceeded 41 billion euro. On the whole, medium-/long-term disbursements for the Group in 2015 were approximately 48 billion euro.
As at 31 December 2015, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was 15.4% for total loans.

(millions of euro)

	31.12.2015	31.12.2014	Changes	
			amount	%
Banca dei Territori	184,750	183,701	1,049	0.6
Corporate and Investment Banking	89,691	82,385	7,306	8.9
International Subsidiary Banks	25,827	24,974	853	3.4
Private Banking	8,971	7,614	1,357	17.8
Asset Management	372	473	-101	-21.4
Insurance	24	13	11	84.6
Total business areas	**309,635**	**299,160**	**10,475**	**3.5**
Corporate Centre	40,375	39,842	533	1.3
Intesa Sanpaolo Group	**350,010**	**339,002**	**11,008**	**3.2**

Business areas



The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

In the analysis of loans by business area, Banca dei Territori, which accounts for approximately 60% of the aggregate of the Group's business areas, recorded a slight increase (+1,049 million euro or +0.6%) compared to the end of the previous year, due essentially to loans to retail customers. The most significant contribution in absolute terms was provided by Corporate and Investment Banking (+7.3 billion euro or +8.9%), driven by the increased business of the Global Banking & Transactions and International Network & Global Industries Departments. There was also growth in the loans of the International Subsidiary Banks Division (+3.4%), primarily those of subsidiaries operating in Slovakia, Croatia and Egypt, and in Private Banking loans, which were up by 17.8%, particularly facilities granted in current accounts and repurchase agreements with institutional customers. Conversely, the Asset Management Division, total lending for which was modest, posted a decline. The positive trend in Corporate Centre loans (+1.3%) is largely attributable to increased reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia.

Loans to customers: credit quality

(millions of euro)

	31.12.2015		31.12.2014		Changes
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	14,973	4.3	14,218	4.2	755
Unlikely to pay	17,091	4.9	17,845	5.2	-754
Past due loans	1,022	0.3	1,253	0.4	-231
Non-performing loans	**33,086**	**9.5**	**33,316**	**9.8**	**-230**
of which forborne	***7,705***		***7,190***		***515***
Performing loans	303,540	86.7	291,849	86.1	11,691
of which forborne	*7,699*		*8,529*		*-830*
Loans represented by performing securities	13,384	3.8	13,837	4.1	-453
of which forborne	*135*		*4*		*131*
Loans to customers	**350,010**	**100.0**	**339,002**	**100.0**	**11,008**

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

(millions of euro)

	31.12.2015			31.12.2014			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	39,150	-24,177	14,973	38,210	-23,992	14,218	755
Unlikely to pay	22,725	-5,634	17,091	23,156	-5,311	17,845	-754
Past due loans	1,239	-217	1,022	1,472	-219	1,253	-231
Non-performing loans	**63,114**	**-30,028**	**33,086**	**62,838**	**-29,522**	**33,316**	**-230**
of which forborne	***10,856***	***-3,151***	***7,705***	***9,405***	***-2,215***	***7,190***	***515***
Performing loans	305,558	-2,018	303,540	294,235	-2,386	291,849	11,691
of which forborne	*7,917*	*-218*	*7,699*	*8,758*	*-229*	*8,529*	*-830*
Performing loans represented by securities	13,633	-249	13,384	14,111	-274	13,837	-453
of which forborne	*137*	*-2*	*135*	*4*	-	*4*	*131*
Loans to customers	**382,305**	**-32,295**	**350,010**	**371,184**	**-32,182**	**339,002**	**11,008**

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

As at 31 December 2015, the Group's non-performing loans, net of adjustments, fell compared to the end of the previous year (-0.7%). While non-performing loans amounted to 9.5% of total loans to customers, the NPL coverage ratio was 47.6%, higher than at the end of 2014 (47%).
In further detail, doubtful loans came to 15 billion euro, net of adjustments, at the end of 2015, up 5.3% on an annual basis and represented 4.3% of total loans (4.2% at the end of 2014). During the same period, the coverage ratio was 61.8% (62.8% in December 2014). Loans included in the unlikely to pay category amounted to 17.1 billion euro, down compared to 31 December 2014 (-4.2%), accounting for 4.9% of total loans to customers. The coverage ratio, at 24.8%, increased compared to the end of the previous year. Past due loans totalled 1 billion euro, down 18.4% compared to the end of 2014, with a coverage ratio of 17.5%. Forborne exposures are generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority with the aim of harmonising the classification of non-performing loans at the European level: within the non-performing loan category they amounted to 7.7 billion euro, with an average coverage ratio of 29%, similar in amount to forborne performing exposures (7.7 billion euro).
The coverage ratio of performing loans was 0.7%.

Customer financial assets

(millions of euro)

	31.12.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Direct deposits from banking business	372,183	42.9	359,808	43.5	12,375	3.4
Direct deposits from insurance business and technical reserves	132,948	15.3	118,612	14.4	14,336	12.1
Indirect customer deposits	493,737	56.9	465,777	56.3	27,960	6.0
Netting [a]	-131,638	-15.1	-117,323	-14.2	14,315	12.2
Customer financial assets	**867,230**	**100.0**	**826,874**	**100.0**	**40,356**	**4.9**

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

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

As at 31 December 2015, customer financial assets exceeded 867 billion euro, up 4.9% in the 12 months, due to the positive performances of all components: indirect customer deposits (+28 billion euro or +6%), which benefited from the very positive performance of asset management; direct deposits from banking business (+12.4 billion euro or +3.4%), primarily due to the performance of current accounts and deposits, which more than offset the decline in bonds and subordinated securities; deposits from insurance business, which increased by 14.3 billion euro (+12.1%), primarily attributable to the increase in financial liabilities designated at fair value through profit and loss associated with unit-linked products.

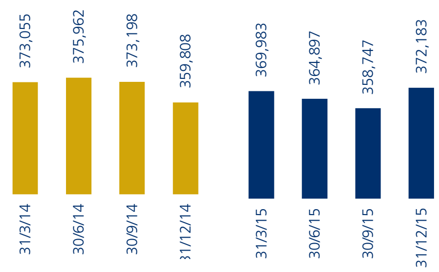
Direct deposits from banking business

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

(millions of euro)

	31.12.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Current accounts and deposits	225,339	60.6	199,789	55.5	25,550	12.8
Repurchase agreements and securities lending	20,416	5.5	20,572	5.7	-156	-0.8
Bonds	87,147	23.4	98,864	27.5	-11,717	-11.9
of which designated at fair value [*]	-	-	-	-	-	-
Certificates of deposit	6,076	1.6	6,834	1.9	-758	-11.1
Subordinated liabilities	13,336	3.6	14,516	4.0	-1,180	-8.1
Other deposits	19,869	5.3	19,233	5.4	636	3.3
of which designated at fair value [**]	*8,091*	*2.2*	*6,412*	*1.8*	*1,679*	*26.2*
Direct deposits from banking business	**372,183**	**100.0**	**359,808**	**100.0**	**12,375**	**3.4**

Quarterly development
Direct deposits from banking business



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

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

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

The total of direct deposits from banking business, exceeding 372 billion euro, was up (+3.4%) compared to the end of December 2014, with diverging performances by the main deposit types.

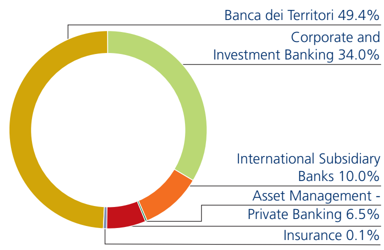
Current accounts and deposits increased significantly (+25.6 billion euro or +12.8%), an increase that should be viewed in light of the largely positive performance of the demand component. On the other hand, bonds declined (-11.7 billion euro or -11.9%) as customers largely reinvested them in asset management products at maturity. Subordinated liabilities decreased by 8.1% and certificates of deposit by 11.1% due to decreased renewals by foreign branches. Other deposits showed growth due to capital protected certificates issued by Banca IMI and designated at fair value.

At the end of December 2015, 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 15.7%.

(millions of euro)

	31.12.2015	31.12.2014	Changes	
			amount	%
Banca dei Territori	159,860	162,409	-2,549	-1.6
Corporate and Investment Banking	109,915	97,709	12,206	12.5
International Subsidiary Banks	32,456	30,998	1,458	4.7
Private Banking	20,922	17,959	2,963	16.5
Asset Management	9	9	-	-
Insurance	196	182	14	7.7
Total business areas	**323,358**	**309,266**	**14,092**	**4.6**
Corporate Centre	48,825	50,542	-1,717	-3.4
Intesa Sanpaolo Group	**372,183**	**359,808**	**12,375**	**3.4**

Business areas



The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

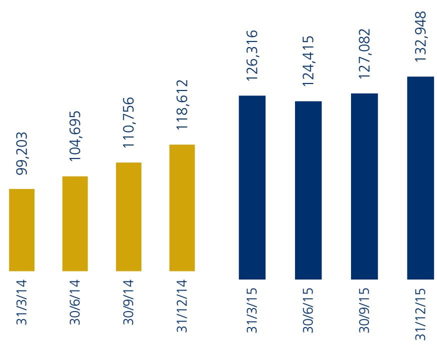
The breakdown by Group business areas shows that Banca dei Territori, which accounts for approximately one-half of the aggregate attributable to the Group's total business areas, has declined by 1.6% compared to the end of December 2014, due to the downtrend in securities issued, associated with the maturity of personal and retail bonds. Conversely, Corporate & Investment Banking increased significantly (+12.2 billion euro or +12.5%), due largely to repurchase agreement transactions by Banca IMI and to amounts due to customers of the departments Corporate & Public Finance and International Network and Global Industries There were also improvements in the funding of Private Banking (+16.5%), primarily as a result of current accounts and repurchase agreements, and of the International Subsidiary Banks (+4.7%) in the amounts due to customers segment. The decline reported by the Corporate Centre (-3.4%) may be attributed to the decrease in repurchase agreement transactions with institutional counterparties.

Direct deposits from insurance business and technical reserves

(millions of euro)

	31.12.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**47,022**	**35.4**	**37,622**	**31.7**	**9,400**	**25.0**
Index-linked products	*276*	*0.2*	*449*	*0.4*	*-173*	*-38.5*
Unit-linked products	*46,746*	*35.2*	*37,173*	*31.3*	*9,573*	*25.8*
Technical reserves	**84,616**	**63.6**	**79,701**	**67.2**	**4,915**	**6.2**
Life business	84,112	63.2	79,217	66.8	4,895	6.2
Mathematical reserves	*72,415*	*54.4*	*67,466*	*56.9*	*4,949*	*7.3*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*5,300*	*4.0*	*5,314*	*4.5*	*-14*	*-0.3*
Other reserves	*6,397*	*4.8*	*6,437*	*5.4*	*-40*	*-0.6*
Non-life business	504	0.4	484	0.4	20	4.1
Other insurance deposits (***)	**1,310**	**1.0**	**1,289**	**1.1**	**21**	**1.6**
Direct deposits from insurance business and technical reserves	**132,948**	**100.0**	**118,612**	**100.0**	**14,336**	**12.1**

Quarterly development
Direct insurance deposits and technical reserves



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

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

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

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

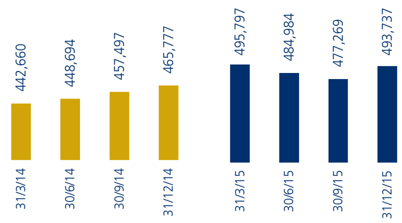
Direct deposits from insurance business came to nearly 133 billion euro at the end of 2015, up 12.1% on an annual basis. Financial liabilities of the insurance business designated at fair value grew by 9.4 billion euro (+25%), thanks to the contribution from Unit-Linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies or policies with significant insurance risk, increased by 6.2% compared to December 2014, due to the increase in mathematical reserves correlated to the increase in premiums.

Indirect customer deposits

(millions of euro)

	31.12.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Mutual funds (*)	103,876	21.0	96,258	20.7	7,618	7.9
Open-ended pension funds and individual pension plans	6,258	1.3	5,193	1.1	1,065	20.5
Portfolio management	84,894	17.2	81,867	17.6	3,027	3.7
Life technical reserves and financial liabilities of the insurance business	122,700	24.9	109,264	23.4	13,436	12.3
Relations with institutional customers	10,098	2.0	9,133	2.0	965	10.6
Assets under management	**327,826**	**66.4**	**301,715**	**64.8**	**26,111**	**8.7**
Assets under administration and in custody	**165,911**	**33.6**	**164,062**	**35.2**	**1,849**	**1.1**
Indirect customer deposits	**493,737**	**100.0**	**465,777**	**100.0**	**27,960**	**6.0**

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, Fideuram - Intesa Sanpaolo Private Banking (former 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 Fideuram - Intesa Sanpaolo Private Banking , whose value is included in assets under administration and in custody.

As at 31 December 2015, indirect customer deposits totalled around 494 billion euro, up 6% over the end of the previous year, despite fluctuating financial market performance. During the year, customers continued to reposition into forms of professional asset management, which were the destination for new funding inflows without overlooking the need to maintain adequate liquidity in current accounts. Assets under management, which account for approximately two-thirds of the total aggregate, increased 26.1 billion euro in the 12 months (+8.7%) owing to positive net inflows. Attention should be drawn to the excellent performance of all main product lines of asset management, confirming the uptrend that began in 2013: portfolio management increased by 3 billion euro (+3.7%), mutual funds by 7.6 billion euro (+7.9%) and life insurance policies by 13.4 billion euro (+12.3%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by collective and individual pension forms, which increased by 1.1 million euro or +20.5%. In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 27.2 billion euro in 2015.
Assets under administration increased (+1.8 billion or +1.1%) due to the positive contribution from institutional customers, which offset disinvestments by retail customers in favour of asset management.

Financial assets and liabilities

(millions of euro)

	31.12.2015	31.12.2015 *of which Insurance Companies*	31.12.2014	31.12.2014 *of which Insurance Companies*	Changes amount	Changes %
Financial assets held for trading	51,597	*728*	53,741	*785*	-2,144	-4.0
of which derivatives at fair value	*30,894*	*4*	*36,729*	*8*	*-5,835*	*-15.9*
Financial assets designated at fair value through profit and loss	53,663	*52,519*	43,863	*42,657*	9,800	22.3
Financial assets available for sale	131,402	*75,646*	124,176	*71,604*	7,226	5.8
Investments held to maturity	1,386		1,471		-85	-5.8
Total financial assets	**238,048**	***128,893***	**223,251**	***115,046***	**14,797**	**6.6**
Financial liabilities held for trading (*)	**-35,431**	***-144***	**-39,969**	***-333***	**-4,538**	**-11.4**
of which derivatives at fair value	*-31,715*	*-144*	*-37,779*	*-333*	*-6,064*	*-16.1*

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

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

The table above illustrates the breakdown of financial assets and the financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets rose by 6.6% as a result of upturns in all components except financial assets held for trading and investments held to maturity, which declined by 4% and 5.8%, respectively. Financial assets available for sale increased by 7.2 billion euro (+5.8%). Financial assets designated at fair value through profit and loss recorded a more marked increase (+9.8 billion euro, or 22.3%), entirely attributable to equities and units of UCI. The decline in financial assets held for trading (-2.1 billion euro) was due to trading derivatives, a change which was offset in financial liabilities held for trading.

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

(millions of euro)

	31.12.2015		31.12.2014		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	22,925	*4,080*	19,094	*3,792*	3,831	20.1
of which designated at fair value (fair value option)	*4,817*	*3,795*	*4,517*	*3,425*	*300*	*6.6*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	50,771	*48,500*	41,620	*39,481*	9,151	22.0
of which designated at fair value (fair value option)	-	*48,061*	-	*39,071*	-	-
Other assets designated at fair value through profit and loss	670	*663*	161	*161*	509	
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**74,366**	***53,243***	**60,875**	***43,434***	**13,491**	**22.2**
Financial liabilities held for trading (*)	**-3,716**	-	**-2,190**	-	**1,526**	**69.7**
Net value of financial derivatives	-750	*-129*	-811	*-289*	-61	-7.5
Net value of credit derivatives	-71	*-11*	-239	*-36*	-168	-70.3
Net value of trading derivatives	**-821**	***-140***	**-1,050**	***-325***	**-229**	**-21.8**
Financial assets / liabilities, net	**69,829**	***53,103***	**57,635**	***43,109***	**12,194**	**21.2**

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

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

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss amounted approximately to 70 billion euro, up 21.2% compared to the end of 2014. This trend was determined largely by the increase in the stock of equities and units of UCI. Financial liabilities held for trading increased by 1.5 billion euro.

Financial assets available for sale

(millions of euro)

	31.12.2015		31.12.2014		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Bonds and other debt securities	117,355	*67,051*	112,931	*66,122*	4,424	3.9
Equities and quotas of UCI	14,003	*8,595*	11,233	*5,482*	2,770	24.7
Securities available for sale	**131,358**	***75,646***	**124,164**	***71,604***	**7,194**	**5.8**
Loans available for sale	**44**	-	**12**	-	**32**	
Financial assets available for sale	**131,402**	***75,646***	**124,176**	***71,604***	**7,226**	**5.8**

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

Financial assets available for sale amounted to over 131 billion euro, up 5.8% compared to the figure recorded as at 31 December 2014.
The caption consists primarily of bonds and other debt securities not held for trading and, to a lesser extent, equities and units of UCIs. 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 2015 came to a negative 24.9 billion euro, from -20.3 billion euro recorded at the end of 2014. The increase of negative net interbank debt was driven by the loans entered into with the European Central Bank following participation in the TLTRO auctions for 15.4 billion euro in 2015, in addition to the 12.6 billion euro raised in 2014.

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

(millions of euro)

	31.12.2015	31.12.2014	Changes	
			amount	%
Investments in associates and companies subject to joint control	-	-	-	-
Property and equipment	27	29	-2	-6.9
Other	-	-	-	-
Individual assets	**27**	**29**	**-2**	**-6.9**
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	**27**	**29**	**-2**	**-6.9**

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 December 2015, assets held for sale, mostly real estate, amounted to 27 million euro, essentially the same as the value recorded at the end of 2014, equal to 29 million euro.

Shareholders’ equity

As at 31 December 2015, the Group’s shareholders' equity, including net income for the year, came to 47,776 million euro compared to the 44,683 million euro at the end of the previous year. The change in shareholders' equity was essentially due to the increase in net income in 2015, the decrease in the negative balance of valuation reserves and the increase in equity instruments. In 2015, share capital rose from 8,725 million euro to 8,732 million euro due to the finalisation of the mergers by incorporation of Banca di Trento e Bolzano, Banca Monte Parma and Cassa di Risparmio della Provincia di Viterbo into the Parent Company.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2014	Change in the period	Valuation reserves as at 31.12.2015	
				% breakdown
Financial assets available for sale	840	59	899	-88.3
of which: Insurance Companies	*617*	*65*	*682*	*-67.0*
Property and equipment	-	-	-	-
Cash flow hedges	-1,362	217	-1,145	112.5
Legally-required revaluations	350	2	352	-34.6
Other	-1,450	326	-1,124	110.4
Valuation reserves	**-1,622**	**604**	**-1,018**	**100.0**

As at 31 December 2015, the negative balance of the Group’s valuation reserves came to -1,018 million euro, improving compared to the negative value at the end of December 2014 (-1,622 million euro). Performance for the period was affected by all components: other reserves (+326 million euro), cash flow hedge reserves (+217 million euro), and reserves for financial assets available for sale (+59 million euro), attributable to the insurance companies.

Own funds and capital ratios

(millions of euro)

Own funds and capital ratios	31.12.2015	31.12.2014
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	36,908	36,547
Additional Tier 1 capital (AT1) net of regulatory adjustments	2,302	1,700
TIER 1 CAPITAL	**39,210**	**38,247**
Tier 2 capital net of regulatory adjustments	8,089	8,043
TOTAL OWN FUNDS	**47,299**	**46,290**
Risk-weighted assets		
Credit and counterparty risks	245,793	231,394
Market and settlement risk	16,582	16,476
Operational risks	20,653	21,157
Other specific risks [(a)]	1,291	763
RISK-WEIGHTED ASSETS	**284,319**	**269,790**
% Capital ratios		
Common Equity Tier 1 capital ratio	13.0%	13.5%
Tier 1 capital ratio	13.8%	14.2%
Total capital ratio	16.6%	17.2%

[(a)] The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

Own funds, Risk-weighted assets and the Capital ratios as at 31 December 2015 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars.
Regulatory provisions governing Own funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from Common Equity when the framework is fully effective, will only have a partial percentage effect on Common Equity Tier 1 capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets.
Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from Own funds (over a period of eight years).
Accordingly, the prudential ratios as at 31 December 2015 take account of the adjustments envisaged by the transitional provisions for 2015.
As at 31 December 2015, total Own funds came to 47,299 million euro, against Risk-weighted assets of 284,319 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. The increase in risk-weighted assets related to credit risk compared to 31 December 2014 may be attributed, in part, to the impact of the European Commission Decision, which, when published in the specific list, specified the nations for which a regime equivalent to the one prevailing in the European Union for the weighting of exposure to central banks and government bodies is applicable as of 1 January 2015, thereby eliminating the possibility to apply the previously preferential weighting indistinctly for each foreign nation.
With regard to Additional Tier 1 (AT1), it should be recalled that in September 2015 Intesa Sanpaolo issued an Additional Tier 1 capital instrument in the amount of 1 billion dollars. The Additional Tier 1 instrument presents characteristics in line with CRD IV, is perpetual and may be redeemed in advance by the issuer ten years from the issue date and on each coupon payment date thereafter. The coupon, payable semi-annually in arrears on 17 March and 17 September of each year, is equal to 7.7% per annum. If the early redemption option is not exercised on 17 September 2025, a new fixed-rate coupon will be determined for the following five years (until the next recalculation date). As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations.
The Total capital ratio stood at 16.6%, while the ratio of the Group's Tier 1 capital to its total Risk-weighted assets (Tier 1 ratio) was 13.8%. The ratio of Common Equity Tier 1 capital (CET1) to Risk-weighted assets (the Common Equity ratio) was 13.0%.
The ECB's final decision concerning the capital requirements to be observed with effect from 1 January 2016, in light of the results of the Supervisory Review and Evaluation Process (SREP), imposed a consolidated capital requirement on Intesa Sanpaolo of 9.5% in terms of the CET1 ratio. The minimum CET1 ratio set by the ECB for 2015 was 9%.
It bears emphasising that Common Equity Tier 1 capital included, as a positive component, the net income for the year ended 31 December 2015, since the conditions for its inclusion were met in accordance with Art. 26(2) of the CRR, and, as a negative component, the related dividend that the Management Board will propose to the Shareholders' Meeting for distribution on the net income for 2015, i.e. 14 cents per each ordinary share and 15.1 cents per each savings share, for a total dividend of 2,361 million euro.
Finally, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa Sanpaolo Group has opted to exclude unrealised gains or losses on exposures to central administrations classified among financial assets available for sale (AFS) from its Own funds. The effect on Common Equity Tier 1 capital as at 31 December 2015 was 1 basis point negative.

Reconciliation of shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.12.2015	31.12.2014
Group Shareholders' equity	47,776	44,683
Minority interests	817	549
Shareholders' equity as per the Balance Sheet	**48,593**	**45,232**
Dividends in distribution and other foreseeable charges (a)	-2,383	-
Shareholders' equity following presumed distribution to shareholders	**46,210**	**45,232**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Capital of savings shares eligible for inclusion in AT1	-485	-485
- Other equity instruments eligible for inclusion in AT1	-871	-
- Minority interests eligible for inclusion in AT1	-8	-6
- Minority interests eligible for inclusion in T2	-6	-5
- Ineligible minority interests on full phase-in	-763	-492
- Ineligible net income for the period (b)	-	-1,251
- Treasury shares included under regulatory adjustments	68	63
- Other ineligible components on full phase-in	-11	11
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**44,134**	**43,067**
Regulatory adjustments (including transitional adjustments)	**-7,226**	**-6,520**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**36,908**	**36,547**

[a] Dividends on 2015 profits, share of the remuneration of the AT1 instruments issued on 17 September 2015 and share of profit intended for charity, net of the tax effect.

[b] In the calculation of Common Equity Tier 1 capital at 31 December 2014, the 2014 profit and related dividend were not considered, since the conditions for their inclusion laid down in Art. 26(2) of Regulation (EU) 575 of 26 June 2013 (CRR) had not been met.

Performance of risk-weighted assets

(millions of euro)

Risk-weighted assets as at 31.12.2014	**269,790**
Increase in credit risk due to increase in draw-downs	10,085
Increase in credit risk due to weighting on exposures to non-EU central governments	3,800
Other changes in risk-weighted assets	644
Risk-weighted assets as at 31.12.2015	**284,319**

With respect to credit risk, in particular:

- there was an increase due to the volume effect, relating to the growth of the exposure to customers and banks, amounting to 10.1 billion euro;
- there was an increase due to the introduction of weighting on exposures to non-EU central governments, amounting to 3.8 billion euro.

Market and operational risks do not show any significant 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)

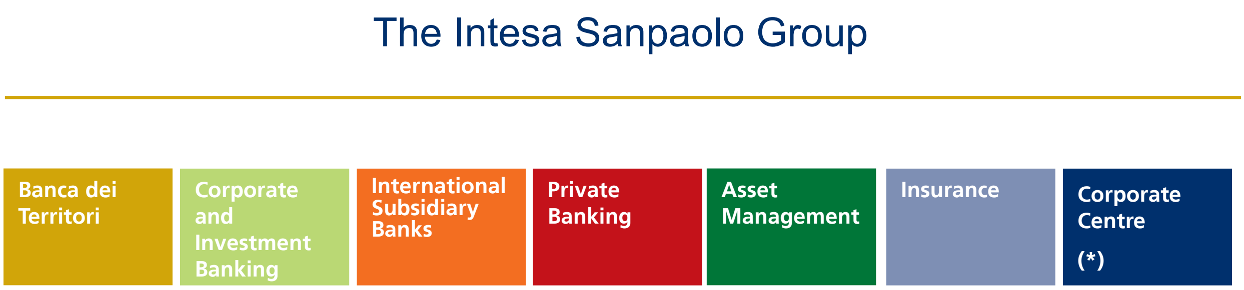
(millions of euro)

	Shareholders' equity	*of which Net income (loss) as at 31.12.2015*
Parent Company's balances as at 31 December 2015	**43,196**	***2,778***
Effect of consolidation of subsidiaries subject to control	117	*3,443*
Effect of valuation at equity of companies subject to joint control and other significant equity investments	302	*96*
Elimination of adjustments to equity investments and recognition of impairment of goodwill	4,277	*239*
Dividends collected during the period	-	*-3,815*
Other	-116	*-2*
Consolidated balances as at 31 December 2015	**47,776**	***2,739***

Breakdown of consolidated results by business area and geographical area

Breakdown of consolidated results by business area and geographical area

The Intesa Sanpaolo Group organisational structure was based on six Business Units in 2015. In addition there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.



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

This new organisational structure, which was introduced at the end of 2014, has involved in particular the creation of the new Private Banking, Asset Management and Insurance Divisions as well as the Capital Light Bank (CLB) business unit within the Corporate Centre.

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 2015.
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. Finally, for each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the provisions in force (Circulars 285 and 286, both issued during 2013, and the update to Circular 154 of 22 November 1991) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws; for asset management and private banking, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.

Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
2015	9,255	3,109	2,102	1,680	759	1,102	-858	17,149
2014	9,467	3,075	2,029	1,456	547	931	-677	16,828
% change [(a)]	-2.2	1.1	3.6	15.4	38.8	18.4	26.7	1.9
Operating costs								
2015	-4,986	-931	-1,033	-532	-142	-160	-1,032	-8,816
2014	-4,966	-872	-1,045	-527	-130	-151	-915	-8,606
% change [(a)]	0.4	6.8	-1.1	0.9	9.2	6.0	12.8	2.4
Operating margin								
2015	4,269	2,178	1,069	1,148	617	942	-1,890	8,333
2014	4,501	2,203	984	929	417	780	-1,592	8,222
% change [(a)]	-5.2	-1.1	8.6	23.6	48.0	20.8	18.7	1.4
Net income (loss)								
2015	1,199	1,347	418	663	466	630	-1,984	2,739
2014	908	1,194	376	499	270	501	-2,497	1,251
% change [(a)]	32.0	12.8	11.2	32.9	72.6	25.7	-20.5	
Loans to customers								
31.12.2015	184,750	89,691	25,827	8,971	372	24	40,375	350,010
31.12.2014	183,701	82,385	24,974	7,614	473	13	39,842	339,002
% change [(b)]	0.6	8.9	3.4	17.8	-21.4	84.6	1.3	3.2
Direct deposits from banking business								
31.12.2015	159,860	109,915	32,456	20,922	9	196	48,825	372,183
31.12.2014	162,409	97,709	30,998	17,959	9	182	50,542	359,808
% change [(b)]	-1.6	12.5	4.7	16.5	-	7.7	-3.4	3.4
Risk-weighted assets								
31.12.2015	90,942	89,740	30,999	8,624	1,135	-	62,879	284,319
31.12.2014	92,491	80,198	25,973	7,278	917	-	62,933	269,790
% change [(b)]	-1.7	11.9	19.4	18.5	23.8	-	-0.1	5.4
Absorbed capital								
31.12.2015	8,185	8,077	2,948	806	117	4,375	5,659	30,167
31.12.2014	8,324	7,219	2,491	683	98	4,134	5,664	28,613
% change [(b)]	-1.7	11.9	18.3	18.0	19.4	5.8	-0.1	5.4

The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014. Figures also 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 2015 and 2014.

[(b)] The change expresses the ratio between 31.12.2015 and 31.12.2014.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	2015	2014	Changes amount	%
Net interest income	4,902	5,415	-513	-9.5
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	4,242	3,957	285	7.2
Profits (Losses) on trading	66	53	13	24.5
Income from insurance business	-	-	-	-
Other operating income (expenses)	45	42	3	7.1
Operating income	**9,255**	**9,467**	**-212**	**-2.2**
Personnel expenses	-3,061	-2,953	108	3.7
Other administrative expenses	-1,922	-2,010	-88	-4.4
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	**-4,986**	**-4,966**	**20**	**0.4**
Operating margin	**4,269**	**4,501**	**-232**	**-5.2**
Net provisions for risks and charges	-60	-39	21	53.8
Net adjustments to loans	-2,076	-2,774	-698	-25.2
Net impairment losses on other assets	-2	-3	-1	-33.3
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**2,131**	**1,685**	**446**	**26.5**
Taxes on income from continuing operations	-893	-665	228	34.3
Charges (net of tax) for integration and exit incentives	-37	-80	-43	-53.8
Effect of purchase price allocation (net of tax)	-2	-32	-30	-93.8
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,199**	**908**	**291**	**32.0**

(millions of euro)

	31.12.2015	31.12.2014	Changes amount	%
Loans to customers	184,750	183,701	1,049	0.6
Direct deposits from banking business	159,860	162,409	-2,549	-1.6
Indirect customer deposits	222,101	209,329	12,772	6.1
Risk-weighted assets	90,942	92,491	-1,549	-1.7
Absorbed capital	8,185	8,324	-139	-1.7

The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also 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 9,255 million euro in 2015, amounting to 54% of the Group's consolidated operating income, up 2.2% on the previous year. In further detail, there was a decrease in net interest income (-9.5%); by contrast, net fee and commission income increased (+7.2%), most markedly on asset management, bancassurance and mortgage and personal loan coverage products. Other income components reported an increase in profits on trading, rising from 53 million euro to 66 million euro. The operating costs of 4,986 million euro were essentially in line with the previous year (+0.4%) as a result of the reduction in administrative expenses which offset the increase in personnel expenses. Operating margin amounted to 4,269 million euro, down by 5.2% on 2014. By contrast, income before tax from continuing operations of 2,131 million euro improved (+26.5%), due to lower net adjustments to loans (-25.2%). The cost of credit of Banca dei Territori, calculated as the ratio of adjustments to loans and stock of loans to customers, amounted to 1.1% in 2015. In greater detail, adjustments during the

period by the Network Banks with respect to Banca dei Territori amounted to 1,629 million euro (compared to loans of 141,326 million euro), broken down as follows: Intesa Sanpaolo 741 million euro, Banco di Napoli 151 million euro, CR Veneto 171 million euro, Carisbo 118 million euro, Banca dell'Adriatico 86 million euro, CR Friuli Venezia Giulia 60 million euro, CR Romagna 84 million euro, and the Banca CR Firenze Group 218 million euro.
Lastly, after allocation to the Division of charges for integration of 37 million euro and the economic effects of purchase price allocation for 2 million euro, net income amounted to 1,199 million euro, up 32%.
On a quarterly basis, the fourth quarter of 2015 reported an operating margin down (-4.6%) on the third quarter, due to an increase in operating costs (+12.6%) which more than offset the increase in revenues (+4.7%). After adjustments and provisions, income before tax from continuing operations decreased (21.8%) compared to the previous quarter. Net income performed similarly (-31.8%).

The balance sheet figures at the end of December 2015 showed loans to customers of 184,750 million euro, up slightly (+1,049 million euro, or +0.6%) on an annual basis essentially as a result of growth in loans to retail customers. Direct deposits from banking business, amounting to 159,860 million euro, were down 1.6%, due to the downward trend in securities issued associated with the maturity of personal and retail bonds, resulted in greater cash held in deposits and an increase in asset management business volumes.
Indirect customer deposits reached 222,101 million euro, up by 6.1% from the end of December 2014, driven by the good performance of all classes of assets under management, which more than offset the outflows from assets under administration attributable to the repositioning of customer assets into forms of professional asset management.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve Retail, Personal, Small Business, and Small and Medium Enterprise customers, creating value through: – widespread local coverage – focusing on the characteristics of local markets, and the needs of customer segments serviced – developing service levels to customers using different channels in order to improve the efficiency of the commercial offering – 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, leasing, factoring, agribusiness and the management of electronic payments, reporting to the Business Unit
Organisational structure	
Sales and Marketing Area	Oversees the Retail sector, which consists of the following segments: Base (private customers with financial assets of up to 10,000 euro), Households (private customers with financial assets of between 10,000 euro to 100,000 euro) and Retail Businesses (businesses with less complex requirements); the Personal area (individual customers with financial assets of between 100,000 euro to 1 million euro); and the SME area (enterprises with group turnover of 350 million euro or less)
Product companies	Specialised in medium-term credit, leasing, factoring and agribusiness (Mediocredito Italiano), and management of electronic payments (Setefi)
Banca Prossima	Serves non-profit organisations
Distribution structure	Approximately 4,000 branches, including Retail and Business branches, distributed broadly throughout Italy. The network structure consists of 7 Regional Governance Centres, each of which directly reports to the Regional Manager. There are three Commercial Managers (one specialist for each business area, i.e. Retail, Personal and SME) in each Centre, coordinating around 400 commercial areas, in order to improve commercial focus and ensure the best possible service levels.

In order to streamline the structure of the banks included in the Division by gradually but significantly reducing the number of its component legal entities, the mergers by incorporation of Banca di Trento e Bolzano and Banca Monte Parma into the Parent Company has been in force since July, and the merger by incorporation of Cassa di Risparmio di Civitavecchia, Cassa di Risparmio di Rieti and Cassa di Risparmio della provincia di Viterbo has been in force since November.

With effect from 1 June 2015, as part of the reorganisation of the consumer credit business, following the partial spin-off of Intesa Sanpaolo Personal Finance to Intesa Sanpaolo with the aim of specialising captive and extra-captive distribution networks, while optimising their respective particular characteristics, the range of personal loans has been transferred to Intesa Sanpaolo, which has become the consumer credit hub of excellence for the entire Group.
Intesa Sanpaolo Personal Finance, concurrently renamed Accedo, remains dedicated to one-fifth of salary loans and special-purpose loans, through a network of single-firm agents and financial intermediaries.

Sales and Marketing Area

Investment

In 2015, 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 range of investment products, constructed considering both the market scenario and the rationale behind the Recommended Portfolios, was extended following the launch of:

- forty-eight mutual funds, two of which aimed at managing the liquidity of legal entities;
- "GP Unica Facile" and "GP Unica Imprese", new portfolio management lines, characterised by an entry threshold of 50,000 euro;
- Intesa Sanpaolo Vita's "Base Sicura Trendifondo", a single-premium class I life policy, and "Giusto Mix", which is a combined policy offering a mix of protection and investment;
- two new internal funds of the unit-linked policy ISPL Prospettiva 2.0 offered by Intesa Sanpaolo Life;
- Group bonds (in euro and U.S. dollars) and certificates.

In line with the ESMA guidelines on adequacy, the customer profiling questionnaire has been revised, with a thorough rethinking of the method used.

Payment cards

During Expo Milano 2015, of which the Bank was Global Banking Partner, 60,000 "Expo Flash Cards" were issued, prepaid cards using the MasterCard circuit that provided the holders with a comprehensive system of offers and exclusive benefits. Moreover, Intesa Sanpaolo launched its "Carta Oro Exclusive", an innovative, prestigious contactless credit card providing personal customers with the opportunity to access exclusive and innovative benefits, besides a credit limit always suited to their spending needs.

Protection

Intesa Sanpaolo Assicura launched two new policies designed to offer simple, concrete solutions using a distinct, innovative approach: "aCasaConMe" addresses problems relating to the home by linking a home insurance policy to a smart device which is able to detect danger and alert the customer to emergencies (fire, flood, burglary) even remotely, 24 hours a day; "MotoConMe", the new policy for cars and motorcycles, which combines customisable insurance cover with the opportunity to purchase a device that, once installed on a vehicle, allows its position to be determined, sends out an alert in the event of attempted theft and records the travel itinerary.

Mortgages

During the year, various initiatives were launched with the aim of increasing loans and supporting households and the property market, including through subrogation, while also promoting protection products through campaigns that allow customers to pair the policies "ViaggiaConMe" or "aCasaConMe" with their loans at no charge for one year.

Loans

With regards to loans, in order to strengthen the identification of solutions offered, the new "PerTe Prestito" brand has been created and the "PerTe Prestito Con Lode" (formerly "Bridge") has been developed for university students, which allows for flexible, customisable management by all participating universities of the amounts disbursed to customers during their studies and the subsequent repayment plans. With the aim of favouring both the increase in loans and protection, also on loans such as "PerTe Prestito Facile", "PerTe Prestito Facile Superflash" and "PerTe Prestito In Tasca" campaigns were launched to involve the pairing of various types of insurance cover with optional free offers or special loan conditions.

Intesa Sanpaolo Casa

As part of the new process of developing and expanding the services offered to customers, aimed at achieving an increasingly broad presence and meeting customers' comprehensive home needs, Intesa Sanpaolo Casa, the new Group company with the objective of buying and selling residential real estate was established. By year end, real-estate agencies operating in Italy were thirteen, spread across Milano, Roma, Torino and Monza, managed by employees and set up as "shops in shops" within bank branches. Other agencies will be opened in major Italian cities during the year. Thanks to the agreements reached with start-ups CoContest and Habitissimo cutting edge services for home research, purchase, renovation and furnishing are being offered.

Multichannel Project

The process of dematerialisation of documentation was launched, for branch and out-of-branch transactions. This new method of signing documents for the sale of banking, financial and insurance products and services eliminates the need to print documents and contracts to be delivered to customers and filed, yielding benefits in terms of improved document security, traceability and storage. A new tool for calculating mortgage payments and running independent simulations based on simple inputs such as loan amount, term and property value has been made available on the bank's public website and on the internet banking website. New mobile and tablet app features were activated, including: "JiffyPay", which allows to send and receive small amounts of money in real time via smartphone; "La tua banca", app available also for Windows Phone devices, a simplified version of the Android one, allowing customers to check balances and activity for their accounts and cards, manage their payment cards, order fund transfers, top up their mobile telephone credit and prepaid cards, pay postal bills and obtain useful bank telephone numbers; "Geocontrol", which allows users to define the geographical area where their cards can be used. The integration of the physical and digital channels was enhanced and extended to credit cards (with the exception of the Platinum card) and loans which are now available online, or remotely, for all customers on multi-channel contracts. With regards to credit cards and investment it is now also possible to subscribe remotely though the mobile network. The online branch has become a part of the remote investment advisory scenario. Online managers call selected customers from branches to propose investment solutions useful to rebalance positions.

Agreements

During 2015, the new "2015 Credit Agreement", signed by the Italian Banking Association and the main trade associations, replacing the previous agreement which had been extended until 30 June 2015, has become operational. The agreement, in force until 31 December 2017, aims at supporting the liquidity needs of small and medium enterprises and involves three initiatives:

- Recovering companies, with the possibility for all SMEs "in good standing" to suspend principal payments on their loans for a maximum of twelve months and extend the amortisation schedules of their mortgages and due dates of their short-term loans and credit for farm activities.
- Developing companies, in support of the entrepreneurial projects of SMEs;
- Companies and the public administration, for the factoring of companies' claims on the public administration.

Moreover, the roll-out of the new national agreement "Una crescita possibile" (Possible growth) signed in 2014 with Confindustria Piccola Industria continued at local level. It aims to invest in the growth potential of Italian entrepreneurship, to encourage dynamism, growth and competitiveness. As part of this partnership, 10 billion euro of new lending have been allocated, in addition to 35 billion euro already made available.
To support Italy's real economy, the Intesa Sanpaolo Group, through Mediocredito Italiano and the European Investment Bank have equally made available to small and medium-sized enterprises 1 billion for the funding of new and ongoing projects not exceeding 25 million and with a maximum duration of 15 years.

Programma Filiere

Intesa Sanpaolo launched "Programma Filiere", an innovative project designed with the aim of supporting the growth of production chains of excellence in the Italian entrepreneurial system. The initiative, which focuses on relationships between companies and their suppliers, improves credit access conditions and offers custom-tailored products for companies that have production arrangements with one another. The participating lead companies are over 270, for a potential credit ceiling of approximately 17 billion, involving about 15,000 suppliers.

Web platforms

As part of the strategy of identifying instruments and initiatives allowing to seize growth opportunities, including exploiting the potential of the Web, the Group customer companies were given the possibility to access the following business matching digital platforms: "Tech Marketplace", that helps tech start-ups and SMEs to find new contacts within a selected network; "Opportunity Network", which allows to form partnerships, identify international expansion lines, divest firms or business lines, create mergers and acquisitions; "Created in Italia Business", offering companies in Italy's world-beating sectors a promotional space on national and international digital markets; "Expo Business Matching", which supports B2B matching processes and the development of networking between Italian and international companies.

Internationalisation

Through a dedicated structure, which supports business managers and specialists of Banca dei Territori to provide companies with qualified and prompt consulting, in 2015 50 events on the subject of internationalisation involving around 3,000 companies were organised, as well as 3 new local agreements, an ongoing presence during Expo Milano 2015 to support events with Italian and foreign operators, 700 meetings with customers, support to about 100 foreign companies for incoming activities, 7 new agreements within the scope of the Open Horizons project.

Training

As part of the training project "SKILLS4BUSINESS" aimed at business customers, the Intesa Sanpaolo Formazione launched "Think International", focused on internationalisation issues and targeted to help locally-rooted entrepreneurs seize new business opportunities, and "Think Digital", intended to assist firms with their strategic decisions, by ensuring the necessary skills to innovate products and processes, grow on new markets and in new sectors, and develop e-commerce projects.

Expo 2015

The Waterstone, Intesa Sanpaolo's exhibition space at Expo Milano 2015 developed the initiative "Ecco la mia impresa" ("Take a Look at My Business") where 400 Italian companies, differing by size and business segment but all emphasising high-quality products, a focus on sustainability and a successful entrepreneurial history were selected to be showcased during certain events. Overall, Intesa Sanpaolo's exhibition space hosted 530 companies and 35 innovative start-ups, which in turn involved, through business meetings, over 3,000 Italian and international companies.

Services

In order to provide companies a full, integrated range of invoice management services, the new service "Anticipo Fatture Italia Web" was made available on the Inbiz portal. The service allows applications for advances against invoices in euro issued to debtors based in Italy to be managed in a fully autonomous manner.

New branch model

The new open and flexible branch model has been launched, namely a space where to listen to, meet and develop customer relations, making it possible to integrate the customer experience at the branch in the multi-channel strategy of the Bank. By year-end around 50 branches, with the aim to reach about 1,000, had been redesigned and refurbished according to the new layout.

Product companies

In 2015, **Mediocredito Italiano** recorded a sales volume of medium- and long-term products of 5.2 billion euro, up 22% (+950 million euro) compared to 2014, whilst factoring turnover was 53.2 billion euro, basically in line with the previous year (-0.5% equal to -290 million euro).
Mediocredito Italiano disbursed loans totalling 3,651 million euro, increasing by 40% compared to 2014. With 3,096 million euro of loans disbursed (+44%), Banca dei Territori accounts for 85% of total volumes, whilst the Corporate and Investment Banking Division represents 15% of volumes (537 million euro, +20%).
"Subito Mediocredito" generated 26% of the channelled lending in the Banca dei Territori Division (compared with 43% in the previous year). The Specialist Desks dedicated to the principal economic sectors generated long-term loan disbursements of 690 million euro (19% of the total), which rose by 60% compared to 2014.
During 2015, Mediocredito Italiano entered into leasing contracts with a value of 1,531 million euro (-6% compared to 2014). Contracts entered into by customers of the Banca dei Territori Division amounted to 1,224 million euro (-6%), representing 80% of total volumes. Customers in the Corporate Division signed contracts totalling 264 million euro, equal to 17% of volumes, marking a decrease (-5%) compared to the previous year. In 2015, the best-selling leasing product was the real-estate product, albeit with a lower impact on volumes compared to the previous year (from 52% to 44%). The instrumental leasing product accounts for little less than 44%, registering an increase compared to 2014 (+36%). There was a slight increase in the weight of car leasing (from 8% to 9%), whereas energy leases were almost halved (from 5% to 3%).
Turning to the commercial performance of the factoring business, in 2015 Mediocredito reported a turnover of 53.2 billion euro, essentially in line with the previous year, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 28.8% which is 10 percentage points higher than the second largest player in the Italian market. Non-recourse factoring accounted for a greater share of factoring business (88%) than in 2014 (87%). Compared with 31 December 2014, outstanding receivables, equal to 13.6 billion euro, posted a decline (-7%) and period-end loans amounted to 11.4 billion euro (-8%). The international activities related to the import and export factoring segments (both directly and intermediated through the correspondent bank members of Factors Chain International) and the foreign-on-foreign operations, predominantly conducted under the freedom to provide services in other European Union countries. The volumes generated represent 26% of the total turnover, down compared to 2014 (31%).

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. It also processes payment cards on behalf of the banks in the Intesa Sanpaolo Group and issues its own payment cards.
Almost all of the 15 million cards managed by Setefi are cards issued directly by the Parent Company and the Group banks (+6% compared to 2014). Total handled POS amounted to approximately 364,000. The total number of transactions "handled" (transactions on Setefi POS and transactions of cards issued by Intesa Sanpaolo and released by the Group banks on other POS) was 955 million (approximately +15% compared to 2014), and the total amount transacted was 68.9 billion euro (approximately +14%). It should be noted that, as a result of the completion during 2014 of the migration to Setefi of the authorisation system for the acceptance of payments by Bancomat/Pagobancomat cards (via both ATMs and POS terminals), Setefi processed an incremental 335 million transactions (authorisation) over the year, amounting to around 45.5 billion euro.
Of the main initiatives undertaken during the year, it is worth mentioning the activities in marketing the "Mobile POS" product (installation of over 53,000 "Move and Pay Business" devices) and the creation of new services and features for the "Move and Pay Business" app. Development of the e-commerce platform continued, enriched with new payment instruments (including allowing merchants to accept Bancomat payments). In the Mobile Payment arena, an innovative payment solution has been developed in host card emulation mode (HCE), that provides for the storage of card data on the mobile phone's operating system rather than the SIM.
Considerable attention was paid to the adjustments demanded by the evolving regulatory framework that regulates Commercial Acquiring activities (Ministerial Decree no. 51/2014 "Regulation concerning the fees applied to payment card transactions", and new EU Regulation, the so-called MIF regulation, concerning fees on card payments).
Particular efforts have been devoted to develop and consolidate the acquiring supporting platform in new foreign countries. Setefi operates in France, Germany, the United Kingdom, Spain, Switzerland and Austria, and has already obtained authorisation to operate in Greece, Portugal, Holland and the Principality of Monaco. Recently, it has also been authorised to operate in 18 other

EU countries (Belgium, Bulgaria, Cyprus, Croatia, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, Poland, the Czech Republic, Romania, Slovakia, Slovenia and Sweden).

Banca Prossima

In 2015, **Banca Prossima**, which operates in the non-profit sector with 83 local branches (80 of which are authorised by the Bank of Italy) and approximately 290 specialists distributed across the country, continued to acquire new customers for the Group. At the end of December, the bank had approximately 55,000 customers. Financial assets amounted to 6.9 billion euro, of which 2.7 billion euro of direct deposits, while lending operations presented an approved amount of 2.3 billion euro, of which 1.6 billion euro had been used.
In 2015 the commercial operations suggested the development of a new operating model, to better withstand the effects of the end of 2014 contribution of non-profit customers by Intesa Sanpaolo and Banco di Napoli. The reorganisation of network structures, the new approach to daily operations and the introduction of new applications already in use within Banca dei Territori allowed enhancement of risk monitoring and the control system and more precise commercial management. A natural consequence thereof, was the definition of a structured business plan, which includes specific initiatives, aimed at developing the relationship with non-profit organisations to better meet their needs.
To consolidate and further strengthen the bank's leading role for the non-profit sector, new products, services and initiatives were created and business agreements aimed exclusively at non-profit firms were developed. In particular: "A scuola con Prossima", the range of financial solutions dedicated to officially recognised private pre-schools and elementary schools managed by non-profit organisations; "Doppia Fiducia", an initiative addressed to non-profit organisations whose financial statements feature past due loans from the Public Administration; "Energy efficiency programme", in partnership with Federesco, which allows non-profit organisations to request a free preliminary energy audit to identify possible efficiency-enhancing measures within their structures and to implement them out also through a loan by the bank. As part of non-financial services, it is worth mentioning two initiatives, "iNProspettiva" launched in partnership with Intesa Sanpaolo Formazione, to plan and deliver training to the organisations which are customers of the bank and "NPsupport", for consultancy to non-profit organisations on issues such as legal, accounting, tax and administrative advice, start-ups and the evaluation of the economic and financial sustainability of the initiatives. The cooperation agreements include: Lega Nazionale Calcio Dilettanti Lombardia; Fondazione Cariparo; Finpiemonte "Progetto Facilito".
Moreover, a new range of current accounts was issued, which provides for a product, following the entry into a relationship, called "Prossima 1", three modular accounts and one exclusively dedicated to fundraising.

Corporate and Investment Banking

(millions of euro)

Income statement	2015	2014	Changes amount	%
Net interest income	1,544	1,782	-238	-13.4
Profits (losses) on investments carried at equity	8	10	-2	-20.0
Net fee and commission income	843	804	39	4.9
Profits (Losses) on trading	712	479	233	48.6
Income from insurance business	-	-	-	-
Other operating income (expenses)	2	-	2	-
Operating income	**3,109**	**3,075**	**34**	**1.1**
Personnel expenses	-361	-331	30	9.1
Other administrative expenses	-567	-538	29	5.4
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	**-931**	**-872**	**59**	**6.8**
Operating margin	**2,178**	**2,203**	**-25**	**-1.1**
Net provisions for risks and charges	2	-4	6	
Net adjustments to loans	-203	-470	-267	-56.8
Net impairment losses on other assets	-22	-1	21	
Profits (Losses) on investments held to maturity and on other investments	-	4	-4	
Income (Loss) before tax from continuing operations	**1,955**	**1,732**	**223**	**12.9**
Taxes on income from continuing operations	-605	-535	70	13.1
Charges (net of tax) for integration and exit incentives	-3	-3	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,347**	**1,194**	**153**	**12.8**

(millions of euro)

	31.12.2015	31.12.2014	Changes amount	%
Loans to customers	89,691	82,385	7,306	8.9
Direct deposits from banking business [(a)]	109,915	97,709	12,206	12.5
Risk-weighted assets	89,740	80,198	9,542	11.9
Absorbed capital	8,077	7,219	858	11.9

The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.

Figures also 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 certificates.

In 2015, the Division recorded operating income of 3,109 million euro (representing 18% of the Group’s consolidated total), up by 1.1% compared to the previous year.
In detail, net interest income of 1,544 million euro was down (-13.4%) due in particular to the lower contribution from the capital markets and proprietary trading segment. Net fee and commission income of 843 million euro increased (+4.9%) due to the growth of fee and commission income in the investment banking sector, which more than offset the decrease attributable to commercial banking activities. Profits on trading, equal to 712 million euro, grew by 48.6%, mainly due to the increased contribution from capital markets activities. Operating costs amounted to 931 million euro, up 6.8% compared to 2014, due to higher administrative and personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,178 million euro, recorded a slight decrease (-1.1%) compared to the previous year. Income before tax from continuing operations, amounting to 1,955 million euro, was up 12.9% due to the lower adjustments to loans. 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 0.2% in 2015. In greater detail, adjustments during the year by the Network Banks with respect to Corporate amounted to 203 million euro (compared to loans of 60,467 million euro), broken down as follows: Intesa Sanpaolo 169 million euro, Carisbo 18 million euro, CR Veneto 12 million euro, Banco di Napoli 2 million euro, CR Romagna and CR Umbria 1 million euro. Finally, net income came to 1,347 million euro, up 12.8% on 2014.
In quarterly terms, the fourth quarter of 2015 showed an increase in operating income (+28.9%) compared to the third, mainly attributable to the performance of net fee and commission income and profits on trading. The revenue performance, only partly attenuated by higher operating costs (+15.7%), resulted in an increase in operating margin (+37.3%). Net income, which benefited from lower net adjustments to loans, far exceeded the previous quarter (+42.6%).

The Division's intermediated volumes increased compared to the end of December 2014 (+10.8%). In detail, direct deposits from banking business, amounting to 109,915 million euro, increased by 12.5%, mainly due to repurchase agreement operations at Banca IMI and to amounts due to customers of the departments Corporate & Public Finance and International Network and Global Industries. Loans to customers of 89,691 million euro showed growth (+8.9%) as a result, in particular, of increased activity in the departments Global Banking & Transaction and International Network & Global Industries.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations. To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group.
Organisational structure	
International Network & Global Industries Department	The Department manages relationships with around 1,200 multinational industrial groups operating in eight key industries with high growth potential: Automotive & Industrial; Basic Resources & Diversified; Consumer, Retail & Luxury; Healthcare & Chemicals; Infrastructures; Oil & Gas; Power & Utilities; Telecom, Media & Technology. Using the International Network, which comprises branches abroad, representative offices and international corporate banks as well as cooperation with the International Subsidiary Banks Division, the Department provides specialist assistance in supporting the internationalisation of Italian businesses, developing their exports, and managing and developing their relationships with international counterparties. The partnership with Banca IMI ensures coverage as well as developing investment banking (ECM, DCM, M&A) and structured finance activities, whilst leasing, factoring and subsidised financing business is carried out in partnership with Mediocredito Italiano
Corporate and Public Finance Department	The Department is responsible for servicing approximately 700 Italian large and medium corporates, by means of a global and integrated offer of products and services overseen by all the Divisions and Group product companies. It also serves central governments, public entities, local authorities, universities, public utilities, general contractors and public and private healthcare providers
Financial Institutions Department	The Department is responsible for servicing Italian and international financial institutions according to a dedicated, global commercial model. Its particularly sophisticated approach to relations with such customers is amply diversified and oriented towards integrated solutions that promote the cross-selling of capital markets and investment banking products.
Global Transaction Banking Department	The Department is responsible for transaction banking products and services for the entire Group
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
Global Markets and Corporate & Strategic Finance	The scope of the Division also includes the M&A, capital markets, structured finance, primary markets (equity and debt capital market) and finance and investments activities performed by Banca IMI
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 45 branches dedicated to corporate customers and public customers. At the international level, it operates in 28 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

International Network & Global Industries Department

In 2015, the International Network & Global Industries Department continued to act as financial partner to its customers by organising participation in a number of syndicated loans in collaboration with Banca IMI. In particular, the Department participated acting as Mandated Lead Arranger and Bookrunner for the syndicated loans for Saras, Telefonica, Valentino, Turkcell Group, as well as for the financing transactions for the acquisition of the German group Senvion by Centerbridge and for the acquisition of SAB Miller by ABInBev, this latter being the major transaction in the consumer sector. Worth mentioning is also the role as Coordinator & Bookrunner in the syndicated loan for Acciona and that of Mandated Lead Arranger for the financing of the spin-off of Ferrari NV by the FCA Group, as well as for syndicated loans disbursed in favour of Altice, Carrefour, Energy Transfer Equity, Vodafone Group PLC, Versace, Total Erg, Teva and ChemChina-Camfin for the acquisition of Pirelli and of

HeidelbergCement for the acquisition of Italcementi. As part of the financing in favour of the customer Coty, aimed at acquiring the beauty business of Procter & Gamble, the Department acted as Arranger and Lender; in the financing in favour of Italia On Line, for the launch of a takeover bid on SEAT Pagine Gialle, the Department acted as Global Coordinator, while in the transaction supporting the acquisition of E.ON hydroelectric assets by the ERG Group, the Department acted as Global Coordinator, Mandated Lead Arranger, Bookrunner and Facility Agent. With regards to the Debt Capital Market activity, it is worth mentioning the participation in the retail Atlantia bond issue, as well as in the bond issues of Exor, RCI Banque, Ansaldo Energia, Deutsche Bahn, Gazprom, SNAM Rete Gas, ENI, FCA Bank, Cellnex Telecom, Prysmian, Consorcio Nuevo Metro de Lima, UCB, Altice, Kering, Carrefour, FCE Bank, A2A, Mondelez, Energy Transfer Partners, The Boeing Company, Bombardier, FCA, General Motor Financial, Imperial Tobacco, General Electric Group, América Movil and Anheuser-Busch Inbev.

In Equity Capital Market business, the Department acted as Joint Global Coordinator, sponsor and sole manager for the issue by INWIT (Telecom Italia group) and as Joint Bookrunner for the issue of Beni Stabili SIIQ convertible bond. With regards to the Merger & Acquisition activity the Department acted as Advisor in the acquisition of E.ON hydroelectric assets by the ERG Group and in Wind and Enel sales transactions, while with regards to Project Finance, the Department participated in the loans for the acquisition of ESVAGT by the consortium made up by 3i Infrastructure and AMP Capital and for the construction of a new hospital in Turkey by the consortium made up by Meridiam and Rönesans Holding. The synergy with Banca IMI ensured coverage as well as developing Structured Finance and Investment Banking activities, while in its leasing, factoring and subsidised finance operations, the Department collaborated with Mediocredito Italiano, a Group company with which an operating and commercial domestic confirming platform has been implemented, an advanced form of indirect factoring that allows buyers to efficiently manage trade payables and payments to suppliers.

In 2015 work continued on the development of the international network, focused on monitoring relations with Italian and international customers and on investments in high-potential markets. The network ensures direct coverage in 28 Countries through 14 wholesale branches, 16 representative offices and 3 subsidiary banks (Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Luxembourg, Intesa Sanpaolo Brasil). In 2015, as part of the initiatives aimed at growing international presence, Intesa Sanpaolo Brasil was inaugurated, a subsidiary bank based in Sao Paolo that holds the licence of Banco Multiplo, a representative office was opened in Washington and works continued for the establishment of a representative office in Jakarta and for the opening of two new branches, one in Abu Dhabi and one in Doha. Finalisation of the projects will allow to considerably enhance customer support in markets of strategic interest.

Corporate and Public Finance Department

In 2015 the Corporate and Public Finance Department continued to ensure its support both to corporate customers, consisting of individual companies or national groups with over 350 million euro in turnover, and to public customers consisting of Central State Administrations, Local Entities and the so-called “public corporate entities” (companies with public participation of strategic importance in the services and infrastructure sectors).

Synergies with the Group’s international network were strengthened, in order to support the international development of Italian customers, and the services provided by the Group’s product companies (Mediocredito, Setefi, Intesa Sanpaolo Private Banking) were promoted in view of ensuring a global service to customer companies.

The Department sharply increased its disbursement of financing drawing on the funds made available as part of the TLTRO programme (Targeted Long Term Refinancing Operation) to supply Italian businesses with adequate financial support and to back growth plans.

In collaboration with Banca IMI, Primary Market and Structured Finance operations were developed, as well as Merger & Acquisition and Advisory activities. Strong impetus was given to the business involving product for hedging market risks (interest rates, currencies and commodities). In addition, the Department concluded the sales network's excellence programme ("Front Office Excellence"), which involved several resources and led to the implementation of various initiatives aimed at optimising the operating activities handled by the network and making better use of the Group's commercial tools made available to Relationship Managers, and improving alignment of commercial, economic performance and risk results at all levels of the organisation.

At the same time the Department leveraged and boosted customers in specific industrial sectors (including utilities, airports, motorways) as well as the Public Finance customers and contributed significantly to the project to establish the Capital Light Bank.

Moreover, in collaboration with the Banca dei Territori Division, "Programma Filiere" was developed with the aim of promoting production chains of excellence in the Italian entrepreneurial system. On the basis of an agreement with the lead companies, this programme allows the Bank to support the suppliers of such production chains by improving credit access conditions and offering tailor-made products.

Financial Institutions Department

In 2015 the Department operated in a market characterised mainly by the rationalisation and restructuring of the current asset portfolio, in which international partners gave priority to disposals of assets and "deleveraging" and focused investment on skills and on "core markets". In the Italian scenario, these trends have been particularly affected by the new local regulations (e.g. conversion of the main popular banks into public limited companies) and by specific capital restructuring and enhancement situations originated from European Supervisory activities. Except in cases of restructuring, which affect a smaller part of the system, the financial performance of the banking sector is improving, thanks both to the first signs of economic recovery of the country and the reduction of new problem loan flows. The Trade Finance segment saw a sharp decline in loans in China and a recovery of activities in Brazil, where a slight increase in spreads, caused by the volatility resulting from signs of slowdown of the economy, rendered loans in both euros and dollars more attractive. There was very intense lending activity in Turkey, whereas Africa proved to be the area for which export customers requested support in mitigating country risk. The Export Credit sector witnessed a significant increase in the demand from Italian companies, concerning both the mere exports of goods and the services necessary to complete the important project-finance operations (mainly in the energy, infrastructure and transport sectors). From the geographical point of view the most affected countries were Russia and Egypt, as well as several countries in sub-Saharan Africa. During the last part of the year, moreover, there were applications from the Gulf countries (Kuwait, Oman, UAE, Dubai) to support large infrastructure projects (in Dubai for EXPO 2020). Important funding opportunities were seized in the commodities financing industry, mainly in the sectors of oil & gas and metals, and positive signs were detected in the request for products for the management and optimisation of working capital (Supply Chain Finance). In the Asset Management and Insurance segment, the Group benefited from the interest of foreign investors in Italy, recording an increased volume of transactions in equities and bonds, assisting some private-equity funds in Merger & Acquisition operations (e.g. Acquistition of Farmafactoring by Centerbridge) and financing certain acquisitions of loan portfolios by specialised credit funds. Moreover, during the year the bank also consolidated its position as a leading provider in Italy of transactional services in the insurance sector.

Global Transaction Banking Department

The Department, which was created in August to achieve the objectives laid down in the 2014-2017 Business Plan for the segment, is responsible for transaction banking products and services for the entire Group, with the aim of supporting business growth, providing specialist assistance to networks and ensuring product innovation, the identification of specific solutions and the development of partnerships.
In this context commercial actions on cash management and trade products were launched and a plan of activities to expand the offer to customers with innovative supply chain financing services as well as through integration with third-multibank platforms was defined.
The MyBank product, the tool for online payments developed in cooperation with EBA Clearing was promoted, and the security services offer for corporate customers was expanded through subscription to the Swift 3SKey service.
Specific solutions were developed in order to optimise and promote electronic payments to central and local public administrations, such as those intended for online payments of the Ministry of Justice and of all public administrations that have activated "PagoPA", the new service offered by the Agency for a Digital Italy (AGID). Multichannel offerings for large billers saw the implementation of "CBill custom" solutions for collections by public and private municipality-owned companies, for the healthcare sector, and for regional taxes, through a specific agreement with the Lombardia Region.
The solutions identified also extended to the community of wholesale buyers and sellers who operate in general market organisations.
To increase the dissemination of POS terminals and expand the Group's transactional offerings, a solution was also identified that integrates new tablet cash registers into the mobile POS terminals offered to customers.

Proprietary Trading

In 2015, Proprietary Trading made a negative contribution to the income statement, in terms of revenues, to a lesser extent than in 2014.
Overall, as at 31 December 2015, the risk exposure to structured credit products (financial assets held for trading), funded and unfunded ABSs/CDOs at the Group level amounted to 2 billion euro, up from 1.8 billion euro as at 31 December 2014.
The hedge fund portfolio as at 31 December 2015 totalled 758 million euro, compared to 733 million euro recorded in December 2014. An analysis of changes in the portfolio shows distributions and redemptions during the period, which, however, were more than offset by the increase in the value in euro of the positions in US dollars due to the sharp appreciation of the foreign currency.
In the fourth quarter of 2015, hedging strategies were implemented for events involving the Chinese market.

Global Markets and Corporate & Strategic Finance

In 2015, the Global Markets area recorded a positive performance compared to the previous year and an increase in revenues tied to business with customers.
In securities markets, quantitative easing (QE) resulted in an increase in business with customers, but in the second part of the year it was followed by a slowdown caused by the correction of interest rate expectations, tensions involving Greece and concerns relating to China and emerging nations.
The Primary market confirmed the performance of the Investment Certificate offer registered during the previous years. Moreover, commercial action abroad intensified, where VUB Banka has placed the first capital protected certificate issued by Banca IMI.
The Market Hub, the Bank's liquidity provider, registered increased intermediated volumes in equities and listed derivatives, while the introduction of central clearing obligations for OTC derivatives led to the signing of a number of service agreements with medium-sized Italian banks.
Banca IMI also won the tender launched by BancoPosta for offering exclusive market access services and, on the foreign front, it has signed agreements with counterparties such as Commerzbank, Kepler and Santander.
Physical gas trading became operational on the Italian and Dutch markets and the liquidity provider activity on De Longhi, Zanetti Beverage Group, Capital for Program, Moleskine, Aeroporto di Bologna securities was launched. Moreover the bank acted as Lead Manager in public issues by Cassa Depositi e Prestiti and Autostrade per l'Italia. Commercial loan securitisation transactions were structured for corporate customers in the context of the Agri-Food programme (Granarolo, Marr, Ambrosi, GSI and others) and Automotive, Electronics and Mechanics programme (Marcegaglia, CLN Group and others).
Moreover, Banca IMI took part in the structuring of the securitisation of a portfolio of auto loans originated by FCA Bank and acted as manager in a conduit financing transaction on a portfolio of loans to small and medium enterprises originated by Banca Monte dei Paschi di Siena. In addition, securitisation deals were finalised, for IBL Banca, Dynamica, Alba Leasing as well as the "Tibet" transaction, with the issue of commercial mortgage-backed securities placed on capital markets on a private basis with institutional investors.

In Equity Capital Market business, Banca IMI further consolidated its leadership in the Italian market and pursued the expansion of its activity on international markets. In particular, it oversaw the privatisation of Poste Italiane and of a share of Hera capital, it managed the listing on the stock exchange of OVS, Massimo Zanetti Beverage Group, Inwit, Aeroporto di Bologna and Capital for Progress (Spac) and participated in the placements of Amundi and Bank of Qingdao. It also took part in capital transactions, such as those made by Credit Suisse, Banca MPS, Telefonica, Veneto Banca and Saipem. In the convertible bonds segment it has led the placement of bond issues of Beni Stabili and FCT (Municipality of Torino)-Iren, while at international level it entered consortia for the bond issues of Unibail-Rodamco and America Movil-Kpn.
In the context of M&A activity, it took part in a number of sale and acquisition transactions, made in particular in the Energy, Consumer & Retail, Industrial, Technology, Media, Telecommunication and Photovoltaic sectors.
In the Debt Capital Markets segment, Banca IMI followed important transactions such as the bond issue for Autostrada Brescia-Padova, the securitisation of Agos-Ducato, the repurchase of Enel securities, the transactions of the FCA Group in the loans market and the refinancing of Enel facilities. Moreover, it also participated in bond issues by Atlantia, Iberdrola, Iren, Gazprom and Exor and in the loans market it contributed to organise syndicated loans dedicated to the large international acquisitions of Exor, Chinachem-Pirelli and Inbev.
The Structured Finance area intervened in the infrastructure (MM, Multiservizi, Supernap), real estate (IDeA FIMIT, Hines Italia SGR S.p.A.), motorways and transport (Milano Serravalle-Milano Tangenziali, Line 5 of the Milan underground railway) sectors, in addition to its support to a number of small and medium sized enterprises (Sematic, Pavan, Golden Goose, PittaRosso, Arredo Plast, Acetum, B&B, Irca, Sestant, Savio).
Strong synergies were developed with the Global Markets areas boosting the international market thanks to some of the most important global deals, particularly in North America and in the EMEA (Europe, Middle East and Africa) area, giving continuity to an integrated approach that sees the possibility of making use of typical capital market instruments such as bond issues (Altice Financing, Senvion) or securitised CMBS securities (Statuto group).

International Subsidiary Banks

(millions of euro)

Income statement	2015	2014	Changes amount	Changes %
Net interest income	1,479	1,440	39	2.7
Profits (losses) on investments carried at equity	51	43	8	18.6
Net fee and commission income	532	521	11	2.1
Profits (Losses) on trading	101	122	-21	-17.2
Income from insurance business	-	-	-	-
Other operating income (expenses)	-61	-97	-36	-37.1
Operating income	**2,102**	**2,029**	**73**	**3.6**
Personnel expenses	-567	-554	13	2.3
Other administrative expenses	-369	-386	-17	-4.4
Adjustments to property, equipment and intangible assets	-97	-105	-8	-7.6
Operating costs	**-1,033**	**-1,045**	**-12**	**-1.1**
Operating margin	**1,069**	**984**	**85**	**8.6**
Net provisions for risks and charges	-159	-55	104	
Net adjustments to loans	-340	-377	-37	-9.8
Net impairment losses on other assets	-2	-29	-27	-93.1
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**568**	**523**	**45**	**8.6**
Taxes on income from continuing operations	-145	-144	1	0.7
Charges (net of tax) for integration and exit incentives	-4	-2	2	
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-1	-1	-	-
Net income (loss)	**418**	**376**	**42**	**11.2**

(millions of euro)

	31.12.2015	31.12.2014	Changes amount	Changes %
Loans to customers	25,827	24,974	853	3.4
Direct deposits from banking business	32,456	30,998	1,458	4.7
Risk-weighted assets	30,999	25,973	5,026	19.4
Absorbed capital	2,948	2,491	457	18.3

The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also 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 bears noting that the income statement figures presented above and commented upon below do not include the results of the Ukrainian Pravex Bank, as well as the FUT business unit into which the bad assets of CIB Bank have been injected. Both these assets have been included in the Capital Light Bank's scope of responsibility.

In 2015, the Division's operating income came to 2,102 million euro, up compared to the previous year (+3.6%). A detailed analysis shows that net interest income came to 1,479 million euro, an increase compared to 1,440 million euro in 2014 (+2.7%), mainly due to the positive trends reported by Bank of Alexandria (+81 million euro) and PBZ (+6 million euro), partially offset by Banca Intesa Beograd (-13 million euro), Banca Intesa - Russia (-11 million euro), CIB Bank (-10 million euro) and VUB Banka (-10 million euro). Net fee and commission income amounted to 532 million euro, up compared to the previous year (+2.1%). Profits

on trading, amounting to 101 million euro, decreased by 17.2% due to the lower contributions from CIB Bank (-18 million euro), PBZ (-12 million euro) and Bank of Alexandria (-7 million euro), only partially offset by the growth of Banca Intesa Beograd (+13 million euro).
Operating costs, amounting to 1,033 million euro, were slightly down compared to 2014 (-1.1%). As a result of the above revenue and cost trends, the operating margin came to 1,069 million euro, up 8.6%. Income before tax from continuing operations of 568 million euro increased from 523 million euro of the previous year (+8.6%), benefiting from the decline in net adjustments which more than offset the greater provisions for risks and charges of Privredna Banka Zagreb, in accordance with new local provisions governing loans in foreign currencies. The Division closed 2015 with net income of 418 million euro, up compared to 2014 (+11.2%).
On a quarterly basis, the fourth quarter of 2015 reported an operating margin down 11.9% on the third quarter, due to a decrease in operating income (-3.8%) and an increase in operating costs (+5.1%). Conversely, income before tax from continuing operations and, accordingly, net income, recorded a significant improvement compared to the previous quarter which included the aforementioned provisions recognised by Privredna Banka Zagreb.

The Division's intermediated volumes increased compared to the end of December 2014 (+4.1%) owing to the favourable trend in loans to customers (+3.4%) as well as amounts due to customers under direct deposits from banking business (+4.7%).

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, and the Russian Federation
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,083 branches in 11 countries

South-Eastern Europe

In 2015, the operating income of the **Privredna Banka Zagreb group** was 431 million euro, slightly down compared to the previous year (-0.4%). Operating costs of 196 million euro improved compared with 2014. The operating margin came to 234 million euro, essentially in line with 2014. After high provisions to risks and charges during the year in accordance with legislation concerning the conversion of loans in Swiss francs into euro, income before tax from continuing operations and profits (losses) were 47 million euro and 36 million euro, respectively.

Banca Intesa Beograd, including Intesa Leasing Beograd, generated operating margin of 145 million euro, down 2.5% on 2014. Operating income decreased by 1.9% due to the performance of net interest income and net fee and commission income, partly offset by the positive evolution of profits on trading. Operating costs were essentially in line with 2014. Income before tax from continuing operations amounted to 82 million euro, up compared to the previous year (+31.4%), while net income stood at 72 million euro (+22%).

Intesa Sanpaolo Banka Bosna i Hercegovina closed 2015 with an operating margin of 19 million euro, up 18.1% on 2014. This performance may be attributed to the increase in operating income (+9%), most markedly net interest income and net fee and commission income, while operating costs increased slightly. Income before tax from continuing operations, amounting to 15 million euro, increased by 33.4%, while net income amounted to 13 million euro (+32.5%).

Intesa Sanpaolo Bank Albania reported an operating margin of 27 million euro, up on 2014 (+6.2%), primarily due to an improvement in net fee and commission income. Income before tax from continuing operations came to 19 million euro, up on the previous year (+7.7%). Net income performed similarly (+7.8%).

Intesa Sanpaolo Bank Romania recorded an operating margin of 13 million euro, up (+4.1%) compared to 2014: the decline in operating income (-5.1%), primarily attributable to lower interest and fees and commissions, was more than offset by the decline in operating costs (-9%). The company reported a net income of -29 million euro, compared to a net loss of -24 million euro in 2014, due to higher net adjustments to loans.

Central-Eastern Europe

Banka Koper generated operating income of 84 million euro, down 3.2% compared with the previous year as a result of negative trends in net interest income. Operating costs were down slightly compared to 2014. Net income was equal to 12 million euro (+69.7%), benefiting from lower adjustments.

The VUB Banka Group achieved an operating margin of 292 million euro, up 3.9% compared with the previous year, due to an increase in operating income (+2.3%), attributable to net fee and commission income and other operating income, which more than offset the decline in net interest income (-2.3%). Income before tax from continuing operations, amounting to 214 million euro, increased by 12.6%, while net income amounted to 164 million euro (+12.4%).

The increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties experienced by the country, as well as of the recent provisions governing loans in foreign currencies approved by the Hungarian Parliament, severely affected the performance of this subsidiary bank. The **CIB Bank** group (excluding the FUT business unit, which now houses the bad debts managed by the Capital Light Bank) recorded operating income of 142 million euro, down 15.6% compared to 2014, due to the decline in net interest income and profits on trading. Operating costs were down (-5.5%). Net income showed a negative balance of 14 million euro, compared to a net loss of 49 million euro posted in the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa – Russia closed 2015 with a net loss of 33 million euro, compared to a net income of 0.3 million euro in 2014. Operating income decreased (-13.1%) due to the decline in net interest income and net fee and commission income. Operating costs were down 25.9%. Net adjustments to loans amounted to 72 million euro, up considerably compared to 2014.

Bank of Alexandria reported an operating margin of 218 million euro, up 41.2% compared to the previous year. Operating income of 394 million euro grew (+30.4%), predominantly as a result of higher net interest income and net fee and commission income. Operating costs increased, largely as a result of personnel expenses and administrative expenses. Net income came to 145 million euro, up 94% on 2014.

Other companies

Operating income reported by **ISP Card** came to 37 million euro, up by 1% on 2014. Operating costs remained essentially stable, amounting to 32 million euro. The company closed 2015 with net income of 4.4 million euro (+12.5%).

Private Banking

(millions of euro)

Income statement	2015	2014	Changes amount	%
Net interest income	201	219	-18	-8.2
Profits (losses) on investments carried at equity	9	10	-1	-10.0
Net fee and commission income	1,449	1,199	250	20.9
Profits (Losses) on trading	27	31	-4	-12.9
Income from insurance business	-	-	-	-
Other operating income (expenses)	-6	-3	3	
Operating income	**1,680**	**1,456**	**224**	**15.4**
Personnel expenses	-290	-288	2	0.7
Other administrative expenses	-226	-225	1	0.4
Adjustments to property, equipment and intangible assets	-16	-14	2	14.3
Operating costs	**-532**	**-527**	**5**	**0.9**
Operating margin	**1,148**	**929**	**219**	**23.6**
Net provisions for risks and charges	-39	-89	-50	-56.2
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-1	-1	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,109**	**839**	**270**	**32.2**
Taxes on income from continuing operations	-332	-248	84	33.9
Charges (net of tax) for integration and exit incentives	-30	-7	23	
Effect of purchase price allocation (net of tax)	-84	-85	-1	-1.2
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**663**	**499**	**164**	**32.9**

(millions of euro)

	31.12.2015	31.12.2014	Changes amount	%
Assets under management	132,006	121,590	10,416	8.6
Risk-weighted assets	8,624	7,278	1,346	18.5
Absorbed capital	806	683	123	18.0

The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The **Private Banking Division** coordinates the operations of Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland.
On 30 June the corporate transactions of transfer of the controlling stakes of Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) to Banca Fideuram was finalised. Concurrently, the operational governance business unit of Intesa Sanpaolo Private Banking was transferred to Banca Fideuram, and the latter's name changed to Fideuram - Intesa Sanpaolo Private Banking. Integration activities, involving over 100 resources in the launch of 72 projects at ten dedicated worksites, resulted in the creation of a new company focused on the following objectives: ensuring greater market visibility for the Group's significant private-banking activities, achieving significant revenue synergies and managing resources efficiently. A new branch was inaugurated in London in December 2015, with the aim to extend to the English market the investment services offered by the Division. The initiative is part of the activities aimed at international development of HNWI customers in major financial hubs.

In 2015 the Division recorded operating income of 1,680 million euro, up compared to the previous year (+15.4%). This trend may be attributed to the considerable growth in net fee and commission income (+250 million euro, or +20.9%), attributable to both the sharp rise in average assets under management and the increase in profitability due to the shift in the product mix towards assets under management and unit-linked policies, and the increasing demand for advisory services. Among the other revenue components, net interest income decreased by 18 million euro (-8.2%).
Operating costs increased slightly (+5 million euro). Following lower net provisions (-50 million euro), income before tax from continuing operations came to 1,109 million euro, up by 270 million euro (+32.2%) and net income reached 663 million euro (+32.9%).
In quarterly terms, the fourth quarter of 2015 reported substantially stable operating income (-0.2%), compared to the third: the negative performance of net fee and commission income, penalised by the unfavourable market performance, was indeed offset by the increase in profits on trading. Operating costs increased (+18 million euro), as well as provisions for risks and charges (+6 million euro). Net income decreased by 12.9% in the fourth quarter compared to the second.

As at 31 December 2015, assets gathered, which also include the contribution of the trust mandates for Sirefid, amounted to 188.9 billion euro (+10.1 billion euro compared to the end of 2014). This positive trend is attributable to net inflows (+7.8 billion euro in 2015) and to the overall positive market performance (+2.3 billion euro). Net inflows more than doubled compared to 2014 (3.6 billion euro).

Business	Generating new inflows of assets and managing them, using a network of financial advisors and in-house private bankers serving a customer base with high savings potential
Mission	Improve and broaden the product portfolio and increase the service levels by allowing the customers to choose the network which best satisfies their needs; assist customers in the informed management of their wealth, based on a detailed analysis of their real requirements and risk profile; and offering fully transparent financial and pensions advice in accordance with the regulations
Organisational structure	
Fideuram	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of over 5,000 Fideuram and Sanpaolo Invest financial advisors
Intesa Sanpaolo Private Banking	Bank dedicated to private customers (with over 1 million euro in financial assets), providing financial services which are designed to preserve and increase wealth and provide continuity, using a network of around 800 in-house private bankers
SIREFID	Company specialised in the provision of fiduciary services
Distribution structure	Network of 226 branches with 5,846 private bankers

Asset Management

(millions of euro)

Income statement	2015	2014	Changes amount	%
Net interest income	1	1	-	-
Profits (losses) on investments carried at equity	85	38	47	
Net fee and commission income	670	501	169	33.7
Profits (Losses) on trading	1	6	-5	-83.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	2	1	1	
Operating income	**759**	**547**	**212**	**38.8**
Personnel expenses	-65	-59	6	10.2
Other administrative expenses	-77	-71	6	8.5
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-142**	**-130**	**12**	**9.2**
Operating margin	**617**	**417**	**200**	**48.0**
Net provisions for risks and charges	-3	1	-4	
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	**614**	**418**	**196**	**46.9**
Taxes on income from continuing operations	-139	-101	38	37.6
Charges (net of tax) for integration and exit incentives	-	-1	-1	
Effect of purchase price allocation (net of tax)	-	-38	-38	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-9	-8	1	12.5
Net income (loss)	**466**	**270**	**196**	**72.6**

(millions of euro)

	31.12.2015	31.12.2014	Changes amount	%
Assets under management	226,885	202,765	24,120	11.9
Risk-weighted assets	1,135	917	218	23.8
Absorbed capital	117	98	19	19.4

The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The Asset Management Division pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital and its investees.

Overall, total assets managed by Eurizon Capital as at the end of December 2015 came to approximately 227 billion euro, up by 11.9% on an annual basis, mainly as a result of positive net inflows. In 2015, net inflows came to 20.6 billion euro, primarily due to the strong performance of mutual funds placements (in particular, flexible fixed-term funds), retail portfolio management schemes (principally due to the contributions of the new “GP Unica Facile”, “GP Unica” and "GP Obiettivo Private" lines) and captive insurance products, consisting of line I insurance contracts (the category to which traditional life policies are classified), as well as of Unit-linked policies. As at 31 December 2015, Eurizon Capital's share of the asset management market was 14.4% (gross of duplications), compared to 14.3% at the end of December 2014 (calculated on a pro-forma basis in the interest of consistency of comparison, by excluding the individual asset management of Intesa Sanpaolo Private Banking, absorbed into the Private Banking Division). Excluding the closed-end funds segment, in which the company does not operate, the share of assets under management as at 31 December 2015 increased to 14.8%; furthermore, the year performance was impacted by the entry into the market of BlackRock Investment Management which had a negative impact on the share of 50 b.p..

Operating income in 2015, amounting to 759 million euro, grew by 38.8% compared to the previous year, as a result of the favourable performance of net fee and commission income (+33.7%) and the contribution of investees carried at equity (Penghua and Allfunds Bank). Net fee and commission income performance was correlated with the development of average assets under management, which significantly exceeded those of 2014, as well as with the collection of over-performance commissions accrued on asset management products (170 million euro in 2015 compared to 113 million in the previous year). Operating costs increased (+9.2%), attributable to both personnel expenses and administrative expenses, both correlated with business development and ongoing operational excellence.
As a result of the above revenue and cost trends, the operating margin came to 617 million euro, up 48% compared to 2014. Eurizon Capital closed 2015 with a net income of 466 million euro (+72.6%).
On a quarterly basis, the fourth quarter of 2015 showed an increase of 11.3% in operating margin compared to the third quarter, thanks to an increase in operating income (+14.2%) and, particularly, in net fee and commission income (+22%), which benefited from the collection of 67 million euro over-performance commissions. This trend was reflected in the net income (+13%).

With regard to significant events, at the end of September 2015 the Board of Directors of Eurizon Capital SGR approved the acquisition of a majority interest in a foreign company, with the aim of creating a partnership on the London market with SLJ Macro Partners LLP. At the beginning of November the investment agreement with the other party was signed and the authorisation procedures were started with the English and Italian Supervisory Authorities.

Again with reference to international developments, it should be mentioned that the commercial development in France has been reflected in a notification, to the competent authorities, of a direct placement with local institutional customers, under the free provision of services regime, accompanied by the creation of a sales desk based in Paris, with the aim of supporting and developing deposits from institutional customers in the French-speaking area of Europe.

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.
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
Eurizon Capital SA (Luxembourg)	Specialised in managing Luxembourg mutual funds with low tracking error
Eurizon Capital (HK) Ltd (Hong Kong)	A 100% subsidiary of Eurizon Capital SA. Established on 10 June 2015 to develop consulting activities on financial and portfolio management instruments in the Asian market
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)
Penghua Fund Management Company Limited	Chinese fund manager 49% owned by Eurizon Capital SGR
Allfunds Bank S.A.	A multimanager distribution platform of asset management products intended for institutional investors, 50% owned by Eurizon Capital SGR and 50% by AFB SAM Holdings S.L. (Santander Group)

Insurance

(millions of euro)

Income statement	2015	2014	Changes amount	%
Net interest income	-	-	-	-
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	-	-	-	-
Profits (Losses) on trading	-	-	-	-
Income from insurance business	1,100	930	170	18.3
Other operating income (expenses)	2	1	1	
Operating income	**1,102**	**931**	**171**	**18.4**
Personnel expenses	-67	-59	8	13.6
Other administrative expenses	-90	-89	1	1.1
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	**-160**	**-151**	**9**	**6.0**
Operating margin	**942**	**780**	**162**	**20.8**
Net provisions for risks and charges	1	-	1	-
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-20	-1	19	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**923**	**779**	**144**	**18.5**
Taxes on income from continuing operations	-258	-240	18	7.5
Charges (net of tax) for integration and exit incentives	-4	-2	2	
Effect of purchase price allocation (net of tax)	-31	-36	-5	-13.9
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**630**	**501**	**129**	**25.7**

(millions of euro)

	31.12.2015	31.12.2014	Changes amount	%
Assets under management	132,948	118,612	14,336	12.1
Risk-weighted assets	-	-	-	-
Absorbed capital	4,375	4,134	241	5.8

The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The Insurance Division oversees management of the subsidiaries of the insurance group Intesa Sanpaolo Vita, and Fideuram Vita, with the mission of further developing the insurance product mix targeting Group customers.

In 2015, income before tax from continuing operations was 923 million euro, recording growth of 144 million euro (+18.5%) compared to the previous year as a result of higher operating income (+171 million euro), and a moderate growth of costs (+6%). Income from insurance business was 1,100 million euro, recording growth of 170 million euro due to the contribution of the net investment result, which also benefited from extraordinary income of 58 million euro from the sale of the stake in Union Life. The growth in revenues and careful cost management improved the cost/income ratio, which decreased from 16.2% in 2014 to 14.5%.
On a quarterly basis, the fourth quarter showed a decrease in operating margin compared to the third quarter, primarily attributable to a drop in income from insurance business (-41.3%) affected by the significant decrease in the net investment result caused by the volatility of financial markets. This trend was reflected in the income before tax from continuing operations and in the net income.

Direct deposits from insurance business, amounting to 132,948 million euro, increased 12.1% since the end of December 2014, largely attributable to the development of financial liabilities of the insurance segment designated at fair value and of technical reserves.

Collected premiums for life policies, amounting to 27.5 billion euro, grew compared to those of 2014. 2015 was characterised by a shift in offerings, which were increasingly oriented towards class III products, also in its multi-line hybrid form, featuring gross premiums amounting to 15.3 billion euro compared to 10.3 billion euro recorded in 2014. In the pension business, premiums amounted to 0.5 billion euro, on the increase thanks to the rationalisation measures implemented during the year in wellfare-related products. Development work continued on the non-life business, with premiums amounting to 0.3 billion euro, due to the positive sales performance of the new home product (aCasaConMe) and the consolidation of the motor offering and of credit protection products.

Business	Life and Non-Life Insurance
Mission	Develop the offering of insurance products for the Group's customers
Organisational structure	
Intesa Sanpaolo Vita	Insurance parent company specialised in offering insurance, pension and personal and asset protection services within Banca dei Territori. The Company owns 100% of Intesa Sanpaolo Life, specialising in the area of unit-linked products, Intesa Sanpaolo Assicura, dedicated to the non-life business, and Intesa Sanpaolo Smart Care, a company specialising in the creation of innovative telematic solutions to combine with insurance products
Fideuram Vita	Specialised in offering insurance, pension and personal and asset protection products within the Fideuram Group.

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department and Capital Light Bank) generated an operating loss of 858 million euro in 2015, compared to operating loss of 677 million euro in the previous year. This performance was primarily due to expenses associated with contributions to the Single Resolution Fund for Banking Crises and the Deposit Guarantee Fund which more than offset the improvement of profits on trading and of net interest income which, despite remaining at negative levels, benefited from a gradual reduction in the cost of liquidity. The higher adjustments, related to investments for growth, and expenses relating to new regulatory obligations, contributed significantly to the increase in the Corporate Centre's operating costs recorded in 2015. After lower provisions for risks and charges and smaller net adjustments to loans and other assets, the net loss amounted to 1,984 million euro, compared to 2,497 million euro reported in 2014.

Capital Light Bank

In 2015, the organisational structure was reinforced and work continued on finalising the operating processes of the Capital Light Bank, involving in particular the formation of a team of managers dedicated to former public finance customers reporting directly to the heads of the business unit and the completion of the pertinent formalities. The process of assuming responsibility for the new assets transferred to the Capital Light Bank continued, in particular investments and funds arising from the reorganisation of the former merchant banking business and the extra-captive consumer credit component managed by Accedo. Accedo is the new name of Intesa Sanpaolo Personal Finance, which retained the post-demerger extra-captive one-fifth of salary loan and special purpose loan operations of the captive component, which was contributed to the Parent Company in June. In addition, the demerger in favour of Provis of a closed portfolio of doubtful positions arising from leases to Group customers with a gross value of over 3 billion euro entered into effect on 1 October 2015, with the aim of improving the recovery of this type of position and placing the repossessed assets on the market.
The initiatives undertaken on the assets held by CLB have allowed to reduce assets in 2015 by 5.5 billion, bringing the total deleverage since 2013 to over 10 billion. With regard to doubtful loans, which account for more than half the transferred assets to be realised, the new organisational model for the Loan Recovery Department entered into effect. The model is characterised by two complementary aspects: the first of these relates to a lesser use of external debt recovery companies, which are involved solely in cases of small positions of an unsecured nature only, whereas the second aims to exploit the internal expertise of the Department, which has been organised by creating units specialised in particular types of credit or recovery status while also keeping local operating units. In 2015 activities continued for the redistribution of cases according to the new organisational model, so as to optimise staff workloads and increase recovery efficiency; the contest for managers launched at the beginning of 2015 and ended in June with positive results helped to improve recovery performances. In this respect, please note that, during the year, on the NPL portfolio of Italian banks approximately 950 million were recovered both internally and through external services, up sharply from the 800 million euro in 2014. During the year Intesa San Paolo Re.O.CO. carried out activities with the intention of managing real estate collateral in a more pro-active manner. This entails both direct involvement in auctions and "auction support" whereby external investors are encouraged to intervene. Since the creation of the company cases for interventions generated estimated profit of around 33 million and were chosen carefully so as to reconcile the objective of maximising the recovery of doubtful positions secured by real-estate assets with the goal of minimising the investment of additional capital. During 2015 Intesa Sanpaolo Re.O.CO. was awarded 5 properties, mainly residential and, to a lesser extent, commercial units, for a total outlay of 4.6 million. A crash programme is ongoing for doubtful leasing positions with the aim of identifying homogeneous clusters of repossessed assets to be offered to the market and to implement recovery actions for those that have yet to be recovered. Moreover, the disposal of a lease contract portfolio without property was finalised, for a gross amount of 230 million euro. Among non-strategic assets, the entire equity investment in NH Hotel Group SA was sold, the entire equity interest in Telecom Italia arising from the de-merger of Telco was disposed of and a number of minority stakes were sold. In developments relating to international subsidiaries, from an accounting standpoint in June 2015 the Ukrainian bank Pravex once again became subject to line-by-line consolidation, since the sale agreement signed in early 2014 was not finalised. Given the dramatic political situation in Ukraine which resulted, among other things, in a strong devaluation of the local currency against the euro and dollar, a capital increase for about 80 million euro became necessary. During the year, the FUT division of the Hungarian subsidiary CIB Bank continued positively with the process of disposing of its non-core assets. With regard to former public finance customers and assets, we report a significant reduction thereof. Analyses are ongoing to evaluate the cost-effectiveness and feasibility of extraordinary transactions, with the overarching aim of improving Group capital absorption.

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.

Intesa Sanpaolo concluded 2015 as a “critical player in Target2”, a role which was confirmed also for 2016; indeed it has maintained stable market share both in domestic and cross-border payments. In developments relating to the Target2 Securities project, after the positive beginning of migration to the new securities settlement platform, Intesa Sanpaolo has begun the process that will lead to regulate on that system even foreign securities in other European markets by the first half of 2017.

The main events that characterised the money market in 2015 refer to the ECB’s expansionary monetary policy and to the expectations of interest rate increases by the Federal Reserve. In particular the ECB launched a government securities purchase programme with the aim to inject liquidity into the system and, in the last part of the year, it has decreased the deposit rate (Deposit Facility from -0.2% to -0.3%). The Fed, for its part, last December after nine years, increased the federal funds rate by 25 basis points. From an operational point of view, during the year a number of TLTRO auctions were organised, to which the Intesa Sanpaolo Group participated with a total of 15.4 billion euro, in addition to 12.6 billion in 2014. Intesa Sanpaolo's short-term securities funding programmes showed signs of recovery, with increased interest during the second part of the year, after suffering a considerable decline in the first few months of the year, due to the effect of the S&P downgrade.

As to the securities portfolio, the first three months of the year recorded a decrease in credit spreads and in the overall level of interest rates primarily due to the launch, by the ECB, of the above mentioned quantitative easing programme. From the second quarter, the intensification of the Greek situation and the crisis of commodities and emerging markets have greatly increased volatility impacting on peripheral government spreads. In this context, investment strategies focused on containing sovereign risk through a reduction of the burden on Italian government bonds in favour of core and non-core countries. The sale of these assets yielded benefits, and the portfolio re-composition, with medium-/long-term purchases, allowed the decline in net interest income to be contained. As to the non-government component, credit sensitivity was reduced through the decrease of the residual maturity of bonds. This has entailed a preference for the variable-rate segment. With regards to covered bonds, investments were reduced due to an unfavourable risk/reward ratio. Activities increased in the repurchase agreements market, by virtue of the persistent liquidity and, moreover, one-off LCR - enhancement transactions through the sale of illiquid securities for cash or HQLA securities were undertaken.

As part of medium-/long-term funding operations, in 2015 the Group placed securities on the domestic market, through its own and third networks, in the total amount of 5.9 billion euro, largely consisting of structured financial instruments (75%), with the remainder represented by plain-vanilla issues (25%). The breakdown by average life shows a substantial balance at the various maturities, 34% in the two to three year range, 32% in the four to five years, the remaining 34% for those included in the six to seven year range respectively. On international markets, a total of approximately 10 billion euro in unsecured institutional funding transactions were placed, in particular two fixed-rate senior bonds for a total of 2.75 billion, a senior issue in the Formosa format denominated in Renminbi for a total value of approximately 64 million euro, a fixed-rate subordinated issue worth 0.5 billion, a variable-rate senior issue worth 1 billion and a perpetual subordinated issue for a total value of 887 million euro. As part of the covered bond issue programme guaranteed by ISP CB Ipotecario, two fixed-rate covered bonds of a total amount of 2.25 billion euro were placed.

In Loan Collateral Management and Monitoring activity, the A.Ba.Co. (Collateralised Bank Assets) procedure allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators”. At the end of September 2015, the gross outstanding amount lodged as pledge by the Group was about 8 billion euro.

Active Value Management (AVM)

With regard to Asset & Liability Management, operational management of the interest rate risks of the Group's banking book – in the segment over 18 months – is handled by the ALM structures under the supervision of the Financial and Market Risk 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 liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined by the Group internally.

Business continuity

During 2015, work continued on updating and testing the business continuity solutions in place, with the strengthening of specific initiatives and existing coverage on the one hand and providing new solutions designed to increase efficiency of the coverage on the other.
In this context, following a number of initiatives aimed at implementing the contents of the "Supervisory Regulations for Banks", issued by the Bank of Italy and as updated (update XI) in Circular no. 285 (former 263) and within the scope of the project to ensure the compliance of the Group's Business Continuity Management (BCM) model, specific workshops were organised for the Group companies/departments, in compliance with the planning agreed with the Regulator.
The preparation of information flows for corporate bodies was finalised, as provided for by the Integrated Internal Control System Regulation. In particular the Boards of the Parent Company approved the documents “2015 Annual Business Continuity Plan and Residual Risks” and “2015 Audits and controls of the Business Continuity Plan”.
The project which was set up in order to evaluate the residual risks not already covered by the Business Continuity Plan continued; the evaluation of the risk factors, under the responsibility of the Group Business Continuity Function within the scope of the Operational Risk Management process was prepared and shared. Moreover, compliance checks for the area of responsibility were carried out in accordance with the Group Compliance Guidelines.
Tools supporting the Business Continuity activity for the whole Group were updated: the Checks Portal, the COOPE (business continuity solutions maintenance) Portal and the Emergency Management Portal.
Coverage, solutions and crisis management mechanisms are being continuously reinforced and in 2015 this again ensured service continuity and the protection of employees and customers during critical events for the Group business continuity, in particular in situations of: emergencies caused by adverse weather events in areas where there are Italian and foreign territorial structures; terrorist emergencies in Egypt, Paris and Brussels; downtime of the Swift and Target2 platforms, blocking of send/receive results of stock exchange orders, disruption in the regulation operation with Monte Titoli.

As required by the Regulator, activities were carried out to confirm Intesa Sanpaolo's annual self-certification as "Critical Participant" of the Target2 circuit for 2015.
Starting in 2015, in line with the Group regulatory provisions, the Business Continuity Function carried out the planned checks on to solutions in place for the Group’s most critical activities. With regards to checks, the 2015 plan included tests of business continuity procedures of the Group's Italian and international banks and companies. Worth mentioning are the technology sessions with the verification of the Group’s High Reliability and Disaster Recovery systems and the controls to verify the effectiveness of the solutions for unavailability of foreign branches personnel. 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.
With reference to the annual simulation of continuity of service, for participants with systemic importance in the Italian financial sector (in the context of CO.DI.SE: "Continuity of Service" - the working group responsible for the continuity of service of the Italian financial system, coordinated by the Bank of Italy), Intesa Sanpaolo, upon request of the Bank of Italy, successfully participated in the European simulation of business continuity, organised for the first time by the ECB on 4 November, mainly focused on assessing the Eurosystem's ability to promptly and effectively carry out its supervision duties during a crisis event.
In 2015 activities aimed at obtaining the ISO 22301:2012 - Business Continuity Management System were implemented.
With regard to IT security, initiatives continued in 2015 aimed at implementing the contents of the "Supervisory Regulations for Banks", issued by the Bank of Italy and as updated (update XI) in Circular no. 285 (former 263).
In particular, the audit of the internal regulatory framework on IT security was concluded and the integration of ICT Risk Analysis into the Integrated Internal Control System, and the methodologies and quantification measures for residual risk are currently being implemented. The aims were to achieve acceptance by users and the creation of a matrix showing level one and level two IT security controls.
In addition, the operational model of the Computer Emergency Response Team (CERT) was consolidated, maintaining synergy with Group Crisis Management and the internal functions of the Incident Management and Security Operation Centre (SOC).

Integrated Operational Strategies Area

In July, under the scope of the Chief Operating Officer Governance Area the organisational structure of the subsidiary Intesa Sanpaolo Group Services was redefined with the creation of the Integrated Operational Strategies Area and the Cost Management & Support Area.
In particular, the Integrated Operational Strategies Area was appointed with the task to ensure the definition and development of the target technological model of Intesa Sanpaolo and of efficient and effective organisational solutions, aimed at supporting the implementation of the initiatives scheduled under the Business Plan and the programs for compliance to sector-specific regulations, as well as to define the guidelines and policies in terms of physical, IT and business continuity security and to manage back office processing activities related to finance, securities, banking services, loans, services and systems for collection and payment in Italy and abroad, while pursuing the efficiency needed for optimum cost governance.
The Personnel and Organisation Head Office Department, the ICT Head Office Department and the Operations Head Office Department report to the Integrated Operational Strategies Area.
The most important projects carried out in 2015 by the Integrated Operational Strategies Area in collaboration with the Group departments concerned the development of products and services aimed at improving customer relationships and cross-selling, the efficiency and optimisation of operational processes, the definition of new data governance modes and optimisation of credit, as well as support to the Group’s rationalisation activities (extraordinary projects). Moreover, a common issue on which the three Head Office Departments worked together is the implementation of actions to adapt to the evolution and greater complexity of the domestic, community and international regulatory framework.
In 2015 the Group IT Plan was approved, which is one of the main enablers of innovation and evolution initiatives of the Group's business model and represents the profound transformation that is to be achieved on the overall Group technological model, and on the governance methods applied to its evolution.
Again in July, under the scope of the Chief Operating Officer Governance Area the Digital Factory was set up, in order to help accelerate the Bank's process redesign, using digital media.
The Digital Factory project, which involved active participation by qualified persons of all three Head Office Departments reporting to the Integrated Operational Strategies Area falls within the context of a digital transformation process undertaken by the Intesa Sanpaolo Group in recent years, which aims to set the foundations for the digitisation of processes, keeping focus on costs and on continuous efficiency improvement.
Digital Factory works were launched in the third quarter of 2015, with the redesign of the “mortgages to individuals” process released in December 2015 as a pilot project in some BdT branches, and followed, during the first four months of 2016 by other progressive releases and by the extensions of the solution to all the Network as of April 2016. The work on mortgages was followed by the launch of activities in the “inheritance” and "Businesses and Corporate proactive credit" segments. The redesign of 12 of the 40 processes identified among those with the highest business and digital potential is scheduled for 2016.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
2015	13,311	2,909	929	17,149
2014	13,282	2,929	617	16,828
% change [(a)]	0.2	-0.7	50.6	1.9
Loans to customers				
31.12.2015	297,577	37,829	14,604	350,010
31.12.2014	293,281	35,364	10,357	339,002
% change [(b)]	1.5	7.0	41.0	3.2
Direct deposits from banking business				
31.12.2015	310,504	51,336	10,343	372,183
31.12.2014	306,492	43,926	9,390	359,808
% change [(b)]	1.3	16.9	10.1	3.4

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 2015 and 2014.

[(b)] The change expresses the ratio between 31.12.2015 and 31.12.2014.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group continued to be concentrated primarily in the Italian market. Italy accounted for 78% of revenues, 85% of loans to customers and 85% of direct deposits from banking business. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania), in the Russian Federation and in the Mediterranean area (Egypt).
As regards the performance of operations in 2015, intermediated volumes increased in all the three areas of activity, both for bank funding and for loans to customers. The increase in operating income in Italy and in the rest of the world largely offset the marginal decrease recorded in European Countries.

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

Corporate Governance and remuneration policies

Corporate Governance and remuneration policies

Corporate Governance

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

Shareholder base

According to the records of the Shareholders' Register and the most recent available information, as at 31 December 2015, shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (Article 120 of the Consolidated Law on Finance) – are as follows.

Shareholder	Ordinary shares	% held on ordinary share capital
Compagnia di San Paolo	1,486,372,075	9.372%
Blackrock Inc (1)	775,978,889	4.893%
Fondazione Cariplo	767,029,267	4.836%
Fondazione C.R. di Padova e Rovigo	531,264,450	3.350%
Ente C.R. Firenze	414,655,221	2.615%
Norges Bank (2)	331,386,184	2.090%

(1) Fund management

(2) Also on behalf of the Government of Norway

The dual corporate governance system

Intesa Sanpaolo adopts the dual corporate governance system, consisting of a Supervisory Board and a Management Board, in application of the provisions laid down by Article 2409-octies and following of the Italian Civil Code and by Article 147-ter and following of the Consolidated Law on Finance.
The dual corporate governance model adopted by Intesa Sanpaolo has so far confirmed its concrete operation and consistency with respect to the Bank's overall structure, demonstrating its capacity to meet the efficiency and effectiveness needs of governance and of the control system of a structured and complex Group.
Nine years on from its adoption, however, it was considered appropriate to evaluate a change in the governance system, especially in light of the results of the last self-assessment process carried out by the two Corporate Bodies which, while showing the full and extensive adequacy of each Board with regard to all the aspects under examination, identified some areas for improvement.
Aside from the external factors, other factors suggested a wide-ranging assessment: first and foremost, the amendments introduced in the regulatory framework, then the ongoing developments at Supervisory level (with the transition of prudential supervision to the ECB, with a view to the Single Supervisory Mechanism) and in the shareholder base of Intesa Sanpaolo (with the strong growth of foreign investors).
The relevant assessments were entrusted to a specific Commission set up within the Supervisory Board - whose composition reflected the (legal and business) expertise and the (academic and professional) experiences that appeared to be best suited to meet the relevant requirements - with the task of analysing the benefits and advantages underlying the different governance models, in order to identify possible areas for improvement in Intesa Sanpaolo's dual governance system or, alternatively, possible reasons that could lead to its replacement.
Having taken into account all the factors and considerations outlined above, the Commission identified the one-tier system - characterised by the presence of a board of directors and a management control committee established within it, which will be both appointed at the General Shareholders' Meeting - as the most suitable model to ensure actual management efficiency and control effectiveness at Intesa Sanpaolo.
Thus, in the Commission's opinion, the centralisation within a single body of strategic supervision and management functions - together with a balanced system of powers and fair debate within the board - is conducive to pursue the dual objective of greater efficiency in the performance of the governance function and of safeguarding, in line with the dual system, the immediacy, incisiveness and effectiveness of the control function, centralised within the management control committee.
The Commission has kept the Supervisory Board and the Chairman of the Management Board constantly updated on the progress of the works, in order to incorporate any useful indications that may be conducive to a more in-depth analysis.

The Management Board - also in the light of the analyses carried out during specific induction sessions - and the Supervisory Board approved, at their respective meetings of 16 October 2015, the proposed new Articles of Association associated with the adoption of the one-tier model. The change in Intesa Sanpaolo's governance system will be submitted for the approval of the Extraordinary Shareholders' Meeting of 26 February 2016 through the approval of the new Articles of Association.

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 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 distribution of profits;
- appointment and removal of the independent auditors;
- the approval of financial statements unless approved by the Supervisory Board;
- the approval of the Management Board Members’ remuneration policies, the plans based on financial instruments, as well as of the criteria for determining the severance payments agreed in the event of early termination of the employment agreement or early termination of office, including the limits set for such payments in accordance 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.
The Intesa Sanpaolo’s Ordinary Shareholders’ Meeting held on 22 April 2013 appointed 19 members of the Supervisory Board and, pursuant to the provisions laid down by Article 23 of the Articles of Association, appointed the Supervisory Board for 2013-2015, thereby electing Giovanni Bazoli as Chairman and Gianfranco Carbonato and Mario Bertolissi as Deputy Chairpersons.
Pursuant to the Articles of Association, election of the Board took place on the basis of lists of candidates with the integrity, professional and independence requirements envisaged by law and by the Articles of Association, presented by Shareholders holding at least 0.5% of the ordinary share capital.
The Supervisory Board performs steering, strategic supervision and control duties. Therefore, in addition to the supervisory functions of the board of statutory auditors under the traditional 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, liability actions against members of the Management Board and approval of the financial statements.
For effective implementation of these duties, the Supervisory Board receives support from the following internal Committees and, more specifically:
Risk Committee supporting the strategic supervision function;
Internal Control Committee and Surveillance Body pursuant to Legislative Decree 231/2001 to support the control function, which is also vested with the functions of Surveillance Body, pursuant to the Organisational, management and control Model governed by the above decree;
Nominations Committee;
Remuneration Committee;
Committee for transactions with related parties of Intesa Sanpaolo and associated entities of the Group.

The Management Board

The Management Board - in charge of managing the Bank - is composed of a minimum of 7 and a maximum of 11 members, including non-shareholders, appointed by the Supervisory Board, which determines their number at the time of appointment.
On 9 May 2013 the Supervisory Board determined the number of members as 10, appointed Gian Maria Gros-Pietro as Chairman and Marcello Sala (Senior Deputy Chairperson) and Giovanni Costa as Executive Deputy Chairpersons, and recommended to the Management Board that Enrico Tommaso Cucchiani be appointed as Managing Director and CEO and Carlo Messina, Gaetano Miccichè and Bruno Picca as Executive Board Members selected from among the Group Executives (which the Management Board arranged at its meeting of 9 May 2013).
On 29 September 2013, the Management Board, on the recommendation of the Supervisory Board meeting held on the same date, appointed Carlo Messina as Managing Director and CEO to replace Enrico Cucchiani (whose office terminated on that date). The Supervisory Board integrated the Management Board and appointed Francesco Micheli to the office of Management Board Member, recommending him to the Management Board as Executive Board Member selected from among the Group Executives. Following the resignation of Francesco Micheli on 15 May 2014, on 22 May 2014 the Supervisory Board integrated the Management Board and appointed Stefano Del Punta to the office of Management Board Member, recommending him to the Management Board as Executive Board Member selected from among the Group Executives.
Effective - respectively from 16 March 2015 and from 14 July 2015 - Giuseppe Morbidelli and Carla Ferrari resigned from the office of Management Board Member.

Head Office Departments

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

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

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

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

Chief Lending Officer (CLO)
The CLO is responsible for:
– making material lending decisions, or submitting them to the relevant bodies, and supervising non-performing loans;
– coordinating the implementation of credit guidelines and strategies by the relevant Bank and Group business units, and in other corporate areas as appropriate;
– participating, in accordance with the corporate strategies and objectives, in the definition of the Bank's and Group's guidelines in terms of lending strategy and credit risk acceptance and management, directly authorising pertinent matters;

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

The CFO governance area also includes the Manager responsible for preparing the Company's financial reports, who ensures 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 and supervisory obligations, performing quality control of the processes governing administrative and financial reporting disclosures to the market, pursuant to the appropriate regulations;

Chief Compliance Officer (CCO);
The CCO is responsible for:
- ensuring monitoring of the Group compliance risk, including conduct risk, both with regard to the operational risk component and the reputational risk, also through the implementation of a graduated compliance model for the regulations encompassing specific forms of specialized supervision;
- defining, in line with corporate strategies and objectives, guidelines and policies regarding compliance with the Group standards, including the statements and limits within the Risk Appetite Framework;
- coordinating the implementation of guidelines and policies on compliance with regulations by the relevant Group business units, also in the various corporate departments;

Chief Risk Officer (CRO)
The CRO is responsible for:
- defining, in accordance with corporate strategies and objectives, guidelines and policies on risk management, compliance and legal matters;
- coordinating the implementation of guidelines and policies on risk management by the relevant Group business units, and in other corporate areas as appropriate;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- guaranteeing the credit quality monitoring and the observance of credit guidelines and strategies through the constant monitoring of risk, and submitting proposals on the structure of delegated powers of the Corporate Bodies.

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

The following are not part of the aforementioned governance areas:
- the 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 consultancy to the Bank's and the Group's departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management and governance processes of the organisation;
  - ensuring supervision of the internal control systems of the Group's subsidiaries, also by exercising governance of and providing guidelines to the respective internal audit functions;
  - supporting corporate governance and ensuring that Top Management, the Corporate Bodies and the competent Authorities (Bank of Italy, Consob, etc.) promptly and systematically receive information on the status of the control system and on the outcome of activities performed.

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

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

Remuneration policies

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

In particular, according to these principles, remuneration systems must take into account current and future risks and the level of capitalisation of each intermediary, and guarantee remuneration based on results actually achieved. In accordance with European Community regulations and with effect from 2011, the Italian Authorities defined a set of key rules on these matters.
The Bank of Italy, with a regulation dated 30 March 2011, defined balanced rules for banks' remuneration policies, systems and practices with reference to their design and control, to compensation structures 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 disclosure, pursuant to Title IV of Circular 263 of 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.
Important updates have been introduced on self-governance level as well. After being initially modified (March 2010) in the remuneration part, the Corporate Governance Code has been subject to a complete review that resulted in a new edition published on December 2011.
In fact, the Bank of Italy subsequently revisited the topic of remuneration policies with two communications dated 2 March 2012 and 13 March 2013, highlighting in general the opportunity for banks to define a strategy that is consistent with the objective of preserving, with a view to the future, the balance of the company's position, as well as maintaining the conditions of capital adequacy and prudent management of liquidity risk.
In 2014, following a proposal from the EBA, the European Union arranged the issue of new Regulatory Technical Standards (RTS) relating to suitable qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the institution's risk profile (so-called "Risk Takers").
Lastly, in application of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (so-called CRD IV), published in the EU Official Journal on 27 June 2013, the Bank of Italy updated and published the "Provisions regarding remuneration and incentive policies", Title IV – Chapter 2 of Circular 285 of 17 December 2013 in the Official Gazette of the Italian Republic on 2 December 2014.
Consequently, based on the provisions of the aforementioned Article 123-ter of the Consolidated Law on Finance, a specific Report on Remuneration is drawn up and published together with the Report on Corporate Governance and Ownership Structures. This Report also takes into account the obligations of disclosure to the Shareholders' Meeting, in accordance with the supervisory provisions issued by the Bank of Italy.
Moreover, Intesa Sanpaolo has always extensively focused its attention on remuneration matters, on relative regulation compliance and on maximum transparency to the market.

Procedures for adoption and implementation of the remuneration policies

Intesa Sanpaolo adopted the dual corporate governance system and, therefore, the remuneration policies are partly resolved upon by the Shareholders' Meeting and partly by the Supervisory Board, with involvement of the Management Board in matters regarding the employee remuneration policies.
More specifically, in accordance with Article 2364-bis, paragraph 1, no. 2) of the Italian Civil Code and pursuant to the provisions of the Articles of Association, the Shareholders' Meeting is responsible for determining the remuneration amount for Supervisory Board Members appointed by the same and for Members appointed to special offices. The Shareholders' Meeting is also responsible for the approval of the remuneration policy in favour of the Management Board Members, the remuneration plans based on financial instruments and, as required by the above provisions on remuneration, for the proposal to increase the variable remuneration-to-fixed remuneration ratio (with qualified majority), as well as for the definition of the criteria and maximum limits for the determination of remuneration in the event of termination of the employment agreement.
The Supervisory Board – in accordance with the remuneration policies resolved upon by the Shareholders' Meeting and with the support of the Remuneration Committee – is responsible for determining the remuneration for Management Board Members, also in relation to the offices and duties attributed to them (Chairman, Deputy Chairperson, Managing Director, Executive Board Member). The Supervisory Board is also responsible for approving, upon proposal by the Management Board, the remuneration policies for employees, including General Managers and Key Managers, and for staff not bound to the company by an employment agreement.
The remuneration policies for employees and staff not bound to the company by an employment agreement are drawn up by the Human Resources 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 with the relevant policies, informing the Supervisory Board and the Shareholders' Meeting on the results of the verifications conducted.

Remuneration of the Supervisory Board Members

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

The fixed remuneration for the Supervisory Board Members were reduced by one third by the Shareholders' Meeting, compared to those approved for the previous term, and reflect the initiative implemented by the Board Members in office at that time, who waived 1/3 of the remuneration for their office with effect from 1 July 2012.
Supervisory Board Members are not entitled to any form of variable remuneration.
It is noted, however, that, as laid down in the Supervisory Provisions on remuneration, the amount of the remuneration paid to the Chairman is not higher, but rather lower than the fixed remuneration paid to the Managing Director and CEO.

Remuneration policy for 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). Executive Management Board Members chosen from among Group Executives have waived this remuneration.
The variable portion is reserved for Executive Board Members only, i.e. the Managing Director, Executive Management Board Member selected from among Executives and Executive Management Board Member not selected from among Executives (the latter refers to the two Deputy Chairpersons).
For the Chairman of the Management Board, the amount is in line with the outgoing Chairman's decision waiving one third of remuneration due for this office with effect from 1 May 2012.

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

The remuneration policies of the Intesa Sanpaolo Group are based on the following principles:
a) alignment of the conduct of management and employees with the interests of shareholders, the medium and long-term strategies and the 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 managerial quality identified, through:
   - remuneration flexibility via the variable component linked to the results achieved;
   - focus on key staff members demonstrating high management quality, to whom competitive salary brackets, aligned with the reference market, are reserved;
   - differentiation of the best performances to which variable bonus levels significantly in excess of the average are to be assigned
c) equity, in order to promote proper conduct and standardise treatment in terms of remuneration, through:
   - correlation of a person's fixed salary to the weight of the role held;
   - differentiation of salary brackets and the ratio of the variable component to the total remuneration according to professional categories;
d) external competitiveness of total 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 remuneration;
   - use of objective parameters when reviewing pay;
   - alignment of costs with company performance, by varying the amount of remuneration paid to management;
   - determination of appropriate caps regarding both total incentives and the amount of individual bonuses;
f) compliance with the international, European and national legal and regulatory provisions and the consequent focus on Key Managers, Risk Takers and Control Functions.

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

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

– the Chief Compliance Officer, in order to verify compliance of the remuneration policies and resulting incentive systems with rules, regulations, codes of ethics and standards of conduct applicable to the Group.

On an annual basis, the Internal Auditing Department, in accordance with the guidelines of the Supervisory Authority, verifies compliance of the remuneration implementation procedures with 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[4] for Risk Takers belonging to the Corporate Control Functions and those responsible for management roles within the scope of the Banca dei Territori local network;
b) short-term variable component, linked to the employee's performance and aligned with the annual results actually achieved, and consisting of:
   – specific incentive systems, as described further on, that provide for bonuses in line with market standards, as reported by periodic specialist surveys such as the Italian Banking Association's annual salary survey, focusing on personnel of the commercial network;
   – variable result bonus, provided on an experimental basis for the year 2015, instead of the Company Bonus and Incentive System, under the second-level Collective Agreement of the Intesa Sanpaolo Group;
   – long-term variable component, based on Certificates associated with Intesa Sanpaolo shares, introduced in 2014, at the time of launch of the 2014-2017 Business Plan, through the Leveraged Employee Co-Investment Plans ("LECOIP Plans");
c) any benefits designed to increase employee motivation and loyalty; these may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

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

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

In order to achieve the above objectives, it is standard Group practice to establish ex ante 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.

The maximum limit established by the general criteria (1:1) was increased to 2:1, as provided by CRD IV, permitted by the Bank of Italy, approved by the 2015 Shareholders' Meeting, for specific and limited professional sectors and business segments (investment banking, asset management, private banking, treasury). However, in terms of cap compliance between fixed and variable remuneration (1:1), appropriate pay mix differentiations were identified with reference to the various professional or business segments, in line with the results obtained by means of specific benchmark analyses related to the leading European global banks that also ensure compliance with the internal equity principle, given the use of common benchmarks for each cluster.

The adequacy of the amounts is further verified in comparison to market practices, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate reference market.

In relation to market data, the Intesa Sanpaolo Group aims to align the overall remuneration with 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, risk and performance is ensured for all employees through:

– the use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below;
– the application of the principle of selectivity, which differentiates the best performances and, in return, assigns significantly higher-than-average bonuses;
– the introduction, on the basis of the "financial sustainability principle", of a structured mechanism for funding the variable component (bonus pool), which correlates the amount to be allocated to incentives for all company segments to the performance of a Group parameter, currently identified as Income before tax from continuing operations;
– the use of a solidarity mechanism between Group and Division/Business Unit results, according to which the amount of total bonuses paid to the employees of each Business Unit depends in part on the Group's overall performance (reflected in the size of the bonus pool) and in part on the performance of the specific Organisational Unit, measured in terms of the degree of expected contribution to the Group's Income before Tax from Continuing Operations;
– the application of the "guided discretion principle", which translates into the assignment to the CEO of a limited part of the Group's bonus pool (10%), eligible for allocation once the threshold has been reached, to departments that have exceeded their access thresholds, as further recognition for the quality and level of performance achieved;
– the observance of the access conditions provided for in international and national regulations, namely:
   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);

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

- the measurement of performance from multiple perspectives, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects and managerial qualities), as well as extending to different scopes (Group/Department/Individual). The following are some examples of indicators for performance drivers:
  - Profitability: Operating income/Risk Weighted Assets, Income before Tax from Continuing Operations/Allocated Capital, Portfolio mix (assets under management vs. assets under administration) and Revenues/Assets;
  - Growth: Operating income, Asset management, Net inflows (private banking);
  - Productivity: Cost/Income, Optimisation of response times in relation to granting, Operating income/Full Time Equivalent, Costs/Asset under Management;
  - Cost of risk/Sustainability: Adjustments to loans/Period-end loans, Concentration Risk, Balance sheet quality and active risks profile; Maintaining Liquidity Coverage Ratio target levels;
- the use of an additional mechanism that measures the residual risk level of each business unit (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target.

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

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

The termination of the employment agreement involving 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 Bank has the right to award any amounts, depending on the specific situations, upon termination of the employment agreement, also through consensual retrenchment agreements providing termination payments.
In any case, in compliance with the principles contained in the Group's Code of Ethics, the Intesa Sanpaolo Group does not enter into individual agreements with its managers and employees in advance (i.e. prior to termination of the employment agreement) that govern compensation to be granted in the event of early termination of the employment agreement.
In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all levels, including executives, which also governs the treatment of sums payable to personnel upon termination of the employment agreement in the event of extraordinary transactions and/or company reorganisations.

According to the Supervisory Provisions on remuneration, the severance payment agreed in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the provisions of the national collective bargaining agreement concerning payments related to the duration of the notice period constitutes the so-called golden parachutes, including any compensation paid according to the non-competition agreement.
In the Intesa Sanpaolo Group, the principles for the definition of these payments - inspired to both the correlation between severance pay and ongoing performance criteria and the control of potential litigations – are:
- regulatory capital adequacy requirements maintenance;
- no reward for failure;
- unobjectability of individual behaviours (consistency with compliance breaches' criteria);
- alignment with international and domestic best practices.

Pursuant to those criteria and Supervisory Provisions on remuneration, when negotiating these kind of remunerations, the Group defined that those payments:
- are equal, as a maximum amount, to 24 months of fixed salary, including indemnity for failed notice in accordance with the National Collective Labour Agreement (CCNL) and is determined in a different manner depending on each cluster, in order to take into due consideration the overall evaluation of the work of the person and having particular regard to the levels of capitalization, liquidity and profitability of the Group and the presence or absence of individual sanctions imposed by the Supervisory Authority;
- are paid according to the methods set for short-term variable remuneration, for each cluster, except for the payment related to the duration of the notice period.


Social and environmental
responsibility

Social and environmental responsibility

In 2015 too, social and environmental responsibility continued to be 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, indicator monitoring on the implementation status and, lastly, reporting.
The activities associated with the application of the Code of Ethics were performed in accordance with instructions in the ISO 26000 Guidelines, an international standard dedicated to integrating social responsibility into corporate practice and organisation which focuses on seven areas: organisational governance, human rights, labour rights, the environment, fair operating practices, customer issues, involvement and development of the community. In 2015, progress by the Structures vis-à-vis the suggestions emerging from the previous year was monitored, including at the Bank's international subsidiaries.
As regards the management processes for the Sustainability Report, the listening activities and stakeholder engagement on sustainability issues activated directly by the CSR Unit focused on network staff, trade associations and business customers. The requests by other stakeholders have been analysed in close collaboration with the internal departments institutionally in charge of the relationship with stakeholders (customer experience, investor relations, internal communication).
The resulting scenario allowed a focus on significant issues that represent development or risk management opportunities, thereby defining areas for improvement for the Bank, the society and the environment (see the chapter on materiality analysis). The materiality analysis was also conducted with a view to making disclosure of Group commitment more concise, usable and transparent. The Sustainability Report refers to additional information on the website, making numerous hyperlinks available. The appendix contains all the numeric indicator tables illustrating progress made in the three-year period.
In addition, 2015 saw the Group's continued commitment to combating climate change. The basic principles underlying our Environmental and Energy Policy remain waste management, gradual improvement of energy efficiency and performance, and the focus on the environmental and social consequences of our decisions. Intesa Sanpaolo confirms its commitment to the ecosystem, biodiversity and risks associated with climate change.
As part of the environmental and social risk management process in lending operations, activities continued for the implementation of the Equator Principles, the international guidelines by the World Bank which Intesa Sanpaolo has adopted.
With regard to the dissemination of the sustainability culture, initiatives were planned and carried out, in collaboration with the Training Department, in the context of credit granting for loans to large industrial and infrastructure projects, the supply chain and diversity management issues (sensory disabilities). Moreover, the programming of a course on human rights, in collaboration with the Global Compact Network Italy Foundation, was also initiated.
Intesa Sanpaolo is included in several sustainability indices, which are characterised by their assessment of companies not only from an economic performance point of view but also according to environmental, social and governance criteria. In particular, it was reconfirmed in the Dow Jones Sustainability Indices (World and Europe), the FTSE4Good index series (Global and Europe indices) and the Euronext Vigeo 120 indices (Europe and Eurozone). It was also included in the "A List CDP Performance Index 2015" and, for the transparency of the information provided, in the "Italian Climate Change Disclosure Leadership Index 2015" where it received the highest mark (100). It is also featured on the Ethibel Excellence Investment Register, the UN Global Compact 100 Stock Index, the MSCI Global Sustainability index and the MSCI Low Carbon index, as well as the ECPI and Standard Ethics indices (Italian Banks and Italian Index).
In order to maintain regular relations with the market and to raise awareness among investors, a series of meetings on SRI (Social Responsible Investment) issues is currently being organized by the CSR Unit in close partnership with Investor Relations.
Intesa Sanpaolo gained numerous awards. For its activities in the environmental field, it was awarded the Green Globe Banking Award, a recognition for "green" best practices in the banking sector, in the "Direct Impacts" category, for its project for the New Executive Centre in Turin. The Bank also received the first prize in the "Physical Distribution" category, within the scope of the "Distribution & Marketing Innovation Awards 2015", for "Zero Paper Branch", the contract dematerialisation project.
As for the commitment to employees, only eight months after the introduction of Flexible Labour on an experimental basis, in October 2015 the Bank received the Smart Working Award and, for its focus on inclusion it was once again awarded the "Diversity & Inclusion Award Diversitalavoro 2015". To conclude, as part of the 2015 edition of the Feiea Grand Prix (the European Association for Internal Communication) the project "A multi-national, multilingual Corporate WebTv as part of an international Internal Communication Strategy" was assigned a double award in the categories "Best multi-national communication strategy" and "Best audio-visual communication".

Materiality analysis
The 2015 Sustainability Report, which is currently being drafted, focuses on the most important "material" issues for our core business and for the Group's stakeholders. Identification of the issues was performed through a materiality analysis, a process structured according to the "G4 Sustainability Reporting Guidelines" of GRI, the main reference standards for sustainability reporting and the <IR>, the international reference framework for integrated reporting, promoted by the IIRC (International Integrated Reporting Council), which allows to identify organizational and strategic factors and solutions that are the basis of the current and future ability of the Group to create value. Therefore, the aspects that "reflect the significant economic, social and

environmental impacts of the organisation or that could substantially influence assessments and decisions taken by stakeholders" are considered "material".
In this regard, the materiality analysis was integrated with the IIRC reporting framework that encompasses:
- the introduction of the six capitals (financial, social and relational, intellectual, infrastructural, human and natural), to highlight how the value creation process is the result of synergies between financial and non-financial capital;
- elements of prospective nature (megatrends) in order to give new interpretations to issues considered as "material" and increase the Group supervision on the evolution of the external environment.

Identification and prioritisation of material issues

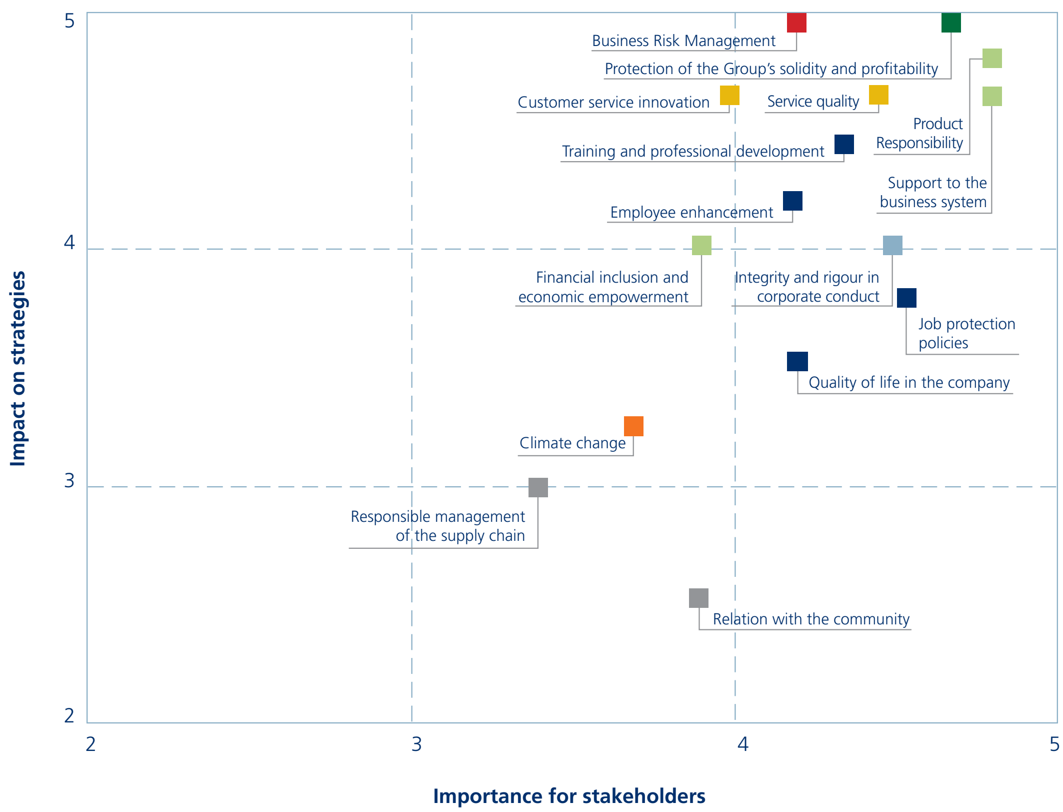
The identification of "material" issues, for the financial sector and significant to the Intesa Sanpaolo business and our stakeholders was performed by analysing the:
- documentary sources within the Group, including the 2014-2017 Business Plan, top management communications, Shareholders' Meeting minutes, communications to shareholders, ESG rating agency questionnaires, Sustainability Reports for the last three years, policies adopted by the Group and complaints on the Code of Ethics;
- external documentary sources, including the reference reporting standards for sustainability performance (G4, <IR>, SASB);
- sustainability Reports of other Italian and international financial groups;
- sources from national and international institutions (World Bank, ISTAT, World Economic Forum etc.) for the identification of general and specific megatrends of the banking sector.

The issues identified were organised into a Topic Tree diagram arranged into three increasing levels of detail.

Definition of the materiality matrix

Also for 2015, the stakeholder engagement and listening process represented the core of the materiality analysis. To prioritise the issues identified, each issue was assessed, on the one hand in relation to its significance to business strategies and commitments defined in the Business Plan and, on the other hand, in relation to the degree to which it represents the interests and expectations of stakeholders: these two aspects are represented by the two axes of the materiality matrix, which is presented hereunder.
The two aspects respond to the need to identify, for each topic:
- the degree of commitment that the company has taken or plans to take on each issue according to the perception of the potential to generate risks and opportunities for the short-, medium- and long-term strategic objectives;
- the relevance perceived by the stakeholders on the same issues assessed through a variety of listening and engagement initiatives implemented by Intesa Sanpaolo during 2015.

THE 2015 MATERIALITY MATRIX



MACRO-AREAS

- Protection of solidity and profitability
- Business Risk Management
- Access to credit and savings management
- Integrity and rigour in corporate conduct
- Offering a valued service to customers
- Human resource development and management
- Climate change

The areas considered to be priorities for 2015, on which the Sustainability Report will discuss the related matters in detail, the management method, significant indicators and the relationship between said issues and the Business Plan progress are:

- protection of solidity and profitability;
- business risk management;
- integrity and rigour in corporate conduct;
- human resource development and management;
- offering a value service to customers;
- access to credit and savings management
- climate change.

The main differences compared to the 2014 materiality matrix concern the issues which are mostly related to the launch of the Banca dei Territori Service Model, included in the 2014-2017 Business Plan and effective since January 2015. In this context, issues related to the quality of customer relations and of the products and services offered become more and more relevant. Similarly, Professional Training and Development have been identified as key factors for the implementation of the Group's new service model.
Another issue perceived as particularly relevant is innovation towards customers, which was achieved through the continued evolution of service towards integrated multi-channel operations, and the establishment of the Chief Innovation Officer Area.
In addition to being a fundamental leverage for Italy's growth, support to the business system continues to be a success factor for the Bank.

Matrix validation

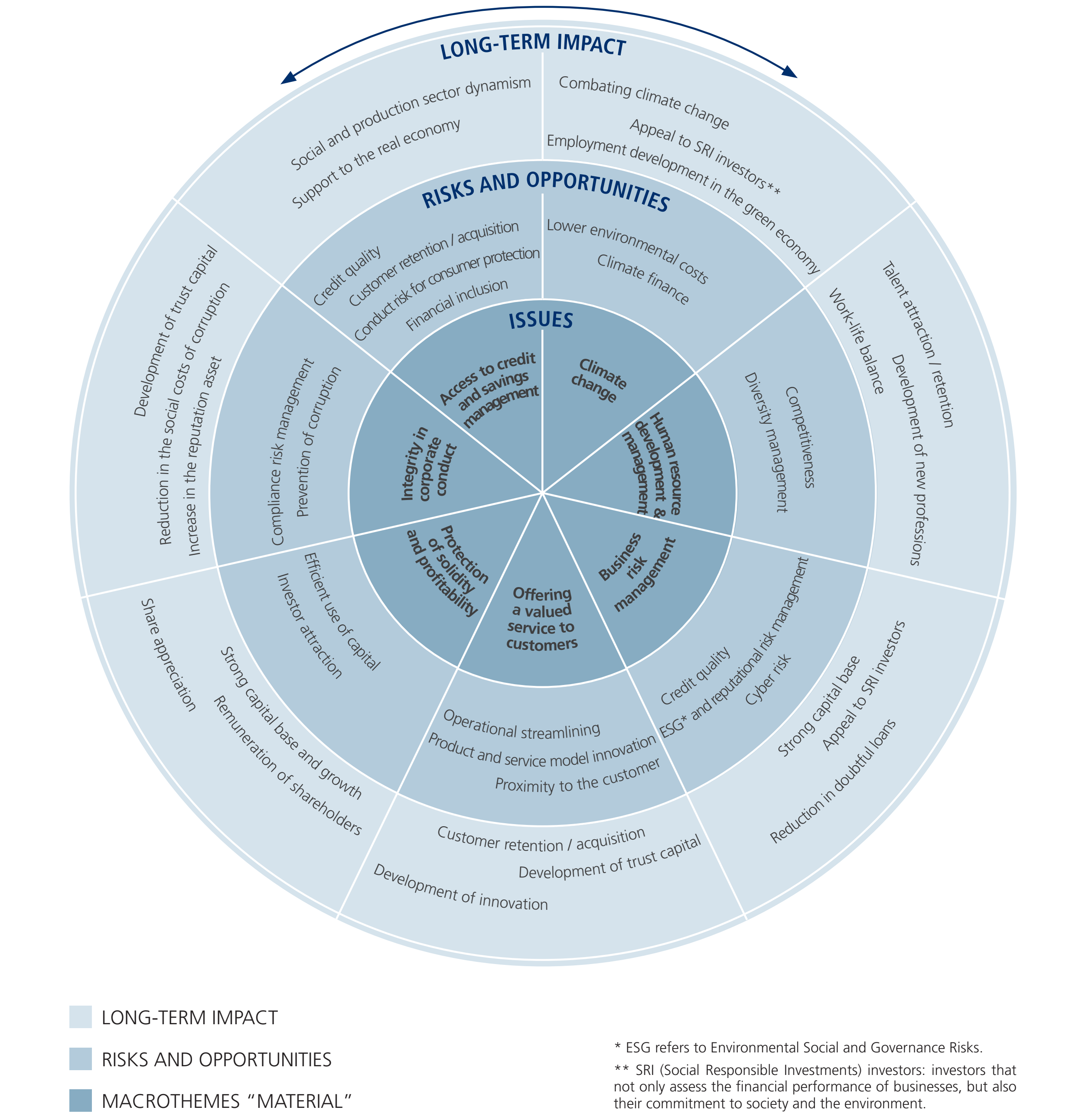
To define the scope of the issues identified, all impacts – positive and negative – that the issue might have on stakeholders or in the reference context of its own value chain were considered. In particular, the risks and opportunities deriving from the issue were taken into account, as were the potential to influence Group strategy in the long term, with a view to assessing the broader sustainability context.

The assessments were shared with the Delegates from the Chief Risk Officer Governance Area, identifying the reporting structure and management disclosures associated with each issue.

THE ANALYSIS OF "MATERIAL" ISSUES IN THE WIDER CONTEXT OF SUSTAINABILITY

In the presentation of the Report's contents, Intesa Sanpaolo aims to show how business activities help to improve or deteriorate social, economic and environmental conditions in a local, regional or global framework. To this end, it presents a concentric chart that shows the seven "material" macro-issues, that is the most significant ones according to the materiality analysis in relation to:

– risks and opportunities associated with each issue, which could have cross-cutting impacts on the strategies and business of Intesa Sanpaolo in the medium and long term;
– positive impacts that could generate shared long-term value for the Group, the environment and society in general.



* ESG refers to Environmental Social and Governance Risks.

** SRI (Social Responsible Investments) investors: investors that not only assess the financial performance of businesses, but also their commitment to society and the environment.

THE "MATERIAL" ISSUES

Protection of solidity and profitability

The Group's priority objective is to preserve the sustainability of results in a macroeconomic scenario which is showing a slight improvement. Considerable attention is paid to actions aimed at further strengthening the capital base and maintaining an adequate risk and liquidity profile, as well as to profitability targets. The capital base remains high, while the risk profile remains reasonable and within the limits approved by the Risk Appetite Framework, consistent with the Group's intention to continue to privilege commercial banking operations. Being a solid bank with growing profitability means that we can make a positive contribution to the interests of shareholders and all stakeholders. Within the scope of the 2014-2017 Business Plan, some important results have been achieved that demonstrate the ability to live up to the commitments made with the markets, to protect employment of staff and to be alongside customers, even those experiencing potential problems, by activating internal processes and structures to avoid deterioration of credit fundamentals.

Results achieved in 2015

The consolidated results for 2015, which allowed the Intesa Sanpaolo Group to continue to be the accelerator of the growth of real economy, and to secure new loans to households and businesses, are detailed in the Executive Summary and in this Report.

Business risk management

The Intesa Sanpaolo Group attaches great importance to risk management and control to ensure reliable and sustainable value creation in a context of controlled risk.

Intesa Sanpaolo has a moderate risk profile in which capital adequacy, a sound liquidity position and a strong reputation are the key factors to protecting its current and prospective profitability.

The risk management strategy - illustrated in detail in the Notes to the consolidated financial statements - 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 risks of all the Group's activities. Such management also includes measurement of the social and environmental variables in lending activities, particularly when the customers' business projects are implemented in developing countries, for which local regulations do not offer suitable safeguarding clauses, and in "sensitive" sectors, i.e. those for which the external output generated has a greater probability of negative social and environmental impact on the community. The Intesa Sanpaolo Group carefully considers all the risks associated with climate change that may result in new obligations for the Group's Banks, damage to its property or inability of customers to repay their loans due to sudden changes in physical climate parameters (see Chapter "Climate change").

With regard to employees, risk monitoring includes a health and safety management system, as well as commitment to protect and safeguard employees and customers by taking action to prevent the risk of robbery at branches and to manage employees in emergency situations.

Results achieved in 2015

During 2015 the usual tight oversight of risk-acceptance strategies was maintained. Such strategies are summarized in the Group's Risk Appetite Framework (RAF), approved by the Management Board and the Supervisory Board to ensure that risk-acceptance activities remain in line with shareholders' expectations, taking account of the Intesa Sanpaolo Group's risk position and of the economic situation.

As for specific measures taken in view of a changing economic environment, the Bank has taken steps to implement latest generation rating models, dedicated to Italian businesses, to measure the sector and competitive variables.

In particular, in order to immediately seize upon opportunities arising from potential economic prospects, a strategic analysis module was implemented to measure the income and financial performance of the business and its competitive position, used by the Group's sales Networks to support the rating assessment for loan disbursement purposes.

As part of the environmental and social risk monitoring process in project financing, 2015 saw the completion of the classroom training course, which had begun in late 2014, aimed at understanding the new Operating Guidelines for implementation of the Equator Principles and its attachments. On the basis of the classroom course, a webinar was launched - adapting the content timeframe and structure - with the aim of providing general knowledge of the Equator Principles, the Operating Guidelines and its annexes to a very large cluster of employees. At the end of 2015 also the Rules and Operating Guidelines for implementation of the Equator Principles in subsidiary banks were approved. The documents were integrated to fit the credit regulatory framework and the existing processes in international banks.

As for reputational risk monitoring, the Reputational Risk office was set up in July 2015, within the Enterprise Risk Management Department. This structure is entrusted with the objective of ensuring a structured monitoring of reputational risk also through the integration and enhancement of the contributions from the corporate functions directly in charge of monitoring the company's reputation.

With regard to the monitoring of the health and safety of staff, the constant workplace monitoring, the reporting of risks, accidents and incidents and the annual program for risk mitigation allowed the Risk Assessment Document to be kept up to date and available to all employees. The evaluation activity of the ergonomics of workstations continued, along with the post-robbery support activities with specialized interventions by competent doctors and psychologists of the University of Milan. In 2015 the assessment of work-related stress was updated with reference to the branches operating with extended working hours. The so-called "Preliminary" assessment carried out using the INAIL method allowed a classification of the "level of risk" in the "Low-risk" category.

The protection of individuals is the key principle behind all initiatives undertaken to protect branches from the risk of robbery. As a matter of fact, during 2015 a number of activities were carried out for the systematic prevention of risks and the mitigation of existing and potential vulnerabilities, as well as activities for upgrading and innovating the technological security measures supported by the creation of information tools and the development of a culture of integrated security together with the publication of operating procedures.

Integrity and rigour in corporate conduct

The Intesa Sanpaolo Group recognises the strategic importance of activities to ensure compliance with internal and external regulations and codes of conduct, in the belief that respecting standards and fairness in business are essential elements in carrying out banking operations, which by nature are based on trust. The view is that compliance with standards encourages the creation and maintenance of a soundly competitive economic context, in which merit can be measured and shared value can be created, contributing to the area and community development. Intesa Sanpaolo aims to be a reliable, qualified contact for the regulators, relating with these in a transparent manner and helping to develop the regulatory context through the identification of common objectives for banks and stakeholders. The Group actively supports the United Nations' Global Compact principles that envisage the development of activities to combat corruption and to protect rights in the global context.

Results achieved in 2015

Intesa Sanpaolo has adopted strict internal procedures over time to prevent the risk of corruption and extortion. During the year activities continued in that regard and, with the "Anti-Corruption Project", special monitoring measures will be further enhanced from a "worldwide" Group point of view. During 2015 internal regulations have been enacted aimed at identifying reference principles and operational criteria to ensure that products and services offered to customers and the structured transactions, together with the consulting activity, comply with the tax rules. Moreover the commitment has continued to combat operations in little-transparent countries and/or through particularly complex corporate structures with limited transparency in terms of ownership structures. For this purpose a tax department responsible for checking tax compliance processes was set up.

At the end of 2015, in accordance with the indications provided by the Bank of Italy, a document was issued that implements a "reporting system by the staff of deeds or facts which might constitute a breach of the rules that govern the banking business (whistleblowing)". Finally, in the second half of 2015, reflecting the Group's constant attention to prevention and training in this area, an e-learning course focused on the culture of risk-awareness and controls has been made available to employees.

Concerning the protection of free competition, the monitoring of the risk of compliance with competition protection rules has been further expanded and strengthened, to include EU Rules on State aid and the Italian standards to support the competitiveness of the Italian system.

In terms of fraud prevention, for the Group's Italian banks and for some of its International Subsidiary Banks, Intesa Sanpaolo has activated an anti-fraud system that analyses all transactions carried out via Internet Banking in real time and identifies those considered to be questionable. Such transactions are then centrally verified by a specialised unit. During 2015, the CERT (Computer Emergency Response Team) of the Intesa Sanpaolo Group was launched with the goal of becoming the operational interface for cyber-type critical events to external stakeholders, thus allowing to optimize procedures, expertise, investments, reaction times and ensure the compulsory communication with stakeholders established by legal or sector-specific regulations.

Also with regard to the protection of privacy, Intesa Sanpaolo ensures that personal data are collected and processed in accordance with the legal provisions and the principles expressed in the Code of Ethics. All Group personnel participate in training and updates on this issue, through mandatory initiatives online, as well as through classroom meetings and activities focused on specific areas.

Human resource development and management

The 2014-2017 Business Plan has identified human resource enhancement and motivation, as well as strengthening of their sense of belonging, as the key forms of leverage for achieving the Group's strategic objectives. Through a new and more balanced internal cohesion, the managers are required to create an environment that is motivating, facilitating, based on trust and encouraging individual engagement. Without losing sight of enhancement of diversity, training accessible to all – focusing on listening and discussion among individuals – plays a crucial role in supporting development, company reorganisation and improved customer service.

Results achieved in 2015

In 2015 Intesa Sanpaolo consolidated the implementation of development and reorganisation programmes designed to strengthen its market competitiveness, also through service and product innovation. Job protection has been a landmark of the Business Plan.

On the issue of human resource development, the Bank has worked on the evolution of the performance assessment system and the extension of the scope of application of the On Air management and development platform, which in 2015 made it possible to carry out 1,308 assessments and to activate 1,475 Individual development plans on the Consequent Management Platform (including those resulting from assessments performed at the end of 2014).

The 180° Feedback Project, aimed at strengthening the leadership styles, was extended to the junior managers of the Sales & Marketing Area and the Personnel of the Banca dei Territori Division, as well as to all the Directors of the Network Area, and the Legal Affairs Department - Group General Counsel of ISGS. In 2015, 433 managers were involved.

With the signing of the second level collective labour agreement, new paths of professional development were defined at the Banca dei Territori Division and the Variable Result Bonus was introduced on an experimental basis and for the first time in the industry, aggregating in a single instrument the Company Bonus and the Incentive System involving the employees in the achievement of the Group and Division/Company results, in accordance with principles of transparency and inclusion.

Training is a landmark not only for the transfer of skills, but also for the strengthening of awareness and the creation of a culture through ongoing training (before, during and after the classroom) and the progressive integration of teaching channels and methods. Training has accompanied the change of organizational models related to the evolution of business with a major and comprehensive program able to provide tools and expertise to anticipate future discontinuity.

Welfare was confirmed as another priority area on which action should focus in order to support human resource motivation and involvement in terms of flexibility, efficiency and productivity. Following an agreement with the trade unions, between March and December 2015, the large-scale trial of "flexible work" was launched, that is, the possibility to work from home, from business areas of one's choice, other than one's own office and specifically set-up by the company (the so-called "hubs") or by the customer. The project, which received the "Smart Working Award" of the Smart Working Observatory of Milan Polytechnic University, aims to achieve a more rational and effective synthesis between the demands of work and private life.

The experiment ended 31 December 2015 with very satisfactory results, both in qualitative terms (satisfaction of the workers involved and their managers, who have also experienced flexible work), and from the overall effectiveness point of view: following a specific survey conducted among managers, no deterioration in service levels and structure efficiency were reported, but rather an improvement (24% of replies), as a result of a better internal environment, greater involvement and motivation of employees and increased productivity (42% of responses).
Even the analysis of quantitative KPIs (absenteeism data analysis on a consistent basis) confirms the reduction of absenteeism (approx. -20%), with a significant decline in absences for single-day illness.
From 1 January 2016 flexible working entered the deployment phase, as shared with the trade unions in the agreement of December 2015, and will become part of the second-level collective labour agreement of the Intesa Sanpaolo Group.
Moreover, as part of the second-level collective labour agreement, a comprehensive series of innovative welfare instruments has been introduced. Among others, we recall the "Time Bank", a corporate pool of hours of paid absence, partly fed by the company and partly by voluntary contributions from employees in favour of colleagues who require an allocation of supplementary permits than those already available, to cope with serious personal and/or family situations; actions taken to encourage the involvement of fathers in family care (including the integration of the remuneration provided for parental leave in the event of use by the employed father); the possibility for employees to benefit from suspension from work for a maximum of 15 working days per year, against which the Company will pay a salary equal to 35% of the remuneration; permits for specialist visits to the benefit of employees suffering from serious illnesses and to assist the employee's children with specific learning disabilities in homework activities at home.
In accordance with the Business Plan, the processes for corporate simplification and organisation and cost rationalisation continued in 2015 as well. In this regard, trade union agreements were signed, which led to the adoption of sustainable measures, without social implications, for the management of several major operations.
Also noteworthy is the establishment of a new company, Intesa Sanpaolo Casa, aimed at seizing new market opportunities in the real estate brokerage sector. This was an opportunity for the Bank's employees to start new work experiences.
The strong and sustained corporate commitment to the rationalization of welfare led to an important achievement with the signing of agreements with trade unions which allowed to define and start the process for the establishment of a Single Group Pension Fund with defined contribution through the aggregation of the Funds or Units of existing funds with defined contribution with significant benefits for members, such as the gradual increase in the contribution borne by the company to 3.5% for new employees and colleagues on duty, the reduction of risks (operational, financial and actuarial risks) and greater investment opportunities for all. The rationalization project, also launched for defined benefit plans, will continue throughout 2016.

Offering a valued service to customers:
Offering excellent and reliable service, ensuring differentiated support to the various types of customers, allows us to contribute to the welfare and progress of the communities where we operate. Enhancing relations with customers, through in-depth and systematic listening, customer satisfaction surveys and effective complaint handling is fundamental in achieving the overall growth strategy and in responding to the needs of trust and proximity expressed by customers.
The service models adopted by the Business Units aim to guarantee a high degree of customer protection and excellent quality of the products and services offered, and allow us to remain close to customers as and when they wish. The commercial model based on advisory services allows us to tailor the product mix according to the needs of customers, raising purchase awareness. Special attention is paid to disabled persons in order to facilitate access to our proposed services.
The Group operates with a truly multi-channel model to make banking services increasingly available, in a simple, efficient, flexible manner and at lower cost, providing multiple virtual contact points and greater accessibility of services.
The Intesa Sanpaolo Group promotes innovation and research; moreover it analyses innovative solutions on the national and international markets to identify development opportunities, also through partnerships with universities and research centres.

Results achieved in 2015
The activities were characterized by the strategic guidelines of the Business Plan, which places the customer at the centre of the new service model which provides excellent services designed on the different types of customers.
The new branch model, launched in mid-2015 in three pilot cities, has been developed with the aim of making people feel "at home", offering open and flexible spaces and integrating the consulting activities with digital channels.
In 2015 the programme "Insieme per la Crescita" (Together for Growth) was spread across the entire sales network. The program consists of management change measures aiming at improving the network's performance through a stronger focus on customer relationships, thereby increasing customer and employee satisfaction and generating pervasive, permanent change. Cutting across all the territories, the programme adopts various tools to disseminate best practices and facilitate training processes and measures its performance in terms of customer satisfaction, employee satisfaction (Branch barometer) and sales performance (Key Performance Indicators) registering a positive impact on the stated KPIs.
The integrated multichannel was also further developed with the increase in the products available for purchase through the Internet, mobile banking and remote offering, the availability of tools to manage savings and run simulations on loans, as well as new services to facilitate the transfer of money via smartphones and for proximity and digital wallet payments. Specific multi-channel projects were launched at international subsidiaries. The contract dematerialisation project continued. This new method of signing documents for the sale of banking, financial and insurance products and services eliminates the need to print documents and contracts to be delivered to customers and filed. This innovation will improve the customer experience by reducing customer waiting times and streamlining processes. Once this innovation will be in effect, Intesa Sanpaolo estimates cost savings from 7 to 10 million euro a year thanks to digital archiving of documents related to investments.
Still on the subject of digital platforms, Intesa Sanpaolo has developed services to support companies by facilitating the sharing of business opportunities and fostering the meeting of supply and demand. Among the different initiatives, Tech Marketplace, the digital platform that provides open innovation opportunities and brings together businesses, SMEs and innovative start-ups, already has over 5.000 subscriptions and holds a leading role. Worth mentioning is also the collaboration with the Opportunity Network platform to foster partnerships and relations between companies around the world by opening up foreign markets to customers.

The Intesa Sanpaolo Project for Expo 2015 has achieved great results by making available to the public over 110 cultural events organised by the Bank, a financial support consisting of a credit line of 15 billion euro available to businesses and the realization of events and presentations which have enabled more than 400 Italian companies, different in terms of sizes and business segments, to present themselves to the public, to their clients, prospects and to international buyers. The initiative's success can also be measured against the following indicators: 700,000 people visited the pavilion and participated in the events; 1 million visits to the dedicated site www.expo.intesasanpaolo.com to continue sharing experiences, ideas and success stories even outside the pavilion; 650,000 tickets were issued by branches and by the Bank's online platform, greatly exceeding the initial sales estimates and 60,000 Expo Flash cards were sold.
A value service offering could not be achieved without a careful analysis of customer experience, which in 2015 was strongly innovated. The SeiOk quality system has been redesigned to provide a synthetic service quality indicator which is made up of indicators that allow the individual branches to assess the customer perception of the quality delivered by identifying areas for improvement and concrete intervention.
The customer experience assessment now accompanies the analysis of needs, complaints as well as of customer satisfaction, from the planning of services and products up to their delivery. The opinion of non-customers and employees is equally taken into account. Complaints are considered a useful tool for measuring the customer experience with the Bank. Thanks to the multi-channel approach, the interaction with customers has been extended to be present every time they get in contact with the Bank on the different channels, acquiring information on the experience that they had. Listening and assistance to customers are also guaranteed through the Facebook page of the Group and the Twitter account.

Access to credit and savings management
The product and services mix that can facilitate access to credit and the financial inclusion of individuals, businesses, entities and public administrations is essential leverage in guaranteeing profitable and sustainable business for the Group in the long term. The correct allocation of resources and the ability to identify local players with whom agreements and synergies can be developed to facilitate inclusion also for vulnerable people, preferring counterparties that meet requirements in terms of repayment capacity, guarantee the correct flow of resources to the real economy and allows Intesa Sanpaolo and the community in which the banks operate to develop and grow.
Asset management activities also expect to see great innovation in the development of customer services, both with a view to the investments offered and in the forms of protection and welfare, becoming an increasingly determining factor in the long-term well-being of households. The Intesa Sanpaolo portfolio of solutions makes available funds that apply SRI selection criteria in compliance with the principles of the Code of Ethics also with the aim of activating sustainability dynamics in businesses and customer choices.

Results achieved in 2015
Intesa Sanpaolo has never stopped believing in Italy and provides support to those wishing to relaunch. In 2015 48 billion euros were disbursed to households and businesses. In an economic environment that is beginning to show signs of improvement, the initiatives that confirm the traditional vocation to be the real economy Bank continued: concrete responses to households for home purchases or to help those who have difficulty in paying instalments, in addition to loans and agreements to support young students in their university career.
Among the most important: an integrated plan of action for all needs related to house purchases, from consultancy and trading to financing and protection products. Participation in the Guarantee Fund for Main Home Purchasing of the Ministry for the Economy and Finance, which helps households also for the energy efficiency projects of their first home and the Agreement between ABI and the consumer associations for the 12-month suspension of loan instalments to households in difficulty; the range of new loans for young people such as “Prestito per Te con Lode” the loan of honour developed in collaboration with LUISS (Libera Università Internazionale degli Studi Sociali Guido Carli), to enhance the talents who will make up the world of tomorrow.
Even microcredit initiatives developed over the years in collaboration with Onlus associations and non-profit operators continued.
The activity to support to the non-profit sector and the social economy continued with new medium and long-term loans in support of social enterprises for 200 million euro. Banca Prossima operated along various lines. The first is the continuation of the innovations proposed in recent years, in particular for "social finance” products; even if market conditions did not allow to issue social bonds, social lending operations were carried out (for a total of approximately 6 million euro) with Terzo Valore, the crowdfunding portal developed by the Bank. In addition, also through the activities of the FITS! Foundation, initiatives to support the construction of sports facilities (Spin) and energy efficiency continued. The Ribes network, which gathers social cooperatives able to provide social and health services throughout the national territory has been set up. Finally, the Bank has been at the forefront, along with the Group as a whole, as the protagonist of the new version - launched in March 2015 - of “Prestito della Speranza”, whose offer - addressed to fragile categories, self-employment projects and start-ups - aims at disbursing 100 million euro of loans guaranteed by a 25 million euro fund, made up of resources from the Italian Episcopal Conference.
To foster production, Intesa Sanpaolo has developed innovative projects such as "Programma Filiere" which defines a new collaboration model between the Bank and companies by improving credit access conditions with investments in industrial supply chains and a new risk assessment approach which takes into account qualitative elements. Within the framework of the Cooperation Agreement between Intesa Sanpaolo and Confindustria, a number of important tools have been developed to support business growth, with particular attention to supporting innovation. Consolidated activities continued in this regard in favour of customers and innovative start-ups, in the strong belief that support for business research and development can lead to a competitive repositioning of companies on the global market and represents one of the key forms of leverage in generating growth and new jobs. In particular, through the Intesa Sanpaolo Start-Up Initiative programme, emerging high-tech companies are trained and promoted, facilitating their contact with qualified investors. Over the past five years, Start-Up Initiative has selected and trained over 900 start-ups, of which about 650 were presented at 86 national and international events that have recorded the total participation of 7,400 guests. Out of the participating start-ups, more than 75 are success stories, having benefited from investments, financing and prizes. As for loans to Italian companies investing in innovation and research, the "Nova+" program continued, supplementing the traditional credit rating analysis with a technical and business assessment of the investment plan. In

this context, Mediocredito Italiano collaborates with a number of leading Italian universities, making use of experts' technical and scientific support in assessing the technological risk of the more complex projects.

Climate Change

The impact of climate change goes well beyond the environmental issue and involves different aspects, from the economy to technology, from safety to respect for human rights, with potentially significant repercussions on customers, the community and consequently on our operations.
Intesa Sanpaolo is fully aware of the importance of pursuing a clear and effective strategy to combat climate change and set qualitative and quantitative targets to prevent and limit the impact of this phenomenon.
Through climate finance activities and the development of innovative products and services we help customers reduce the environmental footprint and respond effectively to the pressure of environmental challenges.
Environmental catastrophes can cause damage to the properties in which we work, generate business discontinuity and consequently increase operating costs. Careful planning and a more sustainable management of these buildings allow us to simultaneously reduce the risks and impacts on the environment, reducing energy consumption and greenhouse gas emissions.

Results achieved in 2015

Over the years Intesa Sanpaolo has developed a wide and diversified offer of products and services. According to the most recent ABI Report on Banks and the Green Economy, from 2007 to 2014 the banking system financed around 27 billion euro worth of projects related to the production of renewable energy and geared to energy efficiency, to which Intesa Sanpaolo contributed approximately 11 billion euro.
In 2015 the Group continued to finance activities in the field of renewable energy, energy savings, agriculture and environmental protection with measures in support of individual customers, SMEs, large companies, the Public Administration, start-ups, social enterprises, the non-profit sector and major projects.
In addition, among the tasks that the Bank has set itself there is customer support in terms of advice. Worth mentioning is the presence, within Mediocredito Italiano, of the Energy Desk, a specialized department dedicated to project analysis and the sharing of knowledge in the renewable energy sector to support the Group's network of banks.
Investments in research and technological innovation are of particularly strategic importance in the fight against climate change. In particular, through the Intesa Sanpaolo Start-Up Initiative programme, emerging high-tech companies are trained and promoted, facilitating their contact with qualified investors, with specific focus on the Clean Tech sector.
As for the credit granting process, the Bank monitors the environmental risks in infrastructure projects through the Equator Principles assessment process and is working on other internal credit processes in order to apply more stringent assessment criteria and more effective operating methods in the management of environmental risks connected to the disbursement of loans to all customers in the manufacturing sector.
Moreover, a policy development program for environmentally sensitive areas was put in place, also with the aim of limiting the Group exposure to fossil fuels. The commitment in fighting climate change revolves around the almost exclusive use of renewable source energy and the achievement of energy savings, gradual improvements in terms of energy efficiency and decrease in CO_2 emissions.
In 2015 certification of approximately 200 operating units involved in the Environmental and Energy Management System (SGAE) pursuant to the ISO 14001 and ISO 50001 standards continued, along with certification of these sites' greenhouse gases emissions in accordance with the ISO 14064 international standard.
In Italy, electricity guaranteed to be energy from renewable sources is used at all possible sites.
2015 saw the continued installation of new photovoltaic plants: those of Cagliari, Caserta and the new Turin Headquarters were added. In 2015, taking into account the partial operation of the new plants, the expected annual production was 925 MWh, while the actual production was 997 MWh (+ 7.7% vs. estimate). Thanks to the "Conto Energia" (Feed-in scheme) incentive for our three largest photovoltaic plants and the non-purchase of electricity in these sites, the Bank has generated economic benefits of around 1 million euro from 2012 to date.
Actions continued to reduce energy consumption through a number of initiatives targeting improved overall energy efficiency including the wider use of web-managed electricity consumption measurement systems, which allow the activation of switch on/switch off programming of the lighting and air conditioning systems (in 2015 about 91 dataloggers were installed, with estimated cost savings of approximately 32,000 euro per year) and the replacement of traditional boilers with condensation boilers, heat pumps, high-yield cooling units and modernisation of the electrical systems.
Even heat consumption decreased, particularly in the branches covered by the SGAE system: in the last four winter seasons these sites achieved overall heat energy savings of approximately 24%, corresponding to around 54,000 euro.
Moreover, as a result of the action taken, especially in relation to the replacement of systems and of windows with low-E glass, the Group was able to claim tax deductions leading to savings from 2009 to 2015 of approximately 22 million euro.
Procurement of environmentally-friendly paper has now reached a high percentage of the total purchased, and the commitment of the Group in 2015 has been particularly focused on the dematerialization operations. Through a number of dematerialization initiatives that involved, among other things, various printing stages, the consolidation of subscriptions to the Online Reporting service, digital signatures for the main transactions performed at branches and the dematerialization of certain contracts, allowed the Bank to save about 1,800 tons of paper, with over 3,300 metric tons of CO_2 emissions avoided.
As regards employee training, in 2015 the "Ambientiamo" e-learning platform underwent updating of the contents with new modules specifically dedicated to Climate Change. Intesa Sanpaolo takes part each year in many awareness initiatives, such as Rai's Radio2 broadcast "M'illumino di meno", the "World Environment Day" and the "European Week for Waste Reduction" with communication campaigns that target all customers.

Economic value generated and distributed

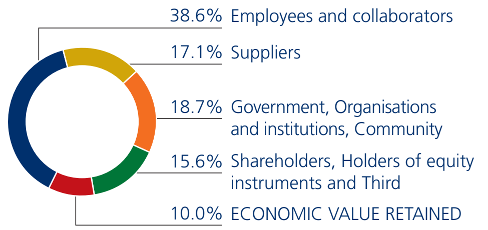
In 2015 the economic value generated by the Intesa Sanpaolo Group[5] reached 15.6 billion euro. This amount expresses the value of the wealth produced, most of which distributed among the stakeholders with which the Group interacts in various ways on a day-to-day basis. In particular:

– employees and other staff benefited from around 38% of the economic value generated, for a total of 6 billion euro. In addition to staff pay, the total also includes payments to the network of financial advisors;
– suppliers received approximately 17% of the economic value generated, for a total of 2.7 billion euro in payment for goods and services;
– the Government, Organisations and Institutions recorded a total flow of funds of 2.9 billion euro, around 19% of the economic value generated, 1.5 billion of which referring to taxes on income from continuing operations, 900 million to indirect taxes and duties and 516 million to charges relating to the new resolution mechanism of banking crises and the deposit guarantee schemes and the resolutions of four Italian banks placed in receivership. In addition to the specific income allocation by the Parent Company and certain Group companies to Charity Funds as well as to donations and gifts (12 million euro in total), there were numerous social and cultural initiatives and measures taken through Charity Funds and social and cultural donations set up by the Parent Company in past years;
– approximately 16% of the economic value generated was allocated to Shareholders and minority interests, largely in terms of the proposed dividend, for a total of 2.4 billion euro;
– the remaining amount, about 1.6 billion euro, was withheld by the corporate system. This refers to deferred tax assets and liabilities, amortisation, and provisions for risks and charges. Self-financing is considered an investment that other stakeholder categories make each year to maintain efficiency and allow development of the Bank as a whole.

(millions of euro)

Economic value	millions of euro	%
Economic value generated	**15,649**	**100.0%**
Economic value distributed	**-14,087**	**90.0%**
Employees and collaborators	-6,031	38.6%
Suppliers	-2,676	17.1%
Government, Organisations and Institutions, Community	-2,932	18.7%
Shareholders, Holders of equity instruments and Third	-2,448	15.6%
Economic value retained	**1,562**	**10.0%**

ECONOMIC VALUE IN 2015



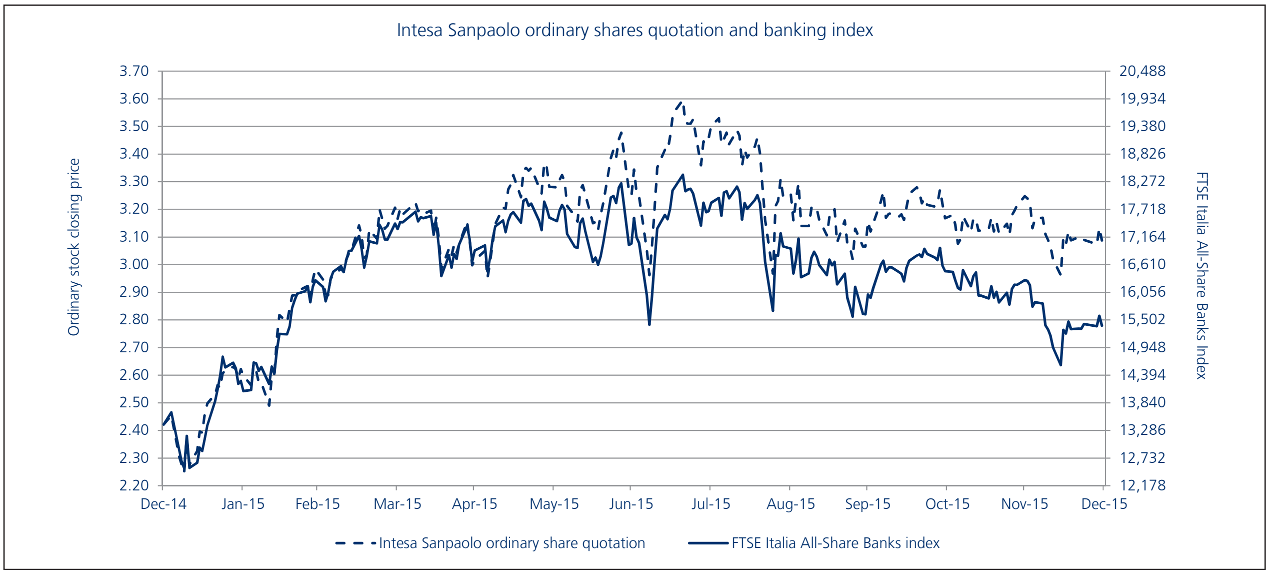
[5] The economic value generated is calculated in accordance with ABI instructions and consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Circular n° 262.

Intesa Sanpaolo stock

Intesa Sanpaolo stock

Stock price performance

In a scenario of increased risk appetite of investors, greater visibility of economic recovery and a decrease in returns driven by the quantitative easing of the ECB, the European banking index reached record levels in April and subsequently in July, with a performance exceeding 20% on the beginning of the year. Subsequently, the growing fears on the strength of growth in China and the uncertainties linked to the Federal Reserve's moves resulted in a retracement of the European banking index, which thus ended 2015 with a fall of 4.9%, underperforming the Eurostoxx 50 index by 8.8%.
The Italian banking sector also benefited from the greater visibility of the economic recovery and the decrease in the BTP-Bund spread, as well as from the expectations of a new process of consolidation following the reform of the cooperative bank sector, which implies the conversion of the main companies into joint-stock companies. The Italian banking index closed 2015 up by 14.8%, 2.1% higher than the FTSE MIB index.
In the first few weeks of 2016, all the leading international stock markets tumbled right from the first trading sessions of the year. The sudden increase in risk aversion amongst investors derived from numerous and concurrent factors, both of a macroeconomic nature and linked to specific sectors.
Attributable to the former are, among others, the new drop in oil prices, the economic slowdown of China and the oil producing countries, the new uncertainties about the direction of US monetary policy, the divergent economic policies in the EU and the Brexit debate.
Attributable to the latter are especially the investors' concerns about the quality of bank assets, the levels of coverage of non-performing exposures and the capitalisation of the various national banking systems. Furthermore, the automobile and luxury goods sectors were penalised by fears of new additional costs to contain emissions, and a future drop in demand from emerging markets, respectively.
The drop in stock prices, which especially hit the peripheral markets of the Eurozone (such as Italy, Spain and Greece), was first opposed, around the middle of February, by the ECB's expected new expansionary measures announced at its March meeting and by a season of quarterly results that, both in the USA and in the Eurozone, beat expectations overall.
In this context, the European banking index recorded a negative performance of 21.8% from the beginning of the year until 22 February 2016, underperforming the Eurostoxx 50 by 11.6%; in the same period, the Italian banking index recorded a drop of 29.4%, underperforming the FTSE MIB by 11.1%.
Intesa Sanpaolo's ordinary share performance in 2015 recorded a trend correlated with that of the banking sector indices, with a downturn in the first ten days of January, when it reached its low point, followed by a strong upward trend until the end of the first quarter, a fluctuating performance in April, a subsequent recovery in the following two-month period and significant volatility in the second half, which resulted in the stock reaching a peak in July to then decline, ending the year with a value slightly lower than the one recorded at the end of March and an increase of 27.5% compared to the end of 2014. The price of Intesa Sanpaolo savings shares increased by 37.6% at the end of 2015 compared to the end of 2014. The discount with respect to ordinary shares decreased to approximately 8% at the end of 2015 from 15% at the end of 2014.
Intesa Sanpaolo's capitalisation rose to 51.6 billion euro at the end of 2015, from 40.3 billion euro at the end of 2014.
Also at the beginning of 2016, Intesa Sanpaolo's ordinary stock performance recorded a trend related to the banking sector indexes, recording a drop of 22.2% at 22 February, compared to the end of 2015. The price of Intesa Sanpaolo savings shares at 22 February fell 19.9% compared to the end of 2015; the discount with respect to ordinary shares decreased to approximately 6%. Intesa Sanpaolo's capitalisation at 22 February dropped to 40.2 billion euro.



Earnings per share

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

	31.12.2015		31.12.2014	
	Ordinary shares	**Savings shares**	**Ordinary shares**	**Savings shares**
Weighted average number of shares	15,832,484,936	932,490,561	15,511,213,093	932,490,561
Income attributable to the various categories of shares *(millions of euro)*	2,577	162	1,172	79
Basic EPS (*euro*)	0.16	0.17	0.08	0.08
Diluted EPS (*euro*)	0.16	0.17	0.08	0.08

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, and hence indirectly to the company's overall assets. The index, while measuring the confidence, which financial analysts and the financial community have in the company's income prospects and capital strength, is affected significantly by the external factors
that influence stock prices. Also for the Intesa Sanpaolo Group, the performance of the index – indicated in relation to both average figures and year-end figures for 2015 – was impacted significantly by the dynamics of the market.

(millions of euro)

	31.12.2015	2015	2014	2013	2012	2011
Market capitalisation	51,617	51,903	38,096	24,026	20,066	27,006
Group's shareholders' equity	47,776	46,230	44,599	46,918	48,327	50,287
Price / book value	**1.08**	**1.12**	**0.85**	**0.51**	**0.42**	**0.54**

Pay-out ratio

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

(millions of euro)

	2015	2014	2013	2012	2011
Net income	2,739	1,251	-4,550	1,605	-8,190
Dividends (*)	2,361	1,185	-	832	-
Pay-out ratio	**86%**	**95%**	**-**	**52%**	**-**

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

Dividend yield

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

(in euro)

	2015	2014	2013	2012	2011
Ordinary share					
Dividend per share	0.140	0.070	0.050	0.050	0.050
Average stock price	3.109	2.288	1.476	1.233	1.658
Dividend yield	4.50%	3.06%	3.39%	4.06%	3.02%
Savings share					
Dividend per share	0.151	0.081	0.050	0.061	0.050
Average stock price	2.784	1.973	1.229	1.022	1.399
Dividend yield	5.42%	4.11%	4.07%	5.97%	3.57%

Rating

Following the introduction of a new bank rating methodology, on 17 March 2015 Moody's placed the global long-term rating of many banks under review. Intesa Sanpaolo's "Baa2" long-term ratings on deposits and on senior unsecured notes were placed under review for a possible one-notch upgrade. The "P-2" short-term rating was affirmed. On 22 June 2015 Moody's published the results of the rating review: ISP's long-term rating on deposits and senior notes was upgraded one notch to "Baa1" with a stable outlook, while the "P-2" short-term rating and the rating on subordinated debt were affirmed.
Following the implementation of the BRRD in Italy, on 29 October 2015 Moody's placed the "Baa1" deposits rating under review for a possible one-notch upgrade to "A3". By contrast, the long-term rating on senior notes remains affirmed.

On 1 April 2015, Fitch confirmed Intesa Sanpaolo's long- and short-term ratings at "BBB+/F2", with a stable outlook. The agency also confirmed its viability rating at "bbb+". This action was taken as part of the periodic review of the ratings.
On 7 October 2015 S&P published a detailed analysis on ISP where the "BBB-/A-3" ratings with a stable outlook were confirmed.
On 2 April 2015 DBRS confirmed the "A (low)" long-term rating and improved the trend from negative to stable. The improvement in the trend reflects the similar action concerning the rating of the Republic of Italy on 27 March 2015 and the agency's opinion of the strength of ISP's operating performance in a scenario of slow recovery of the domestic economy. The "R-1 (low)" short-term rating and the related stable trend have been affirmed. On 9 December 2015 DBRS confirmed its "A (low)" long-term rating and its "R-1 (low)" short-term rating of ISP. The trend for all the ratings is "stable".

	RATING AGENCY			
	DBRS	**Fitch**	**Moody's**	**Standard & Poor's**
Short-term debt	R-1 (low) (1)	F2	P-2	A-3
Long-term senior debt	A (low)	BBB+	Baa1 (2)	BBB-
Outlook / Trend	Stable	Stable	Stable	Stable
Viability	-	bbb+	-	-

(1) Stable trend.

(2) Senior debt rating. The "Baa1" rating on deposits is under review for a possible one-notch upgrade

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 2015 is provided in the Notes to the consolidated financial statements (Part A and Part B - Assets - Section 10), in accordance with the provisions of the Bank of Italy;
- the Notes to the consolidated financial statements also contain (Part E – Information on risks and the relative hedging policies – Section 1) information concerning obligations under Art. 36 of the Market Regulation with respect to subsidiaries established and regulated under the laws of non-EU countries;
- information on compensation and transactions with related parties carried out by the Bank or by the Group is provided in Part H of the Notes to the 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 2015 concerning Basel 3 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 2016

In 2016 the phase of economic growth is expected to continue, with possible signs of stabilisation in China, following the slowdown in the previous quarters. In advanced countries, the additional drop in commodities prices favoured the growth in consumer spending rather than that of exports. The markets were affected by a minimum rise in official interest rates in the United States and the pressure on medium and long-term rates in US dollars will remain modest. In the Eurozone, the ECB has forecast the adoption of new monetary policy measures which could be announced soon. This possibility will keep the interest rate curve compressed in the Eurozone. European economic growth could continue at a practically unchanged pace, supported more by the expansion of services than manufacturing production. In Italy, the signs of recovery that marked 2015 are expected to be confirmed.
In 2016 the IMF has forecast GDP growth in emerging economies (January 2016 update to the World Economic Outlook), slightly recovering on 2015 (+4.3% compared to 4%) but at a more modest pace compared to that previously expected (forecast of 4.5% for 2016 made in October 2015). This forecast is impacted by a less unfavourable GDP trend during the year in CIS countries and in Latin America (though still in recession overall), which should counteract the downwards effect of the slowdown in Asia (specifically in China) and in numerous commodity-exporter countries in the Middle East and Africa. However, the continuing weakness in the commodities market and the worsening of internal and external imbalances in several countries are concrete signs of the risk of revision (more sharply downwards) of expectations of growth during the year.
In Central and South-Eastern European countries with ISP subsidiaries, whose economic performance remains primarily connected to the trends in the Eurozone, GDP growth for 2016 is forecast to decelerate slightly in CEE countries, but to accelerate in SEE countries, here driven by the further recovery in Serbia and Romania. Growth is also expected to accelerate in Egypt, thanks to the investment plan announced by the government.
As regards the Italian banking system, 2016 sees prospects for a further gradual improvement in lending as a result of the highly favourable monetary conditions, the slowdown applied to the supply side and the increase in demand from businesses and households, in a scenario of consolidation of the economic recovery. Therefore, loans to businesses could finally clearly resume growth, though slightly. For households, which confirmed their financial soundness, the lending scenario remains positive: growth in stocks, which resumed in 2015, will continue at a moderate pace in 2016, favoured by interest rates at historical lows and the gradual recovery of the real estate market.
In terms of funding, growth of deposits will continue, whilst the overall performance will continue to feel the effect of households' portfolio reallocation process in favour of asset management. On the other hand, banks' funding needs should remain limited, given the performance of loans and the extensive liquidity available. These factors will continue to favour the reduction of customer deposit costs. In a context of very low, where not negative, market rates, and improved credit access conditions, the loan rate environment is expected to remain relaxed.

In 2016, the Intesa Sanpaolo Group is expected to register an improvement in operating income, driven by net fees and commissions and loans to customers, as well as in operating margin, with constant cost management, and in income before tax from continuing operations, with a decline in the cost of risk, all within the framework of sustainable profitability. The Bank confirms its commitment to distribute cash dividends of 3 billion euro for 2016, as indicated in the 2014-2017 Business Plan.

The Management Board

23 February 2016

Intesa Sanpaolo Group Consolidated financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.12.2015	31.12.2014	CHANGES amount	%
10.	Cash and cash equivalents	9,344	6,631	2,713	40.9
20.	Financial assets held for trading	51,597	53,741	-2,144	-4.0
30.	Financial assets designated at fair value through profit and loss	53,663	43,863	9,800	22.3
40.	Financial assets available for sale	131,402	124,150	7,252	5.8
50.	Investments held to maturity	1,386	1,471	-85	-5.8
60.	Due from banks	34,445	31,372	3,073	9.8
70.	Loans to customers	350,010	339,105	10,905	3.2
80.	Hedging derivatives	7,059	9,210	-2,151	-23.4
90.	Fair value change of financial assets in hedged portfolios (+/-)	110	59	51	86.4
100.	Investments in associates and companies subject to joint control	1,727	1,944	-217	-11.2
110.	Technical insurance reserves reassured with third parties	22	27	-5	-18.5
120.	Property and equipment	5,367	4,884	483	9.9
130.	Intangible assets	7,195	7,243	-48	-0.7
	of which				
	- goodwill	*3,914*	*3,899*	*15*	*0.4*
140.	Tax assets	15,021	14,431	590	4.1
	a) current	*3,626*	*3,021*	*605*	*20.0*
	b) deferred	*11,395*	*11,410*	*-15*	*-0.1*
	- of which convertible into tax credit (Law no. 214/2011)	*8,749*	*8,824*	*-75*	*-0.8*
150.	Non-current assets held for sale and discontinued operations	27	229	-202	-88.2
160.	Other assets	8,121	8,067	54	0.7
Total Assets		**676,496**	**646,427**	**30,069**	**4.7**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2015	31.12.2014	CHANGES amount	%
10.	Due to banks	59,327	51,495	7,832	15.2
20.	Due to customers	255,258	230,738	24,520	10.6
30.	Securities issued	110,144	123,768	-13,624	-11.0
40.	Financial liabilities held for trading	43,522	46,376	-2,854	-6.2
50.	Financial liabilities designated at fair value through profit and loss	47,022	37,622	9,400	25.0
60.	Hedging derivatives	8,234	10,300	-2,066	-20.1
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,014	1,449	-435	-30.0
80.	Tax liabilities	2,367	2,323	44	1.9
	a) current	*508*	*662*	*-154*	*-23.3*
	b) deferred	*1,859*	*1,661*	*198*	*11.9*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	201	-201	
100.	Other liabilities	11,566	12,119	-553	-4.6
110.	Employee termination indemnities	1,353	1,480	-127	-8.6
120.	Allowances for risks and charges	3,480	3,793	-313	-8.3
	a) post employment benefits	*859*	*1,167*	*-308*	*-26.4*
	b) other allowances	*2,621*	*2,626*	*-5*	*-0.2*
130.	Technical reserves	84,616	79,701	4,915	6.2
140.	Valuation reserves	-1,018	-1,622	-604	-37.2
150.	Redeemable shares	-	-	-	
160.	Equity instruments	877	-	877	
170.	Reserves	9,167	9,054	113	1.2
180.	Share premium reserve	27,349	27,349	-	-
190.	Share capital	8,732	8,725	7	0.1
200.	Treasury shares (-)	-70	-74	-4	-5.4
210.	Minority interests (+/-)	817	379	438	
220.	Net income (loss)	2,739	1,251	1,488	
Total Liabilities and Shareholders' Equity		**676,496**	**646,427**	**30,069**	**4.7**

Consolidated income statement

(millions of euro)

	2015	2014	CHANGES	
			amount	%
10. Interest and similar income	14,148	15,951	-1,803	-11.3
20. Interest and similar expense	-4,910	-6,136	-1,226	-20.0
30. Interest margin	**9,238**	**9,815**	**-577**	**-5.9**
40. Fee and commission income	8,735	8,069	666	8.3
50. Fee and commission expense	-1,686	-1,592	94	5.9
60. Net fee and commission income	**7,049**	**6,477**	**572**	**8.8**
70. Dividend and similar income	378	315	63	20.0
80. Profits (Losses) on trading	285	201	84	41.8
90. Fair value adjustments in hedge accounting	-68	-139	-71	-51.1
100. Profits (Losses) on disposal or repurchase of	1,205	1,074	131	12.2
a) loans	*-44*	*86*	*-130*	
b) financial assets available for sale	*1,452*	*1,271*	*181*	*14.2*
c) investments held to maturity	-	-	-	
d) financial liabilities	*-203*	*-283*	*-80*	*-28.3*
110. Profits (Losses) on financial assets and liabilities designated at fair value	977	971	6	0.6
120. Net interest and other banking income	**19,064**	**18,714**	**350**	**1.9**
130. Net losses / recoveries on impairment	-2,824	-4,329	-1,505	-34.8
a) loans	*-2,751*	*-4,117*	*-1,366*	*-33.2*
b) financial assets available for sale	*-203*	*-187*	*16*	*8.6*
c) investments held to maturity	-	*1*	*-1*	
d) other financial activities	*130*	*-26*	*156*	
140. Net income from banking activities	**16,240**	**14,385**	**1,855**	**12.9**
150. Net insurance premiums	12,418	16,600	-4,182	-25.2
160. Other net insurance income (expense)	-14,680	-18,805	-4,125	-21.9
170. Net income from banking and insurance activities	**13,978**	**12,180**	**1,798**	**14.8**
180. Administrative expenses	-9,506	-8,869	637	7.2
a) personnel expenses	*-5,394*	*-5,284*	*110*	*2.1*
b) other administrative expenses	*-4,112*	*-3,585*	*527*	*14.7*
190. Net provisions for risks and charges	-536	-546	-10	-1.8
200. Net adjustments to / recoveries on property and equipment	-360	-344	16	4.7
210. Net adjustments to / recoveries on intangible assets	-557	-634	-77	-12.1
220. Other operating expenses (income)	934	720	214	29.7
230. Operating expenses	**-10,025**	**-9,673**	**352**	**3.6**
240. Profits (Losses) on investments in associates and companies subject to joint control	111	340	-229	-67.4
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	103	114	-11	-9.6
280. Income (Loss) before tax from continuing operations	**4,167**	**2,961**	**1,206**	**40.7**
290. Taxes on income from continuing operations	-1,359	-1,651	-292	-17.7
300. Income (Loss) after tax from continuing operations	**2,808**	**1,310**	**1,498**	
310. Income (Loss) after tax from discontinued operations	-2	-	2	
320. Net income (loss)	**2,806**	**1,310**	**1,496**	
330. Minority interests	-67	-59	8	13.6
340. Parent Company's net income (loss)	**2,739**	**1,251**	**1,488**	
Basic EPS - Euro	**0.16**	**0.08**		
Diluted EPS - Euro	**0.16**	**0.08**		

Statement of consolidated comprehensive income

(millions of euro)

		2015	2014	Changes amount	%
10.	**NET INCOME (LOSS)**	**2,806**	**1,310**	**1,496**	
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**297**	**-398**	**695**	
20.	Property and equipment	-	-	-	
30.	Intangible assets	-	-	-	
40.	Defined benefit plans	297	-398	695	
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	**381**	**-132**	**513**	
70.	Hedges of foreign investments	-	-	-	
80.	Foreign exchange differences	-5	-177	-172	-97.2
90.	Cash flow hedges	226	-492	718	
100.	Financial assets available for sale	140	465	-325	-69.9
110.	Non-current assets held for sale	-	-	-	
120.	Share of valuation reserves connected with investments carried at equity	20	72	-52	-72.2
130.	**Total other comprehensive income (net of tax)**	**678**	**-530**	**1,208**	
140.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**3,484**	**780**	**2,704**	
150.	**Total consolidated comprehensive income pertaining to minority interests**	**144**	**67**	**77**	
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**3,340**	**713**	**2,627**	

Statement of changes in consolidated shareholders' equity as at 31 December 2015

(millions of euro)

	31.12.2015											
	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 1.1.2015	**8,510**	**488**	**27,369**	**8,528**	**565**	**-1,631**	**-**	**-77**	**1,310**	**45,062**	*44,683*	*379*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves				**76**					**-76**	**-**	*-*	*-*
Dividends and other allocations									**-1,234**	**-1,234**	*-1,195*	*-39*
CHANGES IN THE PERIOD												
Changes in reserves				**-13**	**13**	**3**				**3**	*3*	*-*
Operations on shareholders' equity												
Issue of new shares	7							8		**15**	*14*	*1*
Purchase of treasury shares								-3		**-3**	*-3*	*-*
Extraordinary dividends										**-**	*-*	*-*
Changes in equity instruments							877			**877**	*877*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens	88		157	-20						**225**	*-*	*225*
Other [(b)]	199	-3	-5	-27						**164**	*57*	*107*
Total comprehensive income for the period						**678**			**2,806**	**3,484**	*3,340*	*144*
SHAREHOLDERS' EQUITY AS AT 31.12.2015	**8,804**	**485**	**27,521**	**8,544**	**578**	**-950**	**877**	**-72**	**2,806**	**48,593**	*47,776*	*817*
- Group	**8,247**	**485**	**27,349**	**8,589**	**578**	**-1,018**	**877**	**-70**	**2,739**	**47,776**		
- minority interests	**557**	**-**	**172**	**-45**	**-**	**68**	**-**	**-2**	**67**	**817**		

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

[(b)] The caption mainly includes the effects of the first full consolidation of the investment in Risanamento S.p.A.

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

(millions of euro)

	31.12.2014											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2014	**8,427**	**488**	**30,989**	**10,302**	**565**	**-1,091**	**-**	**-60**	**-4,557**	**45,063**	*44,520*	*543*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves			**-3,913**	**-680**					**4,593**	**-**	-	-
Dividends and other allocations									**-36**	**-36**	-	*-36*
CHANGES IN THE PERIOD												
Changes in reserves [(b)]			**-37**							**-37**	*-37*	-
Operations on shareholders' equity										**-**		
Issue of new shares [(c)]	179		365					106		**650**	*650*	-
Purchase of treasury shares								-123		**-123**	*-123*	-
Extraordinary dividends				-822						**-822**	*-822*	-
Changes in equity instruments										**-**	-	-
Derivatives on treasury shares										**-**	-	-
Stock options										**-**	-	-
Changes in equity investmens	-96		-27	-94						**-217**	*-46*	*-171*
Other			-8	-178		-10				**-196**	*-172*	*-24*
Total comprehensive income for the period						**-530**			**1,310**	**780**	*713*	*67*
SHAREHOLDERS’ EQUITY AS AT 31.12.2014	**8,510**	**488**	**27,369**	**8,528**	**565**	**-1,631**	**-**	**-77**	**1,310**	**45,062**	*44,683*	*379*
- Group	**8,240**	**485**	**27,349**	**8,489**	**565**	**-1,622**	**-**	**-74**	**1,251**	**44,683**		
- minority interests	**270**	**3**	**20**	**39**	**-**	**-9**	**-**	**-3**	**59**	**379**		

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

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

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

Consolidated statement of cash flows

(millions of euro)

	31.12.2015	31.12.2014
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**10,248**	**16,256**
- net income (loss) (+/-)	2,806	1,310
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	1,270	54
- gains/losses on hedging activities (-/+)	68	139
- net losses/recoveries on impairment (+/-)	3,393	5,140
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	917	978
- net provisions for risks and charges and other costs/revenues (+/-)	638	748
- net insurance premiums to be collected (-)	11	2
- other insurance revenues/charges to be collected (-/+)	5,272	11,708
- taxes, duties and tax credits to be paid/collected(+/-)	-126	-604
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-4,001	-3,219
2. Cash flow from / used in financial assets	**-26,491**	**-21,889**
- financial assets held for trading	2,478	-4,475
- financial assets designated at fair value through profit and loss	-8,709	-5,145
- financial assets available for sale	-5,365	-6,658
- due from banks: repayable on demand	2,277	-4,735
- due from banks: other	-5,117	-155
- loans to customers	-14,347	-179
- other assets	2,292	-542
3. Cash flow from / used in financial liabilities	**20,817**	**5,866**
- due to banks: repayable on demand	-344	1,111
- due to banks: other	7,997	-1,888
- due to customers	24,577	1,934
- securities issued	-13,826	-14,713
- financial liabilities held for trading	-2,908	7,092
- financial liabilities designated at fair value through profit and loss	9,286	4,903
- other liabilities	-3,965	7,427
Net cash flow from (used in) operating activities	**4,574**	**233**
B. INVESTING ACTIVITIES		
1. Cash flow from	**100**	**1,005**
- sales of investments in associates and companies subject to joint control	-	424
- dividends collected on investments in associates and companies subject to joint control	-	-
- sales/reimbursements of investments held to maturity	85	581
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	15	-
2. Cash flow used in	**-1,601**	**-676**
- purchases of investments in associates and companies subject to joint control	-23	-
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-508	-82
- purchases of intangible assets	-484	-426
- purchases of subsidiaries and business branches	-586	-168
Net cash flow from (used in) investing activities	**-1,501**	**329**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	5	-64
- share capital increases	877	503
- dividend distribution and other	-1,234	-858
Net cash flow from (used in) financing activities	**-352**	**-419**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,721**	**143**
RECONCILIATION		
Cash and cash equivalents at beginning of period	6,631	6,525
Net increase (decrease) in cash and cash equivalents	2,721	143
Cash and cash equivalents: foreign exchange effect	-8	-37
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**9,344**	**6,631**

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, Intesa Sanpaolo'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 2015 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005, which issued Circular 262/05, and with the subsequent updates of 18 November 2009, 21 January 2014, 22 December 2014 and 15 December 2015.
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 2015 (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 2015.

IFRS endorsed as at 31.12.2015 in force since 2015

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

The accounting standards applicable on a mandatory basis for the first time starting in 2015 include IFRIC 21 – *Levies*, endorsed by the European Commission in Regulation (EU) No 634/2014. The Interpretation provides guidance on when to recognise a liability for a levy imposed by public entities and accounted for in accordance with IAS 37.

Also the amendments to IFRS 3 and 13 and IAS 40, endorsed in Regulation (EU) No 1361/2014, are applicable starting from 2015. However, those amendments are not particularly significant for the Intesa Sanpaolo Group.

The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which will become mandatory on 1 January 2016 - for financial statements reflecting the calendar year - or after this date.

IFRS endorsed as at 31.12.2015 applicable subsequent to 31.12.2015

Regulation endorsement	Title	Effective date
28/2015	Amendments to IFRS 2 Share-based payment Amendments to IFRS 3 Business combinations Amendments to IFRS 8 Operating segments Amendments to IAS 16 Property, plant and equipment Amendments to IAS 24 Related party disclosures Amendments to IAS 38 Intangible assets	01/01/2016 First financial year starting on or after 01/02/2015
29/2015	Amendments to IAS 19 Employee contributions	01/01/2016 First financial year starting on or after 01/02/2015
2113/2015	Amendments to IAS 16 Property, plant and equipment Amendments to IAS 41 Agriculture	01/01/2016 First financial year starting on or after 01/01/2016
2173/2015	Amendments to IFRS 11 Joint arrangements	01/01/2016 First financial year starting on or after 01/01/2016
2231/2015	Amendments to IAS 16 Property, plant and equipment Amendments to IAS 38 Intangible assets	01/01/2016 First financial year starting on or after 01/01/2016
2343/2015	Amendments to IFRS 5 Non current assets held for sale and discontinued operations Amendments to IFRS 7 Financial Instruments: disclosure Amendments to IAS 19 Employee contributions Amendments to IAS 34 Interim financial reporting	01/01/2016 First financial year starting on or after 01/01/2016
2406/2015	Amendments to IAS 1 Presentation of financial statements	01/01/2016 First financial year starting on or after 01/01/2016
2441/2015	Amendments to IAS 27 Separate financial statements	01/01/2016 First financial year starting on or after 01/01/2016

Furthermore, in 2014 the IASB had issued the new accounting standards IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments, both of which are awaiting endorsement by the European Commission.
It should be recalled that with IFRS 9 the IASB completed - with the exception of "macro-hedging" - the process of drafting its new accounting rules for financial instruments, which will enter into force on 1 January 2018.
The following table presents the main accounting standards affected by the amendments, with a specification of the scope or subject matter of the changes.
As the European Commission has not yet endorsed these updates, none of them is relevant for the purposes of the Intesa Sanpaolo Group 2015 financial statements.

IFRS not endorsed as at 31.12.2015

Standard/ Interpretation	Title	Date of issue
IFRS 9	Financial Instruments	24/07/2014
IFRS 14	Regulatory Deferral Accounts	30/01/2014
IFRS 15	Revenue from Contracts with customers	28/05/2014
Standard/ Interpretation	**Amendments**	**Date of issue**
IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11/09/2014
IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11/09/2014
IFRS 10	Investment Entities: Applying the Consolidation Exception	18/12/2014
IFRS 12	Investment Entities: Applying the Consolidation Exception	18/12/2014
IAS 28	Investment Entities: Applying the Consolidation Exception	18/12/2014

IFRS 9: the new accounting standard on financial instruments

Regulations

The new accounting standard IFRS 9, issued by the IASB in July 2014 but not yet endorsed by the European Commission, will replace IAS 39 with effect from 1 January 2018. The latter Standard currently governs the classification and measurement of financial instruments.

Specifically, IFRS 9 is structured into the three different areas of classification and measurement (of financial instruments), impairment and hedge accounting.

In the first area, IFRS 9 introduces a model whereby classification of financial assets is guided, on the one hand, by the contractual cash flow characteristics of the instrument and, on the other, by the business model within which the instrument is held. In lieu of the current four accounting categories, under IFRS 9 financial assets may be classified into three categories according to the two drivers indicated above: assets measured at amortised cost, assets measured at fair value through profit or loss and, finally, assets measured at fair value through other comprehensive income (the reserve is transferred to profit or loss in the event of the disposal of the instrument). Financial assets may only be measured at amortised cost or fair value through other comprehensive income if the test concerning the characteristics of the instrument's contractual cash flows has been "passed". Equities are always measured at fair value through profit and loss unless the entity elects (irrevocably, upon initial recognition), for shares not held for trading, to present changes in value in other comprehensive income, never to be transferred to profit and loss, even in the event of the disposal of the financial instrument ("no recycling").

There are no major changes with respect to the classification and measurement of financial liabilities under the current Standard. The sole change relates to the accounting treatment of own credit risk: for financial liabilities designated at fair value (fair value option liabilities), the Standard requires that changes in the fair value of financial liabilities attributable to the change in own credit risk be recognised in other comprehensive income, whereas the effects of the changes in the fair value of liabilities not due to the change in own credit rating are to be recognised in profit or loss.

With respect to impairment, a model has been introduced for instruments measured at amortised cost and fair value through other comprehensive income based on the concept of "expected loss" instead of the current "incurred loss", with the aim of recognising losses in a more timely manner. IFRS 9 requires that entities recognise expected losses in the next 12 months (stage one) starting from initial recognition of the financial instrument. The time horizon for calculating expected losses is the entire residual life of the asset being measured if credit risk has increased "significantly" since initial recognition (stage two).

Finally, with regard to hedge accounting, the new model for hedging - which, however, does not apply to macro-hedging - aims to ensure that accounting treatment is consistent with risk management activity and, additionally, to enhance disclosure of risk management activity by the reporting entity.

Supervisory authorities - particularly in the banking and financial field - are analysing IFRS 9 with particular attention. In this context, in December 2015 the Basel Committee issued the document “Guidance on accounting for expected credit losses”, which aims to define “sound credit risk practices” that may interact with the measurement of expected losses, focusing attention on eleven Principles, around which the document is structured.

The Basel Committee emphasises the significant expectations that standard-setters have placed (given the "considerable" time required for implementation) in the capacity of the banking system to implement the requirements of the new Standard adequately.

Given the pervasive impacts of IFRS 9, both on business and of an organisational and reporting nature, the Intesa Sanpaolo Group has launched a specific project aimed at further studying the various areas of influence of the Standard, determining its impact in qualitative and quantitative terms, and identifying and implementing the practical and organisational measures required for consistent, systematic and effective adoption within the Group as a whole and for each of the subsidiaries of which it is composed.

The implementation project

The project is being developed according to the three main areas into which the Standard is structured, as briefly described in the foregoing paragraph: Classification and Measurement (C&M), Impairment and Hedge Accounting.

For each area, the same methodological approach is applied, divided into the following (three) major stages: analysis and preliminary choices (primarily relating to accounting and models), IT simulations and design of the target operating model, and development and impact analysis.

On the basis of the plan developed, the work currently being done relates to identifying product portfolios, defining and simulating the new C&M rules (SPPI Test and Business Model) and identifying parameters for defining "significant deterioration" and defining the simulation environment for calculating "expected loss".
In the area of Hedge Accounting, the changes to the Standard relate solely to general hedging and are closely tied to the Group's choice to exercise the opt-in/opt-out (i.e., the possibility to continue to apply the former standard IAS 39 rather than apply the new standard IFRS 9). Analyses of the current management of hedging operations in support of this decision are in progress and will be completed in 2016.
With regard to the expected effects of the new Standard, in the C&M area, from the initial analyses conducted there is not expected to be a significant impact on the securities segment (considering the current business models unchanged at first-time adoption). The analyses were performed on the portfolios of Intesa Sanpaolo, Banca IMI and the insurance companies, which accounted for over 80% of the Group's total portfolio as at 31 December 2015. The analyses initially focused on portfolios classified as L&R and AFS. Specific supporting tools with increasing levels of depth were used for this purpose.
For the derivative contracts segment, for both trading and hedging purposes, the Standard is not expected to result in either reclassification or measurement effects.
For the loans segment, the project has launched modular analyses that take account of the significance of the portfolios, their homogeneity and business division.
In the Impairment area, specific projects have been developed for both lending and securities operations. The preliminary analysis phase concerned the following major issues:

- staging (elements that can or must result, for performing loans and securities, in transition from stage one to stage two, or vice versa);
- cash flows, in view of the calculation of expected losses, particularly of the "lifetime" variety/measurement;
- definition of the model framework to be used in calculating expected loss.

In the CFO and CRO area, and under the joint responsibility of the Administration and Tax Department, Credit Risk Management Department and Financial and Market Risks Department, themed working groups were formed on the basis of the areas into which the Standard is divided.
In order to ensure operational implementation of the Standard in a manner that is consistent with international best practices and as faithful as possible to the substantive meaning of the provisions of IFRS 9 (including on the basis of indications from international authorities, where relevant), a specific working table was created to aid the themed working groups in analysing and guiding the preliminary decisions on the basis of which the activities are to be performed.
In addition to the involvement of the operating divisions in the analysis of the impacts of the Standard on the business areas, given that changes to IT systems will need to be developed, it was necessary to create a Coordination Table with the other projects currently in progress, so as to design consistent IT solutions capable of exploiting synergies efficiently.
The main organisational impacts relate to the revision and adaptation of existing operating processes, the design and implementation of new processes and the revision of the scope and expansion of the competencies available within the various operational and administrative and control departments.
Specifically the work related to the Classification and Measurement area will initially involve business and marketing departments, with the aim of identifying and defining business models and defining management and monitoring processes for the process of performing the SPPI test.
In the Impairment area, continuing to ensure effective monitoring of increased credit risk is one of the main objectives pursued by the Group in its adoption of the principles of IFRS 9, above all - in the context of the new accounting standards - in terms of prevention of the potential transition of positions to stage 2, so as to limit the effects of a possible increase in the cost of credit.
Work on the systems will involve both the inclusion in existing procedures of the functions required to comply with the new requirements established by IFRS 9 and the identification and preparation/integration of the new software applications necessary for more efficient and effective management of the subject areas of IFRS 9. In general, the work will be done centrally by Intesa Sanpaolo for common IT systems, but will be handled autonomously by the individual Group companies - although the Parent Company will oversee and monitor the solutions adopted with the guidelines it has issued - in cases of systems that are not shared (for example, the international subsidiaries and insurance companies) or business-specific applications.

The application of the new accounting Standard could have impacts on both business areas and on the reporting of results. Such impacts include:

- the modification of the accounting portfolios to which financial instruments are currently classified in accordance with IAS 39 and a possible increase in financial instruments measured at fair value;
- greater volatility of the income statement due not only to the increase in instruments measured at fair value, but also to the transition of financial instruments from stage one to stage two and vice versa, due to the different methods of determining impairment losses and recoveries compared to the current methods;
- the impact on the measurement of impairment for the determination of the "lifetime" expected loss on performing loans classified to stage 2, which increases as the duration of the individual relationships increases;
- in light of the considerations indicated in the foregoing point, some products in the catalogue, or the pricing and duration of such products, could be subject to change as a function of supporting guarantees or repayment mechanisms;
- it may become advisable to restate the mission of certain operating units, with the resulting implications for the governance of portfolios, control methods, risk/measurement parameters and the related limits and ceilings;
- the methods of managing loan portfolios the operations of which are tied to a possible subsequent disposal strategy ("origination to distribution") will need to be re-assessed.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

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

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 2014.
The Attachments include the reconciliation statements to the balance sheet and income statement originally published in the 2014 financial statements, together with specific reconciliations between the 2014 financial statements and the reclassified statements included in the Report on operations accompanying these financial statements.

Contents of financial statement forms

Balance sheet and income statement

The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions). For the purposes of completeness with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2015 and for 2014 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Statement of comprehensive income

The Statement of comprehensive income shows, starting from the income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international accounting standards.
Consolidated comprehensive income is represented by providing separate recognition of the income components that will not be reversed to the income statement in the future and those which, conversely, could later be reclassified to income/(loss) for the year under specific conditions. The statement also distinguishes between the portion of income pertaining to the Parent Company and that pertaining to minority interests. Similarly to the balance sheet and the income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2015 and for 2014 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.

Statement of cash flows

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

Contents of the Notes to the consolidated financial statements

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

SECTION 3 – SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Scope of consolidation

The Consolidated financial statements include Intesa Sanpaolo and the companies that it directly and indirectly controls and consider in the scope of consolidation – as specifically set out by IAS/IFRS – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.

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

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

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

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

Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the scope of consolidation and are classified in Available for Sale category since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests.

Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of instruments measured at fair value.

Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

With respect to the situation as at 31 December 2014, the scope of consolidation has been expanded to include Risanamento, which was previously regarded as an associate under IAS 28. For further details concerning the acquisition of control of Risanamento, refer to Part G of these Notes.
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 were the merger by incorporation of Banca di Trento e Bolzano into Intesa Sanpaolo, the merger by incorporation of Banca Monte Parma into Intesa Sanpaolo, the partial demerger from Cassa di Risparmio di Firenze in favour of Intesa Sanpaolo of the investments in Cassa di Risparmio della Provincia di Viterbo, Cassa di Risparmio di Rieti, Cassa di Risparmio di Civitavecchia and Cassa di Risparmio dell'Umbria, and the merger by incorporation of Cassa di Risparmio della Provincia di Viterbo, Cassa di Risparmio di Rieti, and Cassa di Risparmio di Civitavecchia into Intesa Sanpaolo.
For the full details of the transactions under common control finalised during the year, see Part G of these Notes to the consolidated financial statements.

The following table lists the investments in subsidiaries that are included in the line-by-line scope of consolidation of the Consolidated financial statements as at 31 December 2015.

1. Consolidated companies

	Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
1	Accedo S.p.A. (formerly Intesa Sanpaolo Personal Finance S.p.A.) Capital 110,000,000 euro	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
2	Banca dell'Adriatico S.p.A. Capital 70,755,020 euro	Pesaro	Ascoli Piceno	1	Intesa Sanpaolo	100.00	
3	Banca IMI S.p.A. Capital 962,464,000 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
4	Banca Imi Securities Corp Capital USD 44,500,000	New York	New York	1	Imi Capital Markets USA Corp.	100.00	
5	Banca Intesa a.d., Beograd Capital RSD 21,315,900,000	Novi Beograd	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	84.79 15.21 100.00	
6	Banca Intesa Joint-Stock Company formerly Banca Intesa Zao) Capital RUB 10,820,180,800	Moscow	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	53.02 46.98 100.00	
7	Banca Prossima S.p.A. (h) Capital 81,999,999.64 euro	Milano	Milano	1	Intesa Sanpaolo	80.16	
8	Banco di Napoli S.p.A. Capital 1,000,000,000 euro	Napoli	Napoli	1	Intesa Sanpaolo	100.00	
9	Bank of Alexandria S.A.E. (d) Capital EGP 800,000,000	Cairo	Cairo	1	Intesa Sanpaolo	80.00	70.25
10	Banka Koper d.d. (e) Capital 22,173,218.16 euro	Koper	Koper	1	Intesa Sanpaolo	98.38	
11	Brivon Hungary Zrt Capital HUF 15,000,000	Budapest	Budapest	1	Recovery Property Utilisation and Services	100.00	
12	Cassa dei Risparmi di Forlì e della Romagna S.p.A. Capital 214,428,465 euro	Forlì	Forlì	1	Intesa Sanpaolo	83.38	
13	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital 210,263,000 euro	Udine	Gorizia	1	Intesa Sanpaolo	100.00	
14	Cassa di Risparmio del Veneto S.p.A. Capital 781,169,000 euro	Padova	Padova	1	Intesa Sanpaolo	100.00	
15	Cassa di Risparmio di Firenze S.p.A. Capital 418,230,438.24 euro	Firenze	Firenze	1	Intesa Sanpaolo	100.00	
16	Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. (f) Capital 171,846,279.99 euro	Pistoia	Pistoia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	74.88 8.11 82.99	
17	Cassa di Risparmio in Bologna S.p.A. Capital 703,692,000 euro	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
18	Casse di Risparmio dell'Umbria S.p.A. Capital 187,657,326 euro	Terni	Terni	1	Intesa Sanpaolo	98.71	
19	Cib Bank Ltd Capital HUF 50,000,000,000	Budapest	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	67.69 32.31 100.00	
20	CIB Car Trading Ltd Capital HUF 10,000,000	Budapest	Budapest	1	Recovery Property Utilisation and Services	100.00	
21	CIB Factor Financial Services Ltd Capital HUF 103,500,000	Budapest	Budapest	1	Cib Bank	100.00	
22	CIB Insurance Broker Ltd Capital HUF 10,000,000	Budapest	Budapest	1	Cib Bank	100.00	
23	CIB Investment Fund Management Ltd Capital HUF 600,000,000	Budapest	Budapest	1	Vub Asset Management Spravcovska Spolocnost	100.00	
24	CIB Leasing Ltd Capital HUF 53,000,000	Budapest	Budapest	1	Cib Bank	100.00	
25	CIB Real Estate Ltd Capital HUF 52,000,000	Budapest	Budapest	1	Cib Bank	100.00	
26	CIB Rent Operative Leasing Ltd Capital HUF 800,000,000	Budapest	Budapest	1	Cib Bank	100.00	
27	Compagnia Italiana Finanziaria - CIF S.r.l. Capital 138,864,869 euro	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture	63.78	
28	Consumer Finance Holding a.s. Capital 53,110,277 euro	Kezmarok	Kezmarok	1	Vseobecna Uverova Banka	100.00	
29	Duomo Funding Plc (g)	Dublin	Dublin	4	Intesa Sanpaolo	-	
30	Epsilon SGR S.p.A. (formerly Epsilon Associati SGR S.p.A.) Capital 5,200,000 euro	Milano	Milano	1	Eurizon Capital SGR Banca IMI	51.00 49.00 100.00	
31	Equiter S.p.A. Capital 100,000,000 euro	Torino	Torino	1	Oldequiter	50.52	
32	Etoile 50 Montaigne S.a.r.l. Capital 8,255,106 euro	Paris	Paris	1	Risanamento Europa	100.00	

Name		Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
33	Etoile 54 Montaigne S.a.r.l. Capital 6,269,779 euro	Paris	Paris	1	Risanamento Europa	100.00	
34	Etoile Actualis S.a.r.l. Capital 29,709,643 euro	Paris	Paris	1	Risanamento Europa	100.00	
35	Etoile François Premier S.a.r.l. Capital 5,000 euro	Paris	Paris	1	Risanamento Europa	100.00	
36	Etoile Rome S.a.r.l. Capital 1,138,656 euro	Paris	Paris	1	Risanamento Europa	100.00	
37	Etoile Saint Augustin S.a.r.l. Capital 2,396,734 euro	Paris	Paris	1	Risanamento Europa	100.00	
38	Etoile Saint Florentin S.a.r.l. Capital 540,720 euro	Paris	Paris	1	Risanamento Europa	100.00	
39	Etoile Services S.a.r.l. Capital 1,000 euro	Paris	Paris	1	Risanamento Europa	100.00	
40	Eurizon Capital S.A. Capital 7,557,200 euro	Luxembourg	Luxembourg	1	Eurizon Capital SGR	100.00	
41	Eurizon Capital SGR S.p.A. Capital 99,000,000 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
42	Euro-Tresorerie S.A. Capital 250,038,322.20 euro	Paris	Paris	1	Financière Fideuram	100.00	
43	Fideuram - Intesa Sanpaolo Private Banking S.p.A. (formerly Banca Fideuram S.p.A.) Capital 300,000,000 euro	Roma	Roma	1	Intesa Sanpaolo	100.00	
44	Fideuram Asset Management (Ireland) Ltd Capital 1,000,000 euro	Dublin	Dublin	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
45	Fideuram Bank Luxembourg S.A. Capital 40,000,000 euro	Luxembourg	Luxembourg	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
46	Fideuram Fiduciaria S.p.A. Capital 1,551,000 euro	Torino	Torino	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
47	Fideuram Investimenti S.G.R. S.p.A. Capital 25,850,000 euro	Milano	Milano	1	Fideuram - Intesa Sanpaolo Private Banking	99.50	
48	Fideuram Vita S.p.A. Capital 357,446,836.42 euro	Roma	Roma	1	Intesa Sanpaolo	80.01	
					Fideuram - Intesa Sanpaolo Private Banking	19.99	
						100.00	
49	Financière Fideuram S.A. Capital 346,761,600 euro	Paris	Paris	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
50	Imbonati S.p.A. in liquidation (i) Capital 23,567,547 euro	Milano	Milano	1	Risanamento	100.00	
51	IMI Capital Markets USA Corp. Capital USD 5,000	New York	New York	1	IMI Investments	100.00	
52	IMI Finance Luxembourg S.A. Capital 100,000 euro	Luxembourg	Luxembourg	1	IMI Investments	100.00	
53	IMI Fondi Chiusi S.G.R. S.p.A. Capital 2,000,000 euro	Bologna	Bologna	1	IMI Investimenti	100.00	
54	IMI Investimenti S.p.A. Capital 579,184,200 euro	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
55	IMI Investments S.A. Capital 21,660,000 euro	Luxembourg	Luxembourg	1	Banca IMI	100.00	
56	Immobiliare Cascina Rubina S.r.l.(i) Capital 1,371,066 euro	Milano	Milano	1	Risanamento	100.00	
57	IN.FRA - Investire nelle Infrastrutture S.p.A. Capital 117,342,245.47 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
58	Infogroup S.c.p.A. Capital 4,352,000 euro	Firenze	Firenze	1	Cassa di Risparmio di Firenze	65.45	
					Intesa Sanpaolo	31.76	
					Cassa di Risparmio di Pistoia e della Lucchesia	2.76	
					Intesa Sanpaolo Group Services	0.01	
					Casse di Risparmio dell'Umbria	0.01	
					other smaller investments	0.01	
						100.00	
59	Iniziative Logistiche S.r.l. Capital 81,120,724.80 euro	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture	60.02	
60	Intesa Funding LLC Capital USD 25,000	New York	Wilmington	1	Intesa Sanpaolo	100.00	
61	Intesa Leasing (Closed Joint-Stock Company) Capital RUB 3,000,000	Moscow	Moscow	1	Banca Intesa Joint-Stock Company	100.00	
62	Intesa Leasing d.o.o. Beograd Capital RSD 960,374,301	Beograd	Beograd	1	Banca Intesa Beograd	100.00	
63	Intesa Sanpaolo Assicura S.p.A. Capital 27,912,258 euro	Torino	Torino	1	Intesa Sanpaolo Vita	100.00	
64	Intesa Sanpaolo Bank Albania Sh.A. Capital ALL 5,562,517,674	Tirana	Tirana	1	Intesa Sanpaolo	100.00	
65	Intesa Sanpaolo Bank Ireland Plc Capital 400,500,000 euro	Dublin	Dublin	1	Intesa Sanpaolo	100.00	

Name		Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
66	Intesa Sanpaolo Bank Luxembourg S.A. (formerly Société Européenne de Banque S.A.) Capital 535,091,520 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
67	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital BAM 44,782,000	Sarajevo	Sarajevo	1	Privredna Banka Zagreb	94.94	
68	Intesa Sanpaolo Brasil S.A. - Banco Multiplo Capital BRL 306,065,234.44	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo	99.90	
					Intesa Sanpaolo Holding International	0.10	
						100.00	
69	Intesa Sanpaolo Card BH D.O.O. Capital BAM 3,649,126.50	Sarajevo	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
70	Intesa Sanpaolo Card d.o.o. - Ljubljana Capital 5,618,760.80 euro	Ljubljana	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
71	Intesa Sanpaolo Card d.o.o. - Zagreb Capital HRK 30,863,400	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International	51.32	
					Privredna Banka Zagreb	33.34	
					Banka Koper	15.34	
						100.00	
72	Intesa Sanpaolo Group Services S.c.p.A. Capital 272,286,637 euro	Torino	Torino	1	Intesa Sanpaolo	99.90	
					Fideuram - Intesa Sanpaolo Private Banking	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	
					other smaller investments	0.01	
						100.00	
73	Intesa Sanpaolo Holding International S.A. Capital 2,200,087,440 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
74	Intesa Sanpaolo Immobilière S.A. Capital 350,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
75	Intesa Sanpaolo Leasing Romania IFN S.A. Capital RON 1,800,000	Bucharest	Bucharest	1	Intesa Sanpaolo Romania	99.70	
					CIB Leasing	0.30	
						100.00	
76	Intesa Sanpaolo Life Ltd Capital 625,000 euro	Dublin	Dublin	1	Intesa Sanpaolo Vita	100.00	
77	Intesa Sanpaolo Private Bank (Suisse) S.A. Capital CHF 20,000,000	Lugano	Lugano	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
78	Intesa Sanpaolo Private Banking S.p.A. Capital 105,497,424 euro	Milano	Milano	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
79	Intesa Sanpaolo Provis S.p.A. (formerly Intesa Sanpaolo Provis S.r.l.) Capital 4,625,000 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
80	Intesa Sanpaolo RE.O.CO. S.p.A. Capital 8,000,000 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
81	Intesa Sanpaolo Real Estate S.A. Capital 2,940,476 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
82	Intesa Sanpaolo Romania S.A. Commercial Bank Capital RON 886,639,410	Bucharest	Bucharest	1	Intesa Sanpaolo	91.47	
					Cassa di Risparmio di Firenze	8.18	
					Intesa Sanpaolo Holding International	0.35	
						100.00	
83	Intesa Sanpaolo Sec S.A. Capital 31,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
84	Intesa Sanpaolo Securitisation Vehicle S.r.l. Capital 60,000 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
85	Intesa Sanpaolo Servitia S.A. Capital 1,500,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
86	Intesa Sanpaolo Vita S.p.A. Capital 320,422,508.53 euro	Milano	Torino	1	Intesa Sanpaolo	99.99	
87	Intesa Sec. 3 S.r.l. Capital 70,000 euro	Milano	Milano	1	Intesa Sanpaolo	60.00	
88	Intesa Sec. Npl S.p.A. Capital 129,000 euro	Milano	Milano	1	Intesa Sanpaolo	60.00	
89	Intesa Sec. S.p.A. Capital 100,000 euro	Milano	Milano	1	Intesa Sanpaolo	60.00	
90	ISP CB Ipotecario S.r.l. Capital 120,000 euro	Milano	Milano	1	Intesa Sanpaolo	60.00	
91	ISP CB Pubbico S.r.l. Capital 120,000 euro	Milano	Milano	1	Intesa Sanpaolo	60.00	
92	ISP OBG S.r.l. Capital 42,038 euro	Milano	Milano	1	Intesa Sanpaolo	60.00	
93	Lunar Funding V Plc (g)	Dublin	Dublin	4	Intesa Sanpaolo	-	

	Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
94	Lux Gest Asset Management S.A. Capital 200,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Bank Luxembourg	100.00	
95	Manzoni S.r.l.(c) (i) Capital 8,285,457 euro	Milano	Milano	1	Imi Investimenti	27.39	53.01
96	Mediocredito Italiano S.p.A. Capital 992,043,495 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
97	Milano Santa Giulia S.p.A. (i) Capital 120,000 euro	Milano	Milano	1	Risanamento	100.00	
98	MSG Comparto Primo S.r.l. (i) Capital 50,000 euro	Milano	Milano	1	Milano Santa Giulia	100.00	
99	MSG Comparto Secondo S.r.l. (i) Capital 50,000 euro	Milano	Milano	1	Milano Santa Giulia	100.00	
100	MSG Residenze S.r.l. (i) Capital 50,000 euro	Milano	Milano	1	Risanamento	100.00	
101	Oldequiter S.p.A. (formerly Equiter S.p.A.) Capital 150,000,000 euro	Torino	Torino	1	Intesa Sanpaolo	100.00	
102	PBZ Card d.o.o. Capital HRK 43,422,200	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
103	PBZ Invest d.o.o. Capital HRK 5,000,000	Zagreb	Zagreb	1	Vub Asset Management Spravcovska Spolocnost	100.00	
104	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
105	PBZ Nekretnine d.o.o. Capital HRK 3,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
106	PBZ Stambena Stedionica d.d. Capital HRK 115,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
107	Pravex Bank Public Joint-Stock Company Commercial Bank Capital UAH 968,370,561.86	Kiev	Kiev	1	Intesa Sanpaolo	100.00	
108	Private Equity International S.A. Capital 101,000,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
109	Privredna Banka Zagreb d.d. Capital HRK 1,907,476,900	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International	97.47	
110	Recovery Property Utilisation and Services ZRT. Capital HUF 15,000,000	Budapest	Budapest	1	Cib Bank	100.00	
111	Ri. Estate S.r.l. (i) Capital 10,000 euro	Milano	Milano	1	Risanamento	100.00	
112	Ri. France S.a.s.u. Capital 37,000 euro	Paris	Paris	1	Ri. Investimenti	100.00	
113	Ri. Investimenti S.r.l. (i) Capital 50,000 euro	Milano	Milano	1	Risanamento Tradital	99.00 1.00 100.00	
114	Ri. Progetti S.p.A. (i) Capital 510,000 euro	Milano	Milano	1	Risanamento	100.00	
115	Ri. Rental S.r.l. (i) Capital 10,000 euro	Milano	Milano	1	Risanamento	100.00	
116	Risanamento Europa S.r.l. (i) Capital 100,125,050 euro	Milano	Milano	1	Risanamento	100.00	
117	Risanamento S.p.A. (i) Capital 382,301,510.57 euro	Milano	Milano	1	Intesa Sanpaolo	48.88	
118	Romulus Funding Corporation (g)	New York	New York	4	Intesa Sanpaolo	-	
119	Sanpaolo Invest SIM S.p.A. Capital 15,264,760 euro	Roma	Roma	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
120	Setefi S.p.A. Capital 8,450,000 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
121	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital 2,600,000 euro	Milano	Milano	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
122	Sviluppo Comparto 3 S.r.l.(i) Capital 50,000 euro	Milano	Milano	1	Milano Santa Giulia	100.00	
123	T T 1 Lux S.A. Capital 44,571,000 euro	Luxembourg	Luxembourg	1	Manzoni	50.00	
124	Telco IS S.r.l. in liquidation Capital 10,000 euro	Milano	Milano	1	Intesa Sanpaolo	100.00	
125	Trade Receivables Investment Vehicle Sarl	Luxembourg	Luxembourg	4	Banca IMI/Duomo Funding	100.00	
126	Tradital S.r.l.(i) Capital 10,000 euro	Milano	Milano	1	Risanamento	100.00	
127	Vseobecna Uverova Banka a.s. Capital 430,819,063.81 euro	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International	97.03	
128	VUB Asset Management Sprav. Spol a.s. Capital 4,093,560 euro	Bratislava	Bratislava	1	Vseobecna Uverova Banka Eurizon Capital Privredna Banka Zagreb	40.55 50.12 9.33 100.00	

	Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
129	VUB Factoring a.s. Capital 2,232,334 euro	Bratislava	Bratislava	1	Vseobecna Uverova Banka	100.00	
130	VUB Leasing a.s. Capital 16,600,000 euro	Bratislava	Bratislava	1	Vseobecna Uverova Banka	100.00	

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

(b) Where different from the % portion, the availability of the votes in the Ordinary Shareholders' Meeting is indicated, distinguishing between the effective and potential voting rights, where applicable.

(c) The Intesa Sanpaolo Group's exposure to the variable returns generated by Manzoni equals 49.6% in consideration of the portion held by a third-party UCI in turn wholly owned by Private Equity International, and classified as an AFS investment. Based on the contents of Manzoni's Articles of Association, the vote of the majority shareholder is calculated for 1/3 of the portion actually held.

(d) 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.

(e) Minority shareholders are subject to a legal commitment to purchase the remaining 1.62% of share capital.

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

(g) Company for which control is obtained pursuant to IFRS10, though not holding any equity stake in the share capital.

(h) Please note that there are put options sold to minority shareholders on 19.84% of share capital.

(i) Company not subject to management and coordination pursuant to art. 2497 et seq. of the Italian Civil Code.

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

As stated above, companies are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entity in question.
Control only exists if all of the following conditions are met:
- the power to direct the relevant activities of the subsidiary;
- the exposure, or rights, to variable returns from the involvement with the investee;
- the ability to use the power over the investee to affect the amount of the investor's returns.

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

Furthermore, in order to evaluate the existence of control, potential principal-agent relationships are taken into consideration. In order to evaluate whether the investee is acting as a principal or an agent, the Group takes account of the following factors:
- the decision-making power on the relevant activities of the subsidiary;
- the rights of other parties;
- the payments to which the Group is entitled;
- the Group's exposure to variable returns resulting from any investment in the investee.

IFRS 10 identifies relevant activities as activities of the investee that significantly affect the investee's returns.
In general terms, when the relevant activities are managed through voting rights, the following factors determine evidence of control:
- direct ownership, or indirect ownership through its subsidiaries, of more than half the voting rights of an entity, unless in exceptional circumstances it can be clearly demonstrated that such ownership does not constitute control;
- ownership of half, or less, of the votes which can be cast at the shareholders' meeting, and the practical ability to unilaterally govern the relevant activities through:
  - o the control of more than half the voting rights as enshrined in an agreement with other investors;
  - o the power to determine the financial and operational policies of the entity, as conferred by the Articles of Association or by contract;
  - o the power to nominate or remove the majority of the members of the Board of Directors or of the equivalent corporate governance body;
  - o the power to cast the majority of the votes at meetings of the Board of Directors or of the equivalent corporate governance body.

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

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

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

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

3. Investments in subsidiaries with significant minority interests

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

	Companies	Minority interests %	Minority voting rights % (1)	Dividends distributed to minority shareholders
1	Banca Prossima S.p.A.	19.84	19.84	-
2	Bank Of Alexandria S.A.E (2)	20.00	29.75	18
3	Banka Koper D.D.	1.62	1.62	-
4	Cassa Dei Risparmi di Forlì e della Romagna S.p.A.	16.62	16.62	1
5	Cassa Di Risparmio di Pistoia e della Lucchesia S.p.A.	17.01	17.01	-
6	Cassa Di Risparmio dell'Umbria S.p.A.	1.29	1.29	-
7	Compagnia Italiana Finanziaria -CIF S.r.l.	36.22	36.22	-
8	Equiter S.p.A.	49.48	49.48	-
9	Fideuram Investimenti - Società di Gestione del Risparmio S.p.A.	0.50	0.50	-
10	Iniziative Logistiche S.r.l.	39.98	39.98	-
11	Intesa Sanpaolo Banka D.D. Bosna I Hercegovina	5.06	5.06	-
12	Intesa Sanpaolo Vita S.p.A.	0.01	0.01	-
13	Intesa Sec 3 S.r.l.	40.00	40.00	-
14	Intesa Sec Npl S.r.l.	40.00	40.00	-
15	Intesa Sec S.p.A.	40.00	40.00	-
16	ISP CB Ipotecario S.r.l.	40.00	40.00	-
17	ISP CB Pubblico S.r.l.	40.00	40.00	-
18	ISP OBG S.r.l.	40.00	40.00	-
19	Manzoni S.r.l.	72.61	46.99	-
20	Privredna Banka Zagreb d.d.	2.53	2.53	16
21	Risanamento S.p.A.	51.12	51.12	-
22	T T 1 Lux S.A.	50.00	50.00	-
23	Vseobecna Uverova Banka a.s.	2.97	2.97	3

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

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

3.2 Investments in companies with significant minority interests: financial highlights

(millions of euro)

Companies	Total assets	Cash and cash equivalents	Financial assets	Property, equipment and intangible assets	Financial liabilities	Shareholders' equity	Interest margin	Net interest and other banking income	Operating expenses	Income (loss) before tax from continuing operations	Income (loss) after tax from continuing operations	Income (loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
1 Manzoni S.r.l.	280	-	224	-	-	275	-	24	-1	23	22	-	22	98	120
2 Risanamento S.p.A.	1,164	-	44	320	681	285	-23	-27	-28	-46	-45	-3	-48	-	-48
3 Bank Of Alexandria S.A.E	5,615	100	5,380	71	4,605	636	326	397	-189	195	145	-	145	7	152
4 Equiter S.p.A.	198	-	147	-	-	193	1	12	-2	10	7	-	7	8	15
5 Compagnia Italiana Finanziaria -CIF S.r.l.	157	-	-	-	-	156	-	-	-	-	-	-	-	-	-

4. Significant restrictions

The following are significant restrictions on the transfer of resources within the Intesa Sanpaolo Group.

In connection with the controlling interest in Banca Prossima, a company operating in the non-profit sector, the shareholders have undertaken to renounce the distribution of profits until 2017. Such profits shall be allocated to the Fund for the development of social business.

With regard to the Egyptian subsidiary, Bank of Alexandria, currency export restrictions have been in place since 2012 on the repatriation of funds denominated in Egyptian pounds; specifically, the dividend denominated in Egyptian pounds is paid to Intesa Sanpaolo in US dollars in staggered transactions which are authorised by the Egyptian central bank on a daily basis.

Moreover, the Intesa Sanpaolo Group is subject to supervisory rules provided by Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) and controls financial institutions subject to the same or similar regulations aiming to maintain an adequate level of regulatory capital in relation to risks taken; therefore the ability of subsidiary banks or financial institutions to distribute capital or dividends is dependent on the fulfilment with the regulatory thresholds in those regulations.

5. Other information

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

Consolidation methods

Full consolidation

This method involves the “line by line” aggregation of the individual amounts reported in the balance sheets and income statements of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption, in equity and in the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.
Any positive differences arising on consolidation, after the allocation to the assets and liabilities of the consolidated subsidiary, are recorded under Intangible assets as goodwill or other intangible assets. Negative differences are recognised in the income statement.
Assets, liabilities, income and expenses between consolidated companies are totally eliminated.
Business combinations must be accounted for using the "acquisition method" in accordance with IFRS 3, as modified by Regulation 495/2009, whereby identifiable assets acquired or liabilities assumed (including contingent liabilities) are recognised at their fair value at the acquisition date. Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value or in proportion to the minority investment in the net identifiable assets of the acquired company. Any excess of the consideration transferred (being the fair value of the assets sold, the liabilities incurred and the equity instruments issued) over the fair value recognition of minority interests with respect to the fair value of the assets acquired and the liabilities assumed is recognised as goodwill. If the consideration is lower, the difference is taken to the income statement.
The "acquisition method" is applied starting from the acquisition date, that is from the moment in which control of the acquired company is obtained. Therefore, the economic results of a subsidiary acquired in the reference period are included in the Consolidated financial statements starting from the acquisition date. Likewise, economic results of a subsidiary sold are included in the Consolidated financial statements until the date in which control ceased.
The difference between sale price and book value at the date of disposal (including foreign exchange differences recorded in shareholders’ equity on consolidation, over time) is accounted for in the income statement.
The financial statements of the Parent Company and of other companies used to prepare the Consolidated financial statements refer to the same date.
Where necessary – and without prejudice to absolutely marginal cases – the financial statements of companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

Measurement using the equity method
Associates and companies subject to joint control are consolidated with the equity method.
The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in the shareholders' equity of the company.
Any difference between the value of the equity investment and the shareholders' equity of the company involved is recorded in the book value of the company.
The valuation of the portion of shareholders' equity does not consider any potential voting rights.
The portion of the company's results for the period pertaining to the Group is recorded in a specific caption of the consolidated income statement.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows 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 the 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

Subsequent to the financial statement date, no significant events have occurred, except for those already referred to in the Report on operations.
In particular, in early February 2016 Intesa Sanpaolo received the required authorisation from the competent authorities for the amendments to its Articles of Association resulting from the adoption of a one-tier governance system, which will be submitted for the approval of the Extraordinary Shareholders' Meeting called for 26 February 2016.

SECTION 5 - OTHER ASPECTS

Option for the national fiscal consolidation provisions

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

Other aspects

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

A.2 – MAIN FINANCIAL STATEMENT CAPTIONS

1. Financial assets held for trading

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

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

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

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

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

2. Financial assets available for sale

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

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

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

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

3. Investments held to maturity

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

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

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

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

4. Loans

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

Recognition criteria
Initial recognition of a loan occurs at the date of subscription of the contract that usually 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, unlikely to pay or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS and EU supervisory regulations.
There are three different categories of restructured credit exposures:
– renegotiations for "commercial" reasons/practices;
– forborne exposures (as defined in Bank of Italy Circular 272);
– the discharge of debt through substitution of the debtor or debt-for-equity swap.

With respect to the first category, 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 only when it is due to commercial reasons other than the deterioration in the borrower's financial situation (and thus does not fall within the scope of forborne exposures, as described below), provided that the interest rate applied is a market rate at the renegotiation date.

According to Bank of Italy regulations, a "forborne exposure" is defined as a debt contract to which "forbearance measures" have been applied. Forbearance measures consist of concessions, in terms of the modification and/or refinancing of the pre-existing debt contract, towards a borrower who is currently experiencing, or about to experience, difficulty in meeting his financial obligations (in other words, the debtor is in financial difficulty). Accordingly, forborne exposures may occur in each of the categories of non-performing loans (doubtful loans, unlikely to pay, and past due), as well as among performing loans, on the basis of the risk status of the exposure at the reporting date.
Non-performing forborne exposures are those for which there are objective indications of impairment, in addition to forbearance measures.

As an alternative to the scenarios outlined above (renegotiations due to difficulty of the debtor and renegotiations for commercial reasons/practices), 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 measurement of a collective adjustment. Such 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. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets and liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
– 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 cases of transactions subject to fair value macro-hedging, the changes in fair value, with respect to the hedged risk, of the hedged assets and liabilities are recognised in the balance sheet, respectively under caption 90. "Fair value change of financial assets in hedged portfolios" or caption 70. "Fair value change of financial liabilities in hedged portfolios";
– in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
– hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.
A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:

– prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
– retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measures how much the effective results diverge from perfect coverage.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.
When a fair value macro-hedging relationship is discontinued, the cumulative revaluations/impairment losses carried under caption 90 "Fair value change of financial assets in hedged portfolios" or caption 70. "Fair value change of financial liabilities in hedged portfolios" are transferred to the income statement among interest income or expense over the residual life of the original hedging relationships, without prejudice to verification that the requirements have been met.

7. Equity investments

Recognition, classification and measurement criteria

The caption includes investments in companies subject to joint control and associates.
Entities are considered to be companies subject to joint control if control is contractually shared between the Group and one or more other parties, or where the decisions about the relevant activities require the unanimous consent from all parties sharing control.
Companies are considered subject to significant influence (associates), when the Group holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates. Certain companies in which the Group holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria
Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

8. Property and equipment

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

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

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

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

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

9. Intangible assets

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

Recognition and measurement criteria
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.
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 carrying 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. In particular, the costs incurred internally for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, (ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, (iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs

only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity from the beginning of production over the product's estimated life;

– customer related intangibles represented, in business combinations, by asset management relations and insurance portfolios. Such assets, 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 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. In addition, with respect to the Group's real-estate companies, other assets also include the real-estate portfolio, comprehensive of buildable areas, properties under construction, completed properties for sale and real-estate development initiatives, held for disposal, in that they are regarded "inventories" as defined in IAS 2.
These assets,pursuant to IAS 2, are measured at the lesser of cost and net realisable value, without prejudice to the comparison between the asset's carrying value and its recoverable amount where there is an indication that the asset may have been impaired. Any impairment losses are recorded in the income statement.

11. Non-current assets held for sale and discontinued operations and related liabilities
Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between the carrying amount and their fair value less costs to sell.
The income and charges (net of tax) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

12. Current and deferred tax
Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated it. Therefore, it represents the balance of current and deferred income taxes for the year. Current tax assets and liabilities include the tax balances of the Group companies due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Group companies claimed against taxes payable in future years.
Current tax assets also include tax credits in respect of which the Group has requested reimbursement from the applicable fiscal authorities, as well as the sums disbursed on a preliminary basis in the course of disputes with the Tax Department. The risk inherent in such proceedings and the risks inherent in proceedings where preliminary disbursements have not been requested, are evaluated in applying the principles contained in IAS 37 regarding the best estimate of the economic resources required.

Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable

income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.
If deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by income taxes.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of financial assets available for sale or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).
Deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named "Reserve pursuant to Article 21 of Legislative Decree 213/98", which qualify for deferred taxation, is charged directly against this reserve. No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which have already been taxed, leads to the belief that the Bank will not undertake any transactions which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.
Deferred taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

13. Allowances for risks and charges

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

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

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

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

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

14. Payables and securities issued

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

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

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

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

15. Financial liabilities held for trading

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

Measurement criteria
All financial liabilities held for trading are designated at fair value through profit and loss.

Derecognition criteria
Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

16. Financial liabilities designated at fair value through profit and loss

Classification criteria
Financial liabilities designated at fair value through profit and loss are recorded under this caption, on the basis of the fair value option given to companies by IAS 39, in compliance with the cases contemplated in the reference regulations.
The Group exercised the fair value option for liabilities designating insurance products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features. Investments relating to such forms of deposits, as already reported, were also designated at fair value, thereby eliminating or considerably reducing "accounting biases" that would otherwise have arisen from measuring assets and liabilities on the basis of different accounting criteria.

Recognition criteria
These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

Measurement criteria
These liabilities are measured at fair value through profit and loss.

Derecognition criteria
The financial liabilities measured at fair value through profit and loss are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

17. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Subsequent measurement
At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at

which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

18. Insurance assets and liabilities

Insurance products
Products for which insurance risk is deemed significant include: temporary first branch death policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies and damage cover. As regards these products, IAS/IFRS substantially confirm the national accounting standards concerning insurance. In brief, IFRS 4 sets forth that:
– 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 carrying value and the market value of securities classified as securities available for sale are allocated to technical reserves as regards the insured parties' portion and to shareholders' equity as regards the insurance companies' portion. If, on the other hand, the securities are recorded at fair value in the income statement, the difference between the book value and the market value is recorded in the income statement giving rise to a change in technical reserves equal to the amount of the insured parties' portion;
– in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions of the various products associated with each portfolio management;
– liabilities related to products with discretionary participation features are given as a whole with no distinction between the guaranteed component and the discretionary participation feature.

Financial products included under separate management
Financial products included under separate management, despite their not being subject to significant insurance risk, and which therefore contain discretionary participation features, include the majority of life policies and mixed first branch policies, as well as fifth branch capitalisation policies. These are accounted for according to the principles set forth in IFRS 4. These principles may be summarised as:
– the products are shown in the financial statements according to principles that essentially reflect those locally in force on the subject, any premiums, payments and changes in technical reserves being recorded in the income statement;
– as stated in the previous paragraph, shadow accounting is applied to the insurance products entered under separate management which, therefore, have discretionary participation features;
– in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions of the various products associated with each portfolio management;
– liabilities related to products with discretionary participation features are given as a whole with no distinction between the guaranteed component and the discretionary participation feature.

Financial products not included under separate management
Financial products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary participation features, are stated in the financial statements as financial liabilities and are valued at fair value, on the basis of the envisaged option (Fair Value Option), or at amortised cost. These financial products are essentially index-linked policies and part of the unit-linked ones, as well as policies with specific assets not included under separate management. These products are accounted for according to the principles set forth in IAS 39, as summarised below:
– the portion of index- and unit-linked policies that are considered investment contracts are measured at fair value, whereas the specific asset products not included under separate management are measured at amortised cost;
– the income statement does not reflect the premiums relating to these products, but just the revenue components, represented by charges and commissions, and the cost components, comprising provisions and other charges; it also reflects the costs or revenues represented by the changes in the fair value of the liabilities incurred against these contracts. More specifically, the international accounting standards, contained in IAS 39 and 18, provide that, for the liabilities designated at fair value, income and costs relating to the products in question be identified and classified under two headings: (i) origination, to be recorded in the income statement at the time the product is issued and (ii) investment and management services, to be amortised over the life of the product which depends on how the service is provided. In addition, as regards specific asset products not included under separate management, incremental cost and income items are included in the calculation of the amount to be amortised;
– the insurance component included in the index- and unit-linked products, where it can be unbundled, is independently valued and recorded.

19. Other information

Treasury shares
Any treasury shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals
Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

Leasehold improvements
The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities
Employee termination indemnities qualify as a "post-employment benefit" classified as:
- a "defined contribution plan" to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation;
- a "defined benefit plan", therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" to the extent of the portions accrued until 31 December 2006.
  These amounts are recognised at their actuarial value determined using the "Projected Unit Credit Method", without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

  For the purposes of discounting, the rate used is the market yield of high-quality corporate bonds taking into account the average remaining life of the liability, weighted based on the percentage amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the expiry of the entire obligation.
  The plan's costs are recorded under personnel expenses, while actuarial profits and losses are recognised in the statement of comprehensive income.

Provisions for guarantees and commitments
Provisions made on an individual and collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as set out by Bank of Italy instructions.

Share-based payments
Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned. The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues and costs
Revenues are recognised when they are collected or:
- in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably;
- in the case of services, when these have been rendered.

In particular:
- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued until the reference date of the financial statements, relating to financial derivatives:
  a) hedging interest-generating assets and liabilities;
  b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit and loss (fair value option) in management terms;
  c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;
- costs and revenues from the sale of financial instruments, determined by the difference between transaction amount paid or

received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to effective market quotes, or assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (levels 1 and 2 of the fair value hierarchy). When such reference parameters are not observable on the market (level 3), or the instruments present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction; the difference with respect to the fair value is recorded in the income statement during the life of the transaction;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

Costs are recorded in the income statement for the periods to which their income relates. If matching can only be attributed generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis.
Those costs that cannot be matched with the related revenues are immediately charged to the income statement.

Use of estimates and assumptions in preparing financial reports
The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.

The main cases for which subjective evaluations are required to be made by corporate management include:
- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves.

For some of the types listed above, the main factors subject to estimates by the Group and which determine the carrying value of assets and liabilities in the financial statements can be identified. The following are noted, by way of example:
- to determine the fair value of financial instruments not listed on active markets, if the use of parameters that cannot be obtained from the market is necessary, the main estimates regard, on one hand, development of future cash flows (or even income flows, in the case of equities), possibly conditional on future events and, on the other, the level of specific input parameters not listed on active markets;
- to determine the future cash flow estimates from non-performing loans, a number of items are considered: the expected recovery times, the presumed realisable value of guarantees and the costs to be sustained for the recovery of credit exposure. To determine the future cash flow estimates from loans for which no objective evidence of loss has emerged (collective measurement), past time-series and other objective elements observable at the measurement date are used, which enable the latent loss to be estimated for each loan category;
- to determine the value in use of intangible assets with an indefinite life (brand name and goodwill) with regard to the Cash Generating Units (CGU) comprising the Group, the future cash flows in the forecasting period of the analysis and the flows used to determine the terminal value, generated by the CGU, are subject to estimate, separately and appropriately discounted. Also the cost of capital is among the items subject to estimate;
- to determine the value in use of intangible assets with a finite life (asset management and insurance portfolios) with regard to the CGUs comprising the Group, the useful life is subject to estimate, on the one hand, as well as the future cash flows arising from the asset, on the other. The cost of capital is subject to estimate in the case of intangible assets with a finite life as well;
- to measure post-employment benefits, the present value of the obligations is subject to estimate, taking into account the flows, appropriately discounted, arising from past time-series analyses and the demographic curve;
- to measure provisions for risks and charges, the amount of outflows necessary to fulfil the obligations is estimated, where possible, taking into account the effective probability of having to utilise resources;
- to determine the value of deferred tax items, the likelihood of an effective future tax burden is estimated (taxable temporary differences) and the level of reasonable certainty – if it exists – of future taxable amounts at the time when the tax deductibility occurs (deductible temporary differences).

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).
After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different

depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the loan. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.
Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.
Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the customer. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions of services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. commissions for facility and arrangement) and, lastly, intragroup costs and income.
With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation in syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.
For securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.
Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.
Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not measured at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criterion is not applied to hedged financial assets/liabilities for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

Impairment of assets

Impairment of financial assets

At every balance sheet date the financial assets not classified under Financial assets held for trading or Financial assets designated at fair value through profit and loss are subject to an impairment test to assess whether there is objective evidence to consider that the carrying value of these assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographical area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, unlikely to pay or past due according to the definitions of the Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
These non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider forecast recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows relative to loans which are deemed to be recovered in the short term are not

discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out by identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the regulations known as "Basel 3". In particular, the parameters of the calculation model set out in the supervisory provisions, namely Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogeneous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting standards. This time period is reduced to six months for counterparties who are natural persons. This reduction is based on a statistically significant sample of mortgages that showed an average period of six months between the first missed payment and the classification as default. The time period of a year is decreased by 30% for the factoring segment, in order to take into account certain specific characteristics related to the activity of acquiring short-term trade receivables.
The amount of the provision also reflects the phase of the economic cycle through an appropriate corrective factor: an annually updated adjusting coefficient, estimated on the basis of the economic cycle, made necessary by the fact that ratings, which are calibrated according to the long-term expected average level throughout the economic cycle, only partially reflect current conditions. This coefficient is determined by regulatory segment and is equal to the ratio of the default rates estimated for the following 12 months on the basis of the scenario available in the fourth quarter (used in ICAAP) to actual PD. Cyclical coefficients are updated annually and submitted to the Chief Risk Officer for approval.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating. With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the latter amount, a fair value reduction of over 30% is considered significant, and a reduction of over 24 months is considered a "prolonged" continuous reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the valuation techniques used to determine fair value, see the chapter A.4 - Information on fair value.

Impairment of equity investments
At each balance sheet date the equity investments in associates or companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative and quantitative indicators.
Qualitative indicators include:
– 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;
– the downgrading by more than two categories of the rating;
– failure to discharge payment obligations for debt securities issued fully and in a timely manner;
– use of industrial policy tools aimed at responding to a serious crisis or allowing companies to face restructuring/reorganisation processes.

Quantitative indicators include:
– a reduction in fair value of over 30% below the carrying value or for a period of over 24 months;
– a market capitalisation lower than the company's net book value, in the case of securities listed on active markets, 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 distribution by the investee 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.

Impairment of 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 and the value of the insurance portfolio, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.

Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash Generating Unit (CGU) to which the values are attributed at the time of the business combinations. The amount of any impairment is determined on the basis of the difference between the CGU's book value and its recoverable amount represented by the higher of the fair value, less costs to sell, and the value in use.

The book value of the CGUs must be determined in a manner consistent with the criterion used to determine their recoverable amount. For a banking business, the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.

On this basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.

Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Asset Management, Private Banking, Insurance and International Subsidiary Banks) is determined by summing the individual book values of each company in the consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and Corporate and Investment Banking), given that the Parent Company and other banks contribute to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors is required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver is identified as the "regulatory capital" determined by the Credit Risk Officer area structures for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.

For an illustration of the valuation techniques used to determine fair value, see the chapter A.4 - Information on fair value.

The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU. These cash flows are determined by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan or other external information available. The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called Terminal value. The "g" rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.

For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the present market conditions with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been corrected to take into account the "Country Risk".

The cash flows produced by the foreign banking subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

Business combinations

Business combinations are governed by IFRS 3.

The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.

To this end, control is deemed to have transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition

of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the chapter A.4 - Information on fair value, and note that, in the case of shares quoted on active markets, fair value is represented by Stock Exchange price at acquisition date or, should that not be available, the last price available.
Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.
Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs. Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32 and IAS 39.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.
Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired companies.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying amount is taken to income statement.
Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, such difference is taken to the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.
The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.
In accordance with IFRS 10, acquisitions of further stakes in companies which are already controlled are accounted for as a capital transaction or as a transaction with shareholders acting in their capacity as shareholders. For this reason, the difference between the cost of the acquisition and the book value of the minority stakes acquired is posted to group shareholders' equity; in the same way, the sale of minority stakes without ceding control, does not generate gains or losses in the income statement but is posted to group shareholders' equity.
The following transactions are outside the scope of business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the continuing values of the acquiree in the financial statements of the acquirer.
Mergers are examples of concentrations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:
- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values of the merged company.

Criteria for the preparation of segment reporting
The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured according to six sectors with specific operational responsibilities: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Asset Management, Private Banking and

Insurance. In addition to these operating areas there are the following support structures: Group Treasury, Capital Light Bank and the Head Office Departments concentrated in the Corporate Centre.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.
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 2015.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2015	Fair value at 31.12.2015	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	523	505	21	7	10	8
Equities and quotas of UCI	Financial assets held for trading	Financial assets available for sale	-	-	-1	-	-	-
Debt securities	Financial assets available for sale	Loans	5,166	4,474	1,112	126	732	115
Loans	Financial assets available for sale	Loans	13	13	-3	-	-1	-
TOTAL			**5,702**	**4,992**	**1,129**	**133**	**741**	**123**

The income components related to net increases attributable to the risk profile being hedged of reclassified assets amount to 735 million euro.

Had the Group not reclassified the above financial assets, positive income components would have been recognised for an amount of 1,129 million euro (before tax), due to positive income components of 741 million euro, generating a positive effect of 388 million euro (before tax), broken down as follows:

– write-off of the positive income components recognised during the year following the 741 million euro transfer. Of this amount, 6 million euro relates to recoveries and 735 million euro to fair value increases following hedges;
– reversal of the positive income components which would have been recognised had no transfer taken place, totalling 1,129 million euro. Of this amount, 8 million euro refers to recoveries, 735 million euro to fair value increases due to hedges and 386 million euro to the increase in Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 10 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 2015 would have been written down by 699 million euro, of which 15 million to be recognised in the income statement (negative components for 2008: 460 million euro, positive components for 2009: 73 million euro, positive components for 2010: 92 million euro, negative components for 2011: 11 million euro, positive components for 2012: 135 million euro, positive components for 2013: 94 million euro, positive components for 2014: 60 million euro and positive components for 2015: 2 million euro) and 684 million euro to be recognised in the Valuation reserve in Shareholders' equity (against 1,070 million euro as at 31 December 2014 with a positive net variation of 386 million euro had no transfer occurred).

As at 31 December 2015, reclassifications amount to a nominal 4,841 million euro. Of this amount:

– 4,136 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;
– 705 million euro was reclassified after 1 November 2008 and therefore on the basis of fair value as at the date of reclassification; the latter figure also refers to reclassifications carried out in 2009 concerning structured credit products arising from the transformation of unfunded instruments (derivatives) into funded instruments (securities), while maintaining the same risk profile to which the Group is exposed.

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer

No portfolio transfers were made in 2015.

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 3.00% and estimated cash flows at the date financial assets were reclassified amount to 4,841 million euro.

A.4 – INFORMATION ON FAIR VALUE

Qualitative information

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single entity. Underlying the definition of fair value is the assumption that the company is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.

An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible.

The fair value of financial instruments is determined according to a hierarchy of criteria based on the origin, type and quality of the information used. In detail, this hierarchy assigns top priority to quoted prices (unadjusted) in active markets and less importance to unobservable inputs. Three different levels of input are identified:
– level 1: input represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the entity as at the measurement date;
– level 2: input other than quoted prices included in level 1 that are directly or indirectly observable for the assets or liabilities to be measured;
– level 3: unobservable input for the asset or liability.

As ***level 1*** inputs are available for many financial assets and liabilities, some of which are traded in more than one active market, the company must pay particular attention to defining both of the following aspects:
– the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
– whether the company can complete a transaction involving the asset or liability at that price and in that market as at the measurement date.

The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Group generally operates.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.
In specific cases regulated by internal policies and despite being quoted on regulated markets, research is carried out in order to verify the significance of official market values.
In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, expansion or increase of the bid-ask spread, reduction or total lack of market for new issues, limited publicly-available information), analyses of the transactions or of the quoted prices are carried out.

The following are considered as level 1 financial instruments: contributed equities, contributed bonds (i.e. quoted on the EuroMTS circuit, or for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices), contributed harmonised mutual funds, spot exchange rates, and derivatives for which quotations are available on an active market (for example, futures and exchange traded options)[6].
Finally, level 1 instruments also include hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, and the checklist, which is the summary document of significant information on underlying assets of the fund, does not highlight any critical points in terms of liquidity risk or counterparty risk[7].
For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the close of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Fair Value Policy are not considered level 1 instruments.

When no quotation on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
Such techniques include:
– 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).

[6] Bonds valued using official closing prices and/or fixing provided by local authorities (central bank, monetary authority or local stock exchange) may be classified as level 1, but only for foreign branches and international banks and pursuant to local regulatory requirements, where the decentralised Risk Management units confirm that there is an active market, and when the Group Risk Manager area expressly authorises it.

[7] For some international companies, it is possible to use the official closing and/or fixing price provided by the local authorities (central bank, monetary authority or local securities exchange).

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 (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final valuation.
The following are measured using level 2 input models:
- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- derivatives measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- ABS 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 Group Risk Manager area 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 valuation 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 valuation 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 valuation models, and when the Bank decides to use a new model to measure payoffs previously managed with models deemed to be less adequate. All models used for the valuation 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 valuation models over time: periodical monitoring of the adherence to the market of the valuation model in order to promptly discover any gaps 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 Group Risk Manager on the basis of the Group's Internal Regulations approved by the Management bodies of the Parent Company and Group Companies – has established the processes necessary to identify market parameters and the means according to which such parameters must be extracted and used. Such market data may be both elementary and derived data. In particular, for each reference category (asset class), the regulation determines the relative requisites, as well as the

cut-off and certification means. The document defines the collection of the contribution sources deemed adequate for the valuation 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, entered into 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 Group Risk Manager area, 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 valuation 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 valuation 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 valuation 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 Group Risk Manager area 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 Group Risk Manager area 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);
– 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 Group Risk Manager area. The criteria for the release are subordinated to the elimination of the factors indicated above and disciplined by the Group Risk Manager area. 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 Group Risk Manager area.

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. Valuation model for non-contributed securities

The valuation of non-contributed securities (that is, securities without official listings expressed by an active market) occurs through the use of an appropriate credit spread test, which is estimated starting from contributed and liquid financial instruments with similar characteristics. The sources used to estimate the level of the credit spread are the following:
– contributed and liquid securities of the same issuer;
– credit default swaps on the same reference entity;
– contributed and liquid securities of an issuer with the same rating and belonging to the same sector.
In any case the different seniority of the security to be priced is considered relatively to the issuer’s debt structure.
In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.
Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of the Intesa Sanpaolo Group is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.
Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the “fair” credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.
If there is also an embedded option a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and the illiquidity of the underlying assets. This component is calculated on the basis of the type of option and its maturity.

II. Valuation models for 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 valuation 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 evaluate 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, 1- and 2-factor Hull-White, Mixture of 1- and 2-factor Hull-White, Bivariate lognormal, Rendistato, Hagan replication	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), Stochastic Local Volatility (SLV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Bifactorial Inflation	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, Black Model	Probability of default, Recovery rate.

As envisaged by IFRS 13, in determining fair value, the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.
For derivatives in particular, the Bilateral Credit Value Adjustment (bCVA) model fully takes into account the effects of changes in the counterparty credit rating, as well as changes in its own credit rating. In fact, the bCVA consists of the sum of two addends, calculated by considering the possibility that both counterparties go bankrupt:
– the CVA (Credit Value Adjustment) is a negative measure that takes into account scenarios whereby the counterparty fails before the bank and the bank has a positive exposure to the counterparty. In these scenarios the bank suffers a loss equal to the cost of replacing the derivative;
– the DVA (Debt Value Adjustment) is a positive measure that takes into account scenarios whereby the bank fails before the counterparty and has a negative exposure to the counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

The bCVA depends on the exposure, probability of default and the Loss Given Default of the counterparties. Lastly, the bCVA must be calculated taking into account any counterparty risk mitigation agreements, particularly collateral and netting agreements for each individual counterparty. In the event of netting agreements with a specific counterparty, the bCVA is calculated with regard to the portfolio including all transactions subject to netting with that counterparty.
The measurement of creditworthiness uses various sources. Specifically:
– in the case of counterparties with CDS spread quoted on the market (including Intesa Sanpaolo), calculation of the bCVA is carried out by considering the neutral probability of default towards risk (namely estimated based on the prices of bonds and not on historical figures) quoted on the market and regarding both the counterparty and the investor, measured on the basis of the listed CDS spread credit curve;
– for Large Corporate counterparties without CDS quoted on the market with significant turnover, the bCVA is calculated by considering the neutral probability of default towards risk of a counterparty associated to the counterparty to 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. Valuation model for 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) or, where parameters cannot be observed, estimated parameters (level 3 inputs, where significant).
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, from prices available on the market/consensus platforms, 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.

In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the CLO HY loans that may influence the waterfall. For this asset class, the process of determining fair value also involves stress of the main unobservable variables and a credit analysis aimed at identifying any weaknesses of the individual assets securing the CLOs that results in a revision of the input parameters.

With regard to debt securities and complex credit derivatives (funded and unfunded CDOs) the fair value is determined based on a quantitative model which estimates joint losses on collateral with a simulation of the relevant cash flows which uses copula functions.
The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default derived from market spreads, recovery rates, the correlation between the value of collateral present in the structure and the expected residual life of the contract.
For spreads, the valuation process incorporates, as promptly as possible, all the market inputs (including synthetic indexes such as LCDX, Levx and CMBX) considered to be significant: consensus parameters calculated by multicontribution platforms and market spread estimates made available by major dealers are used.
The Market Data Reference Guide, which sets out credit spread contribution sources, was moreover integrated with specific policies for the other inputs such as correlations and recovery rates.
For specific types of collateral, such as trust preferred securities, the probability of default is estimated using the Expected Default Frequency from Moody’s - KMV.
In order to incorporate high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters; in particular:
- stress of recovery rates: expected recovery rates on the assets held as collateral in every deal have been decreased by 25% (50% for REITS underlyings);
- stress of asset value correlation: inter and intra correlations have been increased and decreased by 15% or 25% depending on the type of product;
- stress of spreads: the spreads, used to determine the marginal distributions of defaults, have been increased by 25%;
- stress of expected residual lives: the latter have been increased by 1 year.

Each of these modules contributes to the definition of a sensitivity grid of the value to the single parameter; results are then aggregated assuming independence between the single elements.

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 Financial and Market Risks 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 valuation 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 valuation 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 Group Risk Manager area, 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 valuation of the fund assets, therefore, the prudential adjustment is applied based on the availability of prices or certain weaknesses in the valuation 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	-23	31	%	8,237	-6,929
Structured securities	Two-factor model	Correlation	-31	12	%	294	-531
ABS	Discounting Cash Flows	Credit Spread	-30	42	%	1,166	-1,789
ABS	Discounting Cash Flows	Recovery rate	-25	10	%	1,394	-3,486
CLO Cash	Discounting Cash Flows	Credit Spread	-29	28	%	4,254	-4,165
CLO Cash	Discounting Cash Flows	Recovery rate	-25	10	%	15	-38
CLO Cash	Discounting Cash Flows	CPR	-10	10	%	1,131	-1,131
CDO	Gaussian copula	Credit Spread	-25	25	%	924	-924
CDO	Gaussian copula	Joint default correlation	-10	10	%	78	-78
CDO	Gaussian copula	Recovery rate	-25	10	%	248	-620
OTC derivatives subject to FV adjustment for CVA/DVA - Non-performing counterparies	bCVA	Loss Given Default Rate (LGD)	0	100	%	13,846	-20,373
OTC derivatives subject to FV adjustment for CVA/DVA - Performing counterparies	bCVA	Probability of default (PD) based on counterparty's internal rating	CCC	BBB	Internal rating	416	-159
OTC derivatives - Equity basket option	Black - Scholes model	Correlation between underlying equity baskets	3	96	%	612	-354
OTC derivatives - Spread option on swap rates	Lognormale bivariato model	Correlation between swap rates	-11	97	%	2,848	-3,626
OTC derivatives - Equity option	Black - Scholes model	Historical volatility - EuroClass	35	76	%	1,712	-729

A.4.2 Valuation processes and sensitivity
For a description of the valuation processes used by the Group for instruments measured at level 3 in a recurring and non-recurring manner, see paragraphs A.4.1 and A.4.5 respectively.

As required by IFRS 13, for the financial assets and liabilities measured at level 3 fair value the following table lists the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value.

Financial assets/liabilities	**Non-observable parameters**	**Sensitivity** (thousands of euro)	**Change in non-observable parameter**
Held for trading and available for sale securities	Credit spread	-181	1 bp
Held for trading and available for sale securities	CPR	-113	1%
Held for trading and available for sale securities	Correlation	11	1%
Held for trading and available for sale securities	Recovery rate	-166	1%
OTC Derivatives - Equity	Historical volatility for the underlying Euro Class S.p.a.	-609	10%
OTC Derivatives - Interest rate	Correlation for spread options between swap rates	-643	0.1
OTC Derivatives - Equity	Correlation between underlying equity baskets	-179	0.1

Moreover, the sensitivity analysis performed on level 3 structured credit products highlights a negative change in fair value, referring to complex credit derivatives, for an amount not material when the following parameters change:
– risk-neutral probability of default derived from market spreads (10%);
– recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
– correlation between the value of collaterals present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
– expected residual life of the contract (one-year increase over the expected term).

A.4.3. Fair value hierarchy
With regard to financial assets and liabilities measured at fair value on a recurring basis, the Intesa Sanpaolo Group carries out level changes based on the following guidelines.
For debt securities, the transition from level 3 to level 2 occurs if the significant parameters used as inputs in the valuation technique are, as at the reference date, observable on the market. The transition from level 3 to level 1 occurs when as at the reference date it has been determined that an active market exists, as defined in IFRS 13. The transition from level 2 to level 3 occurs when, as at the reference date, some of the significant parameters used in determining fair value are not directly observable on the market.
For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of significance and observability of the parameters used to determine the risk free component. Calculation of the component linked to the risk of insolvency of the counterparty/issuer, with unobservable parameters, may involve reclassification to level 3. In particular, this occurs when:
– the counterparty has a non-performing credit status and positive current exposure;
– with regard to the netting set, the ratio of the bilateral Credit Value Adjustment (bCVA) component and the total fair value is higher than a significant threshold and there is significant sensitivity to downgrading.

For equity instruments recognised among assets available for sale, change of the level occurs:
– when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, the Group reclassifies from level 3 to level 2;
– when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable) and others are not available. In this case, the Group uses valuation techniques that use unobservable inputs.

A.4.4. Other information
For information regarding the highest and best use as required by IFRS 13, refer to the description at the bottom of Table A.4.5.4 with regard to non-financial assets.
The Intesa Sanpaolo Group does not exercise the exception envisaged under paragraph 48 of IFRS 13 (fair value based on net position) regarding financial assets and liabilities with positions that offset one another with regard to market risk and counterparty risk.

Quantitative information

A.4.5. Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level

(millions of euro)

Assets / liabilities at fair value	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	17,994	32,546	1,057	14,433	38,055	1,253
2. Financial assets designated at fair value through profit or loss	51,847	1,200	616	41,579	1,806	478
3. Financial assets available for sale	120,876	8,208	2,318	114,055	5,032	5,063
4. Hedging derivatives	-	7,039	20	-	9,206	4
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**190,717**	**48,993**	**4,011**	**170,067**	**54,099**	**6,798**
1. Financial liabilities held for trading	11,217	31,972	333	4,189	41,914	273
2. Financial liabilities designated at fair value through profit or loss	-	47,022	-	-	37,622	-
3. Hedging derivatives	-	8,225	9	-	10,291	9
Total	**11,217**	**87,219**	**342**	**4,189**	**89,827**	**282**

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 2015:

- from level 1 to level 2:
  - financial assets held for trading for 100 million euro (book value as at 31 December 2015);
  - financial assets designated at fair value through profit and loss for 57 million euro (book value as at 31 December 2015);
  - financial assets available for sale for 372 million euro (book value as at 31 December 2015);
  - financial liabilities held for trading for 75 million euro (book value as at 31 December 2015).
- from level 2 to level 1:
  - financial assets held for trading for 584 million euro (book value as at 31 December 2015);
  - financial assets designated at fair value through profit and loss for 7 million euro (book value as at 31 December 2015);
  - financial assets available for sale for 156 million euro (book value as at 31 December 2015);
  - financial liabilities held for trading for 2,954 million euro (book value as at 31 December 2015).

Transfers between fair value levels derive from the empirical observation of phenomena inherent in the instrument in question or its market.
The transfer from level 1 to level 2 is due to an adequate number of contributors no longer being present, namely to the limited number of investors holding the existing float. These cases often occur when approaching maturity of the instruments. Conversely, securities that have limited liquidity and number of negotiations upon issue – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

As at 31 December 2015, the impact of non-performance risk (Credit Value Adjustment and Debt Value Adjustment) in the determination of the fair value of financial instruments, and financial and credit derivatives, amounted to a reduction of 259 million euro in positive fair value and a reduction of 15 million euro in negative fair value.

A.4.5.2.Annual changes in assets measured at fair value on a recurring basis (level 3)

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
1. Initial amount	**1,253**	**478**	**5,063**	**4**	**-**	**-**
2. Increases	**830**	**349**	**1,680**	**23**	**-**	**-**
2.1 Purchases	476	-	747	-	-	-
2.2 Gains recognised in:	99	7	291	-	-	-
2.2.1 Income statement	*99*	*7*	*97*	-	-	-
- of which capital gains	*83*	*1*	-	-	-	-
2.2.2 Shareholders' equity	*X*	*X*	*194*	-	-	-
2.3 Transfers from other levels	199	61	264	23	-	-
2.4 Other increases	56	281	378	-	-	-
3. Decreases	**-1,026**	**-211**	**-4,425**	**-7**	**-**	**-**
3.1 Sales	-331	-193	-908	-	-	-
3.2 Reimbursements	-200	-	-121	-	-	-
3.3 Losses recognized in:	-404	-1	-325	-7	-	-
3.3.1 Income statement	*-404*	*-1*	*-97*	*-7*	-	-
- of which capital losses	*-154*	*-1*	*-96*	*-7*	-	-
3.3.2 Shareholders' equity	*X*	*X*	*-228*	-	-	-
3.4 Transfers to other levels	-86	-10	-2,981	-	-	-
3.5 Other decreases	-5	-7	-90	-	-	-
4. Final amount	**1,057**	**616**	**2,318**	**20**	**-**	**-**

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	**273**	**-**	**9**
2. Increases	**152**	**-**	**6**
2.1 Issues	-	-	-
2.2 Losses recognised in:	37	-	2
2.2.1 Income statement	*37*	-	*2*
- of which capital losses	*37*	-	*2*
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Transfers from other levels	47	-	*4*
2.4 Other increases	68	-	-
3. Decreases	**-92**	**-**	**-6**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-93	-	-5
3.3.1 Income statement	*-93*	-	*-5*
- of which capital gains	*-21*	-	*-5*
3.3.2 Shareholders' equity	*X*	*X*	*X*
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	1	-	-1
4. Final amount	**333**	**-**	**9**

Financial liabilities held for trading" refer to derivative contracts with a negative fair value.

Transfers from and to other levels described in the above tables were carried out in accordance with the guidelines described in paragraph A.4.3 - Fair value hierarchy.

For more exhaustive information on the sensitivity of financial instruments to changes in the main input parameters, reference should be made to the analyses of the trading book in Part E of these Notes to the consolidated financial statements.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: fair value by level

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2015				31.12.2014			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Investments held to maturity	1,386	555	898	-	1,471	602	917	-
2. Due from banks	34,445	58	20,977	13,339	31,372	58	21,061	10,200
3. Loans to customers	350,010	1,064	238,533	120,829	339,105	1,310	200,810	149,390
4. Investment property	357	-	-	383	84	-	-	101
5. Non-current assets held for sale and discontinued operations	27	-	-	30	229	-	-	26
Total	**386,225**	**1,677**	**260,408**	**134,581**	**372,261**	**1,970**	**222,788**	**159,717**
1. Due to banks	59,327	-	44,537	14,603	51,495	4	35,852	15,606
2. Due to customers	255,258	183	216,446	39,183	230,738	110	194,236	36,932
3. Securities issued	110,144	49,110	60,349	2,669	123,768	63,636	59,067	3,332
4. Liabilities associated with non-current assets	-	-	-	-	201	-	-	-
Total	**424,729**	**49,293**	**321,332**	**56,455**	**406,202**	**63,750**	**289,155**	**55,870**

Financial assets and liabilities

For assets and liabilities not measured at fair value (securities held to maturity, loans and loans represented by securities, amounts due to customers and securities issued), the Group measures fair value by calculating the present value of future cash flows at a rate that incorporates the estimate of the main risks and uncertainties associated with the financial instrument to be measured (discount rate adjustment approach).

In particular, the interest rate used to discount the future cash flows is determined by taking into account the following risk factors:

– interest rate risk, which represents the rate offered by the market for each unit of capital provided to risk-free counterparties;
– credit risk, which is the premium for having provided capital to counterparties with insolvency risk;
– the cost of liquidity connected to credit.

For fixed rate instruments, the cash flows are those envisaged by the contracts. For floating rate instruments, the future cash flows are determined based on forward rates, implicit in the zero coupon interest rate curves observed at the various fixing dates and differentiated by indexation type.

The value of the risk premium (credit spread) is determined per individual position, through acquisition of the risk class (LGD) and rating (PD). These amounts, together with the average residual financial life, constitute the guideline for acquisition of the credit spread. The spread curve is determined based on the same rules for securities issued by Intesa Sanpaolo as well.

The following assumptions were used in determining the fair values indicated in table A.4.5.4:

– for debt securities classified under held to maturity and for loans represented by securities, the same rules envisaged for the fair value measurement of other categories of securities are used;
– for securities issued, the rules used are the same as those applied to securities under assets;
– the book value is calculated as the reasonable approximation of fair value for:
  o demand financial items (assets and liabilities) or financial items with an original maturity equal to or less than 12 months which, in the table, are presented in the column corresponding to level 2 of the fair value hierarchy except for demand loans presented in the column corresponding to level 3 of the fair value hierarchy;
  o non-performing assets, which in the table are included in the column corresponding to level 3 of the fair value hierarchy.

Non-financial assets

Regarding investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the consolidated financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

Under IAS 39, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.
The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is always intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins, which are taken to the income statement when the financial instrument is initially measured.
Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at the transaction cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (also defined as Day-One-Profit - DOP).
This difference shall be recognised in the income statement only when it arises from changes of the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.

When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement.
Similarly, in the event of "on the book" transactions falling under the Bank's investing activities, the Day-One-Profits earned on level 3 transactions (including in the above "on the book" management) are taken to the income statement when the Group entity (the investment bank) carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.
The above regulation applies only to those instruments which fall in one of the classes which can be recognised at fair value through profit and loss (Fair Value Option and Trading Book). Indeed, only for the latter, the difference between the transaction price and the fair value would be taken to the income statement upon initial recognition.
The following table shows the DOP amount trend deferred in the balance sheet, indicating the portion taken to the income statement.

(millions of euro)

1. Initial amount	**10**
2. Increases	**-**
2.1 New transactions	-
3. Decreases	**-9**
3.1 Releases to the income statement	-9
4. Final amount	**1**

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)

	31.12.2015	31.12.2014
a) Cash	3,324	3,814
b) On demand deposits with Central Banks	6,020	2,817
TOTAL	**9,344**	**6,631**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	15,106	2,691	311	11,669	2,514	395
1.1 structured securities	*649*	*149*	*6*	*423*	*247*	*129*
1.2 other debt securities	*14,457*	*2,542*	*305*	*11,246*	*2,267*	*266*
2. Equities	900	-	-	793	-	-
3. Quotas of UCI	1,299	140	256	1,349	179	113
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**17,305**	**2,831**	**567**	**13,811**	**2,693**	**508**
B. Derivatives						
1. Financial derivatives	689	28,848	475	622	34,235	710
1.1 trading	*689*	*28,439*	*475*	*622*	*33,747*	*710*
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*409*	-	-	*488*	-
2. Credit derivatives	-	867	15	-	1,127	35
2.1 trading	-	*867*	*2*	-	*1,127*	*22*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	*13*	-	-	*13*
Total B	**689**	**29,715**	**490**	**622**	**35,362**	**745**
TOTAL (A+B)	**17,994**	**32,546**	**1,057**	**14,433**	**38,055**	**1,253**

The caption above includes the securities connected with securitisation transactions for a total amount of approximately 1,395 million euro, of which 1,042 million euro is senior, 327 million euro is mezzanine and 26 million euro is junior.

2.1 Of which: Banking group

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	14,892	2,629	302	11,444	2,396	371
1.1 structured securities	*649*	*149*	*6*	*423*	*247*	*129*
1.2 other debt securities	*14,243*	*2,480*	*296*	*11,021*	*2,149*	*242*
2. Equities	900	-	-	793	-	-
3. Quotas of UCI	908	140	209	939	179	113
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**16,700**	**2,769**	**511**	**13,176**	**2,575**	**484**
B. Derivatives						
1. Financial derivatives	689	28,846	475	622	34,234	710
1.1 trading	*689*	*28,437*	*475*	*622*	*33,746*	*710*
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*409*	-	-	*488*	-
2. Credit derivatives	-	864	15	-	1,120	35
2.1 trading	-	*864*	*2*	-	*1,120*	*22*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	*13*	-	-	*13*
Total B	**689**	**29,710**	**490**	**622**	**35,354**	**745**
TOTAL (A+B)	**17,389**	**32,479**	**1,001**	**13,798**	**37,929**	**1,229**

2.1 Of which: Insurance companies

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	214	62	9	225	118	24
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*214*	*62*	*9*	*225*	*118*	*24*
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	391	-	47	410	-	-
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**605**	**62**	**56**	**635**	**118**	**24**
B. Derivatives						
1. Financial derivatives	-	2	-	-	1	-
1.1 trading	-	*2*	-	-	*1*	-
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	3	-	-	7	-
2.1 trading	-	*3*	-	-	*7*	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**5**	**-**	**-**	**8**	**-**
TOTAL (A+B)	**605**	**67**	**56**	**635**	**126**	**24**

2.2 Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
A) CASH ASSETS					
1. Debt securities	**18,108**	***17,823***	***285***	**-**	**14,578**
a) Governments and Central Banks	10,616	*10,382*	*234*	-	5,511
b) Other public entities	384	*384*	-	-	370
c) Banks	3,730	*3,682*	*48*	-	4,854
d) Other issuers	3,378	*3,375*	*3*	-	3,843
2. Equities	**900**	***900***	**-**	**-**	**793**
a) Banks	36	*36*	-	-	46
b) Other issuers	864	*864*	-	-	747
- insurance companies	*83*	*83*	-	-	*75*
- financial institutions	*55*	*55*	-	-	*29*
- non-financial companies	*726*	*726*	-	-	*643*
- other	-	-	-	-	-
3. Quotas of UCI	**1,695**	***1,257***	***438***	-	**1,641**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
Total A	**20,703**	***19,980***	***723***	-	**17,012**
B) DERIVATIVES					
a) Banks	17,358	*17,353*	*5*	-	21,775
b) Customers	13,536	*13,536*	-	-	14,954
Total B	**30,894**	***30,889***	***5***	-	**36,729**
TOTAL (A+B)	**51,597**	***50,869***	***728***	-	**53,741**

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)

	31.12.2015			31.12.2014		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	3,513	1,191	113	2,460	1,806	250
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*3,513*	*1,191*	*113*	*2,460*	*1,806*	*250*
2. Equities	1,024	-	-	873	-	-
3. Quotas of UCI	47,030	-	121	38,211	-	102
4. Loans	280	8	383	35	-	126
4.1 structured	-	*8*	-	-	-	-
4.2 other	*280*	-	*383*	*35*	-	*126*
Total	**51,847**	**1,199**	**617**	**41,579**	**1,806**	**478**
Cost	**50,211**	**1,172**	**615**	**39,028**	**1,778**	**461**

3.1 Of which: Banking group

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	953	69	-	1,078	13
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	-	*953*	*69*	-	*1,078*	*13*
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	12	-	102	13	-	102
4. Loans	-	8	-	-	-	-
4.1 structured	-	*8*	-	-	-	-
4.2 other	-	-	-	-	-	-
Total	**12**	**961**	**171**	**13**	**1,078**	**115**
Cost	**25**	**953**	**167**	**23**	**1,067**	**119**

In this category the Group has classified some debt securities with embedded derivatives, debt securities subject to financial hedging, equity investments held, directly or through funds, in companies involved in the venture capital business and loans connected to the LECOIP for the employment agreements, terminated early, of its employees and those of Group companies, managed based on fair value.
On the basis of the loans included in the aggregate, no hedges were arranged and no credit derivatives or similar instruments exist to mitigate the relevant credit risk. The amount of relevant annual and total fair value change attributable to the credit risk changes occurred in the period is immaterial.

3.1 Of which: Insurance companies

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	3,513	238	44	2,460	728	237
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*3,513*	*238*	*44*	*2,460*	*728*	*237*
2. Equities	1,024	-	-	873	-	-
3. Quotas of UCI	47,018	-	19	38,198	-	-
4. Loans	280	-	383	35	-	126
4.1 structured	-	-	-	-	-	-
4.2 other	*280*	-	*383*	*35*	-	*126*
Total	**51,835**	**238**	**446**	**41,566**	**728**	**363**
Cost	**50,186**	**219**	**448**	**39,005**	**711**	**342**

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)

	31.12.2015	Of which:			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**4,817**	***1,022***	***3,795***	-	**4,516**
a) Governments and Central Banks	4,071	*751*	*3,320*	-	2,504
b) Other public entities	12	*4*	*8*	-	6
c) Banks	496	*245*	*251*	-	996
d) Other issuers	238	*22*	*216*	-	1,010
2. Equities	**1,024**	-	***1,024***	-	**873**
a) Banks	562	-	*562*	-	95
b) Other issuers	462	-	*462*	-	778
- insurance companies	*26*	-	*26*	-	*23*
- financial institutions	*10*	-	*10*	-	*7*
- non-financial companies	-	-	-	-	-
- other	*426*	-	*426*	-	*748*
3. Quotas of UCI	**47,151**	***114***	***47,037***	-	**38,313**
4. Loans	**671**	***8***	***663***	-	**161**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	671	*8*	*663*	-	161
d) Other counterparties	-	-	-	-	-
TOTAL	**53,663**	***1,144***	***52,519***	-	**43,863**

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	112,200	4,956	200	108,194	4,373	338
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	*112,200*	*4,956*	*200*	*108,194*	*4,373*	*338*
2. Equities	1,540	3,163	966	1,049	531	4,186
2.1 Measured at fair value	*1,540*	*3,163*	*952*	*1,049*	*531*	*4,171*
2.2 Measured at cost	-	-	*14*	-	-	*15*
3. Quotas of UCI	7,136	48	1,149	4,812	120	535
4. Loans	-	41	3	-	8	4
TOTAL	**120,876**	**8,208**	**2,318**	**114,055**	**5,032**	**5,063**

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 2) include the 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.
During 2015 Intesa Sanpaolo sold - at nominal value, equal to the book value - a total stake of approximately 5.7% in the capital of the Bank of Italy, for an equivalent value of approximately 430 million euro. The number of shares held dropped from 127,266 to 110,014 (36.7% of capital), for a carrying value of 2,750 million euro.

For the 2015 Financial Statements, in order to check the stake in the Bank of Italy's capital, in compliance with the provisions of IFRS 13, reference was made to the value expressed by the market transactions performed throughout 2015 and regarding these stakes, recorded during 2015 in line with IFRS 13, which establishes that the fair value must be determined according to a hierarchy of criteria that assigns top priority to market input and less importance to inputs unobservable on the market. These transactions, also performed by other holders of the supervisory authority's capital, were deemed significant as they involved various market operators and implied the transfer of a considerable component of the Bank of Italy's capital. The transactions in question were all performed at the nominal value of the stakes, equal to 25,000 euro each. The fair value of the stakes consequently equalled the one recognised in Intesa Sanpaolo financial statements, i.e. 2,750 million.
Finally, the valuation of the stakes in the Bank of Italy based on the direct transaction method implies the classification of the investment in the category of the instruments with level 2 fair value, unlike in previous years, when the stakes in the Bank of

Italy were classified in level 3 as their fair value was determined by using a valuation method that used parameters that were not observable on the market.

4.1 Of which: Banking group

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	46,256	3,893	156	43,103	3,524	156
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	*46,256*	*3,893*	*156*	*43,103*	*3,524*	*156*
2. Equities	68	3,046	861	187	531	4,025
2.1 Measured at fair value	*68*	*3,046*	*847*	*187*	*531*	*4,010*
2.2 Measured at cost	-	-	*14*	-	-	*15*
3. Quotas of UCI	478	17	715	471	9	528
4. Loans	-	41	3	-	8	4
TOTAL	**46,802**	**6,997**	**1,735**	**43,761**	**4,072**	**4,713**

4.1 Of which: Insurance companies

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	65,944	1,063	44	65,091	849	182
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	*65,944*	*1,063*	*44*	*65,091*	*849*	*182*
2. Equities	1,472	-	-	862	-	161
2.1 Measured at fair value	*1,472*	-	-	*862*	-	*161*
2.2 Measured at cost	-	-	-	-	-	-
3. Quotas of UCI	6,658	31	434	4,341	111	7
4. Loans	-	-	-	-	-	-
TOTAL	**74,074**	**1,094**	**478**	**70,294**	**960**	**350**

4.1 Of which: Other companies

As at 31 December 2015, 222 million euro were attributable to other companies, of which 117 million euro referred to equites with level 2 fair value and the remainder 105 million euro to equities with level 3 fair value. At the end of 2014, there were no assets attributable to other companies.

4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

	31.12.2015	*Of which:*			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**117,356**	***50,305***	***67,051***	**-**	**112,905**
a) Governments and Central Banks	102,045	*46,645*	*55,400*	-	100,877
b) Other public entities	389	*31*	*358*	-	394
c) Banks	5,871	*1,690*	*4,181*	-	5,897
d) Other issuers	9,051	*1,939*	*7,112*	-	5,737
2. Equities	**5,669**	***3,975***	***1,472***	*222*	**5,766**
a) Banks	2,909	*2,842*	*67*	-	3,321
b) Other issuers	2,760	*1,133*	*1,405*	*222*	2,445
- insurance companies	*81*	-	*81*	-	*215*
- financial institutions	*405*	*402*	*3*	-	*319*
- non-financial companies	*2,274*	*731*	*1,321*	*222*	*1,910*
- other	-	-	-	-	*1*
3. Quotas of UCI	**8,333**	***1,210***	***7,123***	-	**5,467**
4. Loans	**44**	***44***	**-**	-	**12**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	3	*3*	-	-	4
d) Other counterparties	41	*41*	-	-	8
TOTAL	**131,402**	***55,534***	***75,646***	*222*	**124,150**

Equities include instruments issued by non-financial companies for 129 million euro, resulting from the conversion of loans.

4.3 Financial assets available for sale with specific hedges

(millions of euro)

	31.12.2015	*Of which:*			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
1. Financial assets with specific fair value hedges	**33,444**	***33,222***	**-**	*222*	**35,373**
a) Interest rate risk	32,875	*32,875*	-	-	35,317
b) Price risk	222	-	-	*222*	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	347	*347*	-	-	56
2. Financial assets with specific cash flow hedges	**-**	**-**	**-**	-	**-**
a) Interest rate risk	-	-	-	-	-
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**33,444**	***33,222***	**-**	**222**	**35,373**

Impairment tests for financial assets available for sale

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The Intesa Sanpaolo Group's policy for managing impairment testing calls for the verification of the presence of impairment indicators and the determination of any losses.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators, for example, are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating. With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the initial recognition value, a fair value reduction of over 30% is considered "significant", and a continuous reduction of over 24 months is considered a "prolonged" reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment loss must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment loss is calculated with reference to the fair value of the financial asset.

The analyses performed have resulted in the need to make some value adjustments with reference to some equity investments; the main value adjustments concerned Cassa di Risparmio della Provincia di Chieti (17 million euro), Carlo Tassara (16 million euro regarding the equity instruments) and Fondo Atlante Private Equity (13 million euro).

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,386	555	898	-	1,471	602	917	-
Structured securities	-	-	-	-	-	-	-	-
Other	*1,386*	*555*	*898*	-	*1,471*	*602*	*917*	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**1,386**	**555**	**898**	**-**	**1,471**	**602**	**917**	**-**

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)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,386	555	898	-	1,471	602	917	-
Structured securities	-	-	-	-	-	-	-	-
Other	*1,386*	*555*	*898*	-	*1,471*	*602*	*917*	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**1,386**	**555**	**898**	**-**	**1,471**	**602**	**917**	**-**

5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

	31.12.2015	Of which:			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**1,386**	***1,386***	**-**	**-**	**1,471**
a) Governments and Central Banks	1,243	*1,243*	-	-	1,326
b) Other public entities	-	-	-	-	-
c) Banks	103	*103*	-	-	104
d) Other issuers	40	*40*	-	-	41
2. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
TOTAL	**1,386**	***1,386***	**-**	**-**	**1,471**
TOTAL FAIR VALUE	**1,453**	***1,453***	**-**	**-**	**1,519**

5.3 Investments held to maturity with specific hedges

As at 31 December 2015, no investments held to maturity with specific hedges were recorded.

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	**Fair value**			**Book value**	**Fair value**		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**7,898**	**-**	**2,555**	**5,343**	**5,459**	**-**	**2,095**	**3,364**
1. Time deposits	1,348				1,516			
2. Compulsory reserve	6,229				3,894			
3. Repurchase agreements	82				-			
4. Other	239				49			
B. Due from banks	**26,547**	**58**	**18,422**	**7,996**	**25,913**	**58**	**18,966**	**6,836**
1. Loans	25,775	-	18,039	7,725	25,171	-	18,298	6,836
1.1 Current accounts and deposits	*9,202*				*10,278*			
1.2 Time deposits	*1,332*				*1,823*			
1.3 Other loans	*15,241*				*13,070*			
- Reverse repurchase agreements	*5,655*				*3,602*			
- Financial leases	*3*				*6*			
- Other	*9,583*				*9,462*			
2. Debt securities	772	58	383	271	742	58	668	-
2.1 Structured	-				-			
2.2 Other	*772*				*742*			
TOTAL	**34,445**	**58**	**20,977**	**13,339**	**31,372**	**58**	**21,061**	**10,200**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

Non-performing loans due from banks amounted to 3 million euro as at 31 December 2015 and 26 million euro as at 31 December 2014.

6.1 Of which: Banking group

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	**Fair value**			**Book value**	**Fair value**		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**7,898**	**-**	**2,555**	**5,343**	**5,459**	**-**	**2,095**	**3,364**
1. Time deposits	1,348				1,516			
2. Compulsory reserve	6,229				3,894			
3. Repurchase agreements	82				-			
4. Other	239				49			
B. Due from banks	**25,734**	**58**	**18,197**	**7,408**	**24,887**	**58**	**18,072**	**6,704**
1. Loans	24,982	-	17,834	7,137	24,199	-	17,458	6,704
1.1 Current accounts and deposits	*8,415*				*9,306*			
1.2 Time deposits	*1,326*				*1,823*			
1.3 Other loans	*15,241*				*13,070*			
- Reverse repurchase agreements	*5,655*				*3,602*			
- Financial leases	*3*				*6*			
- Other	*9,583*				*9,462*			
2. Debt securities	752	58	363	271	688	58	614	-
2.1 Structured	*-*				*-*			
2.2 Other	*752*				*688*			
TOTAL	**33,632**	**58**	**20,752**	**12,751**	**30,346**	**58**	**20,167**	**10,068**

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)

	31.12.2015				31.12.2014			
	Book value	**Fair value**			**Book value**	**Fair value**		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposits	-				-			
2. Compulsory reserve	-				-			
3. Repurchase agreements	-				-			
4. Other	-				-			
B. Due from banks	**776**	**-**	**225**	**551**	**1,026**	**-**	**894**	**132**
1. Loans	756	-	205	551	972	-	840	132
1.1 Current accounts and deposits	*756*				*972*			
1.2 Time deposits	*-*				*-*			
1.3 Other loans	*-*				*-*			
- Reverse repurchase agreements	*-*				*-*			
- Financial leases	*-*				*-*			
- Other	*-*				*-*			
2. Debt securities	20	-	20	-	54	-	54	-
2.1 Structured	*-*				*-*			
2.2 Other	*20*				*54*			
TOTAL	**776**	**-**	**225**	**551**	**1,026**	**-**	**894**	**132**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

6.1 Of which: Other companies

As at 31 December 2015 amounts due from banks referring to other companies amount to 37 million euro and consist of current accounts and deposits for 31 million euro and term deposits for 6 million euro, (total fair value equalling 37 million euro). As at 31 December 2014 there were no receivables attributable to this category.

6.2 Due from banks with specific hedges

(millions of euro)

	31.12.2015	31.12.2014
1. Due from banks with specific fair value hedges	**463**	**399**
a) Interest rate risk	424	364
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	39	35
2. Due from banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**463**	**399**

6.3 Financial leases

Financial lease receivables included under Due from banks were immaterial as at 31 December 2015.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(millions of euro)

	31.12.2015						31.12.2014					
	Book value			Fair value			Book value			Fair value		
	Performing	Non-performing					Performing	Non-performing				
		purchased	other	Level 1	Level 2	Level 3		purchased	other	Level 1	Level 2	Level 3
Loans	**303,539**	**9**	**33,021**	**-**	**229,370**	**119,197**	**291,807**	**17**	**33,406**	**-**	**191,388**	**148,588**
1. Current accounts	24,535	-	4,156				27,025	-	4,247			
2. Reverse repurchase agreements	21,449	-	-				16,927	-	-			
3. Mortgages	138,036	5	18,059				135,834	7	17,520			
4. Credit card loans, personal loans and transfer of one fifth of salaries	17,531	-	712				16,085	-	699			
5. Finance leases	14,298	-	3,916				15,557	7	3,848			
6. Factoring	9,733	-	246				11,053	-	340			
7. Other loans	77,957	4	5,932				69,326	3	6,752			
Debt securities	**13,385**	**-**	**56**	**1,064**	**9,163**	**1,632**	**13,837**	**-**	**38**	**1,310**	**9,422**	**802**
8. Structured securities	10	-	10				9	-	1			
9. Other debt securities	13,375	-	46				13,828	-	37			
TOTAL	**316,924**	**9**	**33,077**	**1,064**	**238,533**	**120,829**	**305,644**	**17**	**33,444**	**1,310**	**200,810**	**149,390**

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 81 million euro.

The illustration of the criteria used to determine fair value is contained in Part A – Accounting policies.

The caption above includes the securities connected with securitisation transactions for a total amount of approximately 4,054 million euro, of which 3,947 million euro is senior, 85 million euro is mezzanine and 22 million euro is junior.

7.1 Of which: Banking group

(millions of euro)

	31.12.2015						31.12.2014					
	Book value			Fair value			Book value			Fair value		
	Performing	Non-performing					Performing	Non-performing				
		purchased	other	Level 1	Level 2	Level 3		purchased	other	Level 1	Level 2	Level 3
Loans	**303,536**	**9**	**33,021**	**-**	**229,367**	**119,197**	**291,800**	**17**	**33,406**	**-**	**191,384**	**148,586**
1. Current accounts	24,535	-	4,156				27,025	-	4,247			
2. Reverse repurchase agreements	21,449	-	-				16,927	-	-			
3. Mortgages	138,036	5	18,059				135,834	7	17,520			
4. Credit card loans, personal loans and transfer of one fifth of salaries	17,531	-	712				16,085	-	699			
5. Finance leases	14,298	-	3,916				15,557	7	3,848			
6. Factoring	9,733	-	246				11,053	-	340			
7. Other loans	77,954	4	5,932				69,319	3	6,752			
Debt securities	**11,948**	**-**	**56**	**1,064**	**7,743**	**1,615**	**13,068**	**-**	**38**	**1,310**	**8,655**	**800**
8. Structured securities	10	-	10				9	-	1			
9. Other debt securities	11,938	-	46				13,059	-	37			
TOTAL	**315,484**	**9**	**33,077**	**1,064**	**237,110**	**120,812**	**304,868**	**17**	**33,444**	**1,310**	**200,039**	**149,386**

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 2015, 20 million euro was attributable to insurance companies, of which 3 million euro was attributable to other performing loans and 17 million euro to other performing debt securities (total fair value of 20 million euro). As at 31 December 2014, loans due from customers were related to insurance companies in the amount of 9 million euro, of which 7 million euro was attributable to other performing loans and 2 million euro to other performing debt securities (total fair value of 8 million euro).

7.1 Of which: Other companies

As at 31 December 2015, loans to customers relating to other companies amounted to 1,420 million euro and consisted entirely of performing debt securities (total fair value of 1,420 million euro). As at 31 December 2014 they amounted to 767 million euro, also attributable to other performing debt securities (total fair value of 767 million euro).

7.2 Loans to customers: borrower/issuer breakdown

(millions of euro)

	31.12.2015			31.12.2014		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Debt securities	**13,385**	**-**	**56**	**13,837**	**-**	**38**
a) Governments	4,036	-	-	4,467	-	-
b) Other public entities	4,792	-	28	5,231	-	31
c) Other issuers	4,557	-	28	4,139	-	7
- non-financial companies	*1,463*	-	*28*	*1,421*	-	*7*
- financial institutions	*2,978*	-	-	*2,657*	-	-
- insurance companies	*51*	-	-	-	-	-
- other	*65*	-	-	*61*	-	-
2. Loans	**303,539**	**9**	**33,021**	**291,807**	**17**	**33,406**
a) Governments	7,999	-	9	9,019	-	6
b) Other public entities	11,307	-	279	11,104	-	312
c) Other counterparties	284,233	9	32,733	271,684	17	33,088
- non-financial companies	*156,830*	*9*	*27,671*	*156,417*	*10*	*28,044*
- financial institutions	*39,651*	-	*802*	*30,788*	-	*941*
- insurance companies	*46*	-	-	*48*	-	-
- other	*87,706*	-	*4,260*	*84,431*	*7*	*4,103*
TOTAL	**316,924**	**9**	**33,077**	**305,644**	**17**	**33,444**

7.2 Of which: Banking group

(millions of euro)

	31.12.2015			31.12.2014		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Debt securities	**11,948**	**-**	**56**	**13,068**	**-**	**38**
a) Governments	4,036	-	-	4,467	-	-
b) Other public entities	4,792	-	28	5,231	-	31
c) Other issuers	3,120	-	28	3,370	-	7
- non-financial companies	*1,463*	-	*28*	*1,421*	-	*7*
- financial institutions	*1,558*	-	-	*1,890*	-	-
- insurance companies	*51*	-	-	-	-	-
- other	*48*	-	-	*59*	-	-
2. Loans	**303,536**	**9**	**33,021**	**291,800**	**17**	**33,406**
a) Governments	7,999	-	9	9,019	-	6
b) Other public entities	11,307	-	279	11,104	-	312
c) Other counterparties	284,230	9	32,733	271,677	17	33,088
- non-financial companies	*156,830*	*9*	*27,671*	*156,417*	*10*	*28,044*
- financial institutions	*39,649*	-	*802*	*30,782*	-	*941*
- insurance companies	*46*	-	-	*48*	-	-
- other	*87,705*	-	*4,260*	*84,430*	*7*	*4,103*
TOTAL	**315,484**	**9**	**33,077**	**304,868**	**17**	**33,444**

7.2 Of which: Insurance companies

As at 31 December 2015 there was 20 million euro attributable to insurance companies, of which 2 million euro relating to loans to financial institutions, 17 million euro to debt securities of other issuers and 1 million euro to loans to other parties, whereas as at 31 December 2014 there was 9 million euro, of which 6 million euro relating to loans to financial institutions, 2 million euro to debt securities of other issuers and 1 million euro to loans to other parties.

7.2 Of which: Other companies

As at 31 December 2015, 1,420 million euro was attributable to other companies, consisting entirely of debt securities issued by financial institutions, whereas as at 31 December 2014 there was 767 million euro, also consisting of debt securities issued by financial institutions.

7.3 Loans to customers with specific hedges

(millions of euro)

	31.12.2015	31.12.2014
1. Loans to customers with specific fair value hedges	**18,627**	**30,878**
a) Interest rate risk	18,014	30,298
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	613	580
2. Loans to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**18,627**	**30,878**

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are hedged via specific fair value hedges of the interest rate risk as well as via the stabilisation of the interest flows (cash flow hedges) of floating rate funding, to the extent that this is used to finance fixed rate loans, and via macro fair value hedges.

7.4 Financial leases

(millions of euro)

Time bands	31.12.2015					
	Non-performing loans	**Minimum lease payments**			**Gross investment**	
		Capital	*of which guaranteed residual value*	Interest		*of which unguaranteed residual value*
Up to 3 months	425	533	1	149	1,107	*6*
Between 3 and 12 months	1,014	1,379	4	421	2,814	*17*
Between 1 and 5 years	2,073	4,905	8	1,635	8,613	*45*
Over 5 years	213	7,042	2	1,424	8,679	*13*
Unspecified maturity	-	-	-	-	-	-
Total, gross	**3,725**	**13,859**	**15**	**3,629**	**21,213**	***81***
Loans for assets to be leased	191	599	-	-	790	-
Adjustments	-	-160	-	-	-160	-
- collective	-	*-160*	-	-	-	-
Total, net	**3,916**	**14,298**	**15**	**3,629**	**21,843**	***81***

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.
Derivatives are considered listed only if traded on regulated markets.

8.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2015			**Notional value 31.12.2015**	**Fair value 31.12.2014**			**Notional value 31.12.2014**
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**7,039**	**20**	**150,890**	**-**	**9,206**	**4**	**150,065**
1) fair value	-	7,027	20	146,527	-	9,152	4	145,407
2) cash flows	-	12	-	4,363	-	54	-	4,658
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**7,039**	**20**	**150,890**	**-**	**9,206**	**4**	**150,065**

8.1 Of which: Banking group

(millions of euro)

	Fair value 31.12.2015			**Notional value 31.12.2015**	**Fair value 31.12.2014**			**Notional value 31.12.2014**
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**7,038**	**20**	**150,877**	**-**	**9,204**	**4**	**149,877**
1) fair value	-	7,027	20	146,527	-	9,152	4	145,407
2) cash flows	-	11	-	4,350	-	52	-	4,470
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**7,038**	**20**	**150,877**	**-**	**9,204**	**4**	**149,877**

8.1 Of which: Other companies

As at 31 December 2015, 1 million euro was attributable to other companies, referring entirely to cash flow hedges through level 2 financial derivatives (notional value of 13 million euro).

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	108	-	-	-	-	X	-	X	X
2. Loans	107	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	34	X	11	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**215**	**-**	**-**	**-**	**-**	**34**	**-**	**11**	**-**
1. Financial liabilities	5,448	-	-	X	518	X	-	X	X
2. Portfolio	X	X	X	X	X	833	X	-	X
Total liabilities	**5,448**	**-**	**-**	**-**	**518**	**833**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

8.2 Of which: Banking group

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	108	-	-	-	-	X	-	X	X
2. Loans	107	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	34	X	11	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**215**	**-**	**-**	**-**	**-**	**34**	**-**	**11**	**-**
1. Financial liabilities	5,447	-	-	X	518	X	-	X	X
2. Portfolio	X	X	X	X	X	833	X	-	X
Total liabilities	**5,447**	**-**	**-**	**-**	**518**	**833**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.
These mainly refer to specific fair value hedges of loans disbursed and liabilities issued, as well as generic fair value hedges of core deposits.

8.2 Of which: Other companies

As at 31 December 2015, 1 million euro was attributable to other companies, relating entirely to the hedging of interest rate risk on financial liabilities.

SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

	31.12.2015	Of which:			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change	**110**	***110***	**-**	**-**	**59**
1.1. of specific portfolios	110	*110*	-	-	59
a) loans	*110*	*110*	-	-	*59*
b) financial assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-**	-	-	-	**-**
2.1. of specific portfolios	-	-	-	-	-
a) loans	-	-	-	-	-
b) financial assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**110**	***110***	**-**	**-**	**59**

9.2 Assets hedged by macrohedging of interest rate risk

(millions of euro)

Hedged assets	31.12.2015	31.12.2014
1. Loans	22,681	10,839
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**22,681**	**10,839**

The table shows assets hedged by macrohedging of interest rate risk. The increase is attributable to the activation, in 2015, of macro hedges of the interest rate risk on the loans.
Additional information on fair value hedging is available in Part E – Information on risks and relative hedging policies of the Notes to the consolidated financial statements.

SECTION 10 – INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 100

10.1 Investments in associates and companies subject to joint control: information on equity interests

		Registered office	Place of business	Type of relation-ship	INVESTMENT direct ownership	INVESTMENT % held	Votes available %
A. COMPANIES SUBJECT TO JOINT CONTROL							
1	Allfunds BankS.A. Capital Euro 27,040,620 in shares of Euro 30	Alconbendas	Alconbendas	7	Eurizon Capital SGR	50.00	50.00
2	Augusto S.r.l. Capital Euro 10,000 in shares of Euro 1	Milano	Milano	7	Intesa Sanpaolo	5.00	5.00
3	Colombo S.r.l. Capital Euro 10,000 in shares of Euro 1	Milano	Milano	7	Intesa Sanpaolo	5.00	5.00
4	Diocleziano S.r.l. Capital Euro 10,000 in shares of Euro 1	Milano	Milano	7	Intesa Sanpaolo	5.00	5.00
5	Enerpoint Energy S.r.l. Capital Euro 10,600,000 in shares of Euro 1	Desio	Desio	7	Equiter	50.00	50.00
6	Immobiliare Novoli S.P.A. Capital Euro 26,000,000 in shares of Euro 0.96	Firenze	Firenze	7	Cassa di Risparmio di Firenze	50.00	50.00
7	Manucor S.p.A. Capital Euro 10,000,000 in shares of Euro 1	Milano	Sessa Aurunca	7	Intesa Sanpaolo	72.75	45.50
8	Mir Capital Management S.A. Capital Euro 31,000 in shares of Euro 1	Luxembourg	Luxembourg	7	Private Equity International	50.00	50.00
9	Mir Capital S.C.A. SICAR Capital Euro 46,830,000 in shares of Euro 1	Luxembourg	Luxembourg	7	Private Equity International	50.00	50.00
10	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management Capital HRK 56,000,000 in shares of HRK 1,000	Zagreb	Zagreb	7	Privredna Banka Zagreb	50.00	50.00
11	Re Consult Infrastrutture S.p.A. Capital Euro 340,000,000.39 in shares of Euro 0.81	Milano	Milano	7	IN.FRA - Investire nelle Infrastrutture	8.14	8.14
					Compagnia Italiana Finanziaria - CIF	38.52	38.52
					Iniziative Logistiche	19.26	19.26
12	Tangenziale Esterna S.p.A. Capital Euro 464,945,000.00 in shares of Euro 1	Milano	Milano	7	Intesa Sanpaolo	2.58	2.58
13	Tangenziali Esterne di Milano S.p.A. Capital Euro 220,344,608.25 in shares of Euro 0.75	Milano	Milano	7	Intesa Sanpaolo	17.53	17.53
14	Themys Investimenti S.p.A. Capital Euro 448,998 in shares of Euro 1	Milano	Milano	7	Imi Investimenti	50.00	50.00
15	Vub Generalil Dochodkova Spravcovska Spolocnost A.S. Capital Euro 10,090,976 in shares of Euro 33,194	Bratislava	Bratislava	7	Vseobecna Uverova Banka	50.00	50.00
16	Green Initiative Carbon Asset s (GICA) S.a. in liquidation Capital Chf 4,000,000 in shares of Chf 100	Lugano	Lugano	7	Oldequiter	25.00	25.00
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE							
1	A4 Holding S.p.A. Capital Euro 134,110,065.30 in shares of Euro 72.30	Verona	Verona	4	Oldequiter	6.54	6.54
2	Adriano Lease Sec S.r.l. Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo	5.00	5.00
3	Ambienta Società di Gestione del Risparmio S.p.A. Capital Euro 1,500,000 in shares of Euro 100	Milano	Milano	4	Oldequiter	20.00	20.00
4	Autostrada Pedemontana Lombarda S.p.A. Capital Euro 300,926,000 in shares of Euro 1,000	Assago	Assago	4	Oldequiter	13.36	13.36
					Intesa Sanpaolo	4.01	4.01
5	Autostrade Lombarde S.p.A. Capital Euro 466,984,840 in shares of Euro 1	Brescia	Brescia	4	Intesa Sanpaolo	42.51	42.51
6	Bank of Qingdao co. LTD Capital CNY 4,058,712,749 in shares of CNY 1 (c)	Qingdao	Qingdao	4	Intesa Sanpaolo	15.51	15.51
7	Be Think, Solve, Execute S.p.A. Capital Euro 27,109,164.87 in shares of Euro 0.30	Roma	Roma	4	Imi Investimenti	19.39	19.39
8	Cassa di Risparmio di Fermo S.p.A. Capital Euro 39,241,087.50 in shares of Euro 51.65	Fermo	Fermo	4	Intesa Sanpaolo	33.33	33.33
9	Class Digital Service S.r.l. Capital Euro 100,000 in shares of Euro 0.01	Milano	Milano	4	Intesa Sanpaolo	31.25	31.25
10	COINV S.p.A. Capital Euro 167,767,088.50 in shares of Euro 0.50	Milano	Milano	4	Manzoni	12.00	12.00
11	Compagnia Aerea Italiana S.p.A. (b) Capital Euro 358,116,170.78 in shares of Euro 0.01	Fiumicino	Fiumicino	4	Intesa Sanpaolo	31.40	31.40
12	Cr Firenze Mutui S.r.l. Capital Euro 10,000 in shares of Euro 1	Conegliano Veneto	Conegliano Veneto	8	C.R. di Firenze	10.00	10.00
13	Emisys Capital SGR S.p.A. Capital Euro 1,400,000 in shares of Euro 1	Milano	Milano	4	Imi Investimenti	35.00	35.00
14	Euromilano S.p.A. Capital Euro 1,356,582 in shares of Euro 15.51	Milano	Milano	4	Intesa Sanpaolo	43.43	43.43
15	Eurotlx Società di Intermediazione Mobiliare S.p.A. Capital Euro 5,000,000 in shares of Euro 1.00	Milano	Milano	4	Banca Imi	15.00	15.00
16	Fenice S.r.l. Capital Euro 41,885,033.59 in shares of Euro 0.01	Milano	Milano	4	Intesa Sanpaolo	9.08	9.08

		Registered office	Place of business	Type of relation-ship	INVESTMENT direct ownership	INVESTMENT % held	Votes available %
17	Iren S.p.A. Capital Euro 1,276,225,677 in shares of Euro 1	Torino	Torino	4	Equiter	2.27	2.45
18	Ism Investimenti S.p.A. Capital Euro 6,654,902 in shares of Euro 1	Mantova	Mantova	4	Imi Investimenti	27.36	27.36
19	Italconsult S.p.A. Capital Euro 20,483,420 in shares of Euro 1	Roma	Roma	4	Intesa Sanpaolo	40.00	40.00
20	Italfondiario S.p.A. Capital Euro 20,000,000 in shares of Euro 1	Roma	Roma	4	Intesa Sanpaolo	11.25	11.25
21	Leonardo Technology S.p.A. Capital Euro 242,081 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	26.60	26.60
22	LKS 2 S.A. Capital Euro 15,141,815.49 in shares of Euro 0.01	Luxembourg	Luxembourg	4	T T 1 Lux	29.50	29.50
23	Mandarin Capital Management S.A. Capital Euro 271,000 in shares of Euro 10	Luxembourg	Luxembourg	4	Private Equity International	20.00	20.00
24	Melville S.r.l. Capital Euro 8,285,457 in shares of Euro 1	Milano	Milano	4	Imi Investimenti	27.39	27.39
25	Mer Mec S.p.A. Capital Euro 5,000,000 in shares of Euro 1	Monopoli	Monopoli	4	Banca Imi	30.00	30.00
26	Mezzanove Capital Management S.a.r.l. Capital Euro 12,500 in shares of Euro 25	Luxembourg	Luxembourg	4	Private Equity International	47.00	47.00
27	Misr International Towers Co. Capital EGP 50,000,000 in shares of EGP 10	Cairo	Cairo	4	Bank of Alexandria	27.86	27.86
28	Nuovo Trasporto Viaggiatori S.p.A. Capital Euro 49,207,884.14 in shares of Euro 0.20	Roma	Roma	4	Intesa Sanpaolo	23.92	23.92
29	Penghua Fund Management Co. Ltd. Capital CNY 150,000,000 in shares of CNY 1	Shenzhen	Shenzhen	4	Eurizon Capital SGR	49.00	49.00
30	Pietra S.r.l. Capital Euro 40,000 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	22.22	22.22
31	Portocittà S.p.A. Capital Euro 10,000 in shares of Euro 1	Trieste	Pozzuolo del Friuli	4	Intesa Sanpaolo C.R. del Friuli Venezia Giulia	12.50 12.50	12.50 12.50
32	Prelios Sgr S.p.A. Capital Euro 24,558,763 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	10.00	10.00
33	R.C.N. Finanziaria S.p.A. Capital Euro 32,135,988 in shares of Euro 0.50	Mantova	Mantova	4	Intesa Sanpaolo	23.96	23.96
34	Sagat S.p.A. Capital Euro 12,911,481 in shares of Euro 5.16	Caselle Torinese	Caselle Torinese	4	Equiter	12.40	12.40
35	Sicily Investments S.a.r.l. Capital Euro 12,500 in shares of Euro 25	Luxembourg	Luxembourg	4	Intesa Sanpaolo	25.20	25.20
36	Sirti S.p.A. Capital Euro 41,040,522.01 in shares of Euro 0.09	Milano	Milano	4	Banca Imi	26.84	26.84
37	Slovak Banking Credit Bureau s.r.o. Capital Euro 9,958.17 in shares of Euro 3,319.39	Bratislava	Bratislava	4	Vseobecna Uverova Banka	33.33	33.33
38	Smia S.p.A. Capital Euro 1,473,229.50 in shares of Euro 0.05	Roma	Roma	4	Intesa Sanpaolo Banca Fideuram C.R. di Firenze	38.49 0.63 0.42	38.49 0.63 0.42
39	Società di Progetto Autostrada Diretta Brescia Milano S.p.A. Capital Euro 332,117,693 in shares of Euro 1	Brescia	Brescia	4	Intesa Sanpaolo	0.05	0.05
40	Solar Express S.r.l. Capital Euro 116,000 in shares of Euro 1	Firenze	Firenze	4	Intesa Sanpaolo	40.00	40.00
41	Sotrafin Limited Capital USD 5,000,000 in shares of USD 1	London	London	4	Intesa Sanpaolo Holding International	24.00	24.00
42	Trinacria Capital S.a.r.l. Capital Euro 12,500 in shares of Euro 25	Luxembourg	Luxembourg	4	Intesa Sanpaolo	25.20	25.20
43	Umbria Export Società Consortile a.r.l. Capital Euro 108,500 in shares of Euro 0.01	Perugia	Perugia	4	C.R. dell'Umbria	33.87	33.87
44	Unimatica S.p.A. Capital Euro 500,000 in shares of Euro 500	Bologna	Bologna	4	Infogroup	25.00	25.00
45	UPA Servizi S.p.A. Capital Euro 1,504,278 in shares of Euro 1	Padova	Padova	4	C.R. del Veneto	44.32	44.32
46	Varese Investimenti S.p.A. Capital Euro 4,350,000 in shares of Euro 10	Varese	Varese	4	Intesa Sanpaolo	40.00	40.00
47	Cargoitalia S.p.A. in liquidation Capital Euro 8,700,000 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	33.33	33.33
48	Consorzio Bancario SIR S.p.A. in liquidation Capital Euro 1,515,151.42 in shares of Euro 0.01	Roma	Roma	4	Intesa Sanpaolo	38.49	38.49
49	Europrogetti e Finanza S.p.A. in liquidation Capital Euro 5,636,400 in shares of Euro 0.30	Roma	Roma	4	Intesa Sanpaolo	15.97	15.97

		Registered office	Place of business	Type of relation-ship	INVESTMENT direct ownership	% held	Votes available %
50	Impianti S.r.l. in liquidation Capital Euro 92,952 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	27.95	27.95
51	Impresol S.r.l. in liquidation Capital Euro 112,100 in shares of Euro 1	Milano	Milano	4	RI.Estate	30.00	30.00
52	Iniziative Immobiliari Industriali S.p.A. In liquidation Capital Euro 510,000 in shares of Euro 0.51	Arquà Polesine	Arquà Polesine	4	C.R. del Veneto	20.00	20.00
53	Sviluppo Industriale S.p.A. under arrangement with creditors Capital Euro 628,444.32 in shares of Euro 22.26	Pistoia	Pistoia	4	CR Pistoia	28.27	28.27

(a) Type of relation:
1 - majority of voting rights in the ordinary shareholders' meeting;
2 - dominant influence in the ordinary shareholders' meeting;
3 - agreements with other shareholders;
4 - company subject to significant influence;
5 - unitary management pursuant to art. 26, paragraph 1 of Legislative Decree 87/92";
6 - unitary management pursuant to art. 26, paragraph 2 of Legislative Decree 87/92";
7 - joint control;
8 - Other type of Relation.

(b) Note that the figure for the parent company includes the value of Compagnia Aerea Italiana, held since October 2008 (representing a 0.27% stake)

(c) Note that the share capital stated is calculated following the IPO after exercising the "over-allotment option".

The illustration of the criteria and the methods for the definition of the consolidation area and the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

10.2 Individually material investments in associates and companies subject to joint control: book value, fair value and dividends received

(millions of euro)

		Book value	Fair value	Dividends received (a)
A. COMPANIES SUBJECT TO JOINT CONTROL				
1	Allfunds Bank S.A.	117	-	17
2	Re Consult Infrastrutture S.p.A.	279	-	-
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE				
1	A4 Holding S.p.A.	65	-	-
2	Autostrada Pedemontana lombarda S.p.A.	44	-	-
3	Autostrade Lombarde S.p.A.	143	-	-
4	Bank of Qingdao Co. Ltd	411	367	23
5	Cassa di Risparmio di Fermo S.p.A.	55	-	1
6	Lks s S.r.l.	45	-	-
7	Melville S.r.l.	70	-	-
8	Penghua Fund Management Co. Ltd.	176	-	9
TOTAL		**1,405**	**367**	**50**

(a) Dividends are received by group companies and are thus netted.

10.3 Individually material investments in associates and companies subject to joint control: financial information

(millions of euro)

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Adjustments to/write-backs on property, equipment and intangible assets	Income (Loss) before tax from continuing operations	Income (Loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
A. COMPANIES SUBJECT TO JOINT CONTROL														
Allfunds Bank S.A.	35	661	228	547	191	754	-	-	108	76	-	76	-	76
Re Consult Infrastrutture S.p.A.	155	76	2,203	1,009	1,036	276	-	-	20	12	-	12	-	12
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE														
A4 Holding S.p.A.	X	71	1,572	801	279	567	X	X	53	33	-	33	-5	28
Autostrada Pedemontana lombarda S.p.A.	X	99	662	200	322	10	X	X	-8	-9	-	-9	-	-9
Autostrade Lombarde S.p.A.	X	516	2	6	25	11	X	X	5	6	-	6	-	6
Bank of Qingdao Co. Ltd (a)	X	20,322	619	21,562	715	674	X	X	201	154	-	154	-	154
Cassa di Risparmio di Fermo S.p.A.	X	1,592	72	1,418	93	61	X	X	12	7	-	7	-5	2
Lks s S.r.l.	X	150	-	-	-	-	X	X	-	-	-	-	-	-
Melville S.r.l.	X	149	110	-	3	31	X	X	1	1	-	1	-	1
Penghua Fund Management Co. Ltd.	X	207	46	-	159	480	X	X	128	86	-	86	-	86

[(a)] Data as at 30 June 2015 referring to the financial information relating to the IPO

(millions of euro)

	Total Shareholders' Equity	Proportionate equity	Goodwill	Other changes	Consolidated book value
A. COMPANIES SUBJECT TO JOINT CONTROL					
Allfunds Bank S.A.	186	93	24	-	117
Re Consult Infrastrutture S.p.A.	389	117	162	-	279
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE					
A4 Holding S.p.A.	605	40	25	-	65
Autostrada Pedemontana lombarda S.p.A.	253	44	-	-	44
Autostrade Lombarde S.p.A.	487	207	-	-64	143
Bank of Qingdao Co. Ltd [(a)]	1,716	266	55	93	411
Cassa di Risparmio di Fermo S.p.A.	166	55	-	-	55
Lks s S.r.l.	151	45	-	-	45
Melville S.r.l.	256	70	-	-	70
Penghua Fund Management Co. Ltd.	231	113	62	1	176
	4,440	**1,050**	**328**	**30**	**1,405**

[(a)] Data as at 30 June 2015 referring to the financial information relating to the IPO. The consolidated book value reflects assessments relating to the same transaction and the capital increase

10.4 Individually immaterial investments in associates and companies subject to joint control: financial information

(millions of euro)

	Book value of investments in associates and companies subject to joint control	Total assets	Total liabilities	Total revenues	Income (loss) after tax from continuing operations	Income (loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
COMPANIES SUBJECT TO JOINT CONTROL	**117**	**2,019**	**1,169**	**166**	**2**	**-**	**2**	**-**	**2**
COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE	**205**	**15,725**	**16,575**	**6,153**	**-128**	**-**	**-128**	**-54**	**-182**

10.5 Investments in associates and companies subject to joint control: annual changes

(millions of euro)

	31.12.2015	Of which: Banking group	Insurance companies	Other companies	31.12.2014
A. Initial amount	**1,944**	***1,670***	***2***	***272***	**1,991**
B. Increases	**386**	***299***	**-**	***87***	**958**
B.1 purchases	64	*64*	-	-	242
of which business combinations	-	-			-
B.2 write-backs	39	*39*	-	-	27
B.3 revaluations	205	*196*	-	*9*	166
B.4 other changes	78	-	-	*78*	523
C. Decreases	**-603**	***-595***	**-**	***-8***	**-1,005**
C.1 sales	-112	*-112*	-	-	-632
C.2 impairment losses [(a)]	-132	*-124*	-	*-8*	-161
C.3 other changes [(b)]	-359	*-359*	-	-	-212
D. Final amount	**1,727**	***1,374***	***2***	***351***	**1,944**
E. Total revaluations	**2,428**	***2,395***	**-**	***33***	**2,223**
F. Total impairment losses	**1,789**	***1,781***	**-**	***8***	**1,657**

(a) Including 90 million euro referring to losses of the investments carried at equity

(b) Includes the Risanamento investment for -153 million euro, previously IAS 28, with which control was acquired pursuant to IFRS10 during 2015.

10.6 Significant judgments and assumptions to establish the existence of joint control or significant influence

Entities are considered to be companies subject to joint control if control is contractually shared between the Group and one or more other parties, or where the decisions about the relevant activities require the unanimous consent from all parties sharing control.

Companies are considered subject to significant influence (associates), when the Group holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates. Certain companies in which the Group holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

10.7 Commitments referred to investments in companies subject to joint control

As at 31 December 2015 there were commitments to subscribe the recapitalizations of Themys Investimenti S.p.A. for 14 million euro (there is an additional commitment of 26 million euro regarding the equity instruments), of Re Consult Infrastrutture S.p.A. for 13 million euro and of Tangenziale Esterna S.p.A. for 8 million euro.

10.8 Commitments referred to investments in companies subject to significant influence

As at 31 December 2015 there were commitments to subscribe the recapitalizations of Compagnia Aerea Italiana S.p.A. (Alitalia CAI) for 24 million euro, of Nuovo Trasporto Viaggiatori S.p.A. for 10 million euro, of Società Di Progetto Autostrada Diretta Brescia Milano S.p.A. for 6 million euro and of Autostrade Lombarde S.p.A. for 5 million euro. With reference to the commitment towards Compagnia Aerea Italiana S.p.A., provisions were made to cover charges.

10.9 Significant restrictions

In terms of significant restrictions on the ability of the associates subject to joint control or significant influence to transfer funds to the participating entity, the following cases are noted:

a) with reference to Alitalia SAI (New Alitalia), indirectly controlled by the Group through the stake in Alitalia – CAI (renamed Compagnia Aerea Italiana on 1 January 2015), subject to significant influence, the contractual agreements provide for the company to be able to distribute dividends to the shareholders only when complying with certain parameters in terms of net income and liquidity margins;

b) regarding the investment in Nuovo Trasporto Viaggiatori (NTV), subject to significant influence, the financial agreements provide for the company to be able to distribute dividends within the limits of the resources available after the fulfilment of the obligations, with repayment priority and depending on the company reaching certain financial parameters and in any case up to the limit of 25% of the cash flows after debt servicing and establishing the reserves required by the restructuring agreement;

c) furthermore, worth noting is that some Private Equity investments, pursuant to the Articles of Association, entail some limitations to distributing profits in proportion to the stakes held, in order to ensure, towards certain investors and until reaching specific thresholds, distributions that are more than proportional to the stake held.

10.10 Other information

For most of the companies subject to joint control or significant influence, the timing regarding the availability of the financial statements at the end of the year is not compatible with the terms set for the closure of Intesa Sanpaolo's consolidated financial statements; on this point, for the application of the equity method, reference is made to the last accounting reports available that, in most cases, include the interim statement of the first 9 months for the listed associates or the last financial statements or half-yearly report available for the other associates. In any case, when the accounts of the associate or joint venture used in the application of the equity method refer to a date that is different from that of Intesa Sanpaolo's financial statements, adjustments are made to take into account the effects of operations or significant events which took place between that date and the reference date of Intesa Sanpaolo's financial statements.

Impairment tests of investments

As required under IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.
With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected the recoverable amount, represented by the higher of the fair value less costs to sell and the value in use, is calculated and if it proves lower than the carrying value, impairment is recognised.
In particular, where impairment indicators were recorded with respect to certain investments, analyses were carried out based on market methodologies (direct or comparable transactions and market multiples) or alternatively "fundamental" analyses based on an estimate of the expected discounted cash flows or, finally, on alternative methods. The results of these assessments led to the recognition of impairment losses. In particular, the most significant impairment loss referred to the investment in Autostrade Lombarde for 36 million euro.
In terms of any differences between the market values and the "fundamental" values provided by the values in use, reference is made to the considerations on impairment testing of goodwill in the relative chapter of these Notes to the consolidated financial statements. Furthermore, the estimate of cash flows and discounting rates in the assessment of equity investments was also carried out on a prudential basis.

SECTION 11 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES – CAPTION 110

11.1 Technical insurance reserves reassured with third parties: breakdown

(millions of euro)

	31.12.2015	31.12.2014
A. Non-life business	**20**	**25**
A.1 premiums reserves	9	11
A.2 claims reserves	11	14
A.3 other reserves	-	-
B. Life business	**2**	**2**
B.1 mathematical reserves	-	-
B.2 reserves for amounts to be disbursed	2	2
B.3 other reserves	-	-
C. Technical reserves for investment risks to be borne by the insured	-	-
C.1 reserves for contracts with disbursements connected with investment funds and market indices	-	-
C.2 reserves from pension fund management	-	-
D. Total insurance reserves carried by reinsurers	**22**	**27**

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 2015.

SECTION 12 – PROPERTY AND EQUIPMENT – CAPTION 120

12.1 Property and equipment used in operations: breakdown of assets measured at cost

(millions of euro)

	31.12.2015	*Of which:*			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
1. Property and equipment owned	**4,993**	***4,894***	***30***	***69***	**4,783**
a) land	1,523	*1,500*	*22*	*1*	1,435
b) buildings	2,719	*2,650*	*7*	*62*	2,664
c) furniture	252	*251*	*1*	-	259
d) electronic equipment	448	*448*	-	-	369
e) other	51	*45*	-	*6*	56
2. Property and equipment acquired under finance lease	**17**	***17***	**-**	**-**	**17**
a) land	7	*7*	-	-	7
b) buildings	9	*9*	-	-	9
c) furniture	-	-	-	-	-
d) electronic equipment	1	*1*	-	-	1
e) other	-	-	-	-	-
Total	**5,010**	***4,911***	***30***	***69***	**4,800**

Property and equipment used in operations of Other companies include 49 million euro referred to Risanamento, of which 43 million euro relate to buildings.

12.2 Investment property: breakdown of assets measured at cost

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property and equipment owned	**357**	**-**	**-**	**383**	**84**	**-**	**-**	**101**
a) land	*78*	-	-	*93*	*24*	-	-	*33*
b) buildings	*279*	-	-	*290*	*60*	-	-	*68*
2. Property and equipment acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	**357**	**-**	**-**	**383**	**84**	**-**	**-**	**101**

Investment property include 267 million euro referred to Risanamento.

12.2 Of which: Banking group

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property and equipment owned	**81**	**-**	**-**	**107**	**81**	**-**	**-**	**98**
a) land	*16*	-	-	*31*	*24*	-	-	*33*
b) buildings	*65*	-	-	*76*	*57*	-	-	*65*
2. Property and equipment acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	**81**	**-**	**-**	**107**	**81**	**-**	**-**	**98**

12.2 Of which: Other companies

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property and equipment owned	**276**	**-**	**-**	**276**	**3**	**-**	**-**	**3**
a) land	*62*	-	-	*62*	-	-	-	-
b) buildings	*214*	-	-	*214*	*3*	-	-	*3*
2. Property and equipment acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	**276**	**-**	**-**	**276**	**3**	**-**	**-**	**3**

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	**1,458**	**4,474**	**1,106**	**3,335**	**443**	**10,816**
A.1 Total net adjustments	-16	-1,801	-847	-2,965	-387	-6,016
A.2 Net initial carrying amount	**1,442**	**2,673**	**259**	**370**	**56**	**4,800**
B. Increases	**99**	**302**	**40**	**234**	**20**	**695**
B.1 Purchases	85	175	38	232	15	545
of which business combinations	-	*43*	-	-	*6*	*49*
B.2 Capitalised improvement costs	-	26	-	-	-	26
B.3 Write-backs	-	1	-	-	-	1
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	14	100	2	2	5	123
C. Decreases	**-11**	**-247**	**-47**	**-155**	**-25**	**-485**
C.1 Sales	-1	-70	-1	-2	-2	-76
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-124	-45	-153	-12	-334
C.3 Impairment losses recognised in:	-1	-20	-	-	-	-21
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-1*	*-20*	-	-	-	*-21*
C.4 Negative fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-9	-33	-1	-	-11	-54
D. Net final carrying amount	**1,530**	**2,728**	**252**	**449**	**51**	**5,010**
D.1 Total net adjustments	17	1,945	892	3,118	399	6,371
D.2 Gross final carrying amount	**1,547**	**4,673**	**1,144**	**3,567**	**450**	**11,381**
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	**1,435**	**4,417**	**1,103**	**3,334**	**440**	**10,729**
A.1 Total net adjustments	-16	-1,774	-844	-2,964	-384	-5,982
A.2 Net initial carrying amount	**1,419**	**2,643**	**259**	**370**	**56**	**4,747**
B. Increases	**99**	**259**	**39**	**234**	**14**	**645**
B.1 Purchases	85	132	38	232	9	496
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	26	-	-	-	26
B.3 Write-backs	-	1	-	-	-	1
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	14	100	1	2	5	122
C. Decreases	**-11**	**-243**	**-47**	**-155**	**-25**	**-481**
C.1 Sales	-1	-70	-1	-2	-2	-76
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-121	-45	-153	-12	-331
C.3 Impairment losses recognised in	-1	-20	-	-	-	-21
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-1*	*-20*	-	-	-	*-21*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-9	-32	-1	-	-11	-53
D. Net final carrying amount	**1,507**	**2,659**	**251**	**449**	**45**	**4,911**
D.1 Total net adjustments	17	1,915	889	3,117	396	6,334
D.2 Gross final carrying amount	**1,524**	**4,574**	**1,140**	**3,566**	**441**	**11,245**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.5 Of which: Insurance companies

As at 31 December 2015, 30 million euro was attributable to insurance companies, of which 22 million euro related to land, 7 million euro to buildings and 1 million euro to furniture.

12.5 Of which: Other companies

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1**	**43**	**1**	**1**	**-**	**46**
A.1 Total net adjustments	-	-21	-1	-1	-	-23
A.2 Net initial carrying amount	**1**	**22**	**-**	**-**	**-**	**23**
B. Increases	**-**	**43**	**-**	**-**	**6**	**49**
B.1 Purchases	-	43	-	-	6	49
of which business combinations	-	*43*	-	-	*6*	*49*
B.2 Capitalised improvement costs	-	-	-	-	-	-
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	-	-	-	-	-	-
C. Decreases	**-**	**-3**	**-**	**-**	**-**	**-3**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-2	-	-	-	-2
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-1	-	-	-	-1
D. Net final carrying amount	**1**	**62**	**-**	**-**	**6**	**69**
D.1 Total net adjustments	-	23	1	1	-	25
D.2 Gross final carrying amount	**1**	**85**	**1**	**1**	**6**	**94**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The increases of the other companies refer to the property and equipment used in operations of Risanamento.

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	**24**	**118**	***24***	***113***	**-**	**-**	**-**	***5***
A.1 Total net adjustments	-	-58	-	*-56*	-	-	-	*-2*
A.2 Net initial carrying amount	**24**	**60**	***24***	***57***	**-**	**-**	**-**	***3***
B. Increases	**62**	**238**	**-**	***23***	**-**	**-**	***62***	***215***
B.1 Purchases	62	227	-	*22*	-	-	*62*	*205*
of which business combinations	*62*	*205*	-	-	-	-	*62*	*205*
B.2 Capitalised improvement costs	-	-	-	-	-	-	-	-
B.3 Positive fair value differences	-	-	-	-	-	-	-	-
B.4 Write-backs	-	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-	-
B.6 Transfer from property used in operations	-	-	-	-	-	-	-	-
B.7 Other changes	-	11	-	*1*	-	-	-	*10*
C. Decreases	**-8**	**-19**	***-8***	***-15***	**-**	**-**	**-**	***-4***
C.1 Sales	-6	-12	*-6*	*-12*	-	-	-	-
of which business combinations	-	-	-	-	-	-	-	-
C.2 Depreciation	-	-5	-	*-1*	-	-	-	*-4*
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	-2	-1	*-2*	*-1*	-	-	-	-
D. Final carrying amount	**78**	**279**	***16***	***65***	**-**	**-**	***62***	***214***
D.1 Total net adjustments	-	64	-	58	-	-	-	6
D.2 Gross final carrying amount	**78**	**343**	***16***	***123***	**-**	**-**	***62***	***220***
E. Fair value measurement	**93**	**290**	***31***	***76***	**-**	**-**	***62***	***214***

The increases of the other companies refer to Risanamento's investment property.

12.7 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2015 amount to approximately 21 million euro, which mostly refer to the construction of the New Headquarters in Turin.

SECTION 13 – INTANGIBLE ASSETS - CAPTION 130

13.1 Intangible assets: breakdown by type of asset

(millions of euro)

	31.12.2015		*Of which:*						31.12.2014	
			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**	**3,914**	***X***	***3,420***	***X***	***494***	***X***	**-**	**X**	**3,899**
A.1.1 Group	x	3,914	*x*	*3,420*	*x*	*494*	*x*	-	x	3,899
A.1.2 Minority interests	x	-	*x*	-	*x*	-	*x*	-	x	-
A.2 Other intangible assets	**1,399**	**1,882**	***1,172***	***1,882***	***227***	**-**	**-**	**-**	**1,462**	**1,882**
A.2.1 Assets measured at cost	1,399	1,882	*1,172*	*1,882*	*227*	-	-	-	1,462	1,882
a) Internally generated intangible assets	*768*	-	*768*	-	-	-	-	-	*690*	-
b) Other assets	*631*	*1,882*	*404*	*1,882*	*227*	-	-	-	*772*	*1,882*
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**1,399**	**5,796**	***1,172***	***5,302***	***227***	***494***	**-**	**-**	**1,462**	**5,781**

The allocation of goodwill between "Cash Generating Units" is reported in the following table.

(millions of euro)

CGUs/Goodwill	31.12.2015	31.12.2014
Banca dei Territori	1,091	1,076
Corporate and Investment Banking	-	-
Insurance	494	494
Asset Management	1,038	1,038
Private Banking	1,291	1,291
International Subsidiary Banks	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
Total	**3,914**	**3,899**

For a breakdown of the CGUs, see the next chapter "Information on intangible assets and goodwill".

13.2 Intangible assets: annual changes

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**20,153**	**2,829**	**-**	**8,025**	**2,384**	**33,391**
A.1 Total net adjustments	-16,254	-2,139	-	-7,253	-502	-26,148
A.2 Net initial carrying amount	**3,899**	**690**	**-**	**772**	**1,882**	**7,243**
B. Increases	**15**	**373**	**-**	**127**	**-**	**515**
B.1 Purchases	15	-	-	127	-	142
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	371	-	-	-	371
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	-	2	-	-	-	2
C. Decreases	**-**	**-295**	**-**	**-268**	**-**	**-563**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-295	-	-262	-	-557
- Amortisation	X	-293	-	-257	-	-550
- Write-downs recognised in	-	-2	-	-5	-	-7
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-2*	-	*-5*	-	*-7*
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	-	-	-	-1	-	-1
C.6 Other changes	-	-	-	-5	-	-5
D. Net final carrying amount	**3,914**	**768**	**-**	**631**	**1,882**	**7,195**
D.1 Total net adjustments	16,254	2,432	-	7,510	502	26,698
E. Gross final carrying amount	**20,168**	**3,200**	**-**	**8,141**	**2,384**	**33,893**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which: Banking group

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**18,886**	**2,822**	**-**	**7,087**	**2,384**	**31,179**
A.1 Total net adjustments	-15,481	-2,132	-	-6,585	-502	-24,700
A.2 Net initial carrying amount	**3,405**	**690**	**-**	**502**	**1,882**	**6,479**
B. Increases	**15**	**373**	**-**	**125**	**-**	**513**
B.1 Purchases	15	-	-	125	-	140
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	371	-	-	-	371
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	-	2	-	-	-	2
C. Decreases	**-**	**-295**	**-**	**-223**	**-**	**-518**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-295	-	-217	-	-512
- Amortisation	X	-293	-	-212	-	-505
- Write-downs recognised in	-	-2	-	-5	-	-7
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-2*	-	*-5*	-	*-7*
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	-	-	-	-1	-	-1
C.6 Other changes	-	-	-	-5	-	-5
D. Net final carrying amount	**3,420**	**768**	**-**	**404**	**1,882**	**6,474**
D.1 Total net adjustments	15,481	2,425	-	6,797	502	25,205
E. Gross final carrying amount	**18,901**	**3,193**	**-**	**7,201**	**2,384**	**31,679**
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**	**-**	**938**	**-**	**2,175**
A.1 Total net adjustments	-736	-7	-	-668	-	-1,411
A.2 Net initial carrying amount	**494**	**-**	**-**	**270**	**-**	**764**
B. Increases	**-**	**-**	**-**	**2**	**-**	**2**
B.1 Purchases	-	-	-	2	-	2
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-45**	**-**	**-45**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-45	-	-45
- Amortisation	X	-	-	-45	-	-45
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**494**	**-**	**-**	**227**	**-**	**721**
D.1 Total net adjustments	736	7	-	713	-	1,456
E. Gross final carrying amount	**1,230**	**7**	**-**	**940**	**-**	**2,177**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2 Of which: Other companies

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**37**	**-**	**-**	**-**	**-**	**37**
A.1 Total net adjustments	-37	-	-	-	-	-37
A.2 Net initial carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-
- Amortisation	X	-	-	-	-	-
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
D.1 Total net adjustments	37	-	-	-	-	37
E. Gross final carrying amount	**37**	**-**	**-**	**-**	**-**	**37**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.3 Other information

There were no significant commitments to purchase intangible assets as at 31 December 2015.

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, bank branches and Banca Monte Parma) led to the recognition of significant amounts for intangible assets and goodwill.

During 2015 the acquisition of control was finalised, pursuant to IFRS 10, of the company Risanamento, which Intesa Sanpaolo already had a stake in and was previously considered as an associate. The operation was recognised based on IFRS 3 and did not lead to the registration of new intangible assets.

The table below summarises the values of the intangible assets and goodwill recorded in the consolidated financial statements with the related performance during the year, subdivided by Cash Generating Unit (CGU), which represent the groups of assets subject to impairment testing on goodwill in order to determine the recoverable amount.

(millions of euro)

CGU	Financial Statements 31.12.2014	Amort.	Other changes (a)	Financial Statements 31.12.2015
BANCA DEI TERRITORI	**2,610**	**-4**	**15**	**2,621**
- Asset management intangibles - distribution	-	-	-	-
- Insurance intangibles - distribution	27	-4	-	23
- Brand name intangibles	1,507	-	-	1,507
- Goodwill	1,076	-	15	1,091
CORPORATE AND INVESTMENT BANKING	**-**	**-**	**-**	**-**
- Brand name intangibles	-	-	-	-
- Goodwill	-	-	-	-
ASSET MANAGEMENT	**1,038**	**-**	**-**	**1,038**
- Asset management intangibles - production	-	-	-	-
- Goodwill	1,038	-	-	1,038
PRIVATE BANKING	**1,911**	**-122**	**-**	**1,789**
- Asset management intangibles - prod. and distribut.	245	-122	-	123
- Brand name intangibles	375	-	-	375
- Goodwill	1,291	-	-	1,291
INSURANCE	**761**	**-42**	**-**	**719**
- Insurance intangibles - production	267	-42	-	225
- Goodwill	494	-	-	494
INTERNATIONAL BANKS	**-**	**-**	**-**	**-**
BANK OF ALEXANDRIA (Egypt)	**-**	**-**	**-**	**-**
PRAVEX BANK (Ukraine)	**-**	**-**	**-**	**-**
GROUP TOTAL	**6,320**	**-168**	**15**	**6,167**
- Asset management intangible	245	-122	-	123
- Insurance intangible	294	-46	-	248
- Brand name intangible	1,882	-	-	1,882
- Goodwill	3,899	-	15	3,914

[a] The other changes refer to the value adjustment of the put option on the minority interest in Cassa di Risparmio di Firenze after sharing the exercise price among the counterparties; the option in question was exercised on 15 June 2015.

Intangible assets recognised include intangible assets related to customers, represented by the measurement of asset management and insurance portfolio. Such assets, with a finite life, are originally measured by discounting the income margin cash flows over a period representing the residual life, contractual or estimated, of relationships existing at the time of the business combination.
Conversely, it is noted that the intangible core deposit had been written down in full in the 2013 financial statements, due to the results of the impairment test performed.
The brand name, an intangible asset related to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

For the intangible assets with a finite life, the amortisation for the year was recognised to the income statement (under 210 Net adjustments to/recoveries on intangible assets) for a total of 168 million euro gross of the tax effect (approximately 112 million euro net).

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. In addition, intangible assets with a finite useful life must be tested for impairment whenever there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.
Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows arising from intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those relating to the asset outstanding at the impairment test date. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others.

This concept can also be applied in impairment testing of goodwill to calculate the value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

As in previous financial statements, given the volatility of the financial markets and the available market values for calculation of the recoverable amount, values in use were used in the impairment tests for the 2015 financial statements.
It is noted that the tests mentioned above did not concern the Corporate and Investment Banking, International Subsidiary Banks and Bank of Alexandria and Pravex Bank CGUs in consideration of the absence, as of the date of the test, of intangible assets with an indefinite life to be subject to impairment test.

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 2015.

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. For the purpose of the 2015 Financial Statements, in consideration of the positive trend of the underlying business and the limited residual useful life of the intangible asset (which will be completely amortised at the end of 2016), analyses were carried out on the impairment indicator given by the trend of the managed assets coming from Banca Fideuram (integrated in Fideuram-Intesa Sanpaolo Private Banking), since the amortisation process of the components relating to the production and distribution of Eurizon Capital products (included in the Asset Management and Banca dei Territori CGUs, respectively) was already concluded at the end of 2014.
In 2015 there was a general overall increase in the volume of assets subject to analysis compared to the end of 2014, standing at approximately 49 billion euro. Consequently, the value of the assets under management (AUM) considered was slightly higher (just over 2%) at the end of 2015 than in December 2014. This evidence did not result in the identification of any impairment indicators for the AUM intangible asset. For the 2015 financial statements, the amortisation of the asset for the year was recognised to the income statement, decreasing its carrying amount (a total of 122 million euro, gross of the tax effect, which represents essentially half of the carrying value of the AUM intangible as at 31 December 2014).

The following table presents a summary of the values of AUM intangibles, as at 31 December 2015 attributable entirely to the Private Banking CGU.

(millions of euro)

CGU	Financial statements 31.12.2014	Amortisation	Other changes	Financial statements 31.12.2015
Banca dei Territori				
Intangibile asset management - distribution	-	-	-	-
Asset Management				
Intangibile asset management - production	-	-	-	-
Private Banking				
Intangibile asset management - produc. and distribut.	245	-122	-	123
GROUP TOTAL	**245**	**-122**	**-**	**123**

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 2015 financial statements, the amortisation of the asset for the year was recognised to the income statement and it amounted to just over 15% of the carrying amount of the asset at the end of 2014 (amortisation for a total of 46 million euro gross of the tax effect). The analyses conducted during the year on the main impairment indicators were updated and extended for this type of intangible as well. However, a thorough recalculation of value of the intangible asset was not performed since the trend of the insurance business did not present any particular critical issues in 2015.
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)]	
	31.12.2015	Change compared to 31.12.2014
Traditional	72,221	+ 7.1%
Pension funds	1,982	+ 14.0%
Unit-linked	47,787	+ 23.8%
Index-linked	310	-69.7%
TOTAL	**122,300**	**+ 12.4%**

[(a)] The mathematical reserve and the premium reserve are included. The figure is gross of the "shadow reserve".

Technical reserves increased by approximately 12% in 2015, coming to 122 billion euro at year-end. The increase in reserves for traditional products equalled about 7% compared to the end of 2014, for a total amount – in December 2015 – totalling 72 billion euro (for a share close to 60% of the Group's total reserves). In addition, the increase in the reserves for unit-linked products (+24% in the year) was significant, with overall total reserves close to 48 billion euro in December 2015. Lastly, the decrease in reserves for index-linked products – of a now residual amount – 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.

An analysis of product profitability and operating costs did 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 2014.

The following table presents a summary of the values of insurance intangibles according to the relevant CGU.

(millions of euro)

CGU	Financial statements 31.12.2014	Amortisation	Other changes	Financial statements 31.12.2015
Banca dei Territori				
Insurance intangibles - distribution	27	-4	-	23
Insurance				
Insurance intangibles - production	267	-42	-	225
GROUP TOTAL	**294**	**-46**	**-**	**248**

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 financial statements it was included in the verification of the retention of goodwill for the various CGUs. As discussed in further detail below, the results of the impairment test did not suggest a need for an impairment loss on the brand name intangible asset.

Impairment testing of CGUs and goodwill

Definition of Cash Generating Units (CGUs)

For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them.
In IAS/IFRS terminology such business units are known as Cash Generating Units (CGUs). The meaning 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.
The business units identified in the Intesa Sanpaolo Group are as follows:
- Banca dei Territori;
- Corporate and Investment Banking;
- Insurance;
- Asset Management;
- Private Banking;
- International Subsidiary Banks.

For the foregoing reasons, the operating divisions cited above correspond, in general terms, to the Group's CGUs, while also representing the core business areas considered for segment reporting.
These divisions are considered representative of cash generating units since each constitutes the smallest group of assets generating independent incoming cash flows and, as mentioned above, also the minimum level set by the Parent Company Intesa Sanpaolo for planning and reporting processes. Therefore, this is the minimum level to which goodwill may be allocated and monitored according to non-arbitrary criteria.
The International Subsidiary Banks Division needs specific comments, given the particular structure and conditions under which it operates.
It should firstly be mentioned that the cash flows of the various Group companies forming this business unit are strictly dependent upon policies formulated by Division Governance Centres and Head Office Departments of the Parent Company. These policies are defined and implemented in compliance with a management plan designed to develop the entire Division in an organised manner, and not focusing only on the individual companies' strategies. Specifically, the expansion strategies for the various operating units, the identification and development of new credit, savings and service products, limits to the assumption of financial risk, commercial penetration and operations specialisation initiatives are outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore there is strong interaction of the flows that, at the same time, requires both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.
However, it is important to consider that not all factors affecting the correlation and interdependence of cash flows within the Division can be controlled by the Division's Head Office Departments.
In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by the conditions of the environment in which the various entities are located.
Indeed, for Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.
In view of the above, if the cash flows that the Parent Company expects from activities generated by a foreign subsidiary are deeply influenced - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which the subsidiary is based, this subsidiary cannot be considered an integral part of the single management model for the CGU which it belongs to. The company in such a situation must, therefore, even if only temporarily, be excluded from the CGU, regardless of the Group Management's willingness to keep it within the CGU, due to the above-mentioned factors over which the

Bank and Group's management clearly have no influence. The flows of the company, in fact, would be influenced to a greater extent by the country's conditions than by the unitary and centralised management policy adopted by the Division, and therefore for impairment testing purposes must be subjected to independent valuation until the conditions for the systemic central control of cash flows of the subsidiary are restored.

With regard to the Ukrainian Pravex Bank, for the purposes of 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, which was undergoing a deep economic and currency crisis, and prudent assessment of their impact on the operational variables of the subsidiary in question, especially from the point of view of their interdependence on variables of the entire CGU, resulted in classification of this company as a completely separate CGU, treating it separately from the Group's International Subsidiary Banks Division.
With regard to the subsidiary Bank of Alexandria, for the purposes of 2011 impairment testing the bank was separated from the International Subsidiary Banks CGU due to a profound political crisis in Egypt.
For the purposes of the 2015 impairment testing, it was deemed appropriate to maintain the decisions made with respect to the previous financial statements, and thus to consider Pravex Bank (no longer recorded among discontinued operations following termination of the agreement for the sale) and Bank of Alexandria as autonomous CGUs that are separate 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 Pravex Bank's and Bank of Alexandria's cases, the separate assessment of the banks for impairment testing purposes, which will continue until conditions in the respective countries have been stabilised, does not affect the Group's intention to support the development of the subsidiaries.

Book value of the CGUs
The book value of the CGUs must be determined in a manner consistent with the criterion for estimating their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these represent the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process.
Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis (so-called "equity side"), the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.

The table below provides the book values of the CGUs and the goodwill and brand name allocations to each. The values, determined for impairment testing purposes, include the portion of goodwill attributable to minority interests (included in the last column with minority interests).

(millions of euro)

Values / CGU	Value as at 31.12.2015			
	Book value	*of which goodwill Group share*	*of which brand name*	*of which minority interests*
Banca dei Territori	17,629	*1,091*	*1,507*	*309*
Corporate and Investment Banking	14,411	-	-	*294*
Insurance	5,264	*494*	-	*1*
Asset Management	1,882	*1,038*	-	-
Private Banking	3,331	*1,291*	*375*	-
International Subsidiary Banks	5,381	-	-	*87*
Bank of Alexandria (Egypt)	637	-	-	*128*
Pravex Bank (Ukraine)	60	-	-	-
GROUP TOTAL	**48,595**	**3,914**	**1,882**	**819**

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 assuming as growth factor the rate of increase in the gross domestic product of the countries in which the cash flows are generated.
Alternatively, terminal value could be determined on the basis of a final sale or liquidation value.
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates to be used must incorporate the present market values with reference to the risk free component and the risk premium associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles.
Also, given the diverse risks of the respective operating areas, different Beta coefficients must be used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".

Cash flow estimates

Also with regard to calculation of the value in use of CGUs for impairment testing purposes for the 2015 financial statements, the volatility of financial markets and the uncertainties regarding the future macroeconomic environment make the definition of near-term future cash flows from operating activities and the identification of growth rates in order to calculate the Terminal value of CGUs particularly complex.
The medium-term forecast scenario taken as a reference (only regarding the Eurozone and Italy, as no goodwill is recorded any more with reference to the international network) shows a slight worsening of the system variables compared to the already prudent forecast of last year, with a recovery concerning market rates only starting in 2018. On the other hand, the forecasting estimates relating to the asset management segment underwent upward revisions following the performance achieved, which was better than that hypothesised a year ago.
The macro-economic scenario defined for the period 2016-2018 is based on a reference scenario for the global economy of moderate expansion in the period considered. The modest acceleration in GDP growth predicted between 2015 and 2018 is the result of stable growth in Europe and the USA, in a scenario of recovery for various emerging economies following a period of difficulty that extends until the end of 2016.
In 2015 the growth rate in the Eurozone was 1.5% and the pace of expansion is expected to be substantially identical to the interval between 2016 and 2019 (about 1.6%). This estimated growth is essentially in line with the consensus average (January 2016 records). Estimated inflation rates, on the other hand, are higher than the consensus average as they only partly incorporate the new collapse in oil prices taking place at the end of 2015 – beginning of 2016.
In 2015 the Italian economy recorded growth of about 0.7%, which overall is in line with the projections of a modest recovery made last year. Various ongoing developments could encourage the recovery in 2016: the further freeing up of purchasing power due to the sharp drop in energy prices, the slight easing of the fiscal policy and the improved financial conditions. However, a sharp decline in exports to countries producing raw materials is expected on the other hand, while the recovery of investments still seems weak. For this reason, the reference scenario estimates growth of 1.2% in 2016. These forecasts do not significantly differ from the consensus average.

With reference to the banking industry, it is first worth noting that in 2015, after three years of decline, loans showed signs of recovery. With the economy recovering for some quarters now, a clear return to the growth of loans to businesses will be visible in 2016 when, as an annual average, the total volume is finally expected to increase. From 2016 and in the following years, positive elements could derive from the credit demand for investments.
As regards direct deposits, the trends seen in 2015 confirmed the previous values and particularly the growth in deposits and the heavy decline for bonds. In terms of deposits, the notable trend of the demand component continued, while time deposits are down.
The abundant available liquidity will favour the containment of the cost of funding. At the same time, a reorganisation of banks' liabilities in favour of deposits will be confirmed, with the progressive repayment of the bonds placed with retail customers, also in light of the new bail-in scenario. As a consequence, the stock of bonds will continue to fall as an annual average in 2016-17 before growing (very moderately) from the end of 2018, in connection with the gradual resumption of monetary stimulus in a context of slight acceleration of the medium to long-term loans and fuelled essentially by the issues on wholesale markets.

In 2015 rates on loans continued to drop. Rates on new loans to businesses reached all-time lows, despite the persisting high credit risk. Similarly, with reference to the average cost of funding in 2016, values lower than in the previous year are estimated also consequently to the knock-on effect of the reduction that occurred in 2015, as well as to the continuous shift in the composition of the aggregate towards less costly forms.
Therefore, in 2016-17 also the spread between lending and funding rates remained as in 2015 in terms of annual average. Towards the end of the scenario period, the progressive growth of lending rates, consistently with the projection of the Euribor rates and combined with the lower speed of adjustment of funding rates, will allow the spread to reopen.
In 2016 in particular, in consideration of the minimum level already reached by the rates on demand deposits, mark-downs are expected to worsen slightly to then essentially stabilise in 2017; an improvement trend should be seen from 2018 due to the hypothesised rise in the Euribor.

Italy	2015	2016	2017	2018
REAL ECONOMY				
Real GDP Italy	0.7	1.2	1.4	1.2
Consumer prices Italy	0.1	0.9	1.5	1.7
Period-end ECB rate	0.05	0.05	0.05	0.50
3-month Euribor rate	-0.02	-0.21	-0.23	0.33
10-year IRS	0.9	1.1	1.4	1.9
10-year BTP	1.7	1.7	2.0	2.4
Spread vs. Bund (basis points)	119	92	85	85
BANKING SECTOR				
Loans	-1.5	1.3	2.3	2.8
Direct customer deposits	-1.2	0.3	1.2	2.1
Loan rate	3.43	3.23	3.18	3.40
Funding rate	1.18	1.00	0.95	1.09
Average customer spread	2.25	2.23	2.23	2.32
Mutual funds	15.6	12.1	8.1	7.7
Portfolio management	7.8	5.2	3.6	3.4
Life technical reserves	8.7	8.1	7.4	6.8

The various CGUs' expected cash flows were estimated by following a two-stage assessment process.
The first forecasting period was set to 3 years (2016 to 2018), unlike the 2014 Financial Statements, where a 4 year period had been hypothesised, considering the fact that the current Business Plan includes only two remaining years of planning, and in line with the extension requested by the European Central Bank in the Supervisory Review and Evaluation Process (SREP). Specifically, for the 2016-2018 three-year period, the in-house analytical estimates were used which, for the years until 2017, represent the update of the 2014-2017 Business Plan to take into account the evolution of the macroeconomic scenario, while 2018 was estimated through inertial tracking of the flows for 2017, based on the forecast macroeconomic scenario, thus without considering the effect of managerial leverage.
The net income projected for the forecast years has been adjusted, in accordance with IAS 36, to account for non-monetary components and the minority-interest share of net income, as well as to exclude the effects of any reorganisation and restructuring transactions. In addition, cash flows include those allocated to the various CGU's deriving from central corporate assets. In accordance with the equity-side approach mentioned above in relation to the determination of the carrying values of CGUs, the cash flows used for impairment testing include the flows correlated with financial assets and liabilities, given that these represent the company's core business.

Among various financial valuation techniques, such as that used for the estimate of the value in use, 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 "at full capacity". This rate, even if subject to time variations, may be assumed to be constant or decreasing (or increasing in rarer circumstances).
As an alternative to the Terminal value estimation methodology, doctrine also envisages (i) the exit multiple approach and (ii) the approach based on an estimation of the liquidation value of the company. Specifically, with regard to approach (i) it should be mentioned that an exit multiple estimate has complex (and potentially subjective) elements that become even more marked at times of market uncertainty and volatility such as now.
Approach (ii) is valid only for companies due to be wound up on termination of the forecasting period, and therefore not applicable with a view to a business as a going concern.
In the decisions to be taken with regard to the criteria for extrapolating cash flows beyond the forecasting period, account must be taken of the market context in which the prospective scenario is being determined.
Regarding the impairment test as at 31 December 2015, in line with the impairment tests of the previous years the average growth rate of Italy's nominal GDP was determined, observed and forecast in the 2008-2018 period (it should be noted that, in consideration of the impairment made in the 2013 financial statements, no goodwill is allocated to the International Subsidiary Banks CGU and, consequently, it is not necessary to calculate the g rate for the purpose of the goodwill test for the foreign countries where the Group operates).
The decision made in terms of observation period for the growth rates, considering the current particular macroeconomic situation, calls for specific consideration.
Real GDP dynamics in recent years were negative or only marginally positive due to the economic-financial crisis. A turnaround from the current scenario of macroeconomic crisis took place already in 2015, very gradually resulting in a process of growth in the following years.
In order to consider both the entire period of crisis experienced, beginning in 2008, and the prospects of an economic recovery beginning in 2015, the growth rate for estimating Terminal value was calculated as the average GDP rates for the 2008-2018 period, inasmuch as this period was deemed sufficiently extensive to include, and thus average, a period of severe crisis and a prospective period of a return to a scenario of economic growth.
In short, the reference period is characterised by logics of prudence since it considers, on the one side, the financial crisis beginning in 2008 and, on the other, the expectation of economic growth until 2018.

In particular for the CGUs that show intangibles with an indefinite life on the balance sheet date, and therefore to be subject to an impairment test, the "g" rate was determined with reference to Italy, since the country of operation of these CGUs (Banca dei Territori, Insurance, Asset Management, Private Banking) is mainly Italy.
Expected real GDP and inflation figures used to calculate "g" rate were drawn from forecasts prepared by the Intesa Sanpaolo Research Department described above.
Italy presents a negative value for its average real growth rate for the period 2008-2018. Since the "g" rate is used to determine Terminal value, it was considered realistic and rational not to assume negative real growth to be projected infinitely. Accordingly, for Italian CGUs, for calculation purposes, real growth was assumed to be zero and the "g" rate thus corresponded with the average increase in inflation for the period 2008-2018.
Furthermore, with a prudential approach, it was checked that the "g" rate was not higher than Italy's GDP growth rate in 2018 or, for each CGU, the growth rate of the last year of analytical forecasting.

Cash flow discounting rates
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present market valuations, the time value of money and the asset's specific risks.
In practice, the first characteristic (current market conditions) translates into the calculation of all parameters based on the latest available information as at the reference date of the estimate, so as to best take into account the current market assessments. The second characteristic (consistency between risks/flows and rates) must follow the specificity of flows used for impairment testing of the CGUs. This rate (in its various components) must therefore be decided by observing the specific nature of flows used to assess each CGU, in order to maintain coherence and consistency with the flows. Specifically, consistency becomes important with regard to inflation, country risk and other risk factors that, according to IAS 36, may be expressed in the flows or rate. It is important to point out that a characteristic common to all CGUs recording goodwill (and, in general, intangibles with an indefinite life) is the long-term perspective of flows used to estimate the CGU value in use. In fact, by its very nature goodwill has an indefinite useful life, and therefore future cash flows are normally infinitely projectable.
This long term perspective should be reflected in all discounting rate benchmarks by means of the appropriate selection of each, in such a way that they express normalised conditions in the long term.
The discounting rate should normally include the cost of the various sources of funding of the asset to be assessed, in other words the equity cost and debt cost (i.e. WACC, weighted average capital cost). However, in the case of a banking entity, it is estimated according to an equity-side approach, that is to say by considering only the cost of equity capital (Ke), in a manner consistent with the methods for determining cash flows, which, as stated above, include those deriving from financial assets and liabilities.
The cost of capital is determined using the Capital Asset Pricing Model (CAPM). Based on this model the cost of capital is calculated as the sum of risk-free rate and a risk premium, in turn dependent on the specific risks implicit in the business activities (i.e. both business segment risk and country risk).
The cost of capital is determined net of taxes, in order to ensure consistency with the discounted cash flows.
As the various CGUs of the Intesa Sanpaolo Group operate in different business segments and with different risk factors, the specific costs of capital of each CGU were identified.
It should be noted that since cash flows were determined in nominal terms discounting rates were also determined in nominal terms, meaning that they incorporate inflation expectations.
Entering into the details of the various components that contribute to the determination of discounting rates, it may be remarked that:

- with reference to the risk-free component and the country risk premium (CRP), the approach for the 2014 Financial Statements implied the application of differentiated discount rates for the discounting of the cash flows of the CGUs and, in this context, the explicit indication of a "double" cost of capital. Specifically:
    - concerning the risk-free component included in the discounting rate of the cash flows of the explicit forecasting horizon (2015-2018), the average monthly return (December 2014) of the 10-year German Government bonds (Bund) had been used;
    - concerning the risk-free component included in the discounting rate of the financial flow of the Terminal Value, the average return of the last twelve months (2014) of the 10-year German Government bonds (Bund) had been used.

  A similar approach had been taken to determine the CRP, meant as the difference between the 10-year BTP return and that of the Bund with the same maturity.
  The approach described previously had been dictated by the significant reduction in the return of Government bonds, in the last part of 2014 in particular; this aspect had resulted in a considerable difference between the average values of December 2014 and the average values of the entire year.
  Therefore, in consideration of the long-term prospects underlying the estimate of the Value in use, a decision had been taken to prudentially incorporate, in the discounting of the Terminal Value, the yield effect – though in the long term – at more "normalised" conditions, of the general context of the interest rates, also consistently with the projections underlying the return forecasts of the CGUs.
  The drop in returns on 10-year German government securities (as, in general, on all the sovereign securities of the Eurozone, including those of Italy) observed in the second half of 2014 actually continued also in the first quarter of 2015, consequently to the expansive monetary policies of the European Central Bank. However, in the months before and after June 2015, the political unrest in the Eurozone (with particular regard to the uncertainty on the outcome of the Greek crisis) and, more generally, a repricing of the risk intrinsic to the sovereign debt securities, had increased the volatility of bond prices and, at least in comparison with the latest values, also of yields. Instead, the turnaround of the third quarter of 2015 saw a reduction in the yields of the German and Italian Government bonds, which in any case reached higher values than those emerging during the first part of the year; this reduction was partially adjusted during December 2015 following the market reaction to the ECB's decisions.
  This resulted, to sum up, in a substantial realignment between the annual averages and the average of the month of December 2015 of the BTP and Bund yields to extremely limited values; on this basis, for the purpose of the 2015 Financial Statements, the adoption of a risk-free rate and a CRP, for the purpose of the Ke of the Terminal Value, calculated on the basis of the annual 2015 average, in line with what was done in the 2014 Financial Statements, would not have been consistent with the objective of incorporating the effect of a return to "normalised" interest rates conditions in the long-term calculation logics that characterise the impairment test. The currently low level of interest rates (especially in the risk-

free component), heavily affected by the monetary policies of the ECB, will unlikely persist beyond the medium term; therefore, considering the aforementioned long-term prospect that must guide the impairment test, for the 2015 Financial Statements it was deemed appropriate to adopt the following approach (which, for the 2014 Financial Statements, in any case implies the use of differentiated discount rates for the discounting of the cash flows of the CGUs):

- o concerning the risk-free component included in the discounting rate of the cash flows of the explicit forecasting horizon, a decision was made to use the average monthly return (December 2015) of the 10-year German Government bonds (Bund);
- o concerning the risk-free component included in the discounting rate of the cash flow of the Terminal Value (cash flow projectable beyond the period of explicit forecasting), a decision was made to use the average annual return of 10-year German government bonds (Bund) forecast in 2018, which is the last year of flow forecast period, internally estimated based on the medium-term forecast scenario mentioned previously. The macro-economic forecasts considered, with reference to interest rates, estimate in 2018 a return to «normalised» conditions and therefore infinitely projectable for the purpose of the Terminal Value, according to the long-term logic underlying the impairment test.

In line with the above, also for the CRP a methodology was considered that envisages the use of differentiated values; the considerations for this choice, as a consequence, are the same as those already shown above and are essentially based on the “exceptional nature” of the interest rate level observed at present. In addition, it should be noted that there is no goodwill allocated to CGUs other than those (mainly) operating in Italy - the “country risk” essentially coincides with the “Italy risk”. The CRP, therefore, in the methodological choices for the impairment test of the goodwill for the purpose of the 2015 Financial Statements, was calculated as follows:

- o concerning the CRP included in the discount rate of the financial flows of the “explicit” forecast time period, the average BTP-Bund spread of December 2015 was considered;
- o concerning the CRP included in the discount rate of the financial flows of the Terminal Value, the average annual BTP-Bund spread estimated in 2018 was considered, based on the medium-term forecast scenario mentioned previously;

- the equity risk premium – represented by the difference between stock market yield and the Return on Investment on risk-free securities determined in reference to a sufficiently wide time horizon – was calculated on the basis of historical data, given its higher degree of reliability and visibility and also in the light of the current macroeconomic context, which reflects particularly volatile stock market prices not always representative of economic “fundamentals,” while also creating a framework of uncertainty within which it is difficult to formulate reliable forecasts of results in order to estimate the equity risk premium implicit in stock market quotations. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2015, 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 average or median Beta figure used was that recorded on a monthly basis over a five-year period.

Summary of growth rates and discounting rates used

The following table presents a summary, for each CGU subject to impairment test, of the parameters relevant to determining value in use: weighted average 2016-2018 growth rates, the "g” growth rates for Terminal value purposes, the various discounting rates and inflation rates.

RATES/PARAMETERS / CGU	NOMINAL GROWTH RATES FOR IMPAIRMENT TEST (PERIOD 2016 - 2018)	NOMINAL DISCOUNTING RATES				LONG-TERM "G" GROWTH RATES		INFLATION RATES
		2015 flows	2015 Terminal Value	2014 flows	2014 Terminal Value	2015	2014	2015
CGU subject to impairment test								
Banca dei Territori	132.76% (1)	7.52%	8.37%	8.02%	8.91%	1.55%	1.60%	1.55%
Insurance	18.15%	7.29%	8.14%	7.84%	8.73%	1.55%	1.60%	1.55%
Asset Management	8.22%	7.52%	8.36%	8.25%	9.14%	1.55%	1.60%	1.55%
Private Banking	10.19%	6.77%	7.62%	7.49%	8.38%	1.55%	1.60%	1.55%

(1) The nominal growth rate of the Banca dei Territori CGU is influenced by the allocation to the same CGU of a part of the cost of the Corporate Centre, whose performance is essentially constant over the forecast time horizon and not proportional to the evolution of the net income components of the Division

Impairment testing results

The outcomes of the impairment test showed how, as at 31 December 2015, the values in use of each of the four CGUs that feature allocated goodwill were higher than the respective book values. Thus it was not necessary to proceed to any impairment of the intangible assets with an indefinite life.

It is specified that, for the sake of completeness of the analysis, the value in use was calculated also for the CGUs to which intangible assets with an indefinite life are no longer allocated, as they are written down in the previous financial statements. The Group’s overall value in use is in any case higher than the sum of the book values of the individual CGUs.

The values in use calculated were higher than the market values, i.e., the share’s price quotation, and thus market capitalisation. The price of Intesa Sanpaolo ordinary share as at 31 December 2015 (3.09 euro) is considerably growing compared to the values measured at the end of the previous year (about +28%) while reaching a higher level than the value of the net book value per share (2.89 euro).

The target price estimates expressed in the final part of 2015 by investment firms and financial analysts assigned to the Intesa Sanpaolo Group focused on a range between 3.3 and 3.9 euro (with peaks of 3.1 and 4.3 euro), up compared to the target prices at the end of 2014.

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 analysts for the years 2016 and 2017 estimate cash flows dynamics in line with the prospective forecast trend prepared by management;
- the cost of the capital used (in not particularly frequent cases, where this parameter is explicitly stated) is often determined in overall terms at Group level and generally at values that are slightly higher than the average value calculated for the purpose of the Value in use for the impairment test shown previously. In any case, the cost of capital used to discount the flow of the Terminal Value falls within the range identified by the analysts;
- the growth rates used for the purposes of Terminal value, where explicitly stated, were close to those used in impairment testing;
- similarly to the observations made for the impairment test of the 2014 Financial Statements, from the methodological standpoint, use was often made of multiples (in terms of P/E or ROE) applied to current market quotations or expected profitability for the coming years; these are thus methods that provide a fair value, rather than a long-term value in use.

It bears observing that the valuations in question were intended for financial investors and thus aimed to determine prices and values in the short term.

Finally, it is believed that impairment tests must be performed with the awareness of the fact that, although financial and monetary markets are in the process of returning to normality, the current crisis will continue to have a deep impact on expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group's primary sources of income and competitive edges. In consideration of such factors, value in use is considered to be a better expression of the recoverable value of the Group's operating activities in the current market situation.
Accordingly, in developing the valuation model, caution was applied both when estimating projected cash flows and choosing financial parameters:
- expected cash flows take into account the full attribution to CGUs of the financial effects of the services provided by the Corporate Centre;
- the cost of capital was determined analytically, based on parameters taken from the markets for each CGU, depending on the different risk of the respective businesses, also considering analytically the various risk factors; furthermore, the cost of capital used for the purpose of the Terminal Value considers the effects of a return to "normalised" conditions of the general context of the interest rates. As a consequence the average weighted value obtained is essentially in line with the Intesa Sanpaolo's cost of capital expressed by the market and within the range of the average rates used by the investment houses in the latest reports on Intesa Sanpaolo's stock. In addition, the total cost of capital for the purpose of the Terminal Value is far higher than the yield, equal to 7%, of the Additional Tier 1 (AT1) securities, issued in January 2016 by Intesa Sanpaolo, which, though similar to equity instruments, show a lower risk compared to the shares;
- the "g" rate, for the purpose of Terminal value for Italy, which represents the area of absolute prevalence for the CGUs with residual goodwill, has been set at zero in real terms.

The parameters and information used to test the recoverability of intangible assets with indefinite useful life are significantly influenced by the macroeconomic environment and financial market trends, which might undergo changes that cannot be predicted at the present time. If in the future the macroeconomic scenario should deteriorate with respect to assumptions, this would have effects on the estimate of the various CGUs' cash flows and on the main assumptions adopted, which could yield results in the financial statements of the coming years different from those outlined in these Financial Statements.

Sensitivity analyses
Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IAS/IFRS.
In particular, for CGUs that present residual values of intangibles with indefinite useful lives, the impact on the value in use of an increase in discounting rates of up to 100 bps and a decrease in the growth rate for Terminal value purposes of up to 50 bps was verified. In addition, analyses were conducted of changes in the value in use resulting from a decrease in the cash flows used for Terminal Value purposes.
The table below illustrates the sensitivity (in percentage terms) of the value in use of the CGUs that present residual intangible assets with indefinite useful lives to changes in the "g" rate or discounting rate of -/+10 basis points, as well as a reduction in the cash flows used for Terminal value purposes of 10%.

Sensitivity / CGU	CHANGE IN VALUE IN USE		
	Sensitivity to growth rate "g" - 10 bps	Sensitivity to discount rate + 10 bps	Sensitivity to Terminal value cash flows - 10%
Banca dei Territori	-1.32%	-1.45%	-8.57%
Insurance	-1.30%	-1.43%	-8.17%
Asset Management	-1.24%	-1.36%	-8.00%
Private Banking	-1.43%	-1.56%	-8.32%

Based on the table above, changes in the Ke (increasing) or the g (decreasing) values within the 10 bps would lead to a general decrease in the Values in use ranging between 1.24% and 1.56%. Regarding the financial flow considered for the purpose of the Terminal value, a 10% decrease of the same would lead to reductions in the Values in use ranging between 8.00% and 8.57%. No cases of impairment emerge in the analysed cases for the CGUs subject to check.
Also the extremely penalising adoption of discounting rates above 100 bps and "g" growth rates below 50 bps (and thus negative in real terms for Italy) would not suggest an estimate of the Value in use that is lower than the book value for the CGUs subject to check.

In other stress testing, analyses were performed with the aim of determining the limits for the main inputs, beyond which impairment testing of the CGUs would require the recognition of impairment. The following table presents the “g” growth rates and discounting rates for each CGU that would result in a value in use in line with its carrying amounts, assuming equal cash flows to be discounted.

Sensitivity / CGU	"g" growth rate	Difference compared to the "g" rate used	TV discounting rate	Difference compared to the Ke discounting rate used
Banca dei Territori	0.03%	-152 bps	9.75%	138 bps
Insurance	-6.07%	-762 bps	14.79%	665 bps
Asset Management	-29.91%	-3.146 bps	34.10%	2,574 bps
Private Banking	-51.63%	-5.318 bps	53.09%	4,547 bps

As shown by the data contained in table, the values in use of the CGUs would reduce until the book values, with consequent impairment problems, only in correspondence with the significant worsening of the discounting rates (Ke) and the “g” growth rates.

SECTION 14 – TAX ASSETS AND LIABILITIES – CAPTION 140 OF ASSETS AND CAPTION 80 OF LIABILITIES

14.1 Deferred tax assets: breakdown

Deferred tax assets, recognised with regard to deductible temporary differences, totalled 11,395 million euro, of which 10,257 million euro refers to taxes recorded through profit and loss and 1,138 million euro to 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 and provisions for risks and charges deductible in future years, 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 98/2011. 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.

The deferred tax assets relating to the adjustments to loans made by the companies resident in Italy, was affected by Law Decree 83/2015 (converted, with amendments, into Law 132/2015), which introduced the immediate deductibility of the adjustments to loans in the year of allocation to the income statement, and also foresaw, for 2015 only, the postponement of the deductibility of 25% of the adjustments to loans made in the year and the block of the reversals of the adjustments to loans not deducted in previous years.

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 1,859 million euro and the balancing entry is mostly in the income statement (1,161 million euro) as well as in shareholders' equity (698 million euro).

14.3 Changes in deferred tax assets (through profit and loss)

(millions of euro)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
1. Initial amount	**10,231**	***10,015***	***216***	***-***	**10,246**
2. Increases	**877**	***736***	***118***	***23***	**1,736**
2.1 Deferred tax assets recognised in the period	582	*486*	*96*	-	1,313
a) related to previous years	*67*	*67*	-	-	*1*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	-
d) other	*515*	*419*	*96*	-	*1,312*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	277	*250*	*22*	*5*	423
2.4 Business combinations	18	-	-	*18*	-
3. Decreases	**-851**	***-782***	***-66***	***-3***	**-1,751**
3.1 Deferred tax assets eliminated in the period	-420	*-385*	*-35*	-	-605
a) reversals	*-300*	*-296*	*-4*	-	*-431*
b) write-offs	*-4*	*-4*	-	-	*-32*
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-116*	*-85*	*-31*	-	*-142*
3.2 Tax rate reductions	-32	-	*-29*	*-3*	-
3.3 Other decreases	-399	*-397*	*-2*	-	-1,146
a) changes into tax credits pursuant to Law no. 214/2011	*-31*	*-31*	-	-	*-869*
b) other	*-368*	*-366*	*-2*	-	*-277*
3.4 Business combinations	-	-	-	-	-
4. Final amount	**10,257**	***9,969***	***268***	***20***	**10,231**

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 214/2011 refers to the deferred tax assets pursuant to Law 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 of the previous year 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 214/2011)

(millions of euro)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
1. Initial amount	**8,824**	***8,810***	***14***	***-***	**8,644**
2. Increases	**262**	***260***	***2***	***-***	**1,341**
3. Decreases	**-337**	***-337***	***-***	***-***	**-1,161**
3.1 Reversals	-69	*-69*	-	-	-271
3.2 Changes into tax credits	-31	*-31*	-	-	-869
a) from losses for the year	*-31*	*-31*	-	-	*-868*
b) from fiscal losses	-	-	-	-	*-1*
3.3 Other decreases	-237	*-237*	-	-	-21
4. Final amount	**8,749**	***8,733***	***16***	***-***	**8,824**

14.4 Changes in deferred tax liabilities (through profit and loss)

(millions of euro)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
1. Initial amount	**1,031**	***717***	***314***	***-***	**1,021**
2. Increases	**529**	***385***	***92***	***52***	**369**
2.1 Deferred tax liabilities recognised in the period	181	*115*	*66*	*-*	117
a) related to previous years	*66*	*66*	*-*	*-*	*51*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*115*	*49*	*66*	*-*	*66*
2.2 New taxes or tax rate increases	-	*-*	*-*	*-*	-
2.3 Other increases	317	*270*	*26*	*21*	252
2.4 Business combinations	31	*-*	*-*	*31*	-
3. Decreases	**-399**	***-322***	***-69***	***-8***	**-359**
3.1 Deferred tax liabilities eliminated in the period	-159	*-131*	*-26*	*-2*	-136
a) reversals	*-111*	*-104*	*-5*	*-2*	*-70*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*-48*	*-27*	*-21*	*-*	*-66*
3.2 Tax rate reductions	-49	*-*	*-43*	*-6*	-
3.3 Other decreases	-191	*-191*	*-*	*-*	-223
3.4 Business combinations	-	*-*	*-*	*-*	-
4. Final amount	**1,161**	***780***	***337***	***44***	**1,031**

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)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
1. Initial amount	**1,179**	*1,045*	*134*	*-*	**733**
2. Increases	**286**	*272*	*9*	*5*	**561**
2.1 Deferred tax assets recognised in the period	144	*144*	*-*	*-*	524
a) related to previous years	*40*	*40*	*-*	*-*	*-*
b) due to changes in accounting criteria	*2*	*2*	*-*	*-*	*-*
c) other	*102*	*102*	*-*	*-*	*524*
2.2 New taxes or tax rate increases	9	*-*	*9*	*-*	-
2.3 Other increases	128	*128*	*-*	*-*	37
2.4 Business combinations	5	*-*	*-*	*5*	-
3. Decreases	**-327**	*-308*	*-14*	*-5*	**-115**
3.1 Deferred tax assets eliminated in the period	-286	*-286*	*-*	*-*	-84
a) reversals	*-241*	*-241*	*-*	*-*	*-69*
b) write-offs	*-*	*-*	*-*	*-*	*-*
c) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
d) other	*-45*	*-45*	*-*	*-*	*-15*
3.2 Tax rate reductions	-14	*-*	*-14*	*-*	-
3.3 Other decreases	-27	*-22*	*-*	*-5*	-31
3.4 Business combinations	-	*-*	*-*	*-*	-
4. Final amount	**1,138**	*1,009*	*129*	*-*	**1,179**

14.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2015	Of which: Banking group	Insurance companies	Other companies	31.12.2014
1. Initial amount	**630**	*176*	*454*	-	**318**
2. Increases	**384**	*318*	*43*	*23*	**585**
2.1 Deferred tax liabilities recognised in the period	230	*197*	*30*	*3*	532
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*230*	*197*	*30*	*3*	*532*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	134	*121*	*13*	-	53
2.4 Business combinations	20	-	-	*20*	-
3. Decreases	**-316**	*-245*	*-51*	*-20*	**-273**
3.1 Deferred tax liabilities eliminated in the period	-232	*-221*	*-11*	-	-220
a) reversals	*-177*	*-177*	-	-	*-115*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-55*	*-44*	*-11*	-	*-105*
3.2 Tax rate reductions	-36	-	*-36*	-	-
3.3 Other decreases	-48	*-24*	*-4*	*-20*	-53
3.4 Business combinations	-	-	-	-	-
4. Final amount	698	*249*	*446*	*3*	630

Probability test on deferred taxation

IAS 12 requires for deferred tax assets and liabilities to be recognised according to the following criteria:

– taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences;
– deductible temporary differences: a deferred tax asset must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Deferred tax assets not recognised in the past - inasmuch as the requirements for recognition have not been met - must be recognised during the year in which those requirements are met.

The book value of deferred tax assets must therefore be tested each year to determine whether it is reasonably certain that taxable income will be earned in the future and thus that the deferred tax assets may be recovered.

Given the significant amount of deferred tax assets carried among the Group's assets, including in the 2015 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 2015, as in the case of the 2011-2014 financial statements, nevertheless assets arising from temporary deductible differences associated with impairment losses on loans, as well as those relating to goodwill and other intangible assets with indefinite useful lives entered in the financial statements within 2014 [8]("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 process forms – 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").

[8] With art. 17 of Law Decree 83 of 27 June 2015, the convertibility into tax credits was excluded (for any reason provided for by Law Decree 225 of 29 December 2010) of the deferred tax assets relating "to the value of the goodwill and the other intangible assets entered for the first time starting from the financial statements relating to the year underway at the date the provision comes into force", i.e. starting from 2015.

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 causal relationship 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 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 2015.

Unused tax losses

In the 2015 financial statements, deferred tax assets are entered, which derive from tax losses brought forward for about 210 million euro, referring to the Luxembourg subsidiary Intesa Sanpaolo Holding International (ISPHI).

As at 31 December 2008, against the more than 2 billion euro in prior tax losses accumulated by ISPHI (mainly deriving from the impairment and disposal of the South American investments), usable without time limits, deferred tax assets were entered in the Group's financial statements for 572 million euro, calculated based on the tax rate then in force in Luxembourg (28.59%; the rate increased from 2011 to 28.80% and from 2013 to 29.22%). In the following years, the profitability of the subsidiary (in addition to SEB, now ISPBL, Luxgest Asset Management and Intesa Sanpaolo Servitia, which participate in the same local fiscal consolidation) and the restatements following the changes in the local rates taking place in the mean time, reduced the above-mentioned deferred tax assets by about 360 million euro. The analyses carried out in relation to the income forecasts of the subsidiaries both for the residual two years included in the Group's Business Plan 2014-2017, and for the estimable projections in the following years, confirm the ability of the Luxembourg fiscal consolidation to use the losses against which DTAs are recognised. The tax losses still to be absorbed at the end of 2015 amount to 729 million euro.

It is worth noting that, compared to the 2014 financial statements, the residual deferred tax assets referring to the tax losses of the Luxembourg subsidiary Private Equity International were fully absorbed.

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)

	31.12.2015	*Of which:*			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
A. Non-current assets held for sale					
A.1 Financial assets	-	-	-	-	-
A.2 Investments in associates and companies subject to joint control	-	-	-	-	-
A.3 Property and equipment	27	*22*	-	*5*	24
A.4 Intangible assets	-	-	-	-	-
A.5 Other	-	-	-	-	-
Total A	**27**	***22***	**-**	***5***	**24**
of which cost	*27*	*22*	*-*	*5*	*24*
of which Fair value Level 1	-	-	-	-	-
of which Fair value Level 2	-	-	-	-	-
of which Fair value Level 3	-	-	-	-	-
B. Discontinued operations					
B.1 Financial assets held for trading	-	-	-	-	-
B.2 Financial assets designated at fair value through profit and loss	-	-	-	-	-
B.3 Financial assets available for sale	-	-	-	-	26
B.4 Investments held to maturity	-	-	-	-	-
B.5 Due from banks	-	-	-	-	2
B.6 Loans to customers	-	-	-	-	143
B.7 Investments in associates and companies subject to joint control	-	-	-	-	-
B.8 Property and equipment	-	-	-	-	21
B.9 Intangible assets	-	-	-	-	10
B.10 Other	-	-	-	-	3
Total B	**-**	**-**	**-**	**-**	**205**
of which cost	-	-	-	-	*179*
of which Fair value Level 1	-	-	-	-	-
of which Fair value Level 2	-	-	-	-	*26*
of which Fair value Level 3	-	-	-	-	-
C. Liabilities associated with non-current assets held for sale					
C.1 Debts	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other	-	-	-	-	-
Total C	**-**	**-**	**-**	**-**	**-**
of which cost	-	-	-	-	-
of which Fair value Level 1	-	-	-	-	-
of which Fair value Level 2	-	-	-	-	-
of which Fair value Level 3	-	-	-	-	-
D. Liabilities associated with discontinued operations					
D.1 Due to banks	-	-	-	-	-
D.2 Due to customers	-	-	-	-	194
D.3 Securities issued	-	-	-	-	-
D.4 Financial liabilities held for trading	-	-	-	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
D.6 Allowances	-	-	-	-	-
D.7 Other	-	-	-	-	7
Total D	**-**	**-**	**-**	**-**	**201**
of which cost	-	-	-	-	*201*
of which Fair value Level 1	-	-	-	-	-
of which Fair value Level 2	-	-	-	-	-
of which Fair value Level 3	-	-	-	-	-

The caption includes real-estate assets to be sold in the near future by Cassa di Risparmio del Veneto and Risanamento.

15.2 Other information

There is no other significant information to note as at 31 December 2015.

15.3 Information on companies subject to significant influence not carried at equity

As at 31 December 2015, 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	1,161	*1,161*	-	-
Amounts due from tax authorities relating to insurance business	1,551	-	*1,551*	-
Amounts to be debited - deriving from securities transactions	153	*142*	*11*	-
Assets originating from financial leases and loan recovery	321	*104*	-	*217*
Real-estate portfolio under construction and portfolio held for sale	710	-	-	*710*
Leasehold improvements	118	*117*	-	*1*
Cheques and other instruments held	230	*230*	-	-
Transit items	47	*47*	-	-
Other	3,830	*3,223*	*569*	*38*
TOTAL 31.12.2015	**8,121**	***5,024***	***2,131***	***966***
TOTAL 31.12.2014	**8,067**	***5,353***	***2,418***	***296***

The real-estate portfolio under construction and portfolio held for sale is entirely attributable to Risanamento.

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(millions of euro)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
1. Due to Central Banks	**32,659**	***32,659***	**-**	**-**	**26,090**
2. Due to banks	**26,668**	***26,218***	***3***	***447***	**25,405**
2.1 Current accounts and deposits	5,564	*5,559*	*1*	*4*	5,887
2.2 Time deposits	3,786	*3,786*	-	-	5,083
2.3 Loans	17,061	*16,618*	-	*443*	13,776
2.3.1 Repurchase agreements	*8,555*	*8,555*	-	-	*4,994*
2.3.2 Other	*8,506*	*8,063*	-	*443*	*8,782*
2.4 Debts for commitments to repurchase own equity instruments	181	*181*	-	-	447
2.5 Other debts	76	*74*	*2*	-	212
TOTAL (Book value)	**59,327**	***58,877***	***3***	***447***	**51,495**
Fair value - Level 1	-	-	-	-	4
Fair value - Level 2	44,537	*44,075*	-	*462*	35,852
Fair value - Level 3	14,603	*14,600*	*3*	-	15,606
TOTAL (fair value)	**59,140**	***58,675***	***3***	***462***	**51,462**

The illustration of the criteria, used to determine the fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, attributable to the Put & Call Agreement to purchase 9.75% of Bank of Alexandria for a total of approximately 181 million euro.

The repurchase agreements presented in the table include long-term repurchase transactions with a total carrying amount of 1,227 million euro, of which 582 million euro is attributable to the Parent Company, relating to the various cases described below.
The first case involves de-risking transactions finalised in previous years with the twofold aim of both funding the Group's operations (through repurchase transactions) and reducing the credit risks associated with the portfolio of securities issued (through the acquisition of financial guarantees).
The repurchase transactions, with a carrying amount of 682 million euro (of which 227 million euro attributable to the Parent Company) have a non-replaceable underlying portfolio of Italian government securities (with maturities from 2019 to 2033). In addition, with reference to the Parent Company, securities issued by local and public corporate entities of Eurozone nations (with maturities from 2016 to 2018), hedged against interest rate risk through IRS (asset swap) contracts. These contracts already recorded in the financial statements at the time of execution of the repurchase transactions and recognised under financial assets available for sale and, in the case of the Parent Company, as loans to customers. Their maturity and nominal value coincide with those of the securities; the financial guarantees have a duration shorter than the maturity of the underlying securities.
The second case regards transactions with a book value of 270 million euro (of which 80 million euro attributable to the Parent Company), with total duration of approximately 4 years and, in some cases, amortisation of the notional amount over time. These transactions were finalised in previous years in the context of public finance activity and consist of medium-/long-term repurchase agreements aimed at funding the purchase of securities issued by Italy and by Italian regions. These transactions have been carried out with various counterparties and, only in some cases, have maturities that correspond to those of the securities purchased. In addition, an IRS has also been entered into between the parties to hedge interest rate risk. Lastly, the Group has provided additional collateral for the counterparty.
Being collateralised, this form of medium-/long-term funding has allowed the Bank to obtain a better net return on its investments in securities than it would have obtained by raising funds through other forms of financing with the same time horizon but not collateralised by the same guarantee structure.
For the sake of completeness, a third case is reported: it consists of long-term repurchase agreements with a book value of 275 million euro (entirely attributable to the Parent Company), entered into with the sole purpose of raising new funding using securities already outstanding in the Bank's portfolio, mainly classified as loans to customers (already hedged against

interest-rate risk with IRS contracts). The maturities of the repurchase agreements (to 2017 and in one case to 2039) are in some cases equal to the maturities of the underlying securities. It is possible to substitute securities, which are sold but not derecognised.

For recognition purposes, an assessment was conducted aimed at understanding the purpose underlying the contractual agreements, taking into account the instructions provided by the supervisory authorities in Bank of Italy/Consob/IVASS Document No. 6 of 8 March 2013, "Accounting treatment of 'long-term structured repurchase agreements'."

The analysis focused on the structure, cash flows and risks associated with the transactions and was aimed at verifying whether the cases described above were similar to the long-term structured repurchase agreements described in the above Document, and, in order to be compliant with the principle of the prevalence of substance over form, whether the indicators illustrated in IAS 39, the Guidance on Implementing, paragraph B.6, according to which the transaction may be considered substantially similar to a credit derivative contract, and, in particular, a credit default swap, 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, buying securities and entering into derivatives occurred with market counterparties other than those with which the repurchase agreements were entered into.

With respect to the second case, although the repurchase agreements were concurrent with the purchases of the securities and execution of the interest rate swaps, those agreements were entered into with different counterparties and, in some cases, for nominal values and maturities less than those of the securities.

Lastly, with respect to the third case, the specific purpose for which they were undertaken, demonstrated by the substitutability of the securities underlying the repurchase agreements, excludes a correlation between the various phases and differentiates the transactions from those described in the above-mentioned Document. The securities had already been recognised and the counterparties with which the transactions were undertaken were different.

Consequently, in all cases the analysis shows elements of differentiation from the long-term structured repurchase agreements described in the aforementioned Document and grounds supporting the inapplicability of the guidelines envisaged in IAS 39, Guidance on Implementing, paragraph B.6. All of the transactions pertaining to the cases described above have therefore been recognised, considering the individual contractual components separately.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

There are no subordinated debts as at 31 December 2015.

1.3 Breakdown of caption 10 Due to banks: structured debts

There are no structured debts as at 31 December 2015.

1.4 Due to banks with specific hedges

As at 31 December 2015, debts with fair value hedges against interest rate risk amounted to 23,955 million euro.

1.5 Financial lease payables

There are no financial lease payables due to banks as at 31 December 2015.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(millions of euro)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
1. Current accounts and deposits	182,062	*182,062*	-	-	162,825
2. Time deposits	43,278	*43,278*	-	-	36,797
3. Loans	24,573	*24,573*	-	-	25,559
3.1 Repurchase agreements	*20,416*	*20,416*	-	-	*20,572*
3.2 Other	*4,157*	*4,157*	-	-	*4,987*
4. Debts for commitments to repurchase own equity instruments	130	*130*	-	-	367
5. Other debts	5,215	*5,154*	*61*	-	5,190
TOTAL (Book value)	**255,258**	***255,197***	***61***	**-**	**230,738**
Fair value - Level 1	183	*122*	*61*	-	110
Fair value - Level 2	216,446	*216,446*	-	-	194,236
Fair value - Level 3	39,183	*39,183*	-	-	36,932
TOTAL (fair value)	**255,812**	***255,751***	***61***	**-**	**231,278**

The illustration of the criteria, used to determine the fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, mainly attributable to the Put & Call Agreement to purchase 16.52% of Cassa di Risparmio di Pistoia for a total of approximately 85 million euro.

2.2 Breakdown of caption 20 Due to customers: subordinated debts

There are no subordinated debts as at 31 December 2015.

2.3 Breakdown of caption 20 Due to customers: structured debts

As at 31 December 2015, the amount under Due to customers included structured debts of 36 million euro.

2.4 Due to customers with specific hedges

As at 31 December 2015, debts with specific hedges included under Due to customers are immaterial.

2.5 Financial lease payables

As at 31 December 2015, financial lease payables included under Due to customers are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	101,727	49,110	51,954	2,648	114,617	63,636	52,830	-
1.1 structured	*7,596*	*514*	*7,070*	*15*	*13,962*	*3,736*	*9,975*	-
1.2 other	*94,131*	*48,596*	*44,884*	*2,633*	*100,655*	*59,900*	*42,855*	-
2. other	8,417	-	8,395	21	9,151	-	6,237	3,332
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*8,417*	-	*8,395*	*21*	*9,151*	-	*6,237*	*3,332*
TOTAL	**110,144**	**49,110**	**60,349**	**2,669**	**123,768**	**63,636**	**59,067**	**3,332**

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 2015 have a negative fair value of 440 million euro.
The illustration of the criteria used to determine fair value is contained in Part A – Accounting policies.

3.1 Of which Banking group

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	100,477	49,110	50,704	2,648	113,369	63,636	51,582	-
1.1 structured	*7,596*	*514*	*7,070*	*15*	*13,962*	*3,736*	*9,975*	-
1.2 other	*92,881*	*48,596*	*43,634*	*2,633*	*99,407*	*59,900*	*41,607*	-
2. other	8,299	-	8,277	21	8,999	-	6,085	3,332
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*8,299*	-	*8,277*	*21*	*8,999*	-	*6,085*	*3,332*
TOTAL	**108,776**	**49,110**	**58,981**	**2,669**	**122,368**	**63,636**	**57,667**	**3,332**

3.1 Of which Insurance companies

As at 31 December 2015, a total of 1,250 million euro related to insurance companies, fully attributable to level-2 other bonds (fair value 1,250 million euro), which at the end of 2014 amounted to 1,248 million euro.

3.1 Of which Other companies

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	-	-	-	-
2. other	118	-	118	-	152	-	152	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*118*	-	*118*	-	*152*	-	*152*	-
TOTAL	**118**	**-**	**118**	**-**	**152**	**-**	**152**	**-**

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 14,585 million euro.

3.3 Breakdown of caption 30 Securities issued: securities with specific hedges

(millions of euro)

	31.12.2015	31.12.2014
1. Securities with specific fair value hedges	**80,463**	**95,796**
a) Interest rate risk	78,518	93,063
b) Foreign exchange risk	-	-
c) Various risks	1,945	2,733
2. Securities with specific cash flow hedges	**180**	**180**
a) Interest rate risk	180	180
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**80,643**	**95,976**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(millions of euro)

	31.12.2015					31.12.2014				
	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	**2,879**	**3,032**	**141**	**-**	**3,173**	**1,720**	**1,930**	**31**	**-**	**1,961**
2. Due to customers	**545**	**542**	**-**	**-**	**542**	**227**	**229**	**-**	**-**	**229**
3. Debt securities	**5,245**	**4,533**	**528**	**-**	**X**	**4,625**	**354**	**4,260**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	5,245	4,533	528	-	X	4,625	354	4,260	-	X
3.2.1 structured	*5,245*	*4,533*	*528*	-	*X*	*4,625*	*354*	*4,260*	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**8,669**	**8,107**	**669**	**-**	**3,715**	**6,572**	**2,513**	**4,291**	**-**	**2,190**
B. DERIVATIVES										
1. Financial derivatives	**X**	**3,100**	**30,379**	**315**	**X**	**X**	**1,640**	**36,276**	**255**	**X**
1.1 Trading	X	3,100	30,071	181	X	X	1,639	35,690	216	X
1.2 Fair value option	X	-	-	-	X	X	1	-	-	X
1.3 Other	X	-	308	134	X	X	-	586	39	X
2. Credit derivatives	**X**	**10**	**924**	**18**	**X**	**X**	**36**	**1,347**	**18**	**X**
2.1 Trading	X	10	924	18	X	X	36	1,347	18	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**3,110**	**31,303**	**333**	**X**	**X**	**1,676**	**37,623**	**273**	**X**
TOTAL (A+B)	**X**	**11,217**	**31,972**	**333**	**X**	**X**	**4,189**	**41,914**	**273**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

4.1 Of which Banking group

(millions of euro)

	31.12.2015					31.12.2014				
	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)
A. CASH LIABILITIES										
1. Due to banks	**2,879**	**3,032**	**141**	**-**	**3,173**	**1,720**	**1,930**	**31**	**-**	**1,961**
2. Due to customers	**545**	**542**	**-**	**-**	**542**	**227**	**229**	**-**	**-**	**229**
3. Debt securities	**5,245**	**4,533**	**528**	**-**	**X**	**4,625**	**354**	**4,260**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
3.1.2 other bonds	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
3.2 Other	5,245	4,533	528	-	X	4,625	354	4,260	-	X
3.2.1 structured	*5,245*	*4,533*	*528*	*-*	*X*	*4,625*	*354*	*4,260*	*-*	*X*
3.2.2 other	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
Total A	**8,669**	**8,107**	**669**	**-**	**3,715**	**6,572**	**2,513**	**4,291**	**-**	**2,190**
B. DERIVATIVES										
1. Financial derivatives	**X**	**3,100**	**30,249**	**314**	**X**	**X**	**1,631**	**35,994**	**255**	**X**
1.1 Trading	X	3,100	29,941	180	X	X	1,631	35,408	216	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	308	134	X	X	-	586	39	X
2. Credit derivatives	**X**	**10**	**911**	**18**	**X**	**X**	**-**	**1,340**	**18**	**X**
2.1 Trading	X	10	911	18	X	X	-	1,340	18	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**3,110**	**31,160**	**332**	**X**	**X**	**1,631**	**37,334**	**273**	**X**
TOTAL (A+B)	**X**	**11,217**	**31,829**	**332**	**X**	**X**	**4,144**	**41,625**	**273**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

A.1 Due to banks and A.2 Due to customers include short selling.
A.3.2.1 Other structured debt securities includes capital protected certificates for 5,060 million euro, which amounted to 4,614 million euro at the end of 2014.

4.1 Of which Insurance companies

(millions of euro)

	31.12.2015					31.12.2014				
	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)
A. CASH LIABILITIES										
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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**	**-**	**130**	**1**	**X**	**X**	**9**	**282**	**-**	**X**
1.1 Trading	X	-	130	1	X	X	8	282	-	X
1.2 Fair value option	X	-	-	-	X	X	1	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	**X**	**-**	**13**	**-**	**X**	**X**	**36**	**7**	**-**	**X**
2.1 Trading	X	-	13	-	X	X	36	7	-	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**143**	**1**	**X**	**X**	**45**	**289**	**-**	**X**
TOTAL (A+B)	**X**	**-**	**143**	**1**	**X**	**X**	**45**	**289**	**-**	**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

As at 31 December 2015 there are no subordinated liabilities classified under Financial liabilities held for trading.

4.3 Breakdown of caption 40 Financial liabilities held for trading: structured debts

The Group has structured debts of 5,201 million euro classified under Financial liabilities held for trading as at 31 December 2015.

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)

	31.12.2015					31.12.2014				
	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	47,022	-	47,022	-	47,022	37,622	-	37,622	-	37,622
2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
2.2 other	*47,022*	-	*47,022*	-	*X*	*37,622*	-	*37,622*	-	*X*
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2 other	-	-	-	-	*X*	-	-	-	-	*X*
TOTAL	**47,022**	**-**	**47,022**	**-**	**47,022**	**37,622**	**-**	**37,622**	**-**	**37,622**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1 Of which Insurance companies

(millions of euro)

	31.12.2015					31.12.2014				
	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	47,022	-	47,022	-	47,022	37,622	-	37,622	-	37,622
2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
2.2 other	*47,022*	-	*47,022*	-	*X*	*37,622*	-	*37,622*	-	*X*
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2 other	-	-	-	-	*X*	-	-	-	-	*X*
TOTAL	**47,022**	**-**	**47,022**	**-**	**47,022**	**37,622**	**-**	**37,622**	**-**	**37,622**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Liabilities designated at fair value through profit and loss as at 31 December 2015 essentially included amounts owed to policyholders who have taken out mainly financial policies for which insurance risk is not deemed significant.

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 2015.

SECTION 6 – HEDGING DERIVATIVES – CAPTION 60

6.1. Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2015			Notional value	Fair value 31.12.2014			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**8,224**	**10**	**78,566**	**-**	**10,291**	**9**	**97,587**
1. Fair value	-	6,180	6	70,769	-	7,887	5	88,844
2. Cash flows	-	2,044	4	7,797	-	2,404	4	8,743
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**8,224**	**10**	**78,566**	**-**	**10,291**	**9**	**97,587**

6.1 Of which Banking group

(millions of euro)

	Fair value 31.12.2015			Notional value	Fair value 31.12.2014			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**8,224**	**6**	**78,336**	**-**	**10,242**	**5**	**95,500**
1. Fair value	-	6,180	6	70,769	-	7,838	5	86,923
2. Cash flows	-	2,044	-	7,567	-	2,404	-	8,577
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**8,224**	**6**	**78,336**	**-**	**10,242**	**5**	**95,500**

6.1 Of which Insurance companies

As at 31 December 2015, there were no hedging derivatives attributable to insurance companies, at the end of 2014 there were financial derivatives hedging against fair value amounting to 49 million euro on level 2 (nominal value 1,921 million).

6.1 Of which Other companies

As at 31 December 2015, there are 4 million euro attributable to other companies, referring to cash flow hedge through level 3 financial derivatives (nominal value 230 million), at the end of 2014 there are 4 million under the same caption (nominal value 166 million).

6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	630	-	-	-	85	X	-	X	X
2. Loans	3,569	-	-	X	291	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	997	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**4,199**	**-**	**-**	**-**	**376**	**997**	**-**	**-**	**-**
1. Financial liabilities	568	-	-	X	42	X	14	X	X
2. Portfolio	X	X	X	X	X	4	X	2,034	X
Total liabilities	**568**	**-**	**-**	**-**	**42**	**4**	**14**	**2,034**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

6.2 Of which Banking group

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic			
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks		Specific	Generic	
1. Financial assets available for sale	630	-	-	-	85	X	-	X	X
2. Loans	3,569	-	-	X	291	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	997	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**4,199**	**-**	**-**	**-**	**376**	**997**	**-**	**-**	**-**
1. Financial liabilities	568	-	-	X	42	X	10	X	X
2. Portfolio	X	X	X	X	X	4	X	2,034	X
Total liabilities	**568**	**-**	**-**	**-**	**42**	**4**	**10**	**2,034**	**-**
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 Other companies

As at 31 December 2015, the amounts pertaining to other companies and referring entirely to specific hedges of financial liabilities totalled 4 million euro.

SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS - CAPTION 70

7.1 Fair value change of financial liabilities in hedged portfolios

(millions of euro)

	31.12.2015	*Of which:*			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change of financial liabilities	1,017	*1,017*	-	-	1,455
2. Negative fair value change of financial liabilities	-3	*-3*	-	-	-6
TOTAL	**1,014**	***1,014***	**-**	**-**	**1,449**

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. For the above macrohedging, the Group took advantage of the option emerged after the definition of the IAS 39 carve out.

7.2 Financial liabilities hedged by macrohedging of interest rate risk: breakdown

(millions of euro)

	31.12.2015	31.12.2014
1. Debts	-	-
2. Portfolio	20,839	36,149
TOTAL	**20,839**	**36,149**

The table shows liabilities hedged by macrohedging of interest risk. The group adopts the 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)

	31.12.2015	Of which:		
		Banking group	*Insurance companies*	*Other companies*
Due to suppliers	1,275	*1,176*	*66*	*33*
Amounts due to third parties	285	*285*	-	-
Transit items	68	*68*	-	-
Adjustments for portfolio items to be settled	611	*611*	-	-
Amounts to be credited and items under processing	1,133	*1,133*	-	-
Personnel charges	366	*361*	*5*	-
Due to social security entities	127	*125*	*2*	-
Guarantees given and commitments	458	*458*	-	-
Due to tax authorities	1,668	*1,038*	*627*	*3*
Other	5,575	*4,900*	*660*	*15*
TOTAL 31.12.2015	**11,566**	***10,155***	***1,360***	***51***
TOTAL 31.12.2014	**12,119**	***10,459***	***1,645***	***15***

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2015	Of which:			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
A. Initial amount	**1,480**	***1,474***	***6***	***-***	**1,341**
B. Increases	**117**	***115***	***-***	***2***	**287**
B.1 Provisions in the year	21	*21*	-	-	41
B.2 Other	96	*94*	-	*2*	246
of which business combinations	*2*	-	-	*2*	-
C. Decreases	**-244**	***-243***	***-1***	***-***	**-148**
C.1 Benefits paid	-64	*-64*	-	-	-51
C.2 Other	-180	*-179*	*-1*	-	-97
of which business combinations	-	-	-	-	-
D. Final amount	**1,353**	***1,346***	***5***	***2***	**1,480**

C.1 refers to benefits paid as at 31 December 2015.
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 1,353 million euro as at December 2015, while at the end of 2014 it amounted to 1,480 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(millions of euro)

	31.12.2015	Of which:			31.12.2014
		Banking group	*Insurance companies*	*Other companies*	
1. Post employment benefits	**859**	***858***	***1***	***-***	**1,167**
2. Other allowances for risks and charges	**2,621**	***2,491***	***18***	***112***	**2,626**
2.1 Legal disputes	823	*817*	*4*	*2*	839
2.2 Personnel charges	630	*622*	*8*	*-*	681
2.3 Other	1,168	*1,052*	*6*	*110*	1,106
TOTAL	**3,480**	***3,349***	***19***	***112***	**3,793**

1 – Post employment benefits include allowances for defined benefit plans, illustrated in point 12.3 below.
The contents of 2 – Other allowances for risks and charges are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(millions of euro)

	TOTAL		Of which:					
			Banking group		*Insurance companies*		*Other companies*	
	Post employment benefits	Other allowances	*Post employment benefits*	*Other allowances*	*Post employment benefits*	*Other allowances*	*Post employment benefits*	*Other allowances*
A. Initial amount	**1,167**	**2,626**	***1,166***	***2,609***	***1***	***16***	***-***	***1***
B. Increases	**169**	**1,070**	***169***	***951***	***-***	***8***	***-***	***111***
B.1 Provisions in the year	27	920	*27*	*915*	*-*	*5*	*-*	*-*
B.2 Time value changes	18	13	*18*	*13*	*-*	*-*	*-*	*-*
B.3 Changes due to discount rate variations	-	3	*-*	*3*	*-*	*-*	*-*	*-*
B.4 Other	124	134	*124*	*20*	*-*	*3*	*-*	*111*
of which business combinations	-	*111*	*-*	*-*	*-*	*-*	*-*	*111*
C. Decreases	**-477**	**-1,075**	***-477***	***-1,069***	***-***	***-6***	***-***	***-***
C.1 Uses in the year	-69	-592	*-69*	*-588*	*-*	*-4*	*-*	*-*
C.2 Changes due to discount rate variations	-	-	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Other	-408	-483	*-408*	*-481*	*-*	*-2*	*-*	*-*
of which business combinations	-	-	*-*	*-*	*-*	*-*	*-*	*-*
D. Final amount	**859**	**2,621**	***858***	***2,491***	***1***	***18***	***-***	***112***

As at 31 December 2015 the variations due to changes in the discounting rate totalled 3 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:
- Three defined benefit plans in force for the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
- 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 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;

- 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; current and retired 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; retired employees of the Complementary pension fund former Fin.Opi, transferred to the Fund in question on 1 June 2005; 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 June 2006; retired employees of Cassa di Risparmio di Udine e Pordenone, formerly enrolled in the Complementary pension fund for the Employees of said Cassa, transferred to the Fund in 2006; retired employees of the Cassa di Risparmio di Forlì, formerly enrolled in the Complementary pension fund for the Employees of said Cassa, transferred to the Fund in question on 1 January 2007; retired employees of the former Carive internal Fund, transferred to that fund on 1 January 2008; retired employees of the former CR Firenze FIP internal fund, transferred to the mentioned Fund on 1 January 2010; retired employees of the Cassa di Risparmio di Terni e Narni internal fund, transferred to the mentioned Fund on 1 January 2010; retired employees of the Cassa di Risparmio di Pistoia e Pescia internal fund, transferred to that fund on 1 September 2012; retired tax-collection personnel of the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo, transferred to the fund in question on 1 January 2015; retired employees formerly enrolled in the supplementary pension fund for employees of Mediocredito Lombardo S.p.A., transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Pension Fund for key Managers, former Key Managers and entitled parties of former Comit, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the "Casse del Centro" Pension Funds, in particular those enrolled in the Supplementary INPS benefits fund for the compulsory insurance for invalidity, old-age and survivors for personnel of Cassa di Risparmio di Città di Castello, Supplementary INPS benefits fund for the compulsory insurance for invalidity, old-age and survivors for personnel of Cassa di Risparmio di Foligno, Company supplementary pension AGO fund for employees of Cassa di Risparmio di Spoleto, Supplementary/complementary pension fund for the mandatory pension for employees of Cassa di Risparmio di Rieti, Pension fund for the Employees of Cassa di Risparmio della Provincia di Viterbo and Company supplementary pension fund for employees of Cassa di Risparmio di Ascoli Piceno, transferred to the Fund in question on 1 January 2015; retired employees already formerly enrolled in the Company Supplementary pension of INPS benefits for employees of Cassa di Risparmio di Civitavecchia, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the supplementary fund of SIL – Società Italiana Leasing S.p.A., transferred to the Fund in question on 1 January 2015.
  It is necessary to specify that if the Fund, after approval of the financial statements, shows a technical imbalance according to the statutory method, the Articles of Association envisage immediate settlement by the Banks jointly responsible;
- Pension fund for employees of the former Crediop hired before 30 September 1989, a fund with legal status and full economic independence; Intesa Sanpaolo and Dexia (which are the two banks jointly responsible) must, in the event of an imbalance, proceed to pay the capital necessary to cover the imbalance and, in the event of an insufficient yield, integrate it in an amount commensurate with the difference between actual return and the TUS (official discounting rate);
- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- A defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated based on the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, based on the average wage in the last three years of service. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);
- Pension fund for employees of the Cassa di Risparmio di Padova e Rovigo – retired employee section. This fund has legal status, full economic independence pursuant to article 12 of the Italian Civil Code and is independently managed;
- Pension fund of Cassa di Risparmio di Firenze: fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment to Cassa employees in service as at 31 December 1990 and already enrolled in the former "contracted-out" fund.

With regard to the investment and integrated risk management policies, the Funds verify the level of coverage and the possible outcomes under various scenarios. For this purpose, various investment configurations and portfolio mixes and allocations are defined to satisfy the pension and profitability objectives as adequately as possible.

2. Changes in the year of net liabilities (assets) with defined benefits and redemption rights

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability is determined by the "projected unit credit method" and is recorded in the balance sheet net of any plan assets. Moreover, with application of the new revised IAS 19 from 1 January 2013, actuarial profits and losses calculated in the valuation process for the plans are immediately recognised in the statement of comprehensive income and, therefore, in shareholders' equity.

(millions of euro)

Pension plan liabilities defined benefit obligations	31.12.2015			31.12.2014		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,480**	**318**	**3,758**	**1,341**	**275**	**3,237**
Current service costs	6	3	28	5	3	35
Recognised past service costs	-	-	-	-	-	-
Interest expense	15	15	55	36	15	97
Actuarial losses due to changes in financial assumptions	-	6	-	173	26	617
Actuarial losses due to changes in demographic assumptions	15	-	25	-	10	331
Actuarial losses based on past experience	-	1	132	-	-	-
Positive exchange differences	-	10	3	-	14	3
Increases - business combinations	-	-	-	-	-	-
Participants' contributions	X	-	-	X	-	-
Actuarial profits due to changes in financial assumptions	-91	-8	-351	-	-	-
Actuarial profits due to changes in demographic assumptions	-	-	-55	-	-	-14
Actuarial profits based on past experience	-11	-1	-68	-28	-10	-354
Negative exchange differences	-	-	-	-	-	-
Benefits paid	-64	-7	-216	-50	-15	-194
Decreases - business combinations	-	-	-	-	-	-
Curtailments of the fund	X	-	-	X	-	-
Settlements of the fund	X	-96	-	X	-	-
Other increases	81	-	96	80	-	-
Other decreases	-77	-	-	-77	-	-
Final amount	**1,354**	**241**	**3,407**	**1,480**	**318**	**3,758**

Liabilities of the defined benefit obligations pension plan	31.12.2015			31.12.2014		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,354	4	-	1,480	48	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	237	3,407	-	270	3,758

The high increase in actuarial gains recorded for variations in financial assumptions is due to the rate performance. The trend of the Eur Composite AA curve used for calculating the current value of defined benefit obligations, showed, compared to the previous year, an average increase ranging between 0.5% and 1% for the various deadlines, resulting in a considerable decrease in liabilities.

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	31.12.2015		31.12.2014	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**131**	**2,759**	**110**	**2,739**
Return on assets net of interest	-1	55	13	147
Interest income	4	39	4	65
Positive exchange differences	6	2	6	2
Increases - business combinations	-	-	-	-
Employer contributions	3	-	3	2
Participants' contributions	-	-	-	-
Negative exchange differences	-	-	-	-
Decreases - business combinations	-	-	-	-
Benefits paid	-3	-216	-5	-193
Curtailments of the fund	-	-	-	-
Settlements of the fund	-28	-	-	-
Other changes	-	79	-	-3
Final amount	**112**	**2,718**	**131**	**2,759**

(millions of euro)

	31.12.2015				31.12.2014			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**57**	**50.9**	**402**	**14.8**	**55**	**42.0**	**367**	**13.3**
- of which level-1 fair value	57		402		55		367	
Mutual funds	**-**	**-**	**197**	**7.2**	**17**	**13.0**	**141**	**5.1**
- of which level-1 fair value	-		196		17		141	
Debt securities	**44**	**39.3**	**1,337**	**49.2**	**22**	**16.8**	**1,496**	**54.2**
- of which level-1 fair value	44		1,323		22		1,486	
Real estate assets and investments in real estate	**8**	**7.1**	**609**	**22.4**	**7**	**5.3**	**642**	**23.3**
- of which level-1 fair value	-		-		-		-	
Insurance business	**2**	**1.8**	**16**	**0.6**	**2**	**1.5**	**15**	**0.5**
- of which level-1 fair value	2		16		2		15	
Other assets	**1**	**0.9**	**157**	**5.8**	**28**	**21.4**	**98**	**3.6**
- of which level-1 fair value	-		-		-		-	
TOTAL ASSETS	**112**	**100.0**	**2,718**	**100.0**	**131**	**100.0**	**2,759**	**100.0**

(millions of euro)

	31.12.2015				31.12.2014			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**57**	**50.9**	**402**	**14.8**	**55**	**42.0**	**367**	**13.3**
- of which financial companies	57		75		55		65	
- of which non financial companies	-		327		-		302	
Mutual funds	**-**	**-**	**197**	**7.2**	**17**	**13.0**	**141**	**5.1**
Debt securities	**44**	**39.3**	**1,337**	**49.2**	**22**	**16.8**	**1,496**	**54.2**
Government bonds	44		1,049		-		1,172	
- of which investment grade	*44*		*1,041*		-		*1,165*	
- of which speculative grade	-		*8*		-		*7*	
Financial companies	-		157		10		181	
- of which investment grade	-		*141*		*10*		*168*	
- of which speculative grade	-		*16*		-		*13*	
Non Financial companies	-		131		12		143	
- of which investment grade	-		*111*		*12*		*128*	
- of which speculative grade	-		*20*		-		*15*	
Real estate assets and investments in real estate companies	**8**	**7.1**	**609**	**22.4**	**7**	**5.3**	**642**	**23.3**
Insurance business	**2**	**1.8**	**16**	**0.6**	**2**	**1.5**	**15**	**0.5**
Other assets	**1**	**0.9**	**157**	**5.8**	**28**	**21.4**	**98**	**3.6**
TOTAL ASSETS	**112**	**100.0**	**2,718**	**100.0**	**131**	**100.0**	**2,759**	**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	31.12.2015				31.12.2014			
	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	1.6-3.2%	X	2.6-2.8%	1.5%	0.7-2.6%	X	2.5-2.7%	1.5%
INTERNAL PLANS								
- of which Italy	1.9%	1.2%	0.0%	1.5%	0.6-1.1%	1.7-2.7%	1.1%	1.5%
- of which Egypt	11.0%	-	8.0%	8.0%	11.0%	-	7.5%	7.5%
- of which England	3.9%	3.7%	2.2%	2.2%	3.7%	4.4%	3.2%	2.2%
- of which Serbia	6.0%	-	7.0%	-	7.0%	-	8.0%	-
EXTERNAL PLANS								
- of which Italy	1.5-2.7%	1-4.5%	2.5-2.6%	1.5%	1.1-1.8%	2.3-3.5%	2.1-2.5%	1.5%
- of which USA	4.3%	4.3%	-	-	4.3%	4.5%	-	-

Starting from 2013, the Intesa Sanpaolo Group primarily uses the Eur Composite AA rate as its discounting rate, weighted by the ratio of payments and advances referring to each maturity, and the total amount of payments and advances to be made for the final fulfilment of the entire obligation. In the case of defined-benefit plans in particular, the rate used is the average rate that reflects the market parameters covered by the plan. The Eur Composite AA curve is obtained daily from the Bloomberg's information provider and refers to a basket of securities issued by investment-grade corporate issuers included in the AA rating class, residing in the Eurozone and belonging to various sectors.

5. Information on amount, timing and uncertainty of cash flows

Sensitivity analysis	31.12.2015					
	EMPLOYEE TERMINATION INDEMNITIES		INTERNAL PLANS		EXTERNAL PLANS	
	+50 bps	-50 bps	+50 bps	-50 bps	+50 bps	-50 bps
Discount rate	1,278	1,416	232	247	3,195	3,644
Rate of wage rises	1,345	1,345	241	241	3,490	3,331
Inflation rate	1,388	1,303	235	243	3,607	3,223

The sensitivity analysis is not conducted on the expected rate of return as it has no effect on the calculation of the liabilities.

The sensitivity analysis was carried out on the net defined benefit liabilities pursuant to Table 12.3.2. The absolute values of the data presented indicate the possible amount of net defined benefit liabilities in the event of a change in rate of +/- 50 bps.

The average duration of the defined benefit obligation is 14.66 years for pension funds and 10.34 years for employee termination indemnities.

Any outflows to be carried out over the next year (settlement of the technical imbalance envisaged by the Articles of Association of the former Banco di Napoli and former Crediop Funds) shall be determined upon preparation of the financial statements of said Funds, which will take place in the upcoming months of May/June.

6. Plans regarding more than one employer

The group has a defined benefit plan regarding more than one employer. It is the Pension Fund for employees of former Crediop hired before 30 September 1989.
The commitments of Dexia – Crediop and the former Sanpaolo IMI (now Intesa Sanpaolo) with regard to the Fund are governed by the agreement stipulated between the parties on 28/05/1999.
The agreement provides that, in the event of an imbalance from an actuarial valuation, as well as in the case of an annual effective yield of the assets used lower than the official discounting rate, Dexia-Crediop and Intesa Sanpaolo will have to pay the capital necessary to cover the imbalance and, and in the presence of an insufficient yield, the integration of the fund by an amount commensurate with the difference between the actual return obtained and the official discounting rate.
These payments must be made in proportion to the weight of mathematical reserves of the amounts recognised by each company over the total Fund assets.

7. Defined benefit plans that share risks among entities under joint control

The Supplementary Pension Fund for Employees of Istituto Bancario San Paolo di Torino, the Complementary Pension Fund for Employees of the former Banco di Napoli – Section A, the Pension fund for employees of the former Crediop hired before 30 September 1989 and the Pension fund of Cassa di Risparmio di Firenze are defined benefit plans that share the risks

among the various Group Companies. These Companies issue a joint guarantee for their registered employees and pensioners with respect to the subject pension entities.
The liabilities of each jointly responsible Company are determined by an Independent Actuary through the "projected unit credit method" and are recorded in the financial statements net of the plan assets. Similarly, the current service cost, which represents the average present value at the measurement date of the benefits accrued by workers in service during the year, is calculated for each Company by said Actuary.

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.

(millions of euro)

	31.12.2015	31.12.2014
2. Other allowances		
2.1 legal disputes	823	839
2.2 personnel charges	630	681
incentive-driven exit plans	*142*	*202*
employee seniority bonuses	*160*	*171*
other personnel expenses	*328*	*308*
2.3 other risks and charges	1,168	1,106
other indemnities due to agents of the distribution network	*267*	*246*
other	*901*	*860*
TOTAL	**2,621**	**2,626**

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: breakdown

(millions of euro)

	Direct work	Indirect work	31.12.2015	31.12.2014
A. Non-life business	**504**	**-**	**504**	**484**
A.1 premiums reserves	335	-	335	308
A.2 claims reserves	168	-	168	175
A.3 other reserves	1	-	1	1
B. Life business	**78,812**	**-**	**78,812**	**73,903**
B.1 mathematical reserves	71,936	-	71,936	67,097
B.2 reserves for amounts to be disbursed	479	-	479	369
B.3 other reserves	6,397	-	6,397	6,437
C. Technical reserves for investment risks to be borne by the insured	**5,300**	**-**	**5,300**	**5,314**
C.1 reserves for contracts with disbursements connected with investment funds and market indices	1,350	-	1,350	2,233
C.2 reserves from pension fund management	3,950	-	3,950	3,081
D. Total insurance reserves carried by reinsurers	**84,616**	**-**	**84,616**	**79,701**

13.2 Technical reserves: annual changes

(millions of euro)

	31.12.2015	31.12.2014
A. Non-life business	**504**	**484**
Initial amount	484	475
Business combinations	-	-
Changes in the reserve (+/-)	20	9
B. Life business and other technical reserves	**84,112**	**79,217**
Initial amount	79,217	61,761
Business combinations	-	-
Change in premiums	11,666	16,214
Change in payments	-8,423	-7,036
Changes due to income and other bonuses recognised to insured parties (+/-)	1,663	1,787
Changes due to exchange differences (+/-)	2	2
Changes in other technical reserves (+/-)	-13	6,489
C. Total technical reserves	**84,616**	**79,701**

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	**15,846,089,783**	**932,490,561**
- fully paid-in	15,846,089,783	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-8,701,239**	**-**
A.2 Shares outstanding: initial number	**15,837,388,544**	**932,490,561**
B. Increases	**17,503,250**	**-**
B.1 New issues	13,485,999	-
- for consideration	13,485,999	-
business combinations	*13,485,999*	-
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	4,017,251	-
C. Decreases	**-2,413,605**	**-**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-2,392,970	-
C.3 Disposal of companies	-	-
C.4 Other	-20,635	-
D. Shares outstanding: final number	**15,852,478,189**	**932,490,561**
D.1 Treasury shares (+)	7,097,593	-
D.2 Final number of shares	**15,859,575,782**	**932,490,561**
- fully paid-in	15,859,575,782	932,490,561
- not paid-in	-	-

15.3 Share capital: other information

The share capital of the Bank as at 31 December 2015 amounted to 8,732 million euro, divided into 15,859,575,782 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of 0.52 euro per share. Each ordinary share gives the right to one vote in the Shareholders' Meeting.

Savings shares, which may be in bearer form, entitle the holder to attend and vote at the Special Meeting of savings shareholders.

Savings shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per non-convertible savings share will be 2% of nominal value higher than for ordinary shares.

In case of distribution of reserves the savings shares have the same rights as other shares. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.

At the date of this document, the share capital was fully paid-in and liberated.

15.4 Reserves: other information

Reserves amounted to 9,167 million euro and included legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, art. 7, par. 3 and Law 218 of 30 July 1990, art. 7) and other reserves for a total of 3,576 million euro, as well as the consolidation reserve equal to 5,591 million euro.

The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.

Concentration reserves ex Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.
Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.
The valuation reserves amounted to negative 950 million euro and included valuation reserves of financial assets available for sale for 974 million euro, reserves of cash flow hedge derivatives for -1,365 million euro, exchange rate valuation reserves (relating to fully consolidated investments) for -766 million euro and legally-required revaluation reserves for 352 million euro, as well as the negative reserve on actuarial profits (losses) from defined benefit pension plans for -484 million euro, in addition to approximately 112 million euro in valuation reserves connected to minority equity investments.

SECTION 16 - MINORITY INTERESTS – CAPTION 210

For details regarding the breakdown of minority interests, see section F, “Part B.1. Consolidated shareholders’ equity: breakdown by type of company”.

16.1 Breakdown of caption 210 Minority interests

(millions of euro)

		31.12.2015
Investments in consolidated companies with significant minority interests		**631**
1	Manzoni S.r.l.	200
2	Risanamento S.p.A.	146
3	Bank Of Alexandria S.A.E	127
4	Equiter S.p.A.	96
5	Compagnia Italiana Finanziaria -CIF S.r.l.	62
Other investments		**186**
TOTAL 2015		**817**
TOTAL 2014		**379**

16.2 Equity instruments: breakdown and annual changes

No equity instruments are recorded.

Other information

1. Guarantees and commitments

(millions of euro)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
1) Financial guarantees given	**10,730**	***10,679***	**-**	***51***	**10,882**
a) Banks	2,267	*2,267*	-	-	1,124
b) Customers	8,463	*8,412*	-	*51*	9,758
2) Commercial guarantees given	**31,199**	***30,823***	**-**	***376***	**30,940**
a) Banks	5,554	*5,379*	-	*175*	5,137
b) Customers	25,645	*25,444*	-	*201*	25,803
3) Irrevocable commitments to lend funds	**54,482**	***54,482***	**-**	**-**	**45,235**
a) Banks	3,664	*3,664*	-	-	3,339
- of certain use	*2,530*	*2,530*	-	-	*2,451*
- of uncertain use	*1,134*	*1,134*	-	-	*888*
b) Customers	50,818	*50,818*	-	-	41,896
- of certain use	*8,216*	*8,216*	-	-	*6,523*
- of uncertain use	*42,602*	*42,602*	-	-	*35,373*
4) Underlying commitments on credit derivatives: protection sales	**49,052**	***49,052***	**-**	**-**	**60,231**
5) Assets pledged as collateral of third party commitments	**80**	***80***	**-**	**-**	**78**
6) Other commitments	**2,149**	***2,142***	***7***	**-**	**1,125**
TOTAL	**147,692**	***147,258***	***7***	***427***	**148,491**

2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

	31.12.2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2014
1. Financial assets held for trading	6,977	*6,977*	-	-	4,025
2. Financial assets designated at fair value through profit and loss	-	-	-	-	-
3. Financial assets available for sale	20,090	*20,090*	-	-	18,465
4. Investments held to maturity	259	*259*	-	-	194
5. Due from banks	11,038	*11,038*	-	-	6,956
6. Loans to customers	86,240	*86,240*	-	-	90,697
7. Property and equipment	-	-	-	-	-
TOTAL	**124,604**	***124,604***	**-**	**-**	**120,337**

Intragroup deposits of 2,516 million euro, established to serve securities lending with subjects outside the Group, were netted.

3. Information on operating leases

The costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software, and are allocated to the various captions according to the nature of the asset. The amounts included as potential lease payments are immaterial.

4. Breakdown of investments related to unit-linked and index-linked policies

(millions of euro)

	Disbursements connected with pension funds and market indices	Disbursements in connection with pension fund management	31.12.2015
Assets in the balance sheet	47,681	3,952	51,633
Intra-group assets	956	1	957
Total Assets	**48,637**	**3,953**	**52,590**
Financial liabilities in the balance sheet	47,022	-	47,022
Technical reserves in the balance sheet	1,350	3,950	5,300
Intra-group liabilities	161	-	161
Total Liabilities	**48,533**	**3,950**	**52,483**

5. Management and dealing on behalf of third parties

(millions of euro)

	31.12.2015	31.12.2014
1. Trading on behalf of customers		
a) Purchases	769,552	1,574,953
1. settled	*756,160*	*1,560,717*
2. to be settled	*13,392*	*14,236*
b) Sales	768,206	1,505,499
1. settled	*768,113*	*1,505,439*
2. to be settled	*93*	*60*
2. Portfolio management		
a) individual	84,894	81,867
b) collective	110,134	101,451
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	53,582	49,060
1. securities issued by companies included in the consolidation area	*96*	*255*
2. other securities	*53,486*	*48,805*
b) third party securities held in deposit (excluding portfolio management): other	325,426	393,997
1. securities issued by companies included in the consolidation area	*37,024*	*42,268*
2. other securities	*288,402*	*351,729*
c) third party securities deposited with third parties	290,213	341,282
d) portfolio securities deposited with third parties	150,269	178,293
4. Other	**394,854**	**235,421**

Note regarding to financial payables

In relation to point 3: "IFRS 7 – Contractual clauses of financial payables", of Bank of Italy/Consob/Isvap document no. 4 of March 2010, the following is specified:

- there were no cases of non-compliance by companies of the Intesa Sanpaolo Group with the relative contractual clauses set forth in bond issues, medium-/long-term loans received from financial entities and other debt contracts, which involved or which could involve the application of acceleration clauses;
- companies of the Intesa Sanpaolo Group provided, for their bond issues, for medium/long-term loans received from financial entities and for other debt contracts, negative pledges and covenants in accordance with the provisions of standard contracts and at the conditions currently in use.

Due to the nature of commitments undertaken, in line with market practices, and the remote probability of default, these clauses may be considered as immaterial.

6. Financial assets subject to offsetting in the financial statements or subject to netting framework arrangements or similar agreements

(millions of euro)

Types	Gross amount of financial assets (a)	Amount of financial liabilities offset in statement of financial position (b)	Net amount of financial assets presented in statement of financial position (c = a-b)	Amounts available to be offset but not offset in the statement of financial position: Financial instruments (d)	Amounts available to be offset but not offset in the statement of financial position: Cash collateral (e)	Net amount 31.12.2015 (f = c-d-e)	Net amount 31.12.2014
1. Derivatives	69,816	37,195	32,621	25,211	2,715	4,695	6,012
2. Repurchase agreements	25,336	-	25,336	25,147	5	184	11
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2015	**95,152**	**37,195**	**57,957**	**50,358**	**2,720**	**4,879**	**X**
TOTAL 31.12.2014	**103,093**	**43,325**	**59,768**	**50,953**	**2,792**	**X**	**6,023**

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 31.12.2015 (f = c-d-e)	Net amount 31.12.2014
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	73,748	37,195	36,553	24,986	9,752	1,815	1,401
2. Repurchase agreements	25,971	-	25,971	25,821	20	130	149
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2015	**99,719**	**37,195**	**62,524**	**50,807**	**9,772**	**1,945**	**X**
TOTAL 31.12.2014	**108,064**	**43,325**	**64,739**	**51,332**	**11,857**	**X**	**1,550**

IFRS 7 requires specific disclosure for financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting since they are regulated by "netting framework arrangements or similar" that do not respect all of the criteria set forth by IAS 32, paragraph 42.
In this respect, the Intesa Sanpaolo Group has netting arrangements that meet the requirements envisaged by IAS 32.42 for offsetting in the financial statements. In particular, these are arrangements that regulate the clearing of Over the Counter derivatives through subscription to the SwapClear service (LCH Group).This circuit, replacing the original counterparties of the OTC derivatives, mitigates credit risk by calling daily margins on all positions transferred, so that the mutual credit and debt positions are automatically offset. In Table 6, therefore, the column regarding the amount of financial assets/liabilities offset in the balance sheet represents the negative fair values on interest rate derivatives offset with the positive fair values for representation in the financial statements. The information is presented in Table 7.
In terms of instruments that may be potentially offset upon occurrence of such events and to be presented in Tables 6 and 7, it is noted that the Group uses bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to financial and credit derivatives, as well as securities financing transactions (SFTs). In particular, there are ISDA agreements (for transactions in derivatives) and GMRAs (for repurchase agreements).

For the purposes of preparing the tables and in compliance with the provisions of IFRS 7 and the new provisions that govern the financial statements of banks, the following are noted:

– the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) "Financial instruments", together with the fair value of financial collateral consisting of securities;
– the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) "Cash deposits received/provided as collateral";
– repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value. Derivatives transactions are recognised at fair value.

These effects are calculated for each individual counterparty included in a netting framework arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) "Net amount".

8. Securities lending transactions

It is noted that the Group carried out a securities lending transaction with a major bank, in which the collateral consists of securities for approximately 2 billion euro, with the objective of increasing the portfolio available for refinancing transactions.
This operation added the banking service accessory securities lending offered mainly by Intesa Sanpaolo private Banking (ISPB) to customers (natural persons, legal entities and commercial entities). The contract involves transfer of the ownership of a certain quantity of securities of a specific type, with the obligation for ISPB to return them, paying a consideration amount as remuneration for their availability. The transaction involves government securities that ISPB in turn transfers to the Parent Company Intesa Sanpaolo for non-speculative purposes.
As at 31 December 2015, the collateral of transactions mainly referring to ISPB amounted to 2.5 billion euro.

9. Disclosure on joint-control assets

These are not present in the Intesa Sanpaolo Group.

Part C – Information on the consolidated income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

(millions of euro)

	Debt securities	Loans	Other transactions	2015	2014
1. Financial assets held for trading	230	-	-	230	285
2. Financial assets designated at fair value through profit and loss	56	-	-	56	40
3. Financial assets available for sale	2,714	1	3	2,718	3,311
4. Investments held to maturity	53	-	-	53	56
5. Due from banks	20	342	8	370	438
6. Loans to customers	293	9,626	3	9,922	11,227
7. Hedging derivatives	X	X	754	754	558
8. Other assets	X	X	45	45	36
TOTAL	**3,366**	**9,969**	**813**	**14,148**	**15,951**

Interest and similar income also includes interest income on securities relating to repurchase agreements.
Loans to customers include interest of 154 million euro on doubtful loans, 526 million euro on exposures included in the unlikely to pay category and 54 million euro on past due non-performing loans. Added to these are 643 million euro for the reversal in time value on loans, recorded under net losses/recoveries on loan impairment.

1.1 Of which Banking group

(millions of euro)

	Debt securities	Loans	Other transactions	2015	2014
1. Financial assets held for trading	219	-	-	219	274
2. Financial assets designated at fair value through profit and loss	20	-	-	20	24
3. Financial assets available for sale	829	1	3	833	1,434
4. Investments held to maturity	53	-	-	53	56
5. Due from banks	20	342	8	370	438
6. Loans to customers	275	9,626	3	9,904	11,203
7. Hedging derivatives	X	X	754	754	558
8. Other assets	X	X	42	42	34
TOTAL	**1,416**	**9,969**	**810**	**12,195**	**14,021**

1.1 Of which Insurance companies

(millions of euro)

	Debt securities	Loans	Other transactions	2015	2014
1. Financial assets held for trading	11	-	-	11	11
2. Financial assets designated at fair value through profit and loss	36	-	-	36	16
3. Financial assets available for sale	1,885	-	-	1,885	1,877
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	-	-	-	-	-
6. Loans to customers	3	-	-	3	3
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
TOTAL	**1,935**	**-**	**-**	**1,935**	**1,907**

1.1 Of which Other companies

As at 31 December 2015 18 million euro was attributable to other companies, of which 15 million euro to debt securities under loans to customers and 3 million euro to other transactions involving other assets. At the end of 2014, they amounted to 23 million euro, 21 million euro of which was attributed to debt securities under loans to customers and 2 million euro to other transactions involving other assets.

1.2 Interest and similar income: differentials on hedging transactions

(millions of euro)

	2015	Of which:			2014
		Banking group	*Insurance companies*	*Other companies*	
A. Positive differentials on hedging transactions	4,356	*4,356*	-	-	6,096
B. Negative differentials on hedging transactions	-3,602	*-3,602*	-	-	-5,538
BALANCE (A - B)	**754**	***754***	**-**	**-**	**558**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31 December 2015 includes 2,515 million euro relating to financial assets in foreign currency.

1.3.2 Interest income on financial lease receivables

As at 31 December 2015, interest income on financial leases amounted to 485 million euro.

1.4 Interest and similar expense: breakdown

(millions of euro)

	Debts	Securities	Other transactions	2015	2014
1. Due to Central Banks	49	X	-	49	37
2. Due to banks	296	X	1	297	396
3. Due to customers	820	X	-	820	1,206
4. Securities issued	X	3,724	-	3,724	4,491
5. Financial liabilities held for trading	-	-	6	6	3
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	14	14	3
8. Hedging derivatives	X	X	-	-	-
TOTAL	**1,165**	**3,724**	**21**	**4,910**	**6,136**

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	2015	2014
1. Due to Central Banks	49	X	-	49	37
2. Due to banks	288	X	1	289	396
3. Due to customers	820	X	-	820	1,206
4. Securities issued	X	3,658	-	3,658	4,453
5. Financial liabilities held for trading	-	-	6	6	3
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	14	14	3
8. Hedging derivatives	X	X	-	-	-
TOTAL	**1,157**	**3,658**	**21**	**4,836**	**6,098**

1.4 Of which Insurance companies

As at 31 December 2015, the amount attributable to insurance companies was 64 million euro, consisting entirely of securities issued, while at the end of 2014, interest expense amounted to a total of 29 million euro.

1.4 Of which Other companies

As at 31 December 2015 the amount attributable to other companies was 10 million consisting of securities issued for 2 million euro and amounts due to banks for 8 million euro. At the end of 2014 interest expense amounted to a total of 9 million euro, consisting entirely of 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 2015 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 2015 included 1,367 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

As at 31 December 2015, 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)

	2015	Of which:			2014
		Banking group	*Insurance companies*	*Other companies*	
A) Guarantees given	**379**	***379***	**-**	**-**	**371**
B) Credit derivatives	**-**	**-**	**-**	**-**	**36**
C) Management, dealing and consultancy services	**4,099**	***4,097***	**-**	**2**	**3,646**
1. trading in financial instruments	94	*94*	-	-	92
2. currency dealing	45	*45*	-	-	43
3. portfolio management	2,699	*2,699*	-	-	2,504
3.1. individual	*737*	*737*	-	-	*515*
3.2. collective	*1,962*	*1,962*	-	-	*1,989*
4. custody and administration of securities	62	*62*	-	-	58
5. depositary bank	18	*18*	-	-	23
6. placement of securities	552	*552*	-	-	264
7. reception and transmission of orders	170	*170*	-	-	187
8. consultancy services	157	*157*	-	-	130
8.1. on investments	114	*114*	-	-	100
8.2. on financial structure	43	*43*	-	-	30
9. distribution of third party services	302	*300*	-	*2*	345
9.1. portfolio management	*148*	*148*	-	-	*129*
9.1.1. individual	*6*	*6*	-	-	*7*
9.1.2. collective	*142*	*142*	-	-	*122*
9.2. insurance products	*153*	*151*	-	*2*	*214*
9.3. other products	*1*	*1*	-	-	*2*
D) Collection and payment services	**448**	***448***	**-**	**-**	**460**
E) Servicing related to securitisations	**-**	**-**	**-**	**-**	**-**
F) Services related to factoring	**128**	***128***	**-**	**-**	**142**
G) Tax collection services	**-**	**-**	**-**	**-**	**-**
H) Management of multilateral trading facilities	**-**	**-**	**-**	**-**	**-**
I) Management of current accounts	**1,032**	***1,032***	**-**	**-**	**1,106**
J) Other services	**2,649**	***1,804***	***845***	**-**	**2,308**
TOTAL	**8,735**	***7,888***	***845***	***2***	**8,069**

Other services mostly recorded fees on credit and debit cards of 890million euro as well as commissions on loans of 676 million euro.

2.2 Fee and commission income: distribution channels of products and services – Banking group

(millions of euro)

	2015	2014
A) Group branches	**3,030**	**2,541**
1. portfolio management	2,222	1,980
2. placement of securities	551	260
3. third party services and products	257	301
B) “Door-to-door” sales	**476**	**521**
1. portfolio management	440	482
2. placement of securities	-	3
3. third party services and products	36	36
C) Other distribution channels	**45**	**49**
1. portfolio management	37	42
2. placement of securities	1	1
3. third party services and products	7	6

2.3 Fee and commission expense: breakdown

(millions of euro)

	2015	*Of which:*			2014
		Banking group	*Insurance companies*	*Other companies*	
A) Guarantees received	**33**	**32**	**-**	**1**	**40**
B) Credit derivatives	**-**	**-**	**-**	**-**	**1**
C) Management, dealing and consultancy services	**911**	**902**	**9**	**-**	**859**
1. trading in financial instruments	55	55	-	-	52
2. currency dealing	2	2	-	-	2
3. portfolio management:	55	55	-	-	95
3.1 own portfolio	*55*	*55*	-	-	*94*
3.2 third party portfolio	-	-	-	-	*1*
4. custody and administration of securities	50	41	9	-	49
5. placement of financial instruments	112	112	-	-	93
6. “door-to-door” sale of financial instruments, products and services	637	637	-	-	568
D) Collection and payment services	**74**	**74**	**-**	**-**	**77**
E) Other services	**668**	**502**	**165**	**1**	**615**
TOTAL	**1,686**	***1,510***	***174***	***2***	**1,592**

E - Other services includes 357 million euro fees on credit and debit cards, 146 million euro on the placement of investment insurance products, 64 million euro on banking services to Italian branches, 90 million euro on banking services to foreign branches and 11 million euro on other minor services.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

	2015		*Of which:*						2014	
			Banking group		*Insurance companies*		*Other companies*			
	Dividends	**Income from quotas of UCI**	*Dividends*	*Income from quotas of UCI*	*Dividends*	*Income from quotas of UCI*	*Dividends*	*Income from quotas of UCI*	**Dividends**	**Income from quotas of UCI**
A. Financial assets held for trading	35	1	35	1	-	-	-	-	32	1
B. Financial assets available for sale	212	105	*164*	*6*	*48*	*99*	-	-	209	62
C. Financial assets designated at fair value through profit and loss	23	2	-	-	*23*	*2*	-	-	10	1
D. Investments in associates and companies subject to joint control	-	X	-	*X*	-	*X*	-	*X*	-	X
TOTAL	**270**	**108**	***199***	***7***	***71***	***101***	**-**	**-**	**251**	**64**

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	**113**	**698**	**-227**	**-738**	**-154**
1.1 Debt securities	52	465	-135	-531	-149
1.2 Equities	19	189	-42	-172	-6
1.3 Quotas of UCI	42	18	-50	-10	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	26	-	-25	1
2. Financial liabilities held for trading	**238**	**846**	**-92**	**-1,041**	**-49**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	238	846	-92	-1,041	-49
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**990**
4. Derivatives	**13,165**	**34,928**	**-14,324**	**-32,961**	**-502**
4.1 Financial derivatives	12,651	31,948	-13,764	-29,969	-444
- on debt securities and interest rates	*10,759*	*25,515*	*-10,737*	*-24,671*	*866*
- on equities and stock indexes	*967*	*5,562*	*-2,379*	*-4,021*	*129*
- on currencies and gold	*X*	*X*	*X*	*X*	*-1,310*
- other	*925*	*871*	*-648*	*-1,277*	*-129*
4.2 Credit derivatives	514	2,980	-560	-2,992	-58
TOTAL	**13,516**	**36,472**	**-14,643**	**-34,740**	**285**

"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	**103**	**697**	**-217**	**-738**	**-155**
1.1 Debt securities	48	464	-132	-531	-151
1.2 Equities	19	189	-42	-172	-6
1.3 Quotas of UCI	36	18	-43	-10	1
1.4 Loans	-	-	-	-	-
1.5 Other	-	26	-	-25	1
2. Financial liabilities held for trading	**238**	**846**	**-92**	**-1,041**	**-49**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	238	846	-92	-1,041	-49
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**913**
4. Derivatives	**13,138**	**34,831**	**-14,288**	**-32,796**	**-375**
4.1 Financial derivatives	12,632	31,852	-13,733	-29,816	-325
- on debt securities and interest rates	*10,742*	*25,485*	*-10,706*	*-24,584*	*937*
- on equities and stock indexes	*965*	*5,496*	*-2,379*	*-3,955*	*127*
- on currencies and gold	*X*	*X*	*X*	*X*	*-1,260*
- other	*925*	*871*	*-648*	*-1,277*	*-129*
4.2 Credit derivatives	506	2,979	-555	-2,980	-50
TOTAL	**13,479**	**36,374**	**-14,597**	**-34,575**	**334**

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	**10**	**1**	**-10**	**-**	**1**
1.1 Debt securities	4	1	-3	-	2
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	6	-	-7	-	-1
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**	**77**
4. Derivatives	**27**	**97**	**-36**	**-165**	**-127**
4.1 Financial derivatives	19	96	-31	-153	-119
- on debt securities and interest rates	*17*	*30*	*-31*	*-87*	*-71*
- on equities and stock indexes	*2*	*66*	*-*	*-66*	*2*
- on currencies and gold	*X*	*X*	*X*	*X*	*-50*
- other	*-*	*-*	*-*	*-*	*-*
4.2 Credit derivatives	8	1	-5	-12	-8
TOTAL	**37**	**98**	**-46**	**-165**	**-49**

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

	2015	*Of which:*			2014
		Banking group	***Insurance companies***	***Other companies***	
A. Income from					
A.1 fair value hedge derivatives	1,999	*1,999*	-	-	2,073
A.2 financial assets hedged (fair value)	947	*947*	-	-	3,142
A.3 financial liabilities hedged (fair value)	1,770	*1,770*	-	-	557
A.4 cash flow hedge: derivatives	-	*-*	-	-	7
A.5 currency assets and liabilities	39	*39*	-	-	19
Total income from hedging (A)	**4,755**	***4,755***	**-**	**-**	**5,798**
B. Expenses for					
B.1 fair value hedge derivatives	-2,072	*-2,072*	-	-	-2,965
B.2 financial assets hedged (fair value)	-2,321	*-2,319*	-	*-2*	-105
B.3 financial liabilities hedged (fair value)	-393	*-393*	-	-	-2,841
B.4 cash flow hedge: derivatives	-37	*-37*	-	-	-
B.5 currency assets and liabilities	-	-	-	-	-26
Total expense from hedging (B)	**-4,823**	***-4,821***	**-**	***-2***	**-5,937**
C. Fair value adjustments in hedge accounting (A - B)	**-68**	***-66***	**-**	***-2***	**-139**

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

	2015			2014		
	Profits	**Losses**	**Net result**	**Profits**	**Losses**	**Net result**
Financial assets						
1. Due from banks	-	-6	-6	34	-	34
2. Loans to customers	76	-114	-38	109	-57	52
3. Financial assets available for sale	2,154	-702	1,452	1,349	-78	1,271
3.1 Debt securities	*1,828*	*-619*	*1,209*	*1,119*	*-34*	*1,085*
3.2 Equities	*226*	*-22*	*204*	*134*	*-19*	*115*
3.3 Quotas of UCI	*100*	*-61*	*39*	*96*	*-25*	*71*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**2,230**	**-822**	**1,408**	**1,492**	**-135**	**1,357**
Financial liabilities						
1. Due to banks	54	-50	4	-	-	-
2. Due to customers	2	-	2	-	-	-
3. Securities issued	16	-225	-209	-	-283	-283
Total liabilities	**72**	**-275**	**-203**	**-**	**-283**	**-283**

6.1 Of which Banking group

(millions of euro)

	2015			2014		
	Profits	**Losses**	**Net result**	**Profits**	**Losses**	**Net result**
Financial assets						
1. Due from banks	-	-6	-6	34	-	34
2. Loans to customers	76	-114	-38	109	-57	52
3. Financial assets available for sale	1,225	-509	716	783	-37	746
3.1 Debt securities	*1,169*	*-501*	*668*	*655*	*-11*	*644*
3.2 Equities	*54*	*-8*	*46*	*101*	*-17*	*84*
3.3 Quotas of UCI	*2*	-	*2*	*27*	*-9*	*18*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**1,301**	**-629**	**672**	**926**	**-94**	**832**
Financial liabilities						
1. Due to banks	54	-50	4	-	-	-
2. Due to customers	2	-	2	-	-	-
3. Securities issued	16	-225	-209	-	-283	-283
Total liabilities	**72**	**-275**	**-203**	**-**	**-283**	**-283**

6.1 Of which Insurance companies

(millions of euro)

	2015			2014		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	905	-193	712	566	-41	525
3.1 Debt securities	*659*	*-118*	*541*	*464*	*-23*	*441*
3.2 Equities	*148*	*-14*	*134*	*33*	*-2*	*31*
3.3 Quotas of UCI	*98*	*-61*	*37*	*69*	*-16*	*53*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**905**	**-193**	**712**	**566**	**-41**	**525**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

6.1 Of which Other companies

As at 31 December 2015 the amount attributable to other companies was 24 million euro consisting of profits on equities under financial assets available for sale. At the end of 2014 there was no profit/loss relating to other companies.

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	**935**	**1,487**	**-964**	**-371**	**1,087**
1.1 Debt securities	24	127	-72	-29	50
1.2 Equities	96	80	-53	-29	94
1.3 Quotas of UCI	814	1,266	-834	-311	935
1.4 Loans	1	14	-5	-2	8
2. Financial liabilities	**129**	**-**	**-243**	**-**	**-114**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	1	-	-	-	1
2.3 Due to customers	128	-	-243	-	-115
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**2**	**6**	**-1**	**-3**	**4**
TOTAL	**1,066**	**1,493**	**-1,208**	**-374**	**977**

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	**9**	**-1**	**-4**	**-3**	**1**
1.1 Debt securities	9	-	-3	-3	3
1.2 Equities	-	-1	-	-	-1
1.3 Quotas of UCI	-	-	-	-	-
1.4 Loans	-	-	-1	-	-1
2. Financial liabilities	**1**	**-**	**-**	**-**	**1**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	1	-	-	-	1
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	**10**	**-1**	**-4**	**-3**	**2**

7.1 Of which: Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**926**	**1,488**	**-960**	**-368**	**1,086**
1.1 Debt securities	15	127	-69	-26	47
1.2 Equities	96	81	-53	-29	95
1.3 Quotas of UCI	814	1,266	-834	-311	935
1.4 Loans	1	14	-4	-2	9
2. Financial liabilities	**128**	**-**	**-243**	**-**	**-115**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	128	-	-243	-	-115
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**2**	**6**	**-1**	**-3**	**4**
TOTAL	**1,056**	**1,494**	**-1,204**	**-371**	**975**

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2015	2014
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-1**	**-27**	**-**	**6**	**-**	**10**	**-12**	**-9**
- Loans	*-*	*-1*	*-24*	*-*	*6*	*-*	*10*	*-9*	*-7*
- Debt securities	*-*	*-*	*-3*	*-*	*-*	*-*	*-*	*-3*	*-2*
B. Loans to customers	**-206**	**-5,985**	**-299**	**643**	**2,513**	**-**	**595**	**-2,739**	**-4,108**
Non-performing loans purchased	-	-65	-	14	25	-	-	-26	-20
- Loans	*-*	*-65*	*X*	*14*	*25*	*X*	*X*	*-26*	*-20*
- Debt securities	*-*	*-*	*X*	*-*	*-*	*X*	*X*	*-*	*-*
Other	-206	-5,920	-299	629	2,488	-	595	-2,713	-4,088
- Loans	*-206*	*-5,912*	*-291*	*629*	*2,484*	*-*	*575*	*-2,721*	*-4,064*
- Debt securities	*-*	*-8*	*-8*	*-*	*4*	*-*	*20*	*8*	*-24*
C. Total	**-206**	**-5,986**	**-326**	**643**	**2,519**	**-**	**605**	**-2,751**	**-4,117**

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 643 million euro. Of this amount, 165 million euro relates to loans included in the unlikely to pay category and 478 million euro to doubtful loans.

8.1 Of which Banking group

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2015	2014
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-1**	**-27**	**-**	**6**	**-**	**10**	**-12**	**-9**
- Loans	*-*	*-1*	*-24*	*-*	*6*	*-*	*10*	*-9*	*-7*
- Debt securities	*-*	*-*	*-3*	*-*	*-*	*-*	*-*	*-3*	*-2*
B. Loans to customers	**-206**	**-5,985**	**-299**	**643**	**2,513**	**-**	**595**	**-2,739**	**-4,108**
Non-performing loans purchased	-	-65	-	14	25	-	-	-26	-20
- Loans	*-*	*-65*	*X*	*14*	*25*	*X*	*X*	*-26*	*-20*
- Debt securities	*-*	*-*	*X*	*-*	*-*	*X*	*X*	*-*	*-*
Other	-206	-5,920	-299	629	2,488	-	595	-2,713	-4,088
- Loans	*-206*	*-5,912*	*-291*	*629*	*2,484*	*-*	*575*	*-2,721*	*-4,064*
- Debt securities	*-*	*-8*	*-8*	*-*	*4*	*-*	*20*	*8*	*-24*
C. Total	**-206**	**-5,986**	**-326**	**643**	**2,519**	**-**	**605**	**-2,751**	**-4,117**

8.2 Net impairment losses on financial assets available for sale: breakdown

(millions of euro)

	IMPAIRMENT LOSSES		RECOVERIES		2015	2014
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-34	-	3	-31	-2
B. Equities	-	-142	X	X	-142	-174
C. Quotas of UCI	-	-29	X	-	-29	-5
D. Due from banks	-1	-	-	-	-1	-6
E. Loans to customers	-	-	-	-	-	-
F. Total	**-1**	**-205**	**-**	**3**	**-203**	**-187**

8.2 Of which Banking group

(millions of euro)

	IMPAIRMENT LOSSES		RECOVERIES		2015	2014
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-	-	3	3	-2
B. Equities	-	-77	X	X	-77	-172
C. Quotas of UCI	-	-29	X	-	-29	-5
D. Due from banks	-1	-	-	-	-1	-6
E. Loans to customers	-	-	-	-	-	-
F. Total	**-1**	**-106**	**-**	**3**	**-104**	**-185**

8.2 Of which: Insurance companies

(millions of euro)

	IMPAIRMENT LOSSES		RECOVERIES		2015	2014
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-34	-	-	-34	-
B. Equities	-	-65	X	X	-65	-2
C. Quotas of UCI	-	-	X	-	-	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-99**	**-**	**-**	**-99**	**-2**

8.3 Net impairment losses on investments held to maturity: breakdown

In 2015, no net recoveries on impairment of investments held to maturity were recorded, at the end of 2014 adjustments entirely attributable to debt securities of the banking group amounted to 1 million euro.

8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2015	2014
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-38	-16	-	90	-	90	126	-19
B. Credit derivatives	-	-	-	-	-	-	2	2	2
C. Commitments to lend funds	-	-15	-16	-	23	-	10	2	-5
D. Other operations	-1	-2	-10	-	1	-	12	-	-4
E. Total	**-1**	**-55**	**-42**	**-**	**114**	**-**	**114**	**130**	**-26**

8.4 Of which Banking group

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2015	2014
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-38	-16	-	90	-	90	126	-19
B. Credit derivatives	-	-	-	-	-	-	2	2	2
C. Commitments to lend funds	-	-15	-16	-	23	-	10	2	-5
D. Other operations	-1	-1	-10	-	-	-	12	-	-
E. Total	**-1**	**-54**	**-42**	**-**	**113**	**-**	**114**	**130**	**-22**

8.4 Of which Other companies

In 2015, net impairment losses on other financial activities attributable to other companies was equal to zero, due to individual adjustments on other transactions for an equal amount (+/- 1 million). At the end of 2014 these amounted to 4 million euro, entirely attributable to other financial activities.

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	2015	2014
A. Life business				
A.1 Gross accounted premiums (+)	12,178	-	12,178	16,394
A.2 Premiums ceded for reinsurance (-)	-1	X	-1	-1
A.3 Total	**12,177**	**-**	**12,177**	**16,393**
B. Non-life business				
B.1 Gross accounted premiums (+)	276	-	276	211
B.2 Premiums ceded for reinsurance (-)	-7	X	-7	-6
B.3 Changes in the gross amount of premium reserve (+/-)	-27	-	-27	4
B.4 Changes in premium reserves reassured with third parties (-/+)	-1	-	-1	-2
B.5 Total	**241**	**-**	**241**	**207**
C. Total net premiums	**12,418**	**-**	**12,418**	**16,600**

SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

10.1 Other net insurance income (expense): breakdown

(millions of euro)

	2015	2014
1. Net change in technical reserves	-4,417	-11,061
2. Claims accrued and paid during the year	-9,408	-7,097
3. Other income/expenses arising from insurance business	-855	-647
TOTAL	**-14,680**	**-18,805**

10.2 Breakdown of Net change in technical reserves

(millions of euro)

Net change in technical reserves	2015	2014
1. Life business		
A. Mathematical reserves	-4,404	-10,406
A.1 Gross annual amount	*-4,404*	*-10,405*
A.2 Amount reinsured with third parties (-)	-	*-1*
B. Other technical reserves	-65	-144
B.1 Gross annual amount	*-65*	*-144*
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	52	-511
C.1 Gross annual amount	*52*	*-511*
C.2 Amount reinsured with third parties (-)	-	-
Total "life business reserves"	**-4,417**	**-11,061**
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	2015	2014
Life business: charges associated to claims, net of reinsurance ceded	**-9,321**	**-7,005**
A. Amounts paid	-9,211	-7,001
A.1 Gross annual amount	*-9,211*	*-7,001*
A.2 Amount reinsured with third parties (-)	-	-
B. Change in funds for amounts to be disbursed	-110	-4
B.1 Gross annual amount	*-110*	*-4*
B.2 Amount reinsured with third parties (-)	-	-
Non-life business: charges associated to claims, net of recoveries and reinsurance ceded	**-87**	**-92**
C. Amounts paid	-92	-87
C.1 Gross annual amount	*-100*	*-90*
C.2 Amount reinsured with third parties (-)	*8*	*3*
D. Change in recoveries net of quotas borne by reinsurers	1	1
E. Change in damage fund	4	-6
E.1 Gross annual amount	*7*	*-13*
E.2 Amount reinsured with third parties (-)	*-3*	*7*

10.4 Breakdown of Other income/expenses arising from insurance business

(millions of euro)

	2015	2014
Other income	**121**	**60**
Life business	107	51
Non-life business	14	9
Other expenses	**-976**	**-707**
Life business	-914	-669
Non-life business	-62	-38

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(millions of euro)

	2015	Of which:			2014
		Banking group	*Insurance companies*	*Other companies*	
1) Personnel employed	**5,357**	***5,296***	***59***	***2***	**5,248**
a) wages and salaries	3,664	*3,622*	*40*	*2*	3,611
b) social security charges	935	*926*	*9*	-	915
c) termination indemnities	52	*52*	-	-	52
d) supplementary benefits	4	*3*	*1*	-	3
e) provisions for termination indemnities	21	*21*	-	-	41
f) provisions for post employment benefits	45	*45*	-	-	55
- defined contribution plans	-	-	-	-	-
- defined benefit plans	*45*	*45*	-	-	*55*
g) payments to external pension funds	272	*269*	*3*	-	259
- defined contribution plans	*270*	*267*	*3*	-	*258*
- defined benefit plans	*2*	*2*	-	-	*1*
h) costs from share based payments	*149*	*146*	*3*	-	25
i) other benefits in favour of employees	215	*212*	*3*	-	287
2) Other non-retired personnel	**10**	***10***	**-**	**-**	**9**
3) Directors and statutory auditors	**27**	***24***	***2***	***1***	**27**
4) Early retirement costs	**-**	**-**	**-**	**-**	**-**
TOTAL	**5,394**	***5,330***	***61***	***3***	**5,284**

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

	2015	Of which:			2014
		Banking group	*Insurance companies*	*Other companies*	
Personnel employed	**86,652**	***85,965***	***653***	***34***	**88,266**
a) managers	1,471	*1,434*	*29*	*8*	1,547
b) total officers	32,292	*32,010*	*274*	*8*	32,573
c) other employees	52,889	*52,521*	*350*	*18*	54,146
Other personnel	**287**	***286***	***1***	**-**	**243**
TOTAL	**86,939**	***86,251***	***654***	***34***	**88,509**

11.3 Post employment defined benefit plans: costs and revenues

(millions of euro)

	2015			2014		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-6	-3	-28	-5	-3	-35
Interest expense	-15	-15	-55	-36	-15	-97
Interest income	-	4	39	-	4	65
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 2015 amounted to 215 million euro, referred to contributions for health assistance, lunch vouchers, premiums of insurance policies stipulated in favour of employees and provisions for seniority bonuses, charges for incentive-driven exit plans and other charges for integration.

11.5 Other administrative expenses: breakdown

(millions of euro)

	2015	2014
Expenses for maintenance of information technology and electronic equipment	583	570
Telephonic, teletransmission and transmission expenses	86	87
Information technology expenses	**669**	**657**
Rentals and service charges - real estate	283	315
Security services	47	50
Cleaning of premises	49	46
Expenses for maintenance of real estate assets	68	70
Energy costs	119	120
Property costs	23	33
Management of real estate assets	**589**	**634**
Printing, stationery and consumables expenses	56	56
Transport and related services expenses (including counting of valuables)	113	107
Information expenses	159	149
Postal and telegraphic expenses	86	95
General structure costs	**414**	**407**
Expenses for consultancy fees	230	180
Legal and judiciary expenses	191	180
Insurance premiums - banks and customers	67	67
Professional and legal expenses	**488**	**427**
Advertising and promotional expenses	**145**	**162**
Services rendered by third parties	**244**	**210**
Indirect personnel costs	**98**	**97**
Other costs	**663**	**153**
Indirect taxes and duties	**919**	**953**
Recovery of taxes and duties	**-23**	**-24**
Recovery of other expenses	**-94**	**-91**
TOTAL	**4,112**	**3,585**

Other expenses include 516 million euro concerning contributions to the Single Resolution Fund for Banking Crisis and the Deposit Guarantee Fund.

* * * * *

Administrative expenses for 2015, 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 120 million euro.

Charges for integration and exit incentives: breakdown

(millions of euro)

	2015	2014
Personnel expenses	**36**	**105**
- charges for integration and exit incentives	36	105
Other administrative expenses	**84**	**39**
- information technology expenses	38	17
- management of real estate assets	-	-
- professional and legal expenses	31	19
- advertising and promotional expenses	3	-
- services rendered by third parties	9	2
- indirect personnel costs	-	-
- other costs	3	1
TOTAL	**120**	**144**

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

12.1 Net provisions for risks and charges: breakdown

(millions of euro)

	Provisions	Reallocations	2015
Net provisions for legal disputes	-178	42	-136
Net provisions for other personnel charges	-1	2	1
Net provisions for risks and charges	-470	69	-401
TOTAL	**-649**	**113**	**-536**

"Net provisions for risks and charges", which amounted to -536 million euro, recorded the provisions attributable to the year relating to:

- litigation, including revocatory actions and other disputes;
- guarantees issued for the sale of equity investments and other loan transactions.

The amounts listed above include a 1 million euro funds increase due to time value and provisions of the Croatian subsidiary PBZ relating to recent regulatory measures concerning the country, on the matter of loans in Swiss francs for 172 million euro.

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	-338	-22	1	-359
- used in operations	*-333*	*-21*	*1*	*-353*
- investment	*-5*	*-1*	*-*	*-6*
A.2 Acquired under finance lease	-1	-	-	-1
- used in operations	*-1*	*-*	*-*	*-1*
- investment	*-*	*-*	*-*	*-*
TOTAL	**-339**	**-22**	**1**	**-360**

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	-550	-7	-	-557
- internally generated	*-293*	*-2*	*-*	*-295*
- other	*-257*	*-5*	*-*	*-262*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-550**	**-7**	**-**	**-557**

With regard to the method of the impairment testing for intangible assets and related impairment recognised to the income statement, see Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements.

14.1 Of which Banking group

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-505	-7	-	-512
- internally generated	*-293*	*-2*	*-*	*-295*
- other	*-212*	*-5*	*-*	*-217*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-505**	**-7**	**-**	**-512**

14.1 Of which: Insurance companies

As at 31 December 2015 there were 45 million euro in impairment losses pertaining to insurance companies, entirely attributable to amortisation of other owned intangible assets.

SECTION 15 – OTHER OPERATING EXPENSE (INCOME) - CAPTION 220

15.1 Other operating expenses: breakdown

(millions of euro)

	2015	*Of which:*		
		Banking group	*Insurance companies*	*Other companies*
Other expenses for consumer credit and leasing transactions	37	*37*	-	-
Settlements for legal disputes	14	*12*	-	*2*
Amortisation of leasehold improvements	51	*50*	-	*1*
Contributions to Interbank Deposit Protection Fund	-	-	-	-
Other non-recurring expenses	80	*61*	*3*	*16*
Other	116	*103*	*6*	*7*
TOTAL 2015	**298**	***263***	***9***	***26***
TOTAL 2014	**322**	***285***	***9***	***28***

15.2 Other operating income: breakdown

(millions of euro)

	2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies
Recovery of expenses	762	*762*	-	-
Income IT companies	41	*41*	-	-
Insurance reimbursements	-	-	-	-
Reimbursements for services rendered to third parties	12	*12*	-	-
Income related to consumer credit and leasing	27	*27*	-	-
Rentals and recovery of expenses on real estate	25	*13*	-	*12*
Other non-recurring income	311	*284*	*3*	*24*
Other	54	*54*	-	-
TOTAL 2015	**1,232**	***1,193***	***3***	***36***
TOTAL 2014	**1,042**	***1,018***	***10***	***14***

Other non-recurring income includes 211 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 equity investments: breakdown

(millions of euro)

	2015	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	2014
1) Companies subject to joint control					
A. Revenues	51	*42*	-	*9*	42
1. Revaluations	*51*	*42*	-	*9*	*42*
2. Profits on disposal	-	-	-	-	-
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-3	*-3*	-	-	-23
1. Write-downs	*-2*	*-2*	-	-	*-21*
2. Impairment losses	*-1*	*-1*	-	-	*-2*
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	-
Net result	**48**	***39***	**-**	***9***	**19**
2) Investments in associates					
A. Revenues	193	*193*	-	-	478
1. Revaluations	*154*	*154*	-	-	*124*
2. Profits on disposal	-	-	-	-	*327*
3. Write-backs	*39*	*39*	-	-	*27*
4. Other	-	-	-	-	-
B. Charges	-130	*-122*	-	*-8*	-157
1. Write-downs	*-88*	*-80*	-	*-8*	*-75*
2. Impairment losses	*-41*	*-41*	-	-	*-81*
3. Losses on disposal	*-1*	*-1*	-	-	*-1*
4. Other	-	-	-	-	-
Net result	**63**	***71***	**-**	***-8***	**321**
TOTAL	**111**	***110***	**-**	***1***	**340**

For companies subject to joint control and significant influence, income from registration at fair value of the equity stakes is recorded under Revaluations.
Net recoveries for 39 million euro refer entirely to the investment in Telco S.p.A. and are due to the alignment of its capital, before demerger, at the Market value of Telecom S.p.A. shares assigned to Intesa Sanpaolo following the demerger.

SECTION 17 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 250

17.1 Valuation differences on property, equipment and intangible assets measured at fair value: breakdown

Not applicable to the Group.

SECTION 18 – GOODWILL IMPAIRMENT - CAPTION 260

18.1 Goodwill impairment: breakdown

The results of impairment testing on goodwill recorded in the financial statements did not lead to impairment losses in 2015.

See Part A – Accounting policies for details on the means of determination of goodwill impairment.
For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements.

SECTION 19 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 270

19.1 Profits (Losses) on disposal of investments: breakdown

(millions of euro)

	2015	Of which:			2014
		Banking group	*Insurance companies*	*Other companies*	
A. Real estate assets	88	*88*	-	-	113
- profits on disposal	*88*	*88*	-	-	*125*
- losses on disposal	-	-	-	-	*-12*
B. Other assets [(a)]	15	*15*	-	-	1
- profits on disposal	*16*	*16*	-	-	1
- losses on disposal	*-1*	*-1*	-	-	-
Net result	**103**	***103***	**-**	**-**	**114**

[(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)

	2015	Of which:			2014
		Banking group	*Insurance companies*	*Other companies*	
1. Current taxes (-)	-1,616	*-1,370*	*-244*	*-2*	-2,127
2. Changes in current taxes of previous years (+/-)	76	*79*	*-3*	-	-336
3. Reduction in current taxes of the year (+)	24	*24*	-	-	85
3bis. Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	31	*31*	-	-	869
4. Changes in deferred tax assets (+/-)	99	*70*	*32*	*-3*	-161
5. Changes in deferred tax liabilities (+/-)	27	*16*	*3*	*8*	19
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**-1,359**	***-1,150***	***-212***	***3***	**-1,651**

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

	2015
Income before tax from continuing operations	4,167
Income before tax from discontinued operations	-2
Theoretical taxable income	**4,165**

	Taxes	%
Income taxes - theoretical tax charge	**1,378**	**33.1**
Increase of taxes	**259**	**-7.0**
Non-deductible interest expense	151	-4.0
Non-deductible costs due to goodwill impairment	-	0.0
Other non-deductible costs (personnel expenses, etc.)	107	-3.0
Other	1	0.0
Decrease of taxes	**-278**	**6.5**
Effects of the participation exemption	-115	3.0
Effects of international companies lower rates	-163	3.5
Capital gains on investments in associates and companies subject to joint control subject to substitute tax	-	0.0
Other	-	0.0
Total changes in taxes	**-19**	**-0.5**
Total income tax expense for the period	**1,359**	**32.6**
of which: - total income tax expense from continuing operations	**1,359**	**32.6**
- total income tax expense from discontinued operations	**-**	**0.0**

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 2015 there were charges for other companies for -2 million euro, at the end of 2014 there were no material amounts.

21.2 Breakdown of taxes on discontinued operations

As at 31 December 2015, the taxes on discontinued operations were of an immaterial amount; at the end of 2014, they were of an immaterial amount too.

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

(millions of euro)

		31.12.2015
Investments in consolidated companies with significant minority interests		
1	Banca Intesa A.D. - Beograd	-3
2	Banca Prossima S.p.A.	-2
3	Bank of Alexandria S.A.E.	-29
4	Cassa Dei Risparmi di Forlì e Della Romagna S.p.A.	2
5	Cassa Di Risparmio Di Firenze S.p.A.	-7
6	Cassa Di Risparmio Di Pistoia e della Lucchesia S.p.A.	2
7	Equiter S.p.A.	-3
8	Manzoni S.r.l	-16
9	Privredna Banka Zagreb D.D.	-17
10	Risanamento S.p.A.	14
11	Vseobecna Uverova Banka A.S.	-5
Other investments		
1	Re Consult Infrastrutture S.p.A.	-3
TOTAL 2015		**-67**
TOTAL 2014		**-59**

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

	31.12.2015		31.12.2014	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,832,484,936	932,490,561	15,511,213,093	932,490,561
Income attributable to the various categories of shares *(millions of euro)*	2,577	162	1,172	79
Basic EPS (*euro*)	0.16	0.17	0.08	0.08
Diluted EPS (*euro*)	0.16	0.17	0.08	0.08

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**	**2,806**
	Other comprehensive income that may not be reclassified to the income statement:	**382**	**-85**	**297**
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	382	-85	297
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:	**413**	**-32**	**381**
70.	Hedges of foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
80.	Foreign exchange differences:	-5	-	-5
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-5	-	-5
90.	Cash flow hedges:	338	-112	226
	a) fair value changes	326	-108	218
	b) reclassification to the income statement	2	-1	1
	c) other changes	10	-3	7
100.	Property and equipment	60	80	140
	a) fair value changes	501	-88	*413*
	b) reclassification to the income statement	-537	173	-364
	- impairment losses	*-21*	*7*	*-14*
	- gains/losses from disposals	*-516*	*166*	*-350*
	c) other changes	96	-5	91
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:	20	-	20
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	20	-	20
130.	**Total other comprehensive income**	**795**	**-117**	**678**
140.	**TOTAL COMPREHENSIVE INCOME**	**X**	**X**	**3,484**
150.	**Total consolidated comprehensive income pertaining to minority interests**	**X**	**X**	**144**
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**X**	**X**	**3,340**

Part E – Information on risks and relative hedging policies

INTRODUCTION

The table below shows the mapping of risk disclosure regarding the financial statements and Pillar 3.

	FINANCIAL STATEMENTS		PILLAR 3
	Section/Chapter	**Paragraph**	**Section**
RISKS OF THE BANKING GROUP	PART E - SECTION 1		
- Credit risk	Chapter 1.1		Sections 5-6-7-8
- Securitisations		*Paragraph C*	*Section 10*
- Counterparty risk	Chapter 1.1 - Chapter 1.2		Section 9
- Market risk	Chapter 1.2		
- Regulatory trading book		*Paragraph 1.2.1*	*Section 11*
- Banking book		*Paragraph 1.2.2*	*Sections 13-14*
- Sovereign risk	Chapter 1.3		
- Liquidity risk	Chapter 1.3		
- Operational risk	Chapter 1.4		Section 12
- Legal risk	Chapter 1.4		
RISKS OF INSURANCE COMPANIES	PART E - SECTION 2		
- Insurance risks	Chapter 2.1		
- Financial risks	Chapter 2.2		
RISKS OF OTHER COMPANIES	PART E - SECTION 3		

Basic principles

The Intesa Sanpaolo Group attaches great importance to risk management and control to ensure reliable and sustainable value creation in a context of controlled risk.
The risk management strategy aims to achieve a complete and consistent overview of risks, given both the macroeconomic scenario and the Group's risk profile, by fostering a culture of risk-awareness and enhancing the transparent and accurate representation of the risk level of the Group's portfolios.
Risk-acceptance strategies are summarised in the Group's Risk Appetite Framework (RAF), approved by the Management Board and Supervisory Board. The RAF, introduced in 2011 to ensure that risk-acceptance activities remain in line with shareholders' expectations, is established by taking account of the Intesa Sanpaolo Group's risk position and the economic situation.
The general principles that govern the Group's risk-acceptance strategy may be summarised as follows:

– The Intesa Sanpaolo Banking Group is focused on a commercial business model in which domestic retail activity remains the Group's structural strength;
– the Group does not aim to eliminate risks, but rather attempts to understand and manage them so as to ensure an adequate return for the risks taken, while guaranteeing the Company's solidity and business continuity in the long term;
– Intesa Sanpaolo has a moderate risk profile in which capital adequacy, earnings stability, a sound liquidity position and a strong reputation are the key factors to protecting its current and prospective profitability;
– Intesa Sanpaolo aims at a level of capital in line with its main European peers;
– Intesa Sanpaolo intends to maintain strong management of the main specific risks (not necessarily associated with macroeconomic shocks) to which the Group may be exposed;
– the Group attaches great importance to compliance and reputational risks: for compliance risk, the Group aims for formal and substantive compliance with rules in order to avoid penalties and maintain a solid relationship of trust with all of its stakeholders. For reputational risk, the Intesa Sanpaolo Group strives to actively manage its image in the eyes of all stakeholders and aims to prevent and contain any negative effects on said image.

The Risk Appetite Framework thus represents the overall framework in which the risks assumed by the Group are managed, with the establishment of general principles of risk appetite and the resulting structuring of the management of:

– the overall risk profile; and
– the Group's main specific risks.

Management of the overall risk profile is based on the general principles laid down in the form of a framework of limits aimed at ensuring that the Group complies with minimum solvency, liquidity and profitability levels even under the conditions of severe stress. In addition, it aims to ensure the desired reputational and compliance risk profiles.
In detail, management of overall risk is aimed at maintaining adequate levels of:

– capital, even under conditions of severe macroeconomic stress, with respect to both Pillar 1 and Pillar 2. In further detail, capital adequacy is assessed by monitoring:
    - o Common Equity and the Total Capital Ratio, for Pillar 1; and
    - o the Leverage Ratio and Risk-Bearing Capacity, for Pillar 2;

- liquidity, so as to respond to periods of tension, including extended periods of tension, on the various funding sourcing markets, with regard to both the short-term and structural situations; the Liquidity Coverage Ratio, the Net Stable Funding Ratio and the Funding/Lending Gap;
- earnings stability, so as to ensure profitability even in stress scenarios through an adequate mix of business;
- management of operational, compliance and reputational risk so as to minimise the risk of negative events that jeopardise the Group's economic stability and image.

In compliance with the EBA guidelines (EBA/GL/2015/02) concerning the "Minimum list of quantitative and qualitative recovery plan indicators", the Group has included new indicators in its 2015 Recovery Plan (mainly asset quality indicators, market-based indicators and macroeconomic indicators) and has agreed with the regulator to also include them in the RAF as early warning thresholds on updating the framework for 2016.
Management of the main specific risks is aimed at determining the risk appetite that the Group intends to assume with regard to exposures that may represent especially significant concentrations. Such management is implemented by establishing ad hoc limits, management processes and mitigation measures to be taken in order to limit the impact of especially severe scenarios on the Group. Such risks are assessed on the basis of stress scenarios, are subject to periodic monitoring within 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.

In light of the Italian macroeconomic context and its extreme uncertainty, in 2015 credit risk was identified as a priority area for analysis, also considering its significant amount for the Group. At the time of the annual update of the RAF, in line with the European peer competitors' standards, it was decided to develop a specific credit risk framework to identify suitable limits both for governing credit risk from the centre (by standardising and codifying the approach and use of analytical instruments) and identifying areas for growth in commitments with equivalent/lower risk for the Bank and areas to be kept under control.

In compliance with the recent instructions from the Bank of Italy, the Group Risk Appetite is organised (both in terms of the total risk and in terms of the main specific risks) on the subsidiaries that contribute significantly to risks and/or specific local characteristics: Banca IMI, Banca Fideuram, Intesa Sanpaolo Vita, Fideuram Vita and the international subsidiaries. Overall risk management is implemented by monitoring key aspects (capital adequacy, liquidity and reputation) according to an approach similar to that followed at the Group level.
Defining the Risk Appetite Framework is a complex process headed by the Chief Risk Officer, which involves close interaction with the Chief Financial Officer and the Heads of the various Business Units, is developed in line with the ICAAP, ILAAP and Recovery Plan processes, and represents the risk framework in which the Budget and Business Plan are developed. Consistency between the risk-acceptance strategy and policy and the Plan and Budget process is thus guaranteed. In accordance with regulatory constraints and in a manner consistent with the risk profile assumed by the Group, the Chief Financial Officer area lays down the strategic profitability, capital adequacy and liquidity objectives that the Group intends to pursue. These objectives then form the basis for identifying the assets and financial resources to be allocated to the individual business units, including the insurance segment, through a process that involves an assessment of their attractiveness, financial independence, growth potential and ability to create value.
The definition of the Risk Appetite Framework and the resulting operating limits for the main specific risks, the use of risk measurement instruments in loan management processes and controlling operational risk, the use of capital-at-risk measures for management reporting and assessment of capital adequacy within the Group represent fundamental milestones in the operational application of the risk strategy defined by the Supervisory Board and the Management Board along the Group's entire decision-making chain, down to the single operational units and to the single desks.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a comprehensive framework of governance and control limits and procedures.

The assessment of the total Group risk profile is 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 been drawing up a Recovery Plan according to indications from the Supervisory Authorities. The process governing the preparation of that plan 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 (governed by the Bank Recovery and Resolution Directive, transposed into Italian law by Legislative Decree no. 180 of 16 November 2015) establishes the methods and measures to be used to take action in the early stage to restore the long-term economic stability of an institution in the event of serious deterioration of its financial situation.

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 measures taken in pursuit of this goal are established with a coordinated approach to risk management and are compliant with supervisory regulations, as well as ongoing support from the Parent Company for the local development of risk assessment and monitoring systems within the international subsidiaries.
To that end, in 2015 the CRO Forum was set up, consisting of quarterly meetings of the Chief Risk Officers of the Group's international subsidiary banks with the corresponding structures of the Parent Company. These meetings aim to favour the discussion of common issues and problems, best leverage the specific experiences of all Group structures in charge of risk governance, and improve the understanding of the specific characteristics of all local markets where the Group operates (including

regulatory aspects). The CRO Forums are also the most appropriate venue for sharing strategic projects on risk governance conducted at Group level.
The Risk Academy initiative, mainly addressed to the international subsidiaries, is another strategic project that pursues the goal of improving management of Risk Governance at Banking Group level.
The risk management approach aims to achieve increasingly integrated and consistent risk management, considering both the macroeconomic scenario and the Group's risk profile, by fostering a culture of risk-awareness through a transparent, thorough representation of the risk level of portfolios. The efforts made in recent years with the Basel 2 and 3 Project in order to obtain authorisation from the Supervisory Authorities for the use of internal ratings to calculate credit risk requirements and in order to secure validation of internal models for operational and market risks should be seen in this context.

Risk governance organisation

Risk-acceptance policies are defined by the Parent Company's Supervisory Board and Management Board. The Supervisory Board carries out its activity through specific internal committees, among which mention should be made of the Internal Control Committee and the Risk Committee. The Management Board relies on the action of managerial committees, among which mention should be made of the Group Risk Governance Committee. Both corporate bodies receive support from the Chief Risk Officer, who is a member of the Management Board and reports directly to the Chief Executive Officer.
The Chief Risk Officer, to whom the Governance Area in charge of the risk management functions as well as the controls on the risk management and internal validation process reports, represents a "second line of defence" in the management of corporate risks that is separate and independent from the business functions.
These functions are performed by the Group Risk Manager, a position established in 2015, who monitors the risk management and control functions, and by the Internal Validation Service.
The Chief Risk Officer is responsible for proposing the Risk Appetite Framework, setting the Group's risk management 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 CRO implements level II monitoring and controls of credit and other risks, and ensures the validation of internal risk measurement systems.
In 2015, the Chief Compliance Officer was established, directly reporting to the Managing Director and CEO, in a position that is independent from operating departments and separate from internal auditing, which ensures the management of Group compliance risk, both in the operating and reputational risk component, including the risk of sanctions, losses or damage arising from improper conduct towards customers or such as to jeopardise the integrity and orderly functioning of the markets (so-called conduct risk). Furthermore, in line with corporate strategies and objectives, the CCO defines guidelines and policies, including statements and limits for the Risk Appetite Framework, and works with the corporate control functions to effectively integrate the risk management process.

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 decision-making and reporting powers, focused both on the banking business (proprietary financial risks for banking and trading books, as well as Active Value Management) and the life insurance business, in the life assurance sector (result exposure to the trend in market variables). The functions of said Committee are set out in two sessions:
- the Risk Analysis and Assessment Session, chaired by the Chief Risk Officer, is responsible for evaluating, in advance of approval by the Corporate Bodies, the methodological and measurement guidelines for financial risks and proposals for operational limits, in addition to defining the distribution thereof amongst the Group's major units; in addition, the session verifies the financial risk profile of the Group and its main operational units;
- the Management Guidelines and Operating Choices Session, chaired by the Chief Financial Officer, provides operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Corporate Bodies in respect of management of the banking book, liquidity, interest rate and exchange risk and periodically verifies the Group's overall financial risk profile, as well as appropriate measures aimed at mitigating it.

The Group Internal Control Coordination and Operational Risk Committee is a technical body that operates with the aim of stepping up coordination and interdepartmental cooperation mechanisms:
- as part of the Group internal control system, facilitating the integration of the risk management process;
- in relation to operational risk, including ICT risk, facilitating its effective management.

The Committee operates within the scope of the guidelines set by the corporate bodies, based on the operational and functional powers delegated by the Management Board of the Parent Company. The Functions of the Group Internal Control Coordination and Operational Risk Committee are organised into specific, separate sessions:
- Integrated Internal Control System Session, for reporting and consulting purposes;
- Operational Risk session, with decision-making, reporting and consulting purposes (in this context, the Committee's duties include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies).

The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. For the main Group subsidiaries, these functions are performed, based on an outsourcing contract, by the Parent Company's risk control functions, which periodically report to the management bodies of the subsidiary.

Within the Chief Risk Officer Governance Area, the Group Risk Manager is in charge of the operational implementation of management and strategic guidelines along the decision-making process, down to individual operational units.
The Group Risk Manager performs the following functions:
- It measures and controls the Group’s current and future exposure to the various types of risk, particularly market, counterparty, credit, country, interest rate, liquidity, operational and insurance risk, reporting the overall situation to the corporate governance bodies;
- it monitors capital absorption (capital requirements), supporting the Planning and Active Value Management Head Office Department in actively managing capital;
- it proposes the annual update of the RAF to the Chief Risk Officer;
- it proposes to the top management, along with the other competent corporate bodies, the definition of the structure of operating limits, including the rights to grant and manage credit, in line with the RAF and the allocated capital;
- it oversees regulatory developments and ensures that statutory reports are sent to the Supervisory Bodies with regard to internal models;
- it develops and maintains risk measurement, management and control systems in line with current regulations and international best practices, interacting, for such purposes, with the functions in charge of said corporate processes;
- it adopts capital-at-risk measurements for management reporting and assessment of the Group’s Economic Capital adequacy;
- as part of the Tableau de Bord and on a quarterly basis, it reports to the corporate bodies on the situation of the Group's overall risk profile; it compares that situation with the Risk Appetite Framework, highlighting any situations that require action by the boards;
- it draws up the annual update of the criteria for identifying significant transactions and provides a prior opinion on such transactions.
- it ensures oversight of level II risk monitoring and controls, as well as contributing to designing level I controls, ensuring verification that they are effectively applied;
- it carries out level II monitoring and controls of credit quality, composition and the evolution of the various loan portfolios and for the purpose of correctly classifying and assessing single names;
- it also monitors and analyses the structure of level II controls for monitoring risks other than credit risk, in order to verify the completeness and continuity of level I controls;
- it identifies any critical issues based on its control/monitoring activities and the results of level I controls, requesting and monitoring the implementation of specific mitigation actions, ensuring prompt reporting to the corporate bodies in the event of breaches or significant shortcomings.

To that end, the Group Risk Manager structure is broken down into the following Departments:
- Credit Risk Management Department;
- Financial and Market Risks Department;
- Enterprise Risk Management Department;
- Controls Department.

Scope of risks

The risks identified, covered and incorporated within the economic capital are as follows:
- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- financial risk of the banking book, mostly represented by interest rate and foreign exchange rate risk;
- operational risk, also including legal risk, ICT risk and model risk;
- strategic risk;
- risk on equity investments not subject to line by line consolidation;
- risk on real estate assets owned for whichever purpose;
- insurance risk.

Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures, including in the form of stress tests.
Particular attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at the Group level and operating sub-areas in accordance with international regulations and the risk appetite approved at the Group level.
The Group also attaches great importance to the management of reputational risk and actively manages its image in the eyes of all stakeholders, aiming to prevent and contain any negative effects on its image, including through robust, sustainable growth capable of creating value for all stakeholders. Reputational risk management is pursued not only through organisational structures with specific duties on reputation monitoring, but also through *ex-ante* risk management processes, defining prevention and mitigation tools and measures in advance and implementing 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 ordinary 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.

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, with analysis to assess the impacts on both interest income and margins from the performance of net fees and commissions.

Reputational risk

The Intesa Sanpaolo Group attaches great importance to reputational risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and Supervisory Authorities.
The Group actively manages its image in the eyes of all stakeholders and aims to prevent and contain any negative effects on its image, including through robust, sustainable growth capable of creating value for all stakeholders, while also minimising possible adverse events through rigorous, stringent governance, control and guidance of the activity performed at the various service and function levels.

The reputational risk governance model of Intesa Sanpaolo envisages that management and mitigation of reputational risks is pursued:

– systematically and independently by the corporate structures with specific tasks aimed at preserving corporate reputation, through a structured system of organisational monitoring measures;
– across the various corporate functions, through the Reputational Risk Management process governed by specific Guidelines.

The 'systematic monitoring of reputational risk envisages:

– specific organisational structures which, each for its purview, monitor the Bank's reputation and manage the relationships with the various stakeholders;
– an integrated monitoring system for primary risks, to limit exposure to them;
– compliance with standards of ethics and conduct;
– establishing and managing customers' risk appetite, through the identification of their various risk tolerance profiles according to subjective and objective traits of each customer.

A fundamental tool for reputational risk monitoring is the Code of Ethics adopted by the Group. This contains the basic values to which the Group 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.
In order to safeguard customers' interests and the Group's reputation, specific attention is also devoted to establishing and managing customers' risk tolerance, through the identification of their various risk appetite profiles according to subjective and objective traits of each customer. The assessments of adequacy during the process of structuring produces and providing advisory services are 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 specifically, 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 (portfolio risk, complexity and frequency of transactions, concentration on issuers or on foreign currency, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered). The Group aims to achieve constant improvement of reputational risk governance also through an integrated compliance risk management system, as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.

The "cross-function" monitoring of reputational risk is entrusted to the Reputational Risk Management (RRM) process, conducted yearly and aimed at integrating and consolidating the main findings provided by the organisational structures more directly involved in monitoring the company's reputation. The objective of that process is to identify and mitigate the most significant reputational risk scenarios to which the Intesa Sanpaolo Group is exposed through:
- the identification of the main risk scenarios to which the Group is exposed, by the Enterprise Risk Management Department, along with the Governance and Controls Compliance Department as regards the compliance risks and with the cooperation of the other relevant corporate functions;
- the assessment of said scenarios by the Top Management;
- the definition and monitoring of adequate communication strategies and specific mitigation measures.

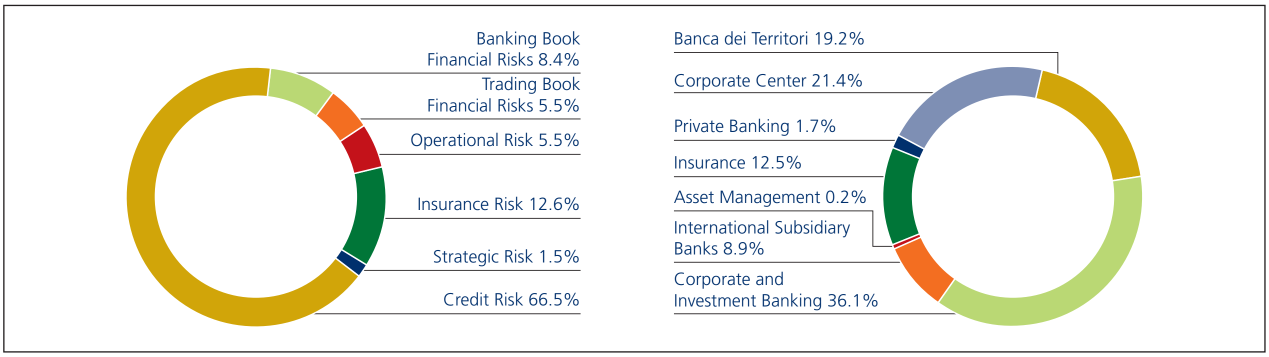
The Intesa Sanpaolo Group carefully considers all the risks associated with climate change that may result in additional costs for the Bank or its customers. Specifically, with regard to changes in national and international regulations which could have significant financial effects on its customers, through the subsidiary Mediocredito Italiano, Intesa Sanpaolo has set up an Energy Desk specialising in supporting customer companies in energy efficiency projects and advanced advisory services on legal developments and how to suitably prepare for compliance with such regulations.
Furthermore, with regard to the risk of extreme weather events or emergencies due to climate changes, to meet the needs of customers that have incurred damages, following such events Intesa Sanpaolo shall suspend payment of mortgage loans and instalments of loans for retail customers and businesses in areas seriously impacted by weather events.

Risk on owned real-estate assets

The risk on owned real-estate assets may be defined as risk associated with the possibility of suffering financial losses due to an unfavourable change in the value of such assets and is thus included in the category of banking book financial risks. Real-estate management is highly centralised and represents an investment that is largely intended for use in company operations. The degree of risk in the portfolio of owned properties is represented by using a VaR-type model based on indexes of mainly Italian real estate prices, which is the main type of exposure associated with the Group's real-estate portfolio.

Absorption of Economic Capital by type of risk and Business Unit

The following is an illustration of the breakdown of the Group's Economic Capital by type of risk and Business Unit.



The absorption of Economic Capital by Business Unit reflects the distribution of the Group's various activities and the specialisations of the business areas.
The majority of risk is concentrated in the "Corporate & Investment Banking" Business Unit (36.1% of the total Economic Capital): this is attributable to the type of customers served (Corporate and Financial Institutions) and Capital Market activities. This Business Unit is assigned a significant share of credit risk and trading book risk.
The "Banca dei Territori" Business Unit (19.2% 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 credit risk and operational risk.
Most of the insurance risk is assigned to the Insurance Business Unit (12.5% of the total Economic Capital).
The "International Subsidiary Banks" Business Unit is assigned 8.9% 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, the risks pertaining to the Capital Light Bank, the Banking Book interest rate and exchange rate risk, and the residual portion of insurance risk (21.4% of the total Economic Capital).
Absorption of Economic Capital by the "Private Banking" and "Asset Management" Business Units is marginal (1.7% and 0.2%, respectively) due to the nature of their businesses, which are predominantly aimed at asset management activities.

Basel 3 regulations and the Internal Project

With effect from 1 January 2014, the reforms of the accords by the Basel Committee ("Basel 3") were implemented in the EU legal framework. Their aim is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and strengthen banks' transparency and disclosures. In doing so, the Committee maintained the approach based on three Pillars, which was at the basis of the previous capital accord, known as "Basel 2", supplementing and strengthening it to increase the quantity and quality of intermediaries' available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.
The EU implemented "Basel 3" through two legislative acts:

- Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
- Directive 2013/36/EU of 26 June 2013 (CRD IV), which, among other things, deals with the access to the activity of credit institutions, freedom of establishment, freedom to provide services, supervisory review process, and additional equity reserves.

EU legislation is complemented by the provisions issued by the Bank of Italy and referring to Circular no. 285 of 17 December 2013, which contains the prudential supervision regulations applicable to banks and Italian banking groups. The provisions were reviewed and updated to adjust the internal regulations to include the new elements of the international regulatory framework, with special reference to the new regulatory and institutional structure of banking supervision of the European Union and to the needs detected while supervising banks and other intermediaries.

In order to comply with the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.
Additional information on own funds, which are now calculated according to the Basel 3 rules, and on capital ratios of the Group is provided in the section on balance sheet aggregates: Own funds and capital ratios, and in the document Basel 3 - Pillar 3.

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the Banca dei Territori Division and the main Italian product companies.
Progressively, the scope of application has been gradually extended to include the SME Retail and Retail Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

<table>
<tr><th>Company</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="8">Dec - 2008</td><td rowspan="8">Dec - 2010</td><td rowspan="8">Dec - 2012</td><td rowspan="7">Jun - 2010</td></tr>
<tr><td>Banco di Napoli</td></tr>
<tr><td>Cassa di Risparmio del Veneto</td></tr>
<tr><td>Cassa di Risparmio in Bologna</td></tr>
<tr><td>Cassa di Risparmio del Friuli Venezia Giulia</td></tr>
<tr><td>Cassa dei Risparmi di Forlì e della Romagna</td></tr>
<tr><td>Banca dell'Adriatico</td></tr>
<tr><td>Mediocredito Italiano</td><td>n.a.</td></tr>
<tr><td>Gruppo Cassa di Risparmio di Firenze</td><td>Dec - 2009</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Jun - 2010</td></tr>
<tr><td>Cassa di Risparmio dell'Umbria</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Banca Prossima</td><td>n.a.</td><td>Dec - 2013</td><td>Dec - 2013</td><td>n.a.</td></tr>
<tr><td>Banca IMI</td><td>n.a.</td><td>Jun - 2012</td><td>n.a.</td><td>n.a.</td></tr>
<tr><td>Intesa Sanpaolo Bank Ireland</td><td>Mar - 2010</td><td>Dec - 2011</td><td>n.a.</td><td>n.a.</td></tr>
<tr><td>Vseobecna Uverova Banka</td><td>Dec - 2010</td><td>Jun - 2014</td><td>Jun - 2014</td><td>Jun - 2012</td></tr>
</table>

Changes compared to the situation as at 31 December 2014 include the mergers by incorporation of Banca di Trento e Bolzano, Banca Monte Parma, Cassa di Risparmio di Rieti, Cassa di Risparmio della Provincia di Viterbo and Cassa di Risparmio di Civitavecchia (CRF Group) into the Parent Company Intesa Sanpaolo S.p.A.

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, followed by an additional validation visit in March 2015. In the same month an AIRB authorisation request was presented to the Supervisory Authority for this portfolio.
The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.
For OTC derivatives, with reference to the Parent Company Intesa Sanpaolo and to Banca IMI, the Bank of Italy granted the authorisation to use the internal counterparty risk model for regulatory purposes, starting from the first quarter of 2014. For the Banks in the Banca dei Territori Division, an application for authorisation to use the internal model for regulatory purposes was submitted to the Supervisory Authority in 2015, while for management purposes, the advanced risk estimate measures were implemented in November 2014.
In 2015 an application for authorisation to use internal models for regulatory purposes was also submitted for Securities Financing Transactions (SFT - Repos and securities lending) products. For management purposes, the advanced risk measurement methods were implemented for SFT in May 2015.

With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009.

The adequacy of the internal control system for risks is also illustrated in the annual Internal Capital Adequacy Assessment Process Report, based on the extensive use of internal approaches for the measurement of risks and for the calculation of internal capital and total capital available. The document was approved and sent to the Supervisor in April 2015.

In 2016, the Intesa Sanpaolo Group will once again be involved in an EU-wide stress test conducted by the European Central Bank and the European Banking Authority on the financial statements of European banks as at 31 December 2015. As opposed to the previous year, the test will not involve an asset quality review (AQR), but only a simulation of the impact of negative macroeconomic scenarios on capital soundness (Stress Test).

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".
The document is published on the website (www.group.intesasanpaolo.com) each quarter.

The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.
Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Corporate Governance Code for Listed Companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

- the verification of the implementation of Company strategies and policies;
- the containment of risk within the limits indicated in the reference framework for determining the Bank’s risk appetite (Risk Appetite Framework – RAF);
- the safeguarding of asset value and protection from losses;
- the effectiveness and efficiency of the Bank processes;
- the reliability and security of Company information and IT procedures;
- the prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with special regard to those relating to money-laundering, usury and financing of 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 corporate organisation (bodies, units, hierarchical levels, all personnel). In compliance with the provisions of Bank of Italy Circular no. 285/2013 (First Part, Title IV, Chapter 3) the "Integrated Internal Control System Regulation" was finalised. This aims to define the guidelines of Intesa Sanpaolo's internal control system, in its capacity as Bank and Parent Company of the Banking Group, through the adaptation of the reference principles and the definition of the responsibilities of the Bodies and of the functions with control duties, which contribute, in various ways, to the proper operation of the internal control system, as well as the identification of coordination arrangements and information flows supporting system integration. The structure of internal controls is also outlined by the entire set of company documentation (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls in force, incorporating all the Company policies, the instructions of the Supervisory Authorities, and provisions of law, including the principles laid down in Legislative Decree 231/2001 and Law 262/2005.
The regulatory framework consists of “Governance Documents” that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Regulations, Authorities and powers, Policies, Guidelines, Function charts of the Organisational Structures, Organisational Models, etc.) and of more strictly operational regulations that govern business processes, individual operations and the associated controls.
More specifically, the Company rules set out organisational solutions that:

- ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
- are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
- enable the recording, with an adequate level of detail, of every operational event and, in particular, of every transaction, ensuring their correct allocation over time;
- guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the functions of governance and control;
- allow the prompt notification to the appropriate levels within the Company and the swift handling of any anomalies found by the business units and the control functions;
- ensure adequate levels of business continuity.

The Company’s organisational solutions also enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.
At Corporate Governance level, Intesa Sanpaolo has adopted a dual corporate governance system, in which the functions of control and strategic management, performed by the Supervisory Board, are separated from the management of the Company, which is exercised by the Management Board in accordance with the provisions of art. 2409-octies et seq. of the Italian Civil Code and art. 147-ter et seq. of the Consolidated Law on Finance. The competent authorities have issued the required authorisation for the amendments to the Articles of Associations relating to the planned adoption - effective from the date of renewal of the corporate bodies currently in office - of the one-tier governance system, which will be submitted for the approval of the Shareholders’ Meeting called for 26 February 2016.
The Supervisory Board established an Internal Control Committee within the Board (which replaced the Control Committee on 19 December 2014) which proposes, advises and enquires on matters regarding the internal control system.
The Committee also performs the duties and tasks of a Surveillance Body pursuant to Legislative Decree 231/2001 on the administrative liability of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank.
The Intesa Sanpaolo Group adopts an internal control system based on three levels, in line with the legal and regulatory provisions in force.
Such a model provides for the following types of control:

- Level I: line controls which are aimed at ensuring proper performance of operations (for example, hierarchical, systematic and sample-based controls) and which, to the extent possible, are incorporated in the IT procedures. These are conducted by the same operating and business structures, also through a unit dedicated exclusively to control duties or carried out by the back office;
- Level II: risk and compliance controls for the purpose of ensuring, inter alia:
  - the correct implementation of the risk management process;
  - compliance with the operating limits assigned to the various functions;
  - compliance of company operations with the rules, including self-governance rules.

  The functions assigned to such controls are separate from the ones in charge of production and contribute to the definition of the risk governance policies and the risk management process. In the Intesa Sanpaolo Group, Level II includes the following Parent Company structures and the equivalent local units of the Group companies, where established:

  - o Chief Compliance Officer, who is assigned the duties and responsibilities of the "compliance" function, as defined in the reference regulations. The Chief Compliance Officer's area also includes the Anti-Money Laundering Department, which is tasked with the duties and responsibilities of the "anti-money laundering function", as defined by the reference regulations;
  - o as part of the Chief Risk Officer Governance Area, the Group Risk Manager and the Internal Validation Service, which, to the extent of their responsibilities, duly carry out the "risk management function" and the "validation function", respectively, as defined in the reference regulations.
- Level III: internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks. In the Intesa Sanpaolo Group, internal auditing is carried out by the Internal Auditing Department of the Parent Company and the equivalent local units of Group companies, where established.

The internal control system is periodically reviewed and adapted in relation to business development and the reference context.
Intesa Sanpaolo has an internal control structure consistent with the indications provided by the Supervisory Authorities.

Manager responsible for preparing the Company's financial reports

Supervision on the reliability of the Company financial reports and on the financial reporting process is carried out by Intesa Sanpaolo's Manager responsible for preparing the Company's financial reports, in compliance with the provisions of Article 154-bis of the Consolidated Law on Finance and the related implementing provisions. This control is also ensured over the subsidiaries governed by the laws of non-EU countries, in accordance with the supervisory rules on management and accounting systems set by Article 36 of the Consob Market Regulation.

In order to comply with the aforesaid provisions, the Manager responsible for preparing the Company's financial reports plays a steering and coordination role in Group companies with regard to administrative matters and in the monitoring of the internal control system functional to financial reporting. The Manager responsible for preparing the Company's financial reports oversees the fulfilment of the obligations according to a shared approach at Group level, approved by the Management Board, with the favourable opinion of the Supervisory Board. To this end, the Manager responsible for preparing the Company's financial reports:
- issues the instructions for the correct and uniform application of the accounting standards and measurement criteria, formalised as part of the Group Accounting Rules, subject to regular periodic updates;
- prepares appropriate administrative and accounting procedures regulating the preparation of the financial statements and the consolidated financial statements, taking care of their adaptation in relation to the corporate disclosure requirements applicable from time to time;
- oversees the correspondence between the corporate reporting to the market with the accounting records; to this end, it has the right to promptly obtain any information deemed necessary for the performance of his/her duties and coordinates the exchange of information with the independent auditors;
- submits public disclosures to the Management Board and certifies the compliance of financial documents and reports in accordance with the provisions of Article 154-bis of the Consolidated Law on Finance.

With specific regard to the financial reporting process, the Manager responsible for preparing the Company's financial reports:

- maintains a system of information reports and flows with the Parent Company and the Group company functions, in order to ensure the adequacy of balance sheet, income statement and financial positions and the descriptions of the main risks and uncertainties to which the Group may be exposed, monitoring the reliability of the data acquisition process and the process of disclosure of the relevant information;
- oversees the internal control system on the financial reporting process, drawing up audit plans to ensure the adequacy and effective application of management and accounting procedures over the period, also by subsidiaries subject to the laws of countries that are not European Union Member States, in accordance with the provisions laid down by Article 36 of the Consob Market Regulation; periodically reports to the Management Board and the Internal Control Committee on the scope and results of the audits;
- acquires any recommendations formulated by the independent auditors at the end of the process of auditing the Parent Company's financial statements and the consolidated financial statements, as well as the related feedback in terms of measures to improve the procedures that influence accounting data, monitoring their implementation and effectiveness;
- shares with the Supervisory Board, pursuant to Law 231/01 the findings of the audit plan carried out in implementation of the monitoring of the financial reporting process, with specific focus on preventing the criminal and administrative offences described in the "Organisation, Management and Control Model pursuant to Legislative Decree No. 231 of 8 June 2001".

The Manager responsible for preparing the Company's financial reports contributes to supervising the independence of the independent auditors, monitoring the assignments granted to said auditors and regularly informing the Internal Control Committee, in line with the provisions of law (Legislative Decree 39/2010) and in accordance with the methods governed by the specific corporate Regulation for the granting of assignments to independent auditors.

The Manager responsible for preparing the Company's financial reports ensures periodic reporting to the Management Board regarding the legal and regulatory obligations assigned to the Board for the monitoring of the adequacy of powers and means granted to the Manager responsible for preparing the Company's financial reports and of the effective observance of administrative and accounting procedures. These reports are also submitted to the Internal Control Committee, which reports to the Supervisory Board in order for it to perform its supervisory task of monitoring the financial reporting system, as required by law and the Articles of Association.

Certification as required by art. 154-bis of the Consolidated Law on Finance

In relation to the supervisory and monitoring functions assigned, Manager responsible for preparing the Company's financial reports:

- signs, jointly with the Managing Director and CEO, the certifications of the Parent Company's and consolidated financial statements pursuant to Article 154-bis, paragraph 5, of the Consolidated Law on Finance on the adequacy and actual application of administrative and accounting procedures, compliance with the international accounting standards, the compliance of the financial statement documents with the records, books and accounts and their capacity to give a true and fair view of the Group's financial position and results, as well as a reliable analysis of the performance, results of operations and the main risks to which the Group is exposed;
- certifies correspondence of the deeds and communications circulated to the public with the accounting documents, books and records, pursuant to Article 154-bis, paragraph 2, of the Consolidated Law on Finance.

The monitoring of the accounting and financial reporting process is based on the review of:

- the completeness and consistency of the information disclosed to the market through a structured system of information flows coming from the functions of the Parent Company and from the Group companies on the significant events for the purposes of accounting and financial reporting;
- the suitability of sensitive processes for drawing up corporate accounting documents. The focus of the activities is represented by the work stages which, within the various business processes, entail the recording, processing, evaluation and presentation of data and information. In addition to the adequacy of the structure of procedures and the effective application of related controls, the IT architecture and applications, operating processes and development interventions on the summary systems instrumental to financial reporting are taken into consideration.

The organisational model of supervision of the administrative and accounting procedures and of the effectiveness of the control system on the financial reporting process is governed by the Company "Guidelines for Administrative and Financial Governance", and entails:

- the determination of the existence and compliance of the internal control system at corporate level, through the examination, conducted by the internal audit Function, of the governance systems, the presence and dissemination of standards of conduct inspired by ethics and integrity, the consistency of the organisational structures and transparent attribution of powers and responsibilities, the effectiveness of risk policies, the soundness of fraud prevention systems and the impact of codes of conduct and personnel disciplinary systems;
- the formalisation of relevant business processes for financial reporting purposes, with special focus on the risks and controls that define the stages of recording, processing, evaluation and presentation of data and information conducive to the preparation of Company financial reports and financial market disclosures; in addition to financial reporting processes (e.g. accounting, budget, reporting, management control, risk control) business processes (e.g.: credit, finance, asset management, insurance etc.) are also included, with reference to the assessment and reporting of assets and liabilities recorded in the accounting books and presented in corporate documents and operations processes in support of transactional and administrative data;
- the performance of an annual audit plan to certify the adequacy of the procedures and the effectiveness of the controls in place, by verifying the methodologies that govern the management of transactions within the scope of business processes and the forms of monitoring of the stages associated with the recording, evaluation and presentation of accounting data and financial information;
- the conduct of an annual audit plan to certify the application of IT architecture governance rules with reference to the processing steps instrumental to the preparation of accounting and financial reports;
- the periodic preparation, for each significant Group company, of an "Report on the internal control system of the financial reporting process" which sets out the scope of the controls implemented during the year and the results of the audits conducted, providing proof of the shortcomings found and the measures adopted to resolve them;
- the formulation of an opinion on the internal control system of the financial reporting process, upon the outcome of the monitoring over the correct implementation of the regulations, the audits conducted on the scope of companies and the performance of the evaluation process according to standard opinion-forming criteria, considering the material nature of the shortcomings found in relation to the consolidated financial statements;
- the management of the communication processes between the Manager responsible for preparing the Company's financial reports and the Control Bodies, the corporate Control Functions and Internal Auditing function, in accordance with the provisions set out in the Regulations on the integrated internal control system;
- the management of the communication processes between the Manager responsible for preparing the Company's financial reports and the corporate bodies and independent auditors pertaining to legal and regulatory obligations.

To conclude the preparation of the Company's financial reports according to the rules and criteria set out in Part A of the Notes to the financial statements, and the supervisory activities conducted on the financial reporting process, according to the guidelines described herein, the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports sign the certifications required by Art. 154 bis, paragraph 5, of the Consolidated Law on Finance.

These certifications are included in the Parent Company's financial statements and the consolidated financial statements, and are provided to the public according to the model established by Consob Regulation no. 11971/99 (pursuant to Article 81 ter and its Annex 3c-ter of the Issuers' Regulation).

Report pursuant to Art.36 of the Market Regulation

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 of the Market Regulation). As a result, Intesa Sanpaolo has set up an action plan to ensure the existence of the conditions required for companies that are of material significance, identified in compliance with the criteria established in the rules:

- 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 auditing;
- regularly obtaining the company information required by the rules (Articles of Association, powers and composition of corporate bodies) and ensuring that the public is provided access to the accounting positions prepared by the companies for the purposes of drafting the consolidated financial statements.

On conclusion of the activities performed and the verifications conducted, compliance with the conditions required by Article 36 of the Market Regulation is confirmed.

The Internal Control Committee and Management Board have been informed of compliance with those regulatory provisions governing companies incorporated in and subject to the laws of non-EU Member States, in the aforementioned "Report on the internal control system of the financial reporting process" drafted in order to illustrate the overall governance and control activities performed in accordance with the various provisions of laws and Group regulations governing the supervision of financial reporting, organically coordinated by the Manager responsible for preparing the Company's financial reports.

Group Risk Manager

The Group Risk Manager's area is responsible for operational implementation of the strategic and management guidelines for risk along the Bank's entire decision-making chain, down to individual operational units.
The tasks and functions are discussed in detail in the subsequent chapters of Part E.
Through the Controls Department, the Group Risk Manager's area carries out level II monitoring and controls over credit and other risks. The activities conducted on credit consider the quality, composition and evolution of the various loan portfolios, also through risk-based controls for the purpose of correctly classifying and assessing single names. It also carries out monitoring and control of the rating allocation and update processes.
In general, the development of the audit activities includes an examination of the individual credit processes also in order to verify that suitable level I controls are in place, including implementation and traceability methods.

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[9], of the compliance of internal risk measurement and management systems over time as regards determination of the capital requirements with regulatory provisions, Company needs and changes in the market of reference. The validation function is entrusted to Internal Validation, which is responsible for the activity at the Group level in accordance with the requirements of supervisory regulations governing uniform management of the control process on internal risk measurement systems. The Internal Validation Service reports directly to the Chief Risk Officer and is independent of the units that manage internal system development activities and the internal auditing department. It ensures that internal models, whether already operational or in the development stages, are validated with regard to all risk profiles covered by Pillars 1 and 2 of the Basel Accord, in accordance with the independence requirements established by the reference regulations.

The validation process is mainly driven by Intesa Sanpaolo's roll-out plan and any requests coming from the Regulator. On an annual basis, the Internal Validation Service prepares a validation plan that is submitted to the Management Board and the Supervisory Board for approval.

With respect to Pillar 1 risks, validation is a prerequisite for use of the internal systems for regulatory purposes. The validation function conducts assessments of risk management and measurement systems in terms of models, processes, information technology infrastructure and their compliance over time with regulatory provisions, company needs and changes in the market of reference. The level of involvement of the structure depends on the different types of validation (development/adoption of internal systems, application for adoption/extension of internal systems, application for model change and ongoing validation).
Both during the initial application phase and on an ongoing basis (at least annually), the results of the Internal Validation Service's activities 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 approval of the certification of compliance of internal systems with regulatory requirements, and forwarded to the Supervisory Authorities.

With respect to Pillar 2 risks, the Internal Validation Service conducts analyses of methodologies, verifying in particular that the measurement or assessment metrics adopted in quantifying significant risks are economically and statistically consistent, the methodologies adopted and estimates produced to measure and assess significant risks are robust and comparing alternative methodologies for measuring and aggregating individual risks. The analyses are conducted both in advance, when adopting/modifying the internal systems used for Pillar 2 purposes, and ex post as part of the prudential control process. The latter are summarised in the ICAAP report while, for substantial or significant modifications of internal systems, the Internal Validation Service produces a report to be submitted to the competent Managerial Committees and the Governance Bodies[10].
The function also manages the internal validation process at the Group level, interacting with the Supervisory Authorities, the Corporate Bodies of reference and the functions responsible for the level III controls provided for in regulations. The Internal Validation Service adopts a decentralised approach for companies with local validation functions[11] (certain international companies), coordinating and supervising the activities of such companies, and a centralised approach for the others. The adopted methodologies were developed in implementation of the principles that inspire the Supervisory Provisions for banks, UE directives

[9] EU Regulation no. 575/2013 (CRR), EBA Guidelines, EU Directive no. 2013/36 (CRD IV), Bank of Italy Circular no. 285/2013.

[10] In the event of substantial/significant modifications, the approval process requires that the Group Risk Manager submit updates to the Internal Management System, accompanied by the impact analysis on the risk metrics and the report of the validation unit, to the competent Managerial Committee for approval. Subsequently, reporting is drawn up on those modifications to the Management Board and the Supervisory Board.

[11] Note that the functional reporting of local validation units to the Internal Validation Service has been formalised.

and regulations, general orientations of international committees and best practices in the area and take the form of documentary, empirical and operating practice analyses.
The function generally also provides advice and suggestions to company and Group functions on an ongoing basis with the aim of improving the efficacy of the processes of risk management, control and governance of internal risk measurement and management systems for determining capital requirements.

Finally, the Internal Validation Service is responsible for the validation of the internal systems used for management purposes and contributes to the risk model development process[12] for both Pillar 1 and Pillar 2 risks.

In 2015, the main validation activities in the area of credit risks pertained to analyses for the submission of the following applications:
– adoption of the AIRB internal system for the Institutions segment (Banks and Public-sector Entities);
– adoption of internal estimates of PD for the Banking Book Equity portfolio;
– extension of the AIRB internal system to the subsidiary Provis;
– model change of the AIRB internal system for the Regulatory Corporate segment;

The following ongoing analyses were also conducted, and their results were summarised in the annual validation report:
– half-yearly backtesting analyses of regulatory segments authorised to use internal systems (residential mortgages for individuals, Corporate and Retail SME segments);
– half-yearly analyses on guarantees used to mitigate credit risk (mortgage, personal and financial guarantees).
– yearly quantitative and qualitative analyses (performance analyses and empirical analyses of use tests) for regulatory segments authorised to use internal systems.

In the cases of the international subsidiaries, Internal Validation conducted its own assessments in collaboration with the local validation functions, where present. In detail, analyses of the adequacy of internal credit risk measurement systems were conducted for the following subsidiaries:
– VUB (Slovakia): validation report for application for model change on residential mortgages to individuals and for extending the IRB approach to non-residential mortgages. Reports for the operational adoption of the Retail Unsecured model. Support for the model change for the Large Corporate segment (former IALC);
– PBZ (Croatia): validation report for the application of the FIRB approach for the Corporate segment and the IRB approach for Mortgages;
– CIB (Hungary): reports for the operational adoption of the Micro and Individual and Private Entrepreneur models and support to the local validation function for the tests regarding the PD and LGD Corporate models;
– BIB (Serbia): reports for the operational adoption of the Small Business Double & Single Entry model and the Specialized Lending slotting model;
– Banka Koper (Slovenia): validation report for the application of the FIRB approach for the Corporate segment;
– Intesa Sanpaolo Luxembourg (former SEB): validation report for the application for model change for the Large Corporate segment.

Validation activities for operational risk conducted in 2015 took the form of:
– verification of the strength of the model in the event of updating of the loss data during 2014 (internal and external data);
– ongoing validation analyses for the purpose of drawing up the annual report including the activity of replicating and verifying the database used by the calculation engine to quantify capital requirements. To that end, the information drawn from documentary and empirical analyses was supplemented by:
  - onsite inspections on the Corporate and Investment Banking Division and the international subsidiary banks included in the AMA scope (Advanced Measurement Approach - with the support of the local validation functions), to verify the actual application of the process of operational risk monitoring and management and methodological analyses. A specific onsite inspection was also conducted at the subsidiary CIB for the purpose of the AMA application planned for 2015 and then postponed to the first half of 2016. An onsite inspection was also conducted at Banca IMI, which will be formally reported on in the first quarter of 2016;
  - Remote Verification Process on the Organisational Units/Legal Entities within the AMA scope, completed in the first half of 2015.

The activity of the Internal Validation Service relating to the market risk component focused on the following areas:
– periodic quantitative and qualitative analysis as part of the ongoing valuation activity (in particular, backtesting of the Value at Risk (VaR) model and stress testing of the Incremental Risk Charge (IRC) model);
– monitoring of the existing model for calculating stressed VaR, which entails a half-yearly revision of the adequacy of the historical stress period to be used in the calculation;
– verifications conducted to support the request to revise the add-ons defined by the Bank of Italy, to calculate the capital requirement for market risk using the internal model, in relation to the completion of the corrective measures requested.

In addition, the Internal Validation Service carries out ongoing activities concerning pricing issues (for example, verification of the consistency of non-contributed bonds pricing among the end of quarter measurements carried out by the Financial and Market Risks Department, and operational pricing, monitored by Product Control of Banca IMI). With regard to the MAF (Managed Account Funds) portfolio, the Internal Validation Service produced detailed backtesting analyses, both for individual funds and for individual strategies.

In relation to counterparty risk, the Internal Validation Service periodically monitors the progress of corrective measures implemented for the findings reported in the authorisation letter and conducts periodic quantitative and qualitative analyses, whose results were summarised in the annual validation report.

[12] Model risk is intended as the risk that the model could become unsuitable or could be used incorrectly to describe - in a simplified but accurate manner - the real phenomenon for which it was developed.

In 2015, the main validation activities pertained to analyses for the submission of the following applications:
- model change, only in relation to quantitative aspects, for the EPE internal model of Banca IMI and Intesa Sanpaolo;
- extension of the EPE advanced approach to OTC derivatives of the Banks of the Banca dei Territori Division and the companies within this scope (Banca Prossima, Mediocredito and Intesa Sanpaolo Private Banking);
- extension of the EPE advanced approach to SFT instruments of Banca IMI and Intesa Sanpaolo.

With regard to Pillar 2 risks, in 2015 the following analyses were conducted to assess the methods to be used to calculate economic capital:
- impact analysis on the use of reporting metrics in the portfolio model following the comparison and reconciliation of reporting and operational measures carried out by the development function;
- analysis of economic capital calculated for Pillar 2 credit risk (i.e., including the additional components compared to Pillar 1, for example, the concentration component) for International banks and comparison with the economic capital used for local ICAAP (Internal Capital Adequacy Assessment Process) reporting;
- in the area of interest rate risk in the banking book, behavioural model analyses of prepayment (changed during 2015) and model analyses of demand items for the international subsidiaries CIB and VUB. In the last quarter of 2015, analyses were also initiated on the IRRBB framework (Interest Rate Risk in the Banking Book) to quantify the economic capital[13];
- assessment of the changes in approach adopted during the last ICAAP report compared to the previous year (for example, change in the confidence interval, change in the holding period for market risk, elimination of the risk integration mechanism);
- assessments of the changes to the default loans model[14];
- assessment of the corrective measures implemented or under way on findings of the Internal Valuation Service during the previous ICAAP report.

Moreover, in 2015, the development function conducted the annual valuation of the stability of the parameters of the model for demand deposits to quantify shift sensitivity.

Lastly, in line with the regulatory requirements implemented by the Group in the "Guidelines for the adoption, management and control of internal risk measurement systems used for management purposes", in June 2015, the annual report on internal systems used for management (non-regulatory) purposes was drawn up. Specifically, the following were analysed:
- pricing models for credit products and calculation of EVA;
- behavioural models to quantify banking book interest rate risk (prepayment and demand deposits);
- market risk models;
- counterparty risk models.

Compliance

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.
The responsibilities and duties of the compliance function are assigned to the Chief Compliance Officer, who is independent and autonomous in relation to the operational structures, reports directly to the Governing Bodies and has access to all activities within the Bank, as well as any significant information for the performance of his/her duties.
The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Management Board and Supervisory Board, which indicate the responsibilities of the various company structures and macro processes to mitigate compliance risk:
- identifying and assessing compliance risk;
- proposing the functional and organisational measures for mitigation of this risk;
- assessing the consistency of the company's bonus system;
- conducting pre-assessments of the compliance of innovative projects, operations and new products and services;
- providing advice and assistance to the governing bodies and the business units in all areas with significant compliance risk;
- monitoring, including through the use of information provided by the other control functions, of ongoing compliance;
- promoting a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules.

The regulatory scope and the procedures for monitoring regulatory areas that present significant risks of non-compliance for the Group are defined in the Group Compliance Guidelines. The Chief Compliance Officer submits periodic reports to corporate bodies on the adequacy of compliance control, with regard to all regulatory aspects applicable to the Bank which show compliance risks. On an annual basis, these reports include an identification and assessment of the primary compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a half-yearly basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.
The Compliance Guidelines call for the adoption of two distinct models in relation to direction and control of the Group. These models are organised in such a way as to account for the Intesa Sanpaolo Group's structure in operational and territorial terms. In particular:
- compliance supervision activities for specifically identified Network Banks and Italian Companies whose operations show a high degree of integration with the Parent Company are centralised with the Chief Compliance Officer structures;
- for the other Companies, specifically identified on the basis of the existence of a legal obligation or due to the importance of their material size and/or risk, as well as for International Branches, an internal compliance function is established and a local Compliance Officer is appointed, which are assigned compliance responsibilities. The local Compliance Officers of the subsidiaries functionally report to the Chief Compliance Officer structures, while those of the International Branches, except

[13] The outcome of these analyses will be formally recorded in the 2015/2016 ICAAP year.

[14] Note that the model for quantifying economic capital of default loans was used under Pillar 1 to calculate the downturn component for LGD on re-estimating the Corporate model.

where not permitted by local regulations, hierarchically report to the Chief Compliance Officer structures.

The activities carried out during the year concentrated on the regulatory areas are considered to be the most significant in terms of compliance risk, including the most significant ongoing projects that are part of the Company Business Plan, as well as the measures to comply with regulations enacted at an international level. In particular:
- with regard to investment services, monitoring of the procedural organisational structure in support of the service model adopted by the Bank continued, also in light of the Consob Communication on the distribution of Complex Financial Products to retail customers, and the new European rules on the resolution of banking crises (BRRD) and the related obligations of adequacy assessment and disclosure to customers. A project of adjustment to new European regulations (MiFID 2 and MiFIR, MAD 2 and MAR), which entail significant changes to the current regulations, was also launched. Work also continued in the areas of monitoring personal transactions, controlling customer operations in order to prevent market abuse, managing conflicts of interest and the circulation of insider information;
- as regards banking products and services, the IT systems were integrated to implement the prohibition of bank anatocism, pending the expected CICR resolution to complete the new approach, and the adjustment to the European sector rules was begun (Mortgage Credit Directive on credit agreements for consumers relating to residential immovable property, Payment Accounts Directive, Regulation on card-based payment transactions);
- with regard to insurance and pension-related intermediation, the reinforcement of compliance risk monitoring continued in relation to the distribution of policies that can be associated with loans, based on the indications issued by the Bank of Italy and IVASS;
- compliance controls were defined and implemented for new services (Real Estate and e-commerce) and channels (out-of-branch and remote offerings) which enhance the content and methods of offerings to customers;
- the organisational, management and control model pursuant to Italian Legislative Decree 231/2001 was overseen by verifying its compliance with the company regulations and coordinating verification of its proper implementation;
- among "non-core" regulations, specific focus was placed on the Tax and ICT areas.

Additional activities were aimed at reinforcing management and coordination activity for Italian and international subsidiaries and international branches, with the aim of implementing a supervisory model comparable to that adopted by the Parent Company.
Lastly, 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 effectiveness.

Anti-Money Laundering

The duties and responsibilities of the Anti-Money Laundering Function, as envisaged by regulations, are assigned to the Anti-Money Laundering Department, which, following the reorganisation implemented in July 2015, reports directly to the Chief Compliance Officer.
Specifically, the Anti-Money Laundering Department ensures monitoring of 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 reporting for corporate bodies and top management;
- discharging the required specific obligations on behalf of the Parent Company and subsidiaries on a centralised basis, including, in particular, enhanced customer reviews, controls of proper management of the Single Electronic Archive and the assessment and monthly submission to the Financial Reporting Unit of data relating to aggregated anti-money laundering reports, and the assessment reports of suspicious transactions received from operating departments for the submission to the Financial Reporting Unit of reports deemed accurate.

During 2015 the Anti-Money Laundering function devoted the utmost attention to projects aimed at reinforcing coverage of the Group's Italian and international companies, also in light of the new indications from the Supervisory Authorities, with a view to organisational, regulatory and procedural compliance to the standards of the Parent Company. The strict monitoring of cash transactions continued, including those routed through payment cards, and customised measures were implemented to mitigate the typical risks of transactions of parties operating in specific sectors (for ex. "gold buying" and "gaming").

Internal Auditing

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 functionally reports to the Internal Control Committee and has no direct operating responsibilities.
The Department has a structure and a control model which is organised consistently with the evolution of the organisational model of Intesa Sanpaolo and of the Group.
The Internal Auditing structures of the Group's Italian and international companies report to the Internal Auditing Department in terms of functions.
The Internal Auditing Department performs overall level 3 assessment of the internal control system, reporting possible improvements to the corporate bodies, with specific regard to the RAF, the risk management process and risk measurement and control instruments.
In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. In this context, amongst others, it audits the risk control and regulatory compliance corporate functions, also through participation in plans so as to generate added value and 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 corporate RAF definition process, the internal consistency of the overall framework and compliance of Bank operations with the RAF.

The Head of the Internal Auditing Department enjoys due autonomy and independence from the 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 ("Generally Compliant") in the external Quality Assurance Review envisaged by the international standards.
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 executive positions and corporate bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Internal Control Committee, and subsequent approval by the Supervisory Board, on the basis of which it conducts its activities during the year, as well as a Multi-Year Plan with the hedging commitments.
During 2015, auditing was performed directly for the Parent Company, Intesa Sanpaolo, the Network Banks and other subsidiaries under an outsourcing contract. For the other Group companies with their own internal audit departments, controls were conducted (indirect surveillance).
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, liquidity, interest rate, operational and credit risks. Particular attention was dedicated to the adequacy of the processes and criteria for estimating internal capital with respect to the Risk Appetite Framework as well as in accordance with the Prudential Supervisory regulations;
- controls carried out by compliance risks governance functions and operating functions, in particular on provisions of law concerning money laundering, investment services, transactions with related parties and the administrative liability of entities pursuant to Legislative Decree 231/01;
- IT system development and management, to ensure their reliability, security and functionality;
- management of financial operations with the aim of verifying the adequacy of related risk control systems;
- management of operations.

Control activity was then completed through:

- measures affecting Italian product company subsidiaries, with a priority focus on credit quality and processes, as well as on money laundering prevention and embargo processes;
- verification of the operations performed by international 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 the 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 and provisioning for doubtful loans.

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 weaknesses detected during control activities have been systematically notified to the company functions involved for prompt improvement actions, which are monitored by follow-up activities to verify their effectiveness.
Summary internal control system assessments from the checks have been periodically submitted to the Internal Control Committee, Management Board and Supervisory Board. The main weaknesses detected and their development over time have been included in the Audit Tableau de Bord (TdB) so that they may be systematically monitored. The reports relating to the actions completed with a negative opinion or which highlight major shortcomings were submitted in full to the Supervisory Board and the Management Board of the Parent Company as well as to the Boards of Directors and Statutory Auditors of the subsidiaries concerned.
Lastly, the Internal Auditing Department ensured constant assessment of its own effectiveness 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. In this regard, during 2015 it pursued an evolutionary path with the aim of strengthening the audit model in line with the new European supervisory standards laid down by the EBA (SREP framework).

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 provided 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 scope of consolidation is material, the details of such transactions are provided.

The following table contains the reconciliation of the consolidated balance sheet with the regulatory-scope balance sheet.

(millions of euro)

Assets		31.12.2015 Financial Statements	Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)	31.12.2015 Regulatory-scope balance sheet
10.	Cash and cash equivalents	9,344	17	9,361
20.	Financial assets held for trading	51,597	-695	50,902
30.	Financial assets designated at fair value through profit and loss	53,663	-52,289	1,374
40.	Financial assets available for sale	131,402	-75,858	55,544
50.	Investments held to maturity	1,386	-	1,386
60.	Due from banks	34,445	-573	33,872
70.	Loans to customers	350,010	3,606	353,616
80.	Hedging derivatives	7,059	-	7,059
90.	Fair value change of financial assets in hedged portfolios (+/-)	110	-	110
100.	Investments in associates and companies subject to joint control	1,727	5,223	6,950
110.	Technical insurance reserves reassured with third parties	22	-22	-
120.	Property and equipment	5,367	-374	4,993
130.	Intangible assets	7,195	-695	6,500
	of which: goodwill	*3,914*	*-470*	*3,444*
140.	Tax assets	15,021	-548	14,473
150.	Non-current assets held for sale and discontinued operations	27	-5	22
160.	Other assets	8,121	-2,955	5,166
Total Assets		**676,496**	**-125,168**	**551,328**

Liabilities and Shareholders' Equity		31.12.2015 Financial Statements	Effects of the deconsolidation and consolidation of counterparties other than those in the banking group	31.12.2015 Regulatory-scope balance sheet
10.	Due to banks	59,327	-356	58,971
20.	Due to customers	255,258	6,231	261,489
30.	Securities issued	110,144	3,453	113,597
40.	Financial liabilities held for trading	43,522	-42	43,480
50.	Financial liabilities designated at fair value through profit and loss	47,022	-47,022	-
60.	Hedging derivatives	8,234	-4	8,230
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,014	-	1,014
80.	Tax liabilities	2,367	-850	1,517
	a) current	*508*	*-20*	*488*
	b) deferred	*1,859*	*-830*	*1,029*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100.	Other liabilities	11,566	-1,405	10,161
110.	Employee termination indemnities	1,353	-6	1,347
120.	Allowances for risks and charges	3,480	-132	3,348
	a) post employment benefits	*859*	*-1*	*858*
	b) other allowances	*2,621*	*-131*	*2,490*
130.	Technical reserves	84,616	-84,616	-
140.	Valuation reserves	-1,018	-	-1,018
150.	Redeemable shares	-	-	-
160.	Equity instruments	877	-	877
170.	Reserves	9,167	-	9,167
180.	Share premium reserve	27,349	-	27,349
190.	Share capital	8,732	-	8,732
200.	Treasury shares (-)	-70	-	-70
210.	Minority interests (+/-)	817	-419	398
220.	Net income (loss)	2,739	-	2,739
Total Liabilities and Shareholders' Equity		**676,496**	**-125,168**	**551,328**

(*) The effects are attributable to :
- deconsolidation of companies that are not part of the Banking Group;
- proportional consolidation of the jointly controlled companies that are consolidated at equity in the financial statements.

1.1 CREDIT RISK

QUALITATIVE INFORMATION

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:
- achieving sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- given the current economic climate, privileging lending business aimed at supporting the real economy and production system;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions, with the aim of detecting any symptoms of imbalance and promoting corrective measures geared towards preventing possible deterioration of the relationship in a timely manner.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

Credit risk management policies

Organisation

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the corporate bodies, which, to the extent of their respective competences, 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:
- Chief Lending Officer;
- Chief Risk Officer
- Chief Financial Officer

They ensure that risk control activities are managed and implemented, with an appropriate level of segregation.
The Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion. The chief Lending Officer manages and monitors non-performing loans, sets the Credit Granting and Management Rules, ensures that positions classified as non-performing, within his purview, are properly measured for financial statement purposes, and also defines operating credit processes, in collaboration with the subsidiary Intesa Sanpaolo Group Services, on some occasions at the proposal of the Group's various functions/structures.
The Chief Risk Officer is responsible for adapting the Risk Appetite Framework to the management of credit risk, in accordance with company strategies and objectives, as well as for measuring and controlling the Group's risk exposures, 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, and implements level-two credit monitoring and controls, including rating controls. With specific regard to the collective measurement of performing loans and the measurement of non-performing loans on a statistical basis, he or she supervises credit risk measurement models.
The activities are performed directly by the Group Risk Manager area for both the Parent Company and the main subsidiaries, according to a service contract.
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) and 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, under the Chief Financial Officer, 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.

Lending limits, which incorporate the amount of loans granted (EAD), the risk level of the customer (PD), the loss rate in the event of a default by the borrower, possibly mitigated by the presence of guarantees (LGD), and maturity, are defined in terms of risk-weighted assets and reflect the risks assumed/to be assumed by the Intesa Sanpaolo Group towards the Economic Group.
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;
- the "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) by Group subsidiaries 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 the "Posizione Complessiva di Rischio" (global risk position), which highlight and analyse credit risks for each counterparty/economic group both towards the Group as a whole and towards individual Group companies.

Management, measurement and control systems

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of loans to customers and financial institutions, and of exposures subject to country risk.

Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Retail SME, Retail Mortgage, Other Retail, Sovereigns, Italian Public sector entities and Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.

A number of rating models are used for the Corporate segment:

– models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
– specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for LBO/acquisition-finance and asset-finance transactions.

In general terms, the structure of these models requires the integration of multiple modules:

– a quantitative module that processes financial and behavioural data;
– a qualitative module that requires the manager to fill in a questionnaire;
– an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the integrated rating.

Ratings are generally assigned on a decentralised basis by the Manager, who is the main figure in the process of assigning a rating to a counterparty. Any improvement override proposals are validated by a Specialist Unit allocated to the Parent Company, within the Chief Lending Officer's staff. The Specialist Unit is responsible for, among other duties, the task of assigning what are known as "centralised ratings" provided for in the rating assignment processes according to the corporate method and of intervening in the calculation of ratings with specialist models.

The models applied to the Retail portfolio are as follows:

– for the Retail SME segment, since the end of 2008 a Group rating model by counterparty has been used, following a scheme similar to that of the Corporate segment, meaning that it is extremely decentralised and its quantitative-objective elements are supplemented by qualitative-subjective elements; in 2011, the service model for the Small Business segment was redefined, by introducing in particular a sub-segmentation of Micro and Core customers according to criteria of size, simplicity, and a partial automation of the granting process. This required an adjustment of the rating model, which was divided into the two above-mentioned sub-segments, taking advantage of the opportunity to update the data sources and historical series used in development;
– for the Retail Mortgage segment (residential mortgages for private individuals), the Group model processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data;
– for products aimed at individuals (the Other Retail segment), a new approval model was made available in September 2014 for operational purposes, which is applied to all new disbursements (such as personal loans, credit cards, and credit facilities on current accounts)

The rating model for the Sovereign portfolio supports the assignment of an assessment of creditworthiness for over 260 countries. The structure of the model involves:

– a quantitative module for assessing country risk, which takes account of the structural rating assigned by the major international agencies, the risk implicit in market quotations of sovereign debt, a macroeconomic assessment of countries identified as strategic and the international scenario;
– a qualitative opinion component, for which the Sovereign Rating Working Group is responsible, supplementing the qualitative opinion with elements drawn from the broader scope of publicly available information concerning the political and economic structure of individual sovereign countries.

The framework is completed by the class of regulatory exposures consisting, on the one hand, of banks (and other financial companies attributable to banking groups) and near banking companies (companies that engage in leasing, factoring and consumer credit), and, on the other, public entities:

– in the Banks segment, from the standpoint of determining probability of default, the key decision was to differentiate the models for banks in mature economies and banks in emerging countries, the structure of which, however, is highly similar. In short, these consist of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, a country rating component relating to systemic risk, a component relating to specific country risk for banks most closely correlated with country risk, and finally, a module (the "manager's opinion") that allows the rating to be modified in certain conditions;
– in the Public Entities segment, the models of reference have been differentiated according to the type of counterparty. Accordingly, default models have been developed for municipalities and provinces and shadow rating models for regions. An extensive approach has been adopted for local healthcare authorities and other sector entities, starting with the legally superior entities, with possible notching based on statistical assessments of financial statements.

Experience-based models are used for counterparties belonging to the Non-Banking Financial Institutions portfolio.

The LGD model is based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group, and consists, in brief, of the following elements:

– estimate of a Doubtful LGD Model: starting from the LGD observed on the portfolio, namely "Workout LGD", determined on the basis of the recoveries and costs, a regression econometric model of the LGD is estimated on variables considered to be

significant for the determination of the loss associated to the Default event;
- application of a correction factor, known as "Danger Rate": the Danger Rate is a multiplying correction factor, used to recalibrate Doubtful LGD with the information available on the other default events, in order to calculate an LGD representative of all the possible default events and their evolution;
- application of an additional correction factor, known as "Final Settlement Component": this component is used as an add-on to the estimate recalibrated for the Danger Rate in order to consider the loss rates associated with positions not evolved to the Doubtful status (Unlikely to pay or Past Due positions).

LGD is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail Mortgage, Factoring, Leasing and Public Entities).
The Banks LGD model partly diverges from the models developed for the other segments, given the peculiarities of the segment, which has a low number of defaults ("low-default portfolios"). The estimation model is a market LGD approach, based on the market price of debt instruments observed 30 days after the official date of default for a sample of defaulted banks from all over the world. The market data are provided by an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models.

The rating models (PD and LGD) for the Retail Mortgage segment received authorisation for transition to the IRB approach effective from June 2010 report, while rating models for the SME Retail received authorisation for transition to the IRB approach effective from December 2012 report. The rating models for the Corporate segment received authorisation for the use of the AIRB approach to calculate capital requirements effective from 31 December 2010 reporting date (the FIRB approach had been used since December 2008), while the LGD Corporate models for Leasing and Factoring products received authorisation for transition to the AIRB approach effective from the June 2012 report.
For information on the plan to extend the IRB approach to other portfolios, refer to the paragraph concerning the Basel 3 Project.
An application for authorisation to use the internal model to determine the EAD (exposure at default) is to be submitted in 2016.
PD and LGD models have been adopted for the counterparties of the International Subsidiary Banks, partly derived from the Parent Company and partly adapted to the local situation which was entirely developed by the subsidiaries concerned.

The rating system also includes a risk monitoring process, calculated on a monthly basis. It interacts with processes and procedures for loan management and credit risk control and allows timely assessments when any anomalies arise or persist. The positions to which the synthetic risk index attributes a high risk valuation, which is confirmed over time, are intercepted by the proactive Management Process.
Starting from July 2014 the new Proactive Credit Management process was activated, setting up a specialised dedicated chain in the Regional Governance Centres, the CIB Division and the CLO structures.
The objective is to promptly identify performing positions with early signs of difficulty and immediately implement the most suitable actions to remove the anomalies and restore the relationship of trust. The introduction of proactive management also significantly simplified the processes and statuses of non-performing loans, eliminating the status of Risks Under Observation and introducing the new status of Restoration.
The project "IT Infrastructure in Support of the Single Supervisory Mechanism (SSM)", aimed at enhancing the infrastructure and processes developed during last year's comprehensive assessment, was launched during the year. The project involved, among other actions, the process called "Revision of Credit Interception System", aimed at developing current interception systems, including through the re-proposal of the IRIS indicator, as well as the identification of the most significant impacts on credit processes. The first phase of the project, nearing completion, involved the inclusion of the AQR impairment triggers (high priority indicators) in the new interception system known as the "Early Warning System".

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.

Through specific monitoring, control, guidance and coordination activities, the Controls Department oversees the credit granting and management processes for the performing loans portfolio at the Group level, including the proactive management process, in addition to assessing that loans are properly classified through controls of individual positions. It also carries out monitoring and control of the rating attribution and update processes.

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 obtain a preliminary evaluation of the absorption of country risk limits set on an ex-ante basis. Such limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, defined on an annual basis as the result of an exercise aimed at optimising the risk implicit in the Group's cross-border lending operations.

Counterparty risk is a particular kind of credit risk associated with OTC derivative contracts that refers to the possibility that a counterparty may default before the contract matures. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).

In 2010 a specific project was launched to ensure that the Bank has an internal model for measuring counterparty risk, both for operational and regulatory purposes. The organisational functions involved, as described in the Bank's internal regulations, are:
- the Group Risk Manager, who is responsible for the counterparty risk measurement system by defining calculation methods,

producing and analysing measures of exposure;
- the Level I and Level II control functions that use the measurements produced to monitor the assumed positions;
- the marketing and credit functions that draw on the foregoing measures as part of the granting process to determine the limits of the lines of credit.

The project yielded the following results:
- the Bank set up a suitably robust IT, methodological and regulatory infrastructure, in accordance with the use test requirement set out by regulations on internal models;
- the Bank integrated the risk measurement system into decision-making processes and the management of company operations;
- cutting-edge methods were adopted for calculating drawdowns on credit lines;
- the Supervisory Authority validated the Bank's use of the internal model for calculating the capital requirement in the first quarter of 2014. The first report using the internal model (with a view to Basel 3) was made on 31 March 2014, relating to the scope of Parent Company and Banca IMI OTC derivatives.

In particular, at the moment the Intesa Sanpaolo Group adopts the Internal Models Approach (for both the trading book and banking book) in order to determine the EAD (exposure at default) of OTC derivatives, for calculating capital requirements for Banca IMI and Intesa Sanpaolo, whereas it is currently being rolled out for banks belonging to the Banca dei Territori Division.
Potential exposure (estimated with the actual average PFE - Potential Future Exposure) has been adopted by the Parent Company, Banca IMI and the banks in the Banca dei Territori Division for the purposes of operational measurement of uses of lines of credit for derivatives.
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 (95th percentile), regularly estimated by the Group Risk Manager area by macro-product type and maturity.

In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:
- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty’s probability of default;
- definition and monitoring of management limits at the portfolio level authorised by the Group Financial Risks Committee for derivatives transactions;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivatives transactions with collateral agreements (CSA);
- reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk.

The advanced measurement approach for counterparty risk is being rolled out also to SFT (Securities Financial Transactions, i.e. repos, and securities lending). The advanced approach has been applied since May 2015 for calculating the drawn amounts of lines of credit for management purposes.
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 provisioning, 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.

Credit risk mitigation techniques
Mitigation techniques are adopted in order to reduce the Loss Given Default. In particular, they include guarantees and certain

types of contracts that result in a reduction in credit risk.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual exposure, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present. The Loss Given Default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
During the credit granting and managing process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, namely medium-/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
Detailed processes govern the material acquisition of individual guarantees, identifying the responsible structures as well as the methods for correct finalisation of guarantees, for filing documentation and for complete and timely reporting of the related information in the applications.
The set of internal regulations and organisational and procedural controls is aimed at ensuring that:

– all the fulfilments are planned to ensure the validity and effectiveness of the credit protection;
– for generally and normally used guarantees, standard contracts are defined, accompanied by instructions for use;
– the methods for approving guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

An overall revision of the rules, processes and instruments concerning guarantees received and, more generally, instruments that mitigate credit risk is underway. The goal of these activities is to increase the efficiency of management, reduce the related operational risks and increase the level of eligibility of the guarantees. Following a detailed analysis, the requirements and architecture of a new application platform to manage all the phases in the lifecycle of a guarantee (acquisition, modification, extinction, enforcement, control, monitoring and custody) were defined.

Releases of the module for managing the personal guarantees of the Italian banks and international branches began in June 2015 and were completed in January 2016. Subsequent implementations, relating to real-estate and financial guarantees, will occur gradually, starting in the first quarter of 2016, with the creation of a Group register of assets used as collateral, leading up to the activation of the real estate collateral module, which will be completed by the third quarter of 2016.

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value. The enforcement of the guarantee is handled by specialist departments, which are responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.
The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed in a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.
For real-estate collateral, the prudential market value is considered; for properties under construction, the construction cost is considered, net of prudential haircuts according to the intended use of the property.
Assets are appraised by internal and external experts. The external experts are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties used as collateral for mortgage loans 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, which apply prices/ratios 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 carry out 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 the guarantees received are eligible with reference to each of the three methods permitted by the regulations for calculating capital requirements. Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.

To mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.

The Group also establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Market Repurchase Agreement).
With regard to substitution risk, to mitigate risk exposure to specific counterparties, the Bank acquires protection through single name Credit Default Swaps. Furthermore, the Bank also purchases single name CDS or CDS on indexes to mitigate the risk of adjustment of the valuation of the credit or CVA.

A project was started for International Subsidiary Banks with the aim of guaranteeing a consistent approach at Group level to the use of the credit risk mitigation techniques. In further detail, the gap analysis of seven International Subsidiary Banks was completed for the main types of guarantees. For five of these, an action plan was drawn up and is now being implemented.

In 2015 the Parent Company continued its activities relating to the "GARC" (Active Credit Risk Management) project, involving a platform for monitoring credit risk in performing portfolios. The initiative involved the systematic acquisition of guarantees (both personal guarantees and collateral) to support lending of SMEs, a segment which, as a result of the crisis, was hit by significant difficulties in access to credit.

This type of transactions provide synthetic hedging of default risk (past-due, unlikely to pay and doubtful) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (EU Regulation no. 575/2013 and Bank of Italy Circular no. 285/2013).

As part of these operations, during the year the junior risk relating to a total portfolio of 1.1 billion euro in loans to approximately 2,500 businesses in the Corporate and SME Corporate segments, valued by applying internal models (Advanced IRB), was sold to a specialised investor.

Performing loans

Collective measurement is compulsory for all loans for which there is no objective evidence of impairment. Such loans must be measured collectively in homogeneous portfolios, i.e. with similar characteristics in terms of credit risk.
The concept of "loss" to which to refer when measuring impairment is that of incurred loss, as opposed to expected or future losses. In the case of collective measurement, this means that reference should be made to the losses already included in the portfolio, although these cannot be identified with reference to specific loans, also defined as "incurred but not reported losses".
In any event, as soon as new information allows the loss to be assessed at the individual level, the financial asset must be excluded from collective measurement and subject to individual measurement.
Although international accounting standards do not explicitly refer to the methods developed in the context of supervisory regulations, the definition of the elements to which to refer when classifying loans into groups to be subject to collective measurement has many points of contact with the Basel 3 regulations and the possible synergies are therefore evident. Through exploitation of such synergies, a measurement model has been structured involving the use of risk parameters (Probability of Default and Loss Given Default) essentially similar to those of Basel 3.
Therefore, in accordance with regulatory provisions, the method calls for expected loss (EL) to be determined according to the risk parameters estimated for the AIRB models under banking supervision regulations.
Expected loss calculated for the purposes of the collective loan measurement procedure differs from that calculated for reporting purposes inasmuch as the LGD used in incurred loss does not (in accordance with international accounting standards) include indirect recovery costs and calibration on the negative phase of the cycle ("LGD downturn").
For loans to customers only, the expected loss (EL) is transformed into incurred loss (IL) by applying factors that capture the loss confirmation period (LCP) and economic cycle of the portfolio:
- the LCP is a factor that represents the time interval between the event that gives rise to the default and the occurrence of the sign of default, which allows the loss to be transformed from expected to incurred;
- the cyclical coefficient is an annually updated coefficient estimated on the basis of the economic cycle, made necessary by the fact that ratings, which are calibrated according to the long-term expected average level throughout the economic cycle, only partially reflect current conditions. This coefficient is determined by regulatory segment and is equal to the ratio of the default rates estimated for the following 12 months on the basis of the scenario available in the fourth quarter (used in ICAAP) to the portfolio's actual PD as measured at year-end.

The above parameters were revised in 2015 and subsequently submitted to the Chief Risk Officer for approval, so as to also account for the new mitigating factors for the risk level of performing loans in light of the aforementioned development of systems for intercepting and identifying trigger events and monitoring exposures subject to renegotiation following the entry into force of the provisions concerning forborne exposures.
The illustrated measurement method has also been extended to guarantees and commitments. In the case of the latter, the unused margins on revocable lines of credit are not included in the basis of calculation.
The method and assumptions used are subject to periodic revision.
In the case of expected loss, the basic parameters (rating and LGD) are subject to verification by the validation and audit functions.

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.
On 9 January 2015, on the proposal of the European Banking Authority (EBA), the European Commission approved the "final" version of the "Final Draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No. 575/2013".
Following this decision, the Bank of Italy issued an update to its corpus of regulations that, in line with the previous representation of the risk statuses of non-performing loans, fully reflects the new Community regulations with effect from 1 January 2015.

Based on the regulations issued by the Bank of Italy, as a function of homogeneous representation of the phenomenon, the Group continues to adopt a definition of non-performing financial assets that includes the concepts of "non-performing" exposures (introduced by the Implementing Technical Standards - EBA), "default" (in accordance with Art. 178 of Regulation (EU) No 575/2013, Capital Requirements Regulation - CRR) and the reference international accounting standards (IAS/IFRS). Consequently, the new regulatory framework, supplemented by additional internal provisions that set criteria and rules, now provides for the division of non-performing financial assets into three categories depending on their level of criticality: "doubtful loans", "unlikely to pay" and "non-performing past due exposures". Therefore, the categories of substandard and restructured exposures have been eliminated, as they have in effect been included in the "unlikely to pay" category.
The new classification "exposures subject to concessions - forbearance" has also been established. These are exposures subject to renegotiation and/or refinancing due to financial difficulties (evident or in the process of becoming evident) of the debtor, which effectively constitute a subgroup of both non-performing exposures (non-performing exposures with forbearance measures) and performing exposures (other forborne exposures), depending on the level of risk of the exposure when renegotiation occurs or as a consequence thereof.
As previously mentioned, non-performing exposures with forbearance measures do not represent a separate category of non-performing assets, rather, they are an attribute of the above categories of non-performing assets.
The process of managing such exposures, in close accordance with regulatory provisions concerning classification times and methods, is assisted by an IT tool that ensures pre-established, autonomous and independent management procedures.

Non-performing assets undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories (identified as a function of the risk status, duration of default and significance of the exposure) 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.
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 and unlikely to pay loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, directly at the operating points that handle the accounts, or within peripheral organisational units that perform specialist activities and within the Head Office units, which are responsible for the overall management and coordination of these matters.
On the subject of doubtful loans, in the first half of 2015 the Group adopted a new organisational model according to which almost all (in terms of total exposure) new doubtful loan flows are to be managed by the Group's Loan Recovery Department. In particular, this model calls for:

- the assignment to the Loan Recovery Department of coordination of all loan recovery activities and direct management (for Intesa Sanpaolo and all banks in the Banca dei Territori Division) of all positions that it manages and customers classified to the doubtful category from May 2015 (with the exception of a portion of loans with individual exposures below a given threshold, collectively representing an insignificant percentage in terms of exposure with respect to total doubtful loans, which are assigned for management to new external servicers under a specific agreement and with pre-defined limits);
- the suspension (with limited exceptions) from May 2015 of assignment to Italfondiario S.p.A. of new doubtful loan flows, without prejudice to its management of the doubtful positions assigned to it until 30 April 2015;
- 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 relies 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 monitored.
The activity of Italfondiario S.p.A. and the new external servicers in managing the loans entrusted to them 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 is 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. Classification involves the use of automatic mechanisms when given objective default thresholds are exceeded. This occurs in cases of past-due loans, which are identified at the Group level, and performing positions with other forborne exposures, if such exposures become relevant for the purposes of regulatory provisions concerning reallocation to the non-performing category.
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.
Automatic mechanisms within the system also ensure that positions are allocated to the risk status most representative of their creditworthiness (doubtful loans excluded) as significant default continues.

The return to performing status of non-performing exposures is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the Structures responsible for their management, upon verification 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 unlikely to pay when automatic mechanisms detect that the conditions that triggered reclassification no longer apply.
Non-performing loans are constantly monitored and controlled, including through second-level controls, by the Controls Department in the Group Risk Manager area.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI, whereas "exposures" includes these items. The only exception is table A.2.1 related to credit exposures by external rating classes, which includes quotas of UCI.

A.1. Performing and non-performing credit exposures: amounts, adjustments, changes, economic and geographical breakdown

The data shown in the following tables (A.1.1, A.1.2 and in the subsequent one referring to performing positions by past-due bracket), refer to all companies within the scope of consolidation for accounting purposes. In the tables A.1.1 and A.1.2, figures for the banking group are stated net of all intragroup dealings, including those with other companies within the scope of consolidation.

A.1.1. Breakdown of credit exposures by portfolio classification and credit quality (book values)

Portfolios/quality	Doubtful loans	Unlikely to pay	Non performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets available for sale	1	-	-	2	117,397	117,400
2. Investments held to maturity	-	-	-	-	1,386	1,386
3. Due from banks	-	3	-	14	34,428	34,445
4. Loans to customers	14,973	17,091	1,022	8,640	308,284	350,010
5. Financial assets designated at fair value through profit and loss	-	-	-	-	5,488	5,488
6. Financial assets under disposal	-	-	-	-	-	-
Total 31.12.2015	**14,974**	**17,094**	**1,022**	**8,656**	**466,983**	**508,729**

With respect to non-performing assets in the portfolio "Loans to customers", forborne exposures amounted to 755 million euro amongst doubtful loans, 6,847 million euro amongst unlikely to pay loans and 126 million euro amongst non-performing past due exposures.
The forborne exposures included among performing assets in the portfolio "Loans to customers" amounted to 7,834 million euro.

A.1.2. Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

(millions of euro)

Portfolio / quality	NON-PERFORMING ASSETS			PERFORMING ASSETS			TOTAL
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	(net exposure)
A. Banking group							
1. Financial assets available for sale	33	-32	1	117,399	-	117,399	117,400
2. Investments held to maturity	-	-	-	1,386	-	1,386	1,386
3. Due from banks	15	-12	3	34,496	-54	34,442	34,445
4. Loans to customers	63,114	-30,028	33,086	318,987	-2,063	316,924	350,010
5. Financial assets designated at fair value through profit and loss	-	-	-	X	X	5,488	5,488
6. Financial assets under disposal	-	-	-	-	-	-	-
Total 31.12.2015	**63,162**	**-30,072**	**33,090**	**472,268**	**-2,117**	**475,639**	**508,729**

Portfolio / Quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	**73**	**218**	**48,784**
2. Hedging derivatives	**-**	**-**	**7,059**
Total 31.12.2015	**73**	**218**	**55,843**

The amount of partial derecognition of non-performing loans came to 3,528 million euro as at 31 December 2015.
As at 31 December 2014, the cumulative capital losses on Financial assets held for trading that presented low credit quality amounted to 72 million euro, with a net exposure of 426 million euro.

Performing financial assets may be broken down by portfolio and past due bracket as follows:

(millions of euro)

Credit exposures	Past due up to 3 months	Past due from 3 months up to 6 months	Past due from over 6 months up to 1 year	Past due by over 1 year	Total
1. Financial assets available for sale	-	-	1	1	2
2. Investments held to maturity	-	-	-	-	-
3. Due from banks	14	-	-	-	14
4. Loans to customers	5,723	881	1,160	876	8,640
5. Financial assets designated at fair value through profit and loss	-	-	-	-	-
6. Financial assets under disposal	-	-	-	-	-
Total performing exposures (net exposure)	**5,737**	**881**	**1,161**	**877**	**8,656**

In accordance with regulations, the exposures presented in the foregoing table also include the portion of debt that has not yet come due, amounting to 3,196 million euro for the bracket "up to three months", to 497 million euro for the bracket "between three and six months", to 860 million euro in the bracket "between six months and one year" and to 777 million euro in the bracket "over one year".

During 2015, the Intesa Sanpaolo Group purchased an insignificant amount of non-performing loans. Accordingly, the outstanding amounts as at 31 December 2015 were immaterial.

A.1.3. Banking group - On- and off-balance sheet credit exposures to banks: gross and net values and past-due brackets

(millions of euro)

Type of exposure/value	GROSS EXPOSURE					INDIVIDUAL ADJUSTMENTS	COLLECTIVE ADJUSTMENTS	NET EXPOSURE
	Non-performing assets				Performing assets			
	Up to 3 months	*Between 3 and 6 months*	*Between 6 months and 1 year*	*Over 1 year*				
A. ON-BALANCE SHEET EXPOSURES								
a) Doubtful loans	**-**	**-**	**-**	**6**	**X**	**-6**	**X**	**-**
Of which: forborne exposures	-	-	-	-	*X*	-	*X*	-
b) Unlikely to pay	**3**	**-**	**6**	**-**	**X**	**-6**	**X**	**3**
Of which: forborne exposures	-	-	-	-	*X*	-	*X*	-
c) Non-performing past due exposures	**-**	**-**	**-**	**-**	**X**	**-**	**X**	**-**
Of which: forborne exposures	-	-	-	-	*X*	-	*X*	-
d) Performing past due exposures	**X**	**X**	**X**	**X**	**14**	**X**	**-**	**14**
Of which: forborne exposures	*X*	*X*	*X*	*X*	-	*X*	-	-
e) Other performing exposures	**X**	**X**	**X**	**X**	**39,910**	**X**	**-54**	**39,856**
Of which: forborne exposures	*X*	*X*	*X*	*X*	-	*X*	-	-
TOTAL A	**3**	**-**	**6**	**6**	**39,924**	**-12**	**-54**	**39,873**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	**-**	**-**	**-**	**-**	**X**	**-**	**X**	**-**
b) Performing	**X**	**X**	**X**	**X**	**58,054**	**X**	**-38**	**58,016**
TOTAL B	**-**	**-**	**-**	**-**	**58,054**	**-**	**-38**	**58,016**
TOTAL (A + B)	**3**	**-**	**6**	**6**	**97,978**	**-12**	**-92**	**97,889**

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 securities lending transactions, repurchase agreements and loans with spreads classifiable as SFTs (securities financing transactions) as 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)

Reason/Categories	Doubtful loans	Unlikely to pay	Non performing past due exposures
A. Initial gross exposure	**31**	**14**	**-**
- of which exposures sold not derecognised	-	-	-
B. Increases	**-**	**4**	**-**
B.1 inflows from performing exposures	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-
B.3 other increases	-	4	-
B.4 business combinations	-	-	-
C. Decreases	**-25**	**-9**	**-**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	-1	-	-
C.3 repayments	-24	-9	-
C.4 credit disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other non-performing exposure categories	-	-	-
C.7 other decreases	-	-	-
C.8 business combinations	-	-	-
D. Final gross exposure	**6**	**9**	**-**
- of which exposures sold not derecognised	-	-	-

A.1.5. Banking group – On-balance sheet non-performing credit exposures to banks: changes in total adjustments

Reason/Categories	Doubtful loans	Unlikely to pay	Non performing past due exposures
A. Initial total adjustments	**13**	**6**	**-**
- of which exposures sold not derecognised	-	-	-
B. Increases	**-**	**-**	**-**
B.1 impairment losses	-	-	-
B.2 losses on disposal	-	-	-
B.3 transfers from other non-performing exposure categories	-	-	-
B.4 other increases	-	-	-
B.5 business combinations	-	-	-
C. Decreases	**-7**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-
C.2 recoveries on repayments	-6	-	-
C.3 profits on disposal	-	-	-
C.4 write-offs	-1	-	-
C.5 transfers to other non-performing exposure categories	-	-	-
C.6 other decreases	-	-	-
C.7 business combinations	-	-	-
D. Final total adjustments	**6**	**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 and past-due brackets

(millions of euro)

Type of exposure/value	GROSS EXPOSURE					INDIVIDUAL ADJUSTMENTS	COLLECTIVE ADJUSTMENTS	NET EXPOSURE
	Non-performing assets				Performing assets			
	Up to 3 months	*Between 3 and 6 months*	*Between 6 months and 1 year*	*Over 1 year*				
A. ON-BALANCE SHEET EXPOSURES								
a) Doubtful loans	**675**	**69**	**217**	**38,222**	**X**	**-24,209**	**X**	**14,974**
Of which: forborne exposures	*292*	*15*	*49*	*1,334*	*X*	*-935*	*X*	*755*
b) Unlikely to pay	**9,782**	**633**	**3,126**	**9,418**	**X**	**-5,658**	**X**	**17,301**
Of which: forborne exposures	*6,168*	*261*	*908*	*1,916*	*X*	*-2,196*	*X*	*7,057*
c) Non-performing past due exposures	**205**	**327**	**457**	**249**	**X**	**-216**	**X**	**1,022**
Of which: forborne exposures	*16*	*24*	*65*	*41*	*X*	*-20*	*X*	*126*
d) Performing past due exposures	**X**	**X**	**X**	**X**	**8,880**	**X**	**-238**	**8,642**
Of which: forborne exposures	*X*	*X*	*X*	*X*	*670*	*X*	*-29*	*641*
e) Other performing exposures	**X**	**X**	**X**	**X**	**378,132**	**X**	**-1,801**	**376,331**
Of which: forborne exposures	*X*	*X*	*X*	*X*	*7,413*	*X*	*-167*	*7,246*
TOTAL A	**10,662**	**1,029**	**3,800**	**47,889**	**387,012**	**-30,083**	**-2,039**	**418,270**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	**1,188**	**-**	**-**	**-**	**X**	**-223**	**X**	**965**
b) Other	**X**	**X**	**X**	**X**	**114,007**	**X**	**-159**	**113,848**
TOTAL B	**1,188**	**-**	**-**	**-**	**114,007**	**-223**	**-159**	**114,813**
TOTAL (A + B)	**11,850**	**1,029**	**3,800**	**47,889**	**501,019**	**-30,306**	**-2,198**	**533,083**

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 securities lending transactions, repurchase agreements and loans with spreads classifiable as SFTs (securities financing transactions) as defined in prudential regulations.

Net performing on-balance sheet exposures to customers include 4,991 million euro in dealings between the banking group and other companies within the scope of consolidation.

Net on-balance sheet exposures to customers classified as "unlikely to pay" include 209 million euro, adjusted for 23 million euro, in dealings between the banking group and other companies within the scope of consolidation.

For net performing off-balance sheet exposures, the amount of positions between the Banking Group and other companies within the scope of consolidation comes to 1,850 million euro.

Non-performing exposures with forbearance measures in the past-due bracket by "up to three months" include 3,591 million euro that do not present past-due amounts during the "cure period".

A.1.7 Banking group – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

Reason/Categories	Doubtful loans	Unlikely to pay	Non performing past due exposures
A. Initial gross exposure	**38,245**	**23,405**	**1,505**
- of which exposures sold not derecognised	*20*	*24*	*2*
B. Increases	**6,738**	**9,518**	**4,606**
B.1 inflows from performing exposures	325	4,083	4,212
B.2 transfers from other non-performing exposure categories	4,943	3,849	234
B.3 other increases	1,470	1,586	160
B.4 business combinations	-	-	-
C. Decreases	**-5,800**	**-9,964**	**-4,873**
C.1 outflows to performing exposures	-113	-1,679	-1,219
C.2 write-offs	-2,581	-330	-4
C.3 repayments	-1,328	-2,290	-293
C.4 credit disposals	-176	-72	-
C.5 losses from disposals	-62	-38	-
C.6 transfers to other non-performing exposure categories	-759	-5,042	-3,225
C.7 other decreases	-781	-513	-132
C.8 business combinations	-	-	-
D. Final gross exposure	**39,183**	**22,959**	**1,238**
- of which exposures sold not derecognised	*22*	*144*	*3*

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 and the collection of penalty interest assessed in previous years.

A.1.8. Banking group – On-balance sheet credit exposures to customers: changes in total adjustments

Reason/Categories	Doubtful loans	Unlikely to pay	Non performing past due exposures
A. Initial total adjustments	**24,006**	**5,354**	**218**
- of which exposures sold not derecognised	*6*	*3*	-
B. Increases	**6,036**	**3,299**	**516**
B.1 impairment losses	3,492	2,286	415
B.2. losses on disposal	62	39	-
B.3 transfers from other non-performing exposure categories	1,566	755	42
B.4 other increases	916	219	59
B.5 business combinations	-	-	-
C. Decreases	**-5,833**	**-2,995**	**-518**
C.1 recoveries on impairment losses	-1,946	-818	-41
C.2 recoveries on repayments	-238	-109	-4
C.3 profits on disposal	-38	-	-
C.4 write-offs	-2,581	-330	-4
C.5 transfers to other non-performing exposure categories	-371	-1,562	-430
C.6 other decreases	-659	-176	-39
C.7 business combinations	-	-	-
D. Final total adjustments	**24,209**	**5,658**	**216**
- of which exposures sold not derecognised	*8*	*22*	-

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. Gross loans converted into equity instruments and shares amounted to 129 million euro. The adjustments directly attributable to the conversion process amounted to 113 million euro, essentially provisions in previous years.

The equity instruments were recognised at their fair value of 16 million euro at the execution date among assets available for sale. Loans amounting to approximately 19 million euro, classified among loans to customers represented by debt securities were transformed into mandatory convertible bonds.

A.2. Classification of exposures based on external and internal ratings

A.2.1. Banking group - Breakdown of on- and off-balance sheet credit exposures by external rating classes

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for all portfolios subject to reporting: Standard & Poor's Ratings Services, Moody's Investors Service, Fitch Ratings and DBRS Ratings.

These agencies are valid for all Group banks. In compliance with the regulations, if there are two ratings for the same customer, the most prudential of the two is used, when three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken.

The Class 6 rating column includes non-performing loans.

(millions of euro)

Exposures	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**24,490**	**20,702**	**69,064**	**10,485**	**10,226**	**33,553**	**292,203**	**460,723**
B. Derivatives	**1,307**	**1,812**	**5,162**	**685**	**219**	**7**	**3,943**	**13,135**
B.1. Financial derivatives	1,307	1,812	5,162	620	219	7	3,941	13,068
B.2. Credit derivatives	-	-	-	65	-	-	2	67
C. Guarantees given	**3,060**	**4,251**	**5,156**	**1,314**	**352**	**409**	**27,109**	**41,651**
D. Commitments to lend funds	**11,393**	**24,294**	**34,683**	**5,007**	**1,136**	**785**	**36,397**	**113,695**
E. Other	**-**	**-**	**-**	**2,001**	**-**	**-**	**2,346**	**4,347**
Total	**40,250**	**51,059**	**114,065**	**19,492**	**11,933**	**34,754**	**361,998**	**633,551**

It should be noted that the exposures presented in the table also include quotas of UCI for 2,580 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 DBRS
Credit quality step		
1	from Aaa to Aa3	from AAA to AA-
2	from A1 to A3	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-
5	from B1 to B3	from B+ to B-
6	Caa1 and lower	CCC+ and lower

Short-term ratings for exposures to supervised issuers and enterprises

	ECAI			
	Moody's	Fitch	Standard & Poor's	DBRS
Credit quality step				
1	P -1	F1 +, F1	A -1 + , A -1	R -1
2	P -2	F2	A -2	R -2
3	P -3	F3	A -3	R -3
from 4 to 6	NP	lower than F3	lower than A -3	R-4 R-5 R-6

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 DBRS**
Credit quality step		
1	from Aaa to Aa3	from AAA to AA-
2	from A1 to A3	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-
4	from Baa1 to Ba3	from BB+ to BB-
5	B1 and lower	B+ and lower

Standardised approach - Short-term ratings for exposures to securitisations

	ECAI			
	Moody's	**Fitch**	**Standard & Poor's**	**DBRS**
Credit quality step				
1	P -1	F 1 +, F 1	A -1 + , A -1	R -1
2	P -2	F2	A -2	R -2
3	P -3	F3	A -3	R -3
from 4 to 6	NP	lower than F3	lower than A -3	R-4 R-5 R-6

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**	**DBRS**
Credit quality step				
1	P -1	F 1 +, F 1	A -1 + , A -1	R -1
2	P -2	F2	A -2	R -2
3	P -3	F3	A -3	R -3
All other credit quality steps	NP	lower than F3	lower than A -3	R-4 R-5 R-6

A.2.2. Banking group - Breakdown of on- and off-balance sheet exposures by internal rating classes

As indicated above in the paragraph entitled "Basel 3 regulations and the Internal Project" of Qualitative information, the Intesa Sanpaolo Group has a set of ratings that have been validated in respect of the Corporate, Retail Mortgages (residential mortgages for private individuals) and Retail SME portfolios.

The breakdown of exposures by internal rating classes shown in the following table is based on all ratings available in the credit risk management and control system, in addition to ratings for validated models. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.

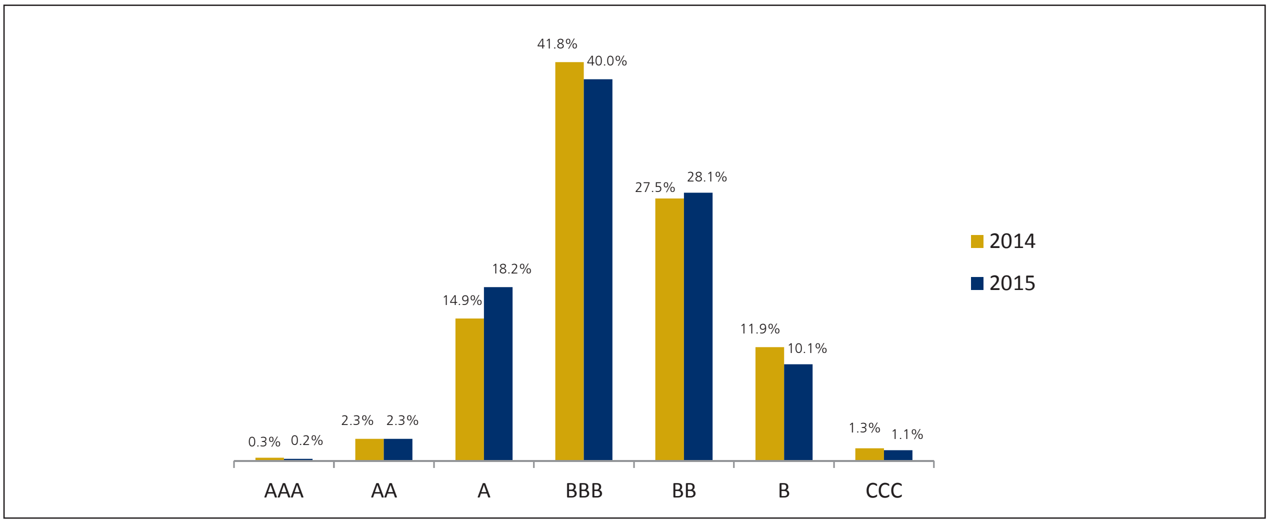
Unrated exposures account for 12% of all exposures to performing counterparties and refer to customer segments for which a rating model is not yet available, to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and 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 72% of the total, whilst 19% fall within the BB+/BB- range (class 4) and 9% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

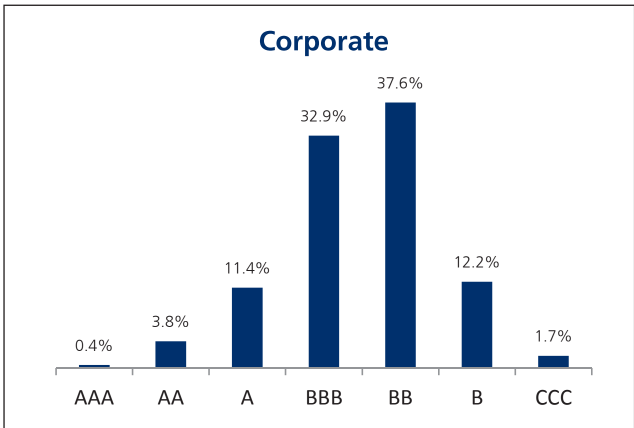
Exposures	INTERNAL RATING CLASSES							UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**26,461**	**64,627**	**162,047**	**78,375**	**37,208**	**3,323**	**33,300**	**52,802**	**458,143**
B. Derivatives	**1,211**	**2,415**	**5,445**	**1,543**	**718**	**72**	**-**	**1,731**	**13,135**
B.1. Financial derivatives	1,211	2,415	5,445	1,478	718	72	-	1,729	13,068
B.2. Credit derivatives	-	-	-	65	-	-	-	2	67
C. Guarantees given	**6,062**	**7,681**	**15,144**	**8,263**	**1,431**	**99**	**377**	**2,594**	**41,651**
D. Commitments to lend funds	**14,161**	**31,244**	**38,981**	**11,085**	**3,128**	**1,483**	**588**	**13,025**	**113,695**
E. Other	**-**	**-**	**2,001**	**-**	**-**	**-**	**-**	**2,346**	**4,347**
Total	**47,895**	**105,967**	**223,618**	**99,266**	**42,485**	**4,977**	**34,265**	**72,498**	**630,971**

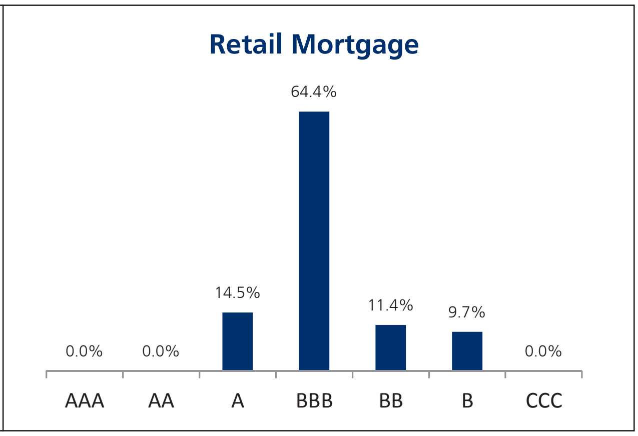
In addition to the tables required by financial reporting regulations, the following is the rating allocation for performing credit exposures to customers attributable to banks with internal models.
As at 31 December 2015, performing loans to customers assigned an individual rating internally or by an external agency accounted for 95% of the loans of banks with internal models and for 84% of the entire aggregate at the Group level.

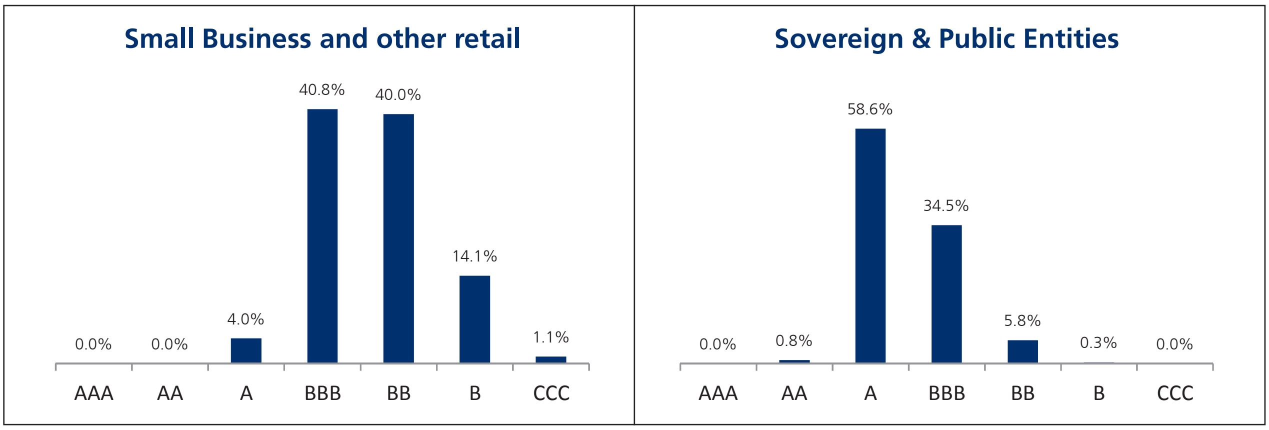


The allocation shows a high level of investment grade exposures of 60.7%, up compared to the previous year (59.3%).

The breakdown of the following portfolios by rating is presented below: Corporate, Retail Mortgage (residential mortgages for individuals), Retail SME, Other Retail, Sovereigns and Italian Public Sector Entities.







Investment grade positions account for 48.5%, 78.9%, 44.8% and 93.9% 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	**5,762**	***3***	**235**	**-**	**4,852**	**-**	**1,666**	**-**	**12,515**
COLLATERAL[1]									
Real estate assets	4	-	-	-	-	-	-	-	4
Mortgages	-	-	-	-	-	-	-	-	-
Financial leases	*4*	-	-	-	-	-	-	-	*4*
Securities	5,602	-	51	-	251	-	-	-	5,904
Other	-	-	-	-	4,581	-	1,213	-	5,794
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	*80*	*3*	*25*	-	-	-	*70*	-	*175*
Other public entities	-	-	-	-	-	-	-	-	-
Banks	*59*	-	*117*	-	*16*	-	*8*	-	*200*
Other counterparties	*13*	-	*4*	-	*4*	-	*37*	-	*58*
TOTAL	**5,758**	***3***	**197**	**-**	**4,852**	**-**	**1,328**	**-**	**12,135**

[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	**195,283**	***23,849***	**15,609**	***2,518***	**17,634**	***647***	**3,156**	***59***	**231,682**
COLLATERAL [(1)]									
Real estate assets	129,103	***18,527***	1,514	***507***	2,767	***282***	178	***10***	133,562
Mortgages	*115,923*	***15,798***	*1,438*	***456***	*2,729*	***279***	*132*	***10***	*120,222*
Financial leases	*13,180*	***2,729***	*76*	***51***	*38*	***3***	*46*	*-*	*13,340*
Securities	27,305	*285*	1,866	*442*	1,724	*23*	415	*2*	31,310
Other	9,935	*1,230*	893	*73*	1,435	*5*	705	*16*	12,968
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	*48*	-	-	-	*48*
Guarantees given									
Governments and Central Banks	*3,145*	*115*	*1,624*	*33*	*615*	-	*4*	-	*5,388*
Other public entities	*156*	*13*	*228*	*7*	*2*	-	-	-	*386*
Banks	*612*	*45*	*758*	*5*	*183*	*2*	*42*	-	*1,595*
Other counterparties	*23,537*	*3,321*	*3,390*	*713*	*9,977*	*143*	*691*	*9*	*37,595*
TOTAL	**193,793**	***23,536***	**10,273**	***1,780***	**16,751**	***455***	**2,035**	***37***	**222,852**

[(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 by sector of on- and off-balance sheet credit exposures to customers (book value)

(millions of euro)

Exposures/Counterparties	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES			INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES		
	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments
A. ON-BALANCE SHEET EXPOSURES																		
A.1. Doubtful loans	7	-3	X	187	-70	X	152	-430	X	-	-	X	12,348	-20,940	X	2,280	-2,766	X
- of which forborne exposures	-	-	X	-	-	X	9	-22	X	-	-	X	644	-828	X	102	-85	X
A.2. Unlikely to pay	2	-1	X	112	-27	X	629	-245	X	-	-	X	14,963	-4,792	X	1,595	-593	X
- of which forborne exposures	-	-	X	73	-9	X	487	-211	X	-	-	X	6,120	-1,891	X	377	-85	X
A.3. Non-performing past due exposures	1	-	X	9	-	X	21	-4	X	-	-	X	767	-130	X	224	-82	X
- of which forborne exposures	-	-	X	-	-	X	-	-	X	-	-	X	114	-18	X	12	-2	X
A.4. Performing exposures	70,725	X	-12	16,518	X	-31	48,409	X	-168	1,562	X	-	164,982	X	-1,528	82,777	X	-300
- of which forborne exposures	17	X	-	210	X	-	513	X	-	-	X	-	6,166	X	-	981	X	-
Total A	**70,735**	**-4**	**-12**	**16,826**	**-97**	**-31**	**49,211**	**-679**	**-168**	**1,562**	**-**	**-**	**193,060**	**-25,862**	**-1,528**	**86,876**	**-3,441**	**-300**
B. OFF-BALANCE SHEET EXPOSURES																		
B.1. Doubtful loans	-	-	X	-	-	X	1	-1	X	-	-	X	183	-98	X	9	-15	X
B.2. Unlikely to pay	-	-	X	-	-	X	14	-26	X	-	-	X	707	-81	X	7	-1	X
B.3. Other non-performing assets	-	-	X	-	-	X	-	-	X	-	-	X	42	-1	X	2	-	X
B.4. Other exposures	4,916	X	-	1,234	X	-1	29,363	X	-6	1,008	X	-1	74,352	X	-140	2,203	X	-12
Total B	**4,916**	**-**	**-**	**1,234**	**-**	**-1**	**29,378**	**-27**	**-6**	**1,008**	**-**	**-1**	**75,284**	**-180**	**-140**	**2,221**	**-16**	**-12**
TOTAL (A+B) 31.12.2015	**75,651**	**-4**	**-12**	**18,060**	**-97**	**-32**	**78,589**	**-706**	**-174**	**2,570**	**-**	**-1**	**268,344**	**-26,042**	**-1,668**	**89,097**	**-3,457**	**-312**
Total 31.12.2014	**69,172**	**-10**	**-12**	**18,812**	**-105**	**-52**	**66,421**	**-829**	**-144**	**3,088**	**-**	**-**	**264,289**	**-25,318**	**-2,067**	**85,523**	**-3,618**	**-359**

B.2. Banking group - Breakdown by geographical area of on- and off-balance sheet credit exposures to customers (book value)

(millions of euro)

Exposures/Geographical areas	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	14,168	-22,401	796	-1,618	2	-31	3	-29	5	-130
A.2. Unlikely to pay	15,653	-4,800	1,329	-753	173	-38	39	-8	107	-59
A.3. Non-performing past due exposures	922	-186	85	-28	1	-	5	-1	9	-1
A.4. performing exposures	286,693	-1,515	72,879	-388	15,676	-44	3,660	-11	6,065	-81
Total A	**317,436**	**-28,902**	**75,089**	**-2,787**	**15,852**	**-113**	**3,707**	**-49**	**6,186**	**-271**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	176	-91	14	-9	-	-	-	-1	3	-13
B.2. Unlikely to pay	660	-85	63	-21	-	-	-	-1	4	-
B.3. Other non-performing assets	41	-1	2	-1	-	-	1	-	1	-
B.4. performing exposures	50,537	-77	44,789	-66	15,787	-9	938	-1	1,025	-6
Total B	**51,414**	**-254**	**44,868**	**-97**	**15,787**	**-9**	**939**	**-3**	**1,033**	**-19**
TOTAL (A+B) 31.12.2015	**368,850**	**-29,156**	**119,957**	**-2,884**	**31,639**	**-122**	**4,646**	**-52**	**7,219**	**-290**
TOTAL 31.12.2014	**366,472**	**-28,485**	**110,089**	**-3,543**	**20,667**	**-123**	**4,973**	**-64**	**5,104**	**-299**

B.2 bis Breakdown of relations with customers resident in Italy by geographical area (book value)

(millions of euro)

Exposures/Geographical areas	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	4,742	-7,583	3,051	-4,937	3,267	-4,757	3,108	-5,124
A.2. Unlikely to pay	6,037	-1,824	2,987	-851	3,837	-1,078	2,792	-1,047
A.3. Non-performing past due exposures	282	-57	145	-28	233	-42	262	-59
A.4. performing exposures	90,873	-609	45,678	-287	111,217	-341	38,925	-278
Total A	**101,934**	**-10,073**	**51,861**	**-6,103**	**118,554**	**-6,218**	**45,087**	**-6,508**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	56	-37	55	-24	58	-27	7	-3
B.2. Unlikely to pay	182	-31	188	-42	204	-9	86	-3
B.3. Other non-performing assets	24	-1	13	-	2	-	2	-
B.4. performing exposures	20,335	-19	6,045	-20	21,668	-31	2,489	-7
Total B	**20,597**	**-88**	**6,301**	**-86**	**21,932**	**-67**	**2,584**	**-13**
TOTAL (A+B) 31.12.2015	**122,531**	**-10,161**	**58,162**	**-6,189**	**140,486**	**-6,285**	**47,671**	**-6,521**
TOTAL 31.12.2014	**122,197**	**-9,881**	**59,045**	**-6,071**	**137,942**	**-6,049**	**47,288**	**-6,484**

B.3 Banking group - Breakdown by geographical area of on- and off-balance sheet credit exposures to banks (book value)

(millions of euro)

Exposures/Geographical areas	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	-	-	-	-6	-	-	-	-	-	-
A.2. Unlikely to pay	-	-	-	-	-	-	3	-6	-	-
A.3. Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4. performing exposures	11,246	-7	21,438	-29	3,303	-9	2,351	-8	1,532	-1
Total A	**11,246**	**-7**	**21,438**	**-35**	**3,303**	**-9**	**2,354**	**-14**	**1,532**	**-1**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. performing exposures	2,747	-	41,504	-12	7,025	-6	2,172	-10	993	-10
Total B	**2,747**	**-**	**41,504**	**-12**	**7,025**	**-6**	**2,172**	**-10**	**993**	**-10**
TOTAL (A+B) 31.12.2015	**13,993**	**-7**	**62,942**	**-47**	**10,328**	**-15**	**4,526**	**-24**	**2,525**	**-11**
TOTAL 31.12.2014	**9,256**	**-15**	**63,481**	**-42**	**10,783**	**-10**	**7,742**	**-29**	**1,890**	**-9**

B.3 Bis Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

Exposures/Geographical areas	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	-	-	-	-	-	-	-	-
A.2. Unlikely to pay	-	-	-	-	-	-	-	-
A.3. Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4. performing exposures	3,741	-3	1,547	-2	5,780	-1	178	-1
Total A	**3,741**	**-3**	**1,547**	**-2**	**5,780**	**-1**	**178**	**-1**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Unlikely to pay	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. performing exposures	912	-	142	-	1,684	-	9	-
Total B	**912**	**-**	**142**	**-**	**1,684**	**-**	**9**	**-**
TOTAL (A+B) 31.12.2015	**4,653**	**-3**	**1,689**	**-2**	**7,464**	**-1**	**187**	**-1**
TOTAL 31.12.2014	**2,260**	**-13**	**1,598**	**-1**	**5,355**	**-1**	**43**	**-**

B.4 Large exposures

Large exposures	
a) Book value (millions of euro)	138,137
b) Weighted value (millions of euro)	6,430
b) Number	8

Based on regulatory provisions, the number of large exposures presented in the table was determined by the reference to unweighted "exposures" in excess of 10% of eligible capital as defined by EU Regulation 575/2013 (CRR). The "exposures" are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from eligible capital) with a customer or a group of related customers, without applying weighting factors.
Such presentation criteria result in the inclusion in the financial statement table for large exposures of entities that - even with a weighting of 0% - present an unweighted exposure in excess of 10% of eligible capital for the purposes of large risks.

C. SECURITISATIONS

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

Qualitative information

The securitisations carried out in 2015 are summarised below:

GARC Securitisation

In 2015 Intesa Sanpaolo continued its activities relating to the "GARC" (Active Credit Risk Management) project, involving a platform for monitoring credit risk in performing portfolios. The initiative involved the systematic acquisition of guarantees (both personal guarantees and collateral) to support lending of SMEs, a segment which, as a result of the crisis, was hit by significant difficulties in access to credit. This type of transactions provide synthetic hedging of default risk of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (EU Regulation no. 575/2013 and Bank of Italy Circular no. 285/2013). As part of these operations, during the year the junior risk relating to an initial total portfolio of 1.1 billion euro in loans to approximately 2,500 businesses in the Corporate and SME Corporate segments, valued by applying internal models (Advanced IRB) was sold to a specialised investor.

Food & Beverages Securitisation

The securitisation of commercial loans in the Food & Beverages sector was expanded during 2015, bringing the nominal value of securitised loans from 597 to 674 million euro. For these transactions, the Group used the vehicles Trade Investment Receivable Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and the vehicle Duomo Funding Plc. The securities issued are unrated.

Automotive, Electronics and Mechanics Securitisation (Conan)

This securitisation was expanded during 2015, bringing the nominal value of securitised loans from 380 to 490 million euro. For these transactions, the Group used the vehicles Trade Investment Receivable Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and the vehicle Duomo Funding Plc. The securities issued are unrated.

FUEL Securitisation

In summer 2015 a transaction was finalised involving the securitisation of trade receivables in the oil refining and distribution sector for 200 million euro. For this transaction, the vehicles Trade Investment Receivable Vehicle S.a.r.l., Hermes Trade Receivables S.a.r.l., Lana Trade Receivables S.a.r.l. and Duomo Funding Plc were used. The securities issued are unrated.

TIBET Securitisation

In 2015 Banca IMI securitised a loan of 203 million euro guaranteed by a mortgage granted in 2014 for the purchase of a prestigious property in Milan. The vehicle Tibet CMBS S.r.l. was used in the transaction. The securities issued have the following ratings: Senior AA; 1st Mezzanine A, 2nd Mezzanine A-, Junior BB.

Haywave Securitisation

In December 2015, Banca IMI assigned to a customer a portion of 37 million euro of a loan that had been granted in 2014 for the purchase of a portfolio of non-residential properties. The customer made the purchase through the vehicle Haywave SPV Srl, which issued two classes of notes, a Senior and a Junior class. The securities issued are unrated.

K-Equity Securitisation

In 2015 Intesa Sanpaolo and another leading Italian bank jointly carried out a securitisation transaction that involved transferring their respective exposure to the same debtor company that was deemed could be successfully subject to financial and industrial restructuring, to specifically set up entities. The exposure is accounted for (a) on one hand, by loan portfolios essentially deriving from medium and long-term loans to specific debtors and, (b) on the other, by equity exposures, essentially represented by participating financial instruments (PFI) issued by said debtors. That transfer specifically fulfils the purpose of ensuring the management of said exposures by entities established and managed by specialised third parties to optimise the recovery of the overall exposure by using the know-how and experience of the parties involved in the financial and industrial restructuring processes and, possibly, the granting of new financing to benefit the transferred debtors.
The transaction involves, inter alia, the use of a) a securitisation company established pursuant to Law 130/99, Pillarstone Italy SPV S.r.l., which shall purchase and securitise the credit exposures, as well as, where necessary, disburse new financing to the benefit of the assigned debtors and, b) a newly-established company, Pillarstone Italy Holding S.p.A, controlled by third parties, which shall purchase and hold (through assigned assets specifically established pursuant to Article 2447-bis, paragraph 1, letter a) of the Italian Civil Code) the PFIs transferred by the banks, as well as any additional equity exposures subscribed as part of future restructuring operations of transferred debtors.
The Group holds no investments in the abovementioned third-party companies which, therefore, are independent from Intesa Sanpaolo.
Pillarstone Italy SPV shall execute as many securitisations as there are individual assigned debtors, by issuing Senior and Junior notes, fully subscribed by each bank. Therefore, each securitisation already regards the loans due to the assigning banks from a single debtor. Pillarstone Italy Holding's methods of acquiring the equity instruments of the selected debtors may be in cash or through deferred payment, by leveraging the value of the transferred financial instruments.
In 2015 Pillarstone Italy SPV was assigned approximately 122 million euro in medium and long-term non-performing loans, not derecognised for financial reporting purposes or for prudential purposes, and Pillarstone Italy Holding SFP was assigned loans of an immaterial amount, which were derecognised from the assignor's financial statements.
Against said sales, in addition to the notes mentioned above, Super Senior notes subscribed by third parties were also issued. All the securities issued are unrated.

Quantitative information

C.1. 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)

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**48**	**-**	**9**	**-**	**22**	**-**
– Other assets	48	-	9	-	-	-
– Residential mortgage loans (*)	-	-	-	-	22	-
B. Partly derecognised	-	-	-	-	-	-
C. Not derecognised	**1,575**	**-**	**98**	**-**	**110**	**-**
– Trade receivables	29	-	8	-	-	-
– Residential mortgage loans	-	-	37	-	53	-
– Loans to businesses (including SMEs) (**)	1,546	-	53	-	57	-
TOTAL	**1,623**	**-**	**107**	**-**	**132**	**-**

(*) The amount also refers to non-performing financial assets fo 17 million euro.

(**) Mezzanine and Junior exposures include non-performing financial assets equal to 53 million euro and 50 million euro, respectively. "Loans to businesses (including SMEs)" also includes the amounts for GARC synthetic securitisation operations, referring to performing exposures.

The exposures in the table above include the transaction named Intesa Sec 3, which has not been derecognised for financial reporting purposes, but has been derecognised for prudential purposes.
The securitisations in the above table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on this exemption, assets or liabilities sold and 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)

Type of securitised asset/ Exposure	GUARANTEES GIVEN						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A. Fully derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**1,847**	**-**	**-**	**-**	**-**	**-**
– Trade receivables (*)	-	-	-	-	-	-	1,847	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**1,847**	**-**	**-**	**-**	**-**	**-**

(*) Amount referring to liquidity lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39

C.2. Banking Group - Breakdown of exposures deriving from the main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Other assets (*)	3,323	-	5	-	1	-
Securitisations	187	16	-	-	-	-
Consumer credit	74	-	45	-	-	-
Trade receivables	234	-	-	-	-	-
Leases	33	-	39	-	-	-
Commercial mortgage loans	210	-	109	-2	17	-
Residential mortgage loans	1,290	2	243	-	24	-
Loans to businesses (including SMEs)	252	-	81	-	1	-
TOTAL	**5,603**	**18**	**522**	**-2**	**43**	**-**

(*) The amount also includes the 3,170 million euro in Romulus securities held in the portfolio of the Banking Group, generally shown under third party securitisations. For more details regarding the type of underlying assets, refer to section 3 - RISKS of OTHER COMPANIES in this PART E

Off-balance sheet

(millions of euro)

Type of securitised asset/ Exposure (*)	GUARANTEES GIVEN						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
Duomo ABCP Conduit transactions	-	-	-	-	-	-	*1,513*	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**1,513**	**-**	**-**	**-**	**-**	**-**

(*) In addition to the information shown in the table, the Group's trading portfolio as at 31 December 2015 also contains off-balance sheet transactions represented by credit default swaps with exposures to securitisations as underlyings for a nominal value of 51 million euro.

C.3. Banking Group - Stakes in securitisation vehicles

(millions of euro)

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION [i]	ASSETS [a]			LIABILITIES [a]		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Adriano Lease Sec S.r.l.	Conegliano Veneto (TV)	(b)	2,558	-	138	-	2,571	-
Intesa Sanpaolo SEC SA [b]	Luxembourg	Consolidated	80	-	245	309	-	16
Intesa Sanpaolo Securitisation Vehicle S.r.l.	Milan	Consolidated	130	-	31	143	-	159
Intesa Sec 3 S.r.l.	Milan	Consolidated	(c)	(c)	(c)	(c)	(c)	(c)
Intesa Sec NPL S.p.A.	Milan	Consolidated	(c)	(c)	(c)	(c)	(c)	(c)
Augusto S.r.l. [d]	Milan	Consolidated	3	-	2	16	-	-
Colombo S.r.l.[d]	Milan	(e)	36	-	9	12	35	10
Diocleziano S.r.l. [d]	Milan	(e)	10	-	3	64	-	-
CR Firenze Mutui	Milan	(e)	(f)	(f)	(f)	(f)	(f)	(f)
Trade Receivables Investment Vehicle S.a.r.l.	Conegliano Veneto (TV)	(e)	(f)	(f)	(f)	(f)	(f)	(f)
TIBET CMBS S.r.l.	Luxembourg	Not consolidated	(f)	(f)	(f)	(f)	(f)	(f)
ISP OBG S.r.l. (former ISP Sec 4 S.r.l.) [g]	Milan	Not consolidated	20,565	-	3,264		23,423	
ISP CB Ipotecario S.r.l. [g]	Milan	Consolidated	15,404	-	4,271		17,991	
ISP CB Pubblico S.r.l. [g]	Milan	Consolidated	5,059	2,508	3,793		10,862	

[a] Figures gross of any intercompany relations.

[b] Self-securitisation vehicle described in Section 1.3 Banking Group - Liquidity Risk, Quantitative Information, paragraph 4.

[c] For the financial statement disclosure concerning this vehicle, see the prospectus published in Section C.6 of these Notes to the consolidated financial statements.

[d] The amounts shown under assets and liabilities refer to the latest financial statement data available (31.12.2014).

[e] Vehicle consolidated at equity.

[f] For the financial statement disclosure concerning this vehicle, see the prospectus published in Section C.4 of these Notes to the consolidated financial statements.

[g] Vehicle used for the covered bond issue by the Intesa Sanpaolo Group. For more information, see Section E.4 in Part E of these Notes to the consolidated financial statements.

[h] Consolidation method referring to the "prudential" scope.

C.4 Banking group – Not consolidated securitisation vehicles

With reference to not consolidated structured entities used for securitisation transactions, the Group reports its residual investments in the vehicles Augusto, Colombo, Diocleziano and CR Firenze Mutui, consolidated at equity. The first three vehicles are entities used to implement securitisations of assets, primarily land and public works financing, of a company subject to joint control and sold in previous years.
The Group holds a residual investment in the vehicles. There are no agreements in place which could result in the obligation of the Group to provide financial support to said vehicles.
The vehicles Trade Receivables Investment Vehicle S.a.r.l. and Tibet CMBS S.r.l. are classified under unconsolidated securitisation vehicles.

CR Firenze Mutui

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets	**27**
A.1 Loans	27
A.2 Securities	-
A.3 Other assets	-
B. Investments of the funds collected from loan management	**6**
B.1 Debt securities	-
B.2 Equities	-
B.3 Other	6
C. Securities issued	**30**
C.1 Class A	-
C.2 Class B	14
C.3 Class C	8
C.4 Class D	8
D. Financing received	**1**
E. Other liabilities	**2**
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	**1**
L. Other revenues	**1**

Trade Receivables Investment Vehicle S.a.r.l.
Securitisation of trade receivables

(millions of euro)

A. Assets	**78**
A.1 Receivables	73
A.2 Other assets	5
B. Liabilities	**78**
B.1 Class A securities issued	73
B.2 Class B securities issued	-
B.3 Other liabilities	5
C. Interest charge	**-**
D. Interest income	**-**

Tibet CMBS
Securitisation of residential mortgage loans

(millions of euro)

A. Securitised assets	**201**
A.1 Loans	-
A.2 Securities	201
A.3 Other assets	-
B. Investments of the funds collected from loan management	12
B.1 Deposits with banks	10
B.2 Credits to be recognised	-
B.3 Prepayments and accrued income	2
C. Securities issued	**201**
C.1 Class A securities	104
C.2 Class B securities	27
C.3 Class C securities	10
C.4 Class D securities	60
C.5 Class X securities	-
D. Financing received	**10**
E. Other liabilities	**2**
E.1 Sundry payables	-
E.2 Accrued expenses and deferred income	1
E.3 Charges of losses on segregated assets	-
E.4 Gains/losses on segregated assets	1
F. Interest expense on securities issued	**7**
G. Commissions and fees	**-**
G.1 Servicing	-
G.2 Securities placement commissions	-
H. Other expenses	**-**
H.1 Interest expense	-
H.2 Forecast losses on loans	-
H.3 Additional return	-
I. Interest income on securitised assets	**-**
L. Other revenues	**7**
L.1 Interest income	7

C.5. Banking Group - Servicer activities – originated securitisations: collection of securitised loans and repayment of securities issued by the securitisation vehicle

SERVICER	SPECIAL PURPOSE VEHICLES	SECURITISED ASSETS (period-end figure) (millions of euro)		COLLECTIONS OF LOANS IN THE YEAR (millions of euro)		PERCENTAGE OF REIMBURSED SECURITIES (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing loans	Performing loans	Non-performing loans	Performing loans	Non-performing loans	Performing loans
Intesa Sanpaolo	Intesa Sec	93	38	69	6	0%	41%	0%	0%	0%	0%
Intesa Sanpaolo	Intesa Sec 3	38	432	7	159	0%	100%	0%	83%	0%	0%
Italfondiario	Intesa Sec NPL	15	-	6	-	100%	0%	46%	0%	0%	0%
CR Firenze	Cr Firenze Mutui	-	27	1	10	0%	100%	0%	40%	0%	0%
Total		**146**	**497**	**83**	**175**						

C.6. Banking Group – Consolidated securitisation vehicles

Intesa SEC 3
Securitisation of performing residential mortgage loans

(millions of euro)

A. Securitised assets	**473**
A.1 Loans	471
A.2 Securities	-
A.3 Other assets	2
B. Investments of the funds collected from loan management	**173**
B.1 Debt securities	-
B.2 Equities	-
B.3 Liquidity	173
C. Securities issued	**469**
C.1 Class A1	-
C.2 Class A2	-
C.3 Class A3	325
C.4 Class B	72
C.5 Class C	72
D. Financing received	**49**
E. Other liabilities	**131**
E.1 Amounts due for services rendered	-
E.2 Due to customers	-
E.3 Due to Parent Company	79
E.4 Due to securitisation vehicle	-
E.5 "Additional return" allowance	51
E.6 Accrued expenses – interest on securities issued	1
E.7 Other accrued expenses	-
F. Interest expense on securities issued	**1**
G. Commissions and fees	**1**
G.1 Servicing	1
G.2 Securities placement commissions	-
H. Other expenses	**16**
H.1 Interest expense	10
H.2 Forecasted losses on loans	2
H.4 Additional return	4
I. Interest income on securitised assets	**14**
L. Other revenues	**4**
L.1 Interest income	4

Intesa SEC NPL
Securitisation of non performing mortgage loans

(millions of euro)

A. Securitised assets	**18**
A.1 Loans	15
A.2 Securities	-
A.3 Other assets	3
B. Investments of the funds collected from loan management	**3**
B.1 Debt securities	-
B.2 Equities	-
B.3 Liquidity	3
C. Securities issued	**155**
C.1 Class A	-
C.2 Class B	-
C.3 Class C	-
C.4 Class D	114
C.5 Class E	41
D. Financing received	**6**
E. Other liabilities	**60**
E.1 Amounts due for services rendered	1
E.2 Accrued expenses – interest on securities issued	-
E.3 Other accrued expenses	59
E.4 Floor option premium received	-
F. Interest expense on securities issued	**-**
G. Commissions and fees	**1**
G.1 Servicing	1
G.2 Other services	-
H. Other expenses	**14**
H.1 Interest expense	1
H.2 Other expenses	1
H.3 Losses on penalty interest	-
H.4 Losses on loans	12
H.5 Forecasted losses on loans	-
I. Interest income on securitised assets	**7**
L. Other revenues	**9**
L.1 Interest income	-
L.2 Recovery of legal expenses	-
L.3 Write-backs	8
L.4 Other income	1

D. INFORMATION ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

In line with IFRS 12, the Group considers structured entities to be entities set up to achieve a narrow, well-defined objective, defined through contractual arrangements which often impose strict restrictions on decision-making powers of the entity's management bodies. In that sense, structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, as they refer to administrative tasks, while the relevant operating activities are directed by means of contractual arrangements agreed on at the time of structuring the structured entity, which are difficult to modify. The characteristics of a structured entity include:

- limited activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

The structured entities through which the Group operates are mainly Special Purpose Entities (SPEs) and UCIs.

D.1 Consolidated structured entities

There are no structured entities consolidated in the accounts other than securitisation companies that fall within the scope of the Intesa Sanpaolo Banking Group.

D.2 Structured entities not consolidated in the accounts

D.2.1 Structured entities consolidated for regulatory purposes

There are no structured entities that are not consolidated in the accounts but are consolidated for regulatory purposes.

D.2.2 Other structured entities not consolidated for regulatory purposes

Qualitative information

As indicated above, the Group's operations through structured entities are also carried out through SPEs. To that end, SPEs are understood as legal entities established to pursue a specific, well-defined and limited objective:

- to raise funds on the market by issuing specific financial instruments;
- to develop and/or finance a specific business initiative, capable of generating, through an economic activity, cash flows which permit the complete reimbursement of the debt;
- to finance the acquisition of a target company which, through its economic activity, will be capable of generating cash flows for the SPEs which permit the complete reimbursement of the debt.

For the purposes of this section, operations carried out through securitisation vehicles, that is vehicles established to acquire, sell and manage specific assets, separating them from the financial statements of the Originator, for the purpose of carrying out securitisations of assets or for acquiring funding through self-securitisations and issues of Covered Bonds (CB), shall not be relevant. For this type of vehicle companies, reference to section "C. Securitisations" and section "E. Sales" of Part E of the Notes to the consolidated financial statements should be made.

In some cases the Group sponsors the SPE by structuring the transaction to pursue specific objectives, such as raising funds, securitising its own assets also for the purposes of funding or offering financial services to customers.

In detail, the Group's operations are carried out through the following types of structured entities represented by special purpose entities (SPEs).

Project Financing SPEs

These are financing instruments for capital intensive projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the "entrepreneurial" idea. The financing of the initiative is based on the project's capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital.
The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without acting as sponsor.

Asset Backed SPEs

These are transactions aimed at acquisition/construction/management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend upon the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate development or disposal plan). Generally the assets are also the collateral for the financing disbursed to the vehicle.
The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk undertaken is always a normal credit risk and the benefits are represented by the return on the financing granted.

Leveraged & Acquisition Finance SPEs

This category includes exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long-term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without acting as sponsor.

The Intesa Sanpaolo Group also has investments in/exposures to structured entities represented by UCIs.
The main cases include the Group's investments in several funds managed by IMI Fondi Chiusi SGR, which sponsors and manages closed-end private equity funds, in the form of UCIs reserved to qualified operators, specialised in investment in Small and Medium-Sized Enterprises, operating in two complementary business lines: Private Equity and Venture and Seed Capital.
In the area of Private Equity, there are several operating funds dedicated to investment in SMEs throughout the country and in specific geographical areas.
In the area of Venture and Seed Capital, the sponsored funds operate in the following areas:

– participation in new business initiatives characterised by sound technological profiles;
– participation in projects to introduce process or product innovation using digital technology;
– investments in businesses with high forecast growth rates and cutting-edge technological development, both through direct investments in Seed Capital (financing the assessment and development of a business idea prior to the start-up phase) and indirect investments in UCI units with an investment policy matching the Fund's objectives or in business incubators/accelerators.

Investments in these types of funds derive from the Group's willingness to subscribe unplaced units offered during the placement to qualified investors, to ensure that the initiatives are successful, in any event, while maintaining suitable separation of management in organisational terms.
The closed-end funds in question finance their activities exclusively using the capital that investors committed to paying in at the time of placement, without using any types of debt.

The Group made further investments in UCIs through the subsidiary Eurizon Capital SGR, in line with the financial portfolio management policies issued by the company, in agreement with the Intesa Sanpaolo Group Guidelines. In detail, the asset management company has both temporary and structural available funds deriving from company equity that is not permanently invested in equity investments or other fixed assets, and from the ordinary cash flows. Based on that set out in the guidelines for managing the financial portfolio, as part of Treasury management activities, structural and temporarily available funds linked to the trend in short-term and on demand cash flows make up the liquidity portfolio net of the amount held in current accounts or invested in term deposits. In relation to the activities carried out by the asset management company and the characteristics of the available funds in question, excess liquidity must be invested in assets with moderate risk that can be easily liquidated. That portfolio includes investments in short-term money market and bond funds, both specialising in the Eurozone, established and/or managed by Eurizon Capital SGR or by subsidiaries. The Group's investments in UCIs managed by a subsidiary do not prejudice the operational autonomy and capacity of the asset management company to act in the exclusive interest of investors, considering the specific provisions set out in sector regulations and by the Supervisory Authorities.

The Intesa Sanpaolo Group also invests in hedge funds. For more information, reference is made to the specific section in Part E of the Notes to the consolidated financial statements.

Quantitative information

(millions of euro)

Captions / Type of structured entity		Accounting portfolios under assets	Total assets (A)	Accounting portfolios under liabilites	Total liabilities (B)	NET BOOK VALUE (C = A-B)	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and book value (E = D - C)
1.	**Special purpose vehicle**		**4,762**		**259**	**4,503**	**4,667**	**164**
		Financial assets held for trading	278	Due to customers	254			
		Financial assets designated at fair value through profit and loss	101	Financial liabilities held for trading	5			
		Financial assets available for sale	40		-			
		Loans to customers	4,343		-			
2.	**UCI**		**3,438**		**122**	**3,316**	**3,419**	**103**
		Financial assets held for trading	1,293	Due to customers	93			
		Financial assets designated at fair value through profit and loss	113	Financial liabilities held for trading	29			
		Financial assets available for sale	1,212		-			
		Loans to customers	820		-			

The maximum exposure to risk, representing the maximum exposure of the entity to losses deriving from its interests in structured entities, is generally equal to the net book value, to which, where applicable, several types of off-balance sheet exposures are added (ex. committed credit lines or guarantees given). The net book value equals the exposure in the financial statements net of value adjustments recorded during the current and previous years.
For UCIs, the maximum risk exposure also includes the Group's commitments, not yet called up by the fund, to subscribe additional units.

The table below shows the amount and type of revenues earned over the year by sponsored structured entities for which no exposures or equity investments were posted in the financial statements at the reporting date. Specifically, these are revenues recognised by the Group in the form of fees deriving from the management and placement of the UCIs sponsored and managed by the Group's asset management companies and placed with customers. The fees in question are charged by the asset management company to the funds managed and partly reversed to the distribution network for the placement service. The Group had no interests in the funds in question at the reporting date.

(millions of euro)

Type of structured entity sponsored	Interest	Fees and commissions	Dividends	Other revenue	TOTAL
UCI	-	2,086	-	-	2,086

E. SALES

A. Financial assets sold not fully derecognised

Qualitative information

For a description of the operations shown in tables E.1, E.2 and E.3 below, reference is made to the information shown below the relevant tables.
Conversely, for operations in debt securities against medium-/long-term repurchase agreements, reference is made to the information in Part B of the Notes to the consolidated financial statements.

Quantitative information

E.1. Banking group - Financial assets sold not derecognised: book value and full value

(millions of euro)

Type / Portfolio	CASH ASSETS				DERIVATIVES	31.12.2015		31.12.2014	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**6,080**	**-**	**-**	**-**	**-**	**6,080**	**-**	**4,623**	**-**
- Financial assets sold totally recognised (book value)	6,080	-	-	-	-	6,080	-	4,623	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**10,961**	**-**	**-**	**-**	**X**	**10,961**	**-**	**9,878**	**-**
- Financial assets sold totally recognised (book value)	10,961	-	-	-	X	10,961	-	9,878	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**1,509**	**X**	**X**	**573**	**X**	**2,082**	**140**	**1,650**	***36***
- Financial assets sold totally recognised (book value)	1,509	X	X	573	X	2,082	140	1,650	36
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2015	**18,550**	**-**	**-**	**573**	**-**	**19,123**	**140**	**X**	***X***
Total 31.12.2014	**15,335**	**-**	**-**	**816**	**-**	**X**	**X**	**16,151**	***36***

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.

Operations mainly refer to the use of securities held for short and medium/long-term repurchase agreements and loans to customers assigned as part of the SEC 3 securitisation and, to a lesser extent, as part of the K-Equity securitisation.

E.2. Banking group - Financial liabilities corresponding to financial assets sold not derecognised: book value

(millions of euro)

	DUE TO CUSTOMERS		DUE TO BANKS		SECURITIES ISSUED		Total 31.12.2015	Total 31.12.2014
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised		
Financial assets held for trading	4,835	-	1,735	-	-	-	6,570	4,660
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets available for sale	7,154	-	3,648	-	-	-	10,802	9,923
Investments held to maturity	-	-	-	-	-	-	-	-
Due from banks	8	-	181	-	-	-	189	-
Loans to customers	277	-	860	-	433	-	1,570	1,245
Total	**12,274**	**-**	**6,424**	**-**	**433**	**-**	**19,131**	**15,828**

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.
The financial liabilities corresponding to financial assets sold not derecognised (shown in the columns Due to Customers and Due to Banks) mainly relate to repurchase agreements for securities recorded under assets. On the other hand, in accordance with the regulations, the liabilities issued as part of the related securitisation by the SEC3 vehicle (included within the scope of consolidation) and, to a lesser extent, those relating to the K-Equity securitisation, are shown under securities issued.
However, they do not include the repurchase agreements relating to securities received under reverse repurchase agreements.

E.3. Banking group - Sales with liabilities having recourse exclusively on the assets sold: fair value

(millions of euro)

Type / Portfolio	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS		FINANCIAL ASSETS AVAILABLE FOR SALE		INVESTMENTS HELD TO MATURITY (fair value)		DUE FROM BANKS (fair value)		LOANS TO CUSTOMERS (fair value)		Total 31.12.2015	Total 31.12.2014
	Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:			
	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised		
A. Cash assets	**6,080**	**-**	**-**	**-**	**10,961**	**-**	**-**	**-**	**-**	**-**	**1,918**	**-**	**18,959**	**15,976**
1. Debt securities	6,080	-	-	-	10,961	-	-	-	-	-	1,326	-	18,367	15,351
2. Equities	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCI	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	592	-	592	625
B. Derivatives	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total Assets	**6,080**	**-**	**-**	**-**	**10,961**	**-**	**-**	**-**	**-**	**-**	**1,918**	**-**	**18,959**	**15,976**
C. Associated liabilities	**6,570**	**-**	**-**	**-**	**10,815**	**-**	**-**	**-**	**189**	**-**	**1,554**	**-**	**X**	**X**
1. Due to customers	4,835	-	-	-	7,154	-	-	-	8	-	277	-	X	X
2. Due to banks	1,735	-	-	-	3,661	-	-	-	181	-	856	-	X	X
3. Securities issued	-	-	-	-	-	-	-	-	-	-	421	-	X	X
Total Liabilities	**6,570**	**-**	**-**	**-**	**10,815**	**-**	**-**	**-**	**189**	**-**	**1,554**	**-**	**19,128**	**15,828**
Net Value 2015	**-490**	**-**	**-**	**-**	**146**	**-**	**-**	**-**	**-189**	**-**	**364**	**-**	**-169**	**X**
Net Value 2014	**-37**	**-**	**-**	**-**	**-45**	**-**	**-**	**-**	**-**	**-**	**230**	**-**	**X**	**148**

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.

B. Financial assets sold fully derecognised with recognition of continuing involvement

This type of exposure did not exist as at 31 December 2015.

E.4 . Banking group - Covered bond transactions

The Intesa Sanpaolo Group uses Covered Bonds (CB) to prudently establish eligible assets with Central Banks, or as a type of funding, by placing Covered Bonds on the market.
Transactions are structured by selling assets (loans, mortgages) to a vehicle, with the simultaneous granting of a subordinated loan for payment of the sale price. In the Intesa Sanpaolo Group, in this phase the seller is always the same entity as the lender. Securities are issued by the Parent Company, relating to assets sold to the vehicle by other Group companies.
In accordance with IAS 39, these transactions do not represent sales without recourse for accounting purposes, as the Group companies involved maintained all the risks and rewards connected to the loans sold. Therefore, when recording the transactions, Bank of Italy provisions are applied, according to which, where the originator and the lender are the same entity, the separate assets of the vehicle, provided as security for the issues of Covered Bonds, are consolidated in the separate financial statements.

Over time, the Intesa Sanpaolo Group has carried out three Covered Bond issue programmes.

The first programme, launched at the end of July 2009, had an amount of 20 billion euro (the original amount was 10 billion euro). The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. In detail, performing loans and securities to the public sector with a total original nominal value of around 14.3 billion euro (net of retrocessions of assets of 0.5 billion euro) were sold, the last of which (amounting to around 1 billion euro) in April 2013. As at 31 December 2015 loans and securities sold to the vehicle had a book value of 7.6 billion euro.
Against these sales, Covered Bonds were issued over time for a total nominal value of 18.5 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 by the Parent Company and cancelled or subject to early redemption and 3.2 billion euro relating to an exchange offer to investors during 2012). During 2015:

- the early repayment of the seventh series of CB was carried out, for a nominal value of 2 billion euro which, as it was fully subscribed by the Parent Company Intesa Sanpaolo, was already cancelled from the accounts;
- The tenth series of Covered Bonds was issued, for a nominal value of 1.7 billion euro. The notes, with floating rate and 7-year maturity, were fully subscribed by the Parent Company. The bonds are listed on the Luxembourg Stock Exchange with Moody's A2 rating, and are eligible for Eurosystem transactions;

Therefore, as at 31 December 2015 a total nominal amount of 5.2 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Pubblico was outstanding, of which 4.9 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 with a total original nominal value of 18.5 billion euro (net of retrocessions). During 2015, Intesa Sanpaolo transferred residential mortgage loans to the vehicle in April and October, for a total original nominal value of approximately 3 billion euro.
As at 31 December 2015 loans sold to the vehicle had a book value of 15.4 billion euro.
Over time, against the sale of these assets, Intesa Sanpaolo carried out issues of Covered Bonds for a total nominal value of approximately 20.7 billion euro (of which 8.2 billion euro subject to early redemption in 2012). During 2015:
- the first series of CB reached maturity, with a nominal value of 1 billion euro;
- in January, series 17 of CB was issued in the form of a fixed-rate bond (0.625%) for a nominal value of 1 billion euro, with a 7-year maturity, listed on the Luxembourg Stock Exchange with Moody's Aa2 rating. The bond was placed with institutional investors;
- in December, series 18 of CB was issued in the form of a fixed-rate bond (1.375%) for a nominal value of 1.25 billion euro, with a 10-year maturity, listed on the Luxembourg Stock Exchange with Moody's Aa2 rating. The bond was placed with institutional investors;

As at 31 December 2015 a total nominal amount of 13.8 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Ipotecario was outstanding, fully placed with third party investors.

In 2012 the new multi-originator CB issue programme was launched, secured by mortgages totalling 30 billion euro. Aimed at retained issues, the programme provides for the issue of unrated securities which thus benefit from the rating of the issuer Intesa Sanpaolo. The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli, Cassa di Risparmio del Veneto, Banca dell'Adriatico, Cassa di Risparmio in Bologna and, starting from May 2015, Banca CR Firenze. In particular:
- Intesa Sanpaolo sold mortgages to the vehicle for a total original nominal value of 13.1 billion euro. No sales were made during 2015;
- Banco di Napoli sold mortgages to the vehicle for a total original nominal value of 8.2 billion euro, of which 0.6 billion euro sold in May 2015;
- Cassa di Risparmio del Veneto sold mortgages to the vehicle for a total original nominal value of 3.5 billion euro, of which 0.9 billion euro sold in May 2015;
- Banca dell'Adriatico sold mortgages to the vehicle for a total original nominal value of 1.5 billion euro, of which 0.5 billion euro sold in September 2015;
- Cassa di Risparmio in Bologna sold mortgages to the vehicle for a total original nominal value of 1.2 billion euro. No sales were made during 2015;
- Cassa di Risparmio di Firenze sold mortgages to the vehicle for a total original nominal value of 1.6 billion euro in May 2015.

As at 31 December 2015 loans sold to the vehicle had a book value of 20.6 billion euro.
Over time, against the sales of these assets, Intesa Sanpaolo carried out issues of Covered Bonds for a total nominal value of approximately 40.4 billion euro (of which 20.7 billion euro subject to early redemption in 2014). During 2015:
- in May early redemption was carried out of the fifth series of CB issued, for 1.5 billion euro;
- in November the 19th series of CB was issued with a nominal value of 1.375 billion euro. This is a 7-year, floating-rate bond.

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 2015 a total nominal amount of 19.6 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP OBG was outstanding, fully repurchased by Intesa Sanpaolo.

The key figures for ISP CB Pubblico, ISP CB Ipotecario and ISP OBG as at 31 December 2015 are shown in the table below.

(millions of euro)

COVERED BONDS		VEHICLE DATA		SUBORDINATED LOAN (1)	COVERED BONDS ISSUED	
		Total assets	Cumulated write-downs on securitised	amount	Nominal amount (2)	Book value (2)
ISP CB PUBBLICO	Performing public sector loans and securities	11,360	9	10,862	284	319
ISP CB IPOTECARIO	RMBSs (Performing residential mortgages)	19,675	91	17,991	13,826	14,881
ISP OBG	Performing mortgages	23,828	197	23,424	-	-

(1) The item includes the subordinated loan granted by the originator for the purchase of the portfolio backing the Covered Bonds. Such loan is subject to derecognition in the IAS-compliant financial statements of the originator and Intesa Sanpaolo Group consolidated financial statements. The figure shown above also includes the amount of subordinated loans disbursed in 2012, for which no issues have yet been made.

(2) The nominal amount and the book value shown in the table are to be considered net of securities repurchased.

In addition to this type of Covered Bonds, provided for by Italian law (Law 80/2005), there are some mortgage bonds issued by the Slovak subsidiary VUB. These are securities whose nominal value and returns are guaranteed by mortgage loans, i.e. loans with

maturity of four to thirty years, backed by a pledge on property located in the Slovak Republic, including property under construction, at least 90% of the value of which is financed by the issue of these securities.
Each issue has specific coverage, and the entire nominal value of the issue must be backed by mortgages on local properties on at least 90% of their nominal value, and the remaining 10% by liquidity deposits with the National Bank of Slovakia or with other resident banks, by government securities or other mortgage bonds.
As at 31 December 2015 the subsidiary VUB had issued 1.8 billion euro in this type of securities, booked in the financial statements at a value of approximately 1.6 billion euro.

F. BANKING GROUP - MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2015, the expected loss on core banks (Basel 3 validation area) amounted to 0.54% of disbursed loans, a 0.07 percentage point decrease on the figure as at the end of 2014. The economic capital corresponded to 3.7% of disbursed loans, a reduction of 0.2% compared to the figure in 2014.

The improvement in the risk indicators derives from the operational actions involving the recomposition of the portfolio towards better exposures and the transfers of loans to the non-performing loan category, which contributes to eliminating customers with worse ratings from the performing loans portfolio. These effects offset the downgrading of the ratings due to the continuing difficult economic scenario.

The internal rating and LGD models are subject to internal validation process by the Internal Validation Service and a level three control by the Internal Auditing Department. The control functions produce an annual report for the Supervisory Authority 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 existence of the compliance requirements.

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 the Supervisory Authority concerning risk governance and of assessing the adequacy of the Group's economic and regulatory capital. The Committee coordinates the activities of specific Technical Committees, monitoring financial and operational risks, and is chaired by the Managing Director and CEO.
The Group Financial Risks Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Statutory bodies and coordination of the Group Risk Governance Committee.
The Group's overall financial risk profile and the eventual necessary changes are examined periodically by the Group Financial Risks Committee.
The Parent Company's Financial and Market Risks 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. It 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	**510,703**	**101,033**	**409,670**	
Financial assets held for trading	50,902	49,920	982	Interest rate risk, credit spread, equity
Financial assets designated at fair value through profit and loss	1,374	1,054	320	Interest rate risk, credit spread
Financial assets available for sale	55,544	49,951	5,593	Interest rate risk, equity risk
Financial assets held to maturity	1,386	-	1,386	Interest rate risk
Due from banks	33,872	-	33,872	Interest rate risk
Loans to customers	353,616	-	353,616	Interest rate risk
Hedging derivatives	7,059	108	6,951	Interest rate risk
Investments in associates and companies subject to joint control	6,950	-	6,950	Equity risk
Liabilities subject to market risk	**485,767**	**43,852**	**441,915**	
Due to banks	58,971	-	58,971	Interest rate risk
Due to customers	261,489	-	261,489	Interest rate risk
Securities issued	113,597	-	113,597	Interest rate risk
Financial liabilities held for trading	43,480	43,137	343	Interest rate risk
Financial liabilities designated at fair value through profit and loss	-	-	-	
Hedging derivatives	8,230	715	7,515	Interest rate risk

REGULATORY TRADING BOOK
1.2.1. INTEREST RATE RISK AND PRICE RISK
Consistent with the use of internal risk measurement models, the sections relative to interest rate and price risk have been grouped within the relevant portfolio.

QUALITATIVE INFORMATION
The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:
- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 1% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading portfolios are interest rates and foreign exchange rates, both relating to linear pay-offs.

Internal model validation
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.
Effective from June 2014, market risks are to be reported according to the internal model for capital requirements for the Parent Company's hedge fund portfolios.
Starting from 1 July 2014, the capital requirements deriving from the use of internal models will benefit from the reduction in the prudential multipliers established by the Supervisory Authority following completion of the previously recommended corrective actions.

Stressed VaR
Capital absorption includes the requirement for stressed VaR. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
- the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the document, the period relevant to the measurement of stressed VaR was set as 1 January to 30 December 2011 for Intesa Sanpaolo and as 1 July 2011 to 30 June 2012 for Banca IMI.

VaR
The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The section "Quantitative information" presents the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.

Incremental Risk Charge (IRC)
The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading portfolio resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure is additional to VaR and enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.

Stress tests
Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests are applied periodically to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

Sensitivity and greeks
Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures
Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

QUANTITATIVE INFORMATION

Daily VaR evolution
During the fourth quarter of 2015, the market risks originated by Intesa Sanpaolo and Banca IMI declined compared to the previous period: the average daily VaR for the fourth quarter of 2015 was 98.3 million euro, down on the third quarter, primarily for Banca IMI.
With regard to the whole of 2015, the Group’s average risk profile (94.4 million euro) increased compared to the average values in 2014 (48.5 million euro).

Daily VaR of the trading book for Intesa Sanpaolo and Banca IMI[a]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	13.2	11.0	15.9	11.6	13.8	12.1
Banca IMI	85.0	70.7	94.7	104.7	71.1	64.6
Total	**98.3**	**84.5**	**107.9**	**116.3**	**84.9**	**76.7**

[a] Each line in the table sets out the past estimates of daily operating VaR calculated on the quarterly historical time-series respectively of Intesa Sanpaolo and Banca IMI; total minimum and maximum values are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

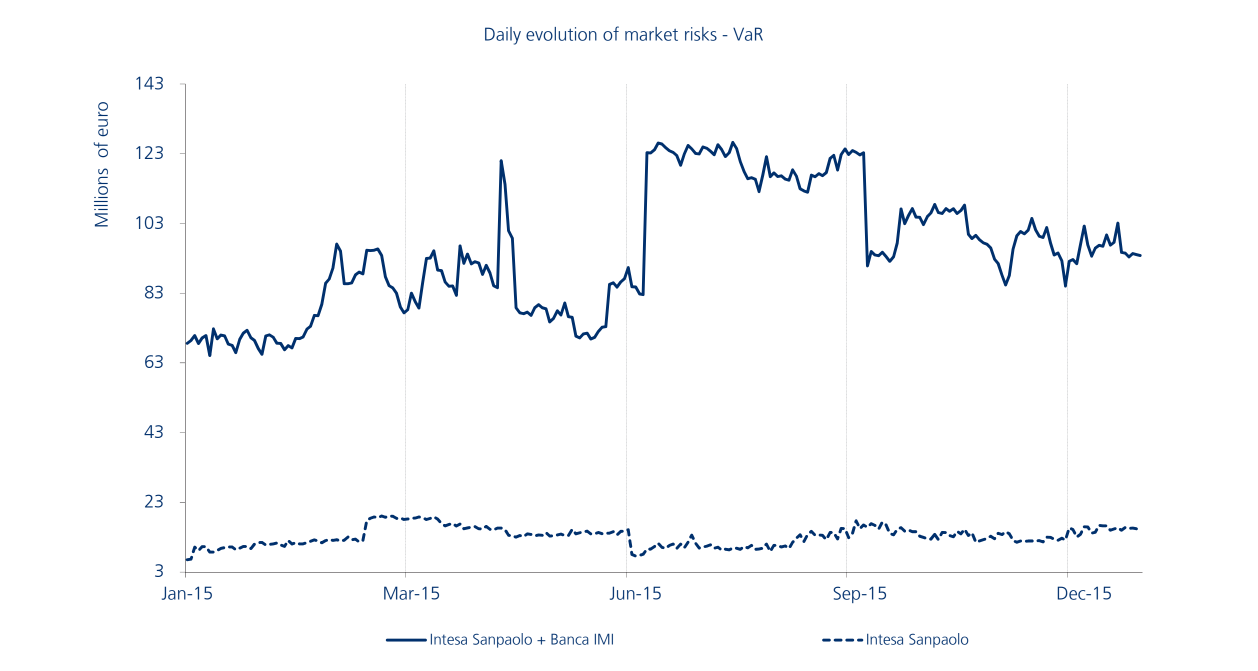
Daily VaR of the trading book for Intesa Sanpaolo and Banca IMI – Comparison between 2015-2014 [a]

(millions of euro)

	2015				2014		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	12.7	6.0	18.5	14.6	9.1	5.6	12.0
Banca IMI	81.7	54.0	116.3	78.7	39.3	23.8	66.4
Total	**94.4**	**64.6**	**125.8**	**93.3**	**48.5**	**32.0**	**73.8**

[a] Each line in the table sets out the past estimates of daily operating VaR calculated on the annual historical time-series respectively of Intesa Sanpaolo and Banca IMI; total minimum and maximum values are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

The trend in the Group’s VaR, shown in the following chart, was mainly determined by Banca IMI.
In the first quarter of 2015 risk grew due to the effect of the increase in exposures on government securities (assumed within the limits approved by the 2015 Risk Appetite Framework). Risk measures then peaked due to financial market volatility (particularly government credit spreads) linked to the uncertainty associated with the Greek debt crisis. In the period indicated, the Group's overall limit was never exceeded. The reduction in September was due to the decrease of volatility of credit spread scenarios.. During the fourth quarter, risks declined slightly on average. The VaR performance was due to government security transactions and an increase in the interest rate component.



Contribution of risk factors to total VaR[a]

4th quarter 2014	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	24%	11%	14%	18%	28%	5%	0%
Banca IMI	4%	0%	24%	67%	1%	3%	1%
Total	**7%**	**2%**	**22%**	**60%**	**5%**	**3%**	**1%**

[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 2015, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

For Intesa Sanpaolo, the breakdown of risk profile in the fourth quarter of 2015, with regard to various factors, shows a general prevalence of equity risk, which accounted for 24% of total VaR; that percentage relates to the equity portion of hedge funds, for which full transparency is available. Credit spread risk, which includes the risk associated with sovereign government bonds, was the most significant component for Banca IMI, representing 67% of the total.

Contribution of strategies to portfolio breakdown [a]

	31.12.2015	31.12.2014
- Catalist Driven	15.0%	18.0%
- Credit	42.0%	45.0%
- Directional trading	18.0%	16.0%
- Equity hedged	19.0%	15.0%
- Equity Long Only	5.8%	5.5%
- Multi-strategy	0.2%	0.5%
Total hedge funds	**100.0%**	**100.0%**

[a] The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

In 2014 the hedge fund portfolio maintained an asset allocation with a focus on strategies relating to distressed credit (42% of the total in terms of portfolio value).

Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of December is summarised in the following table:

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+40bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-13	4	-129	59	280	-278	26	-16	7	-2

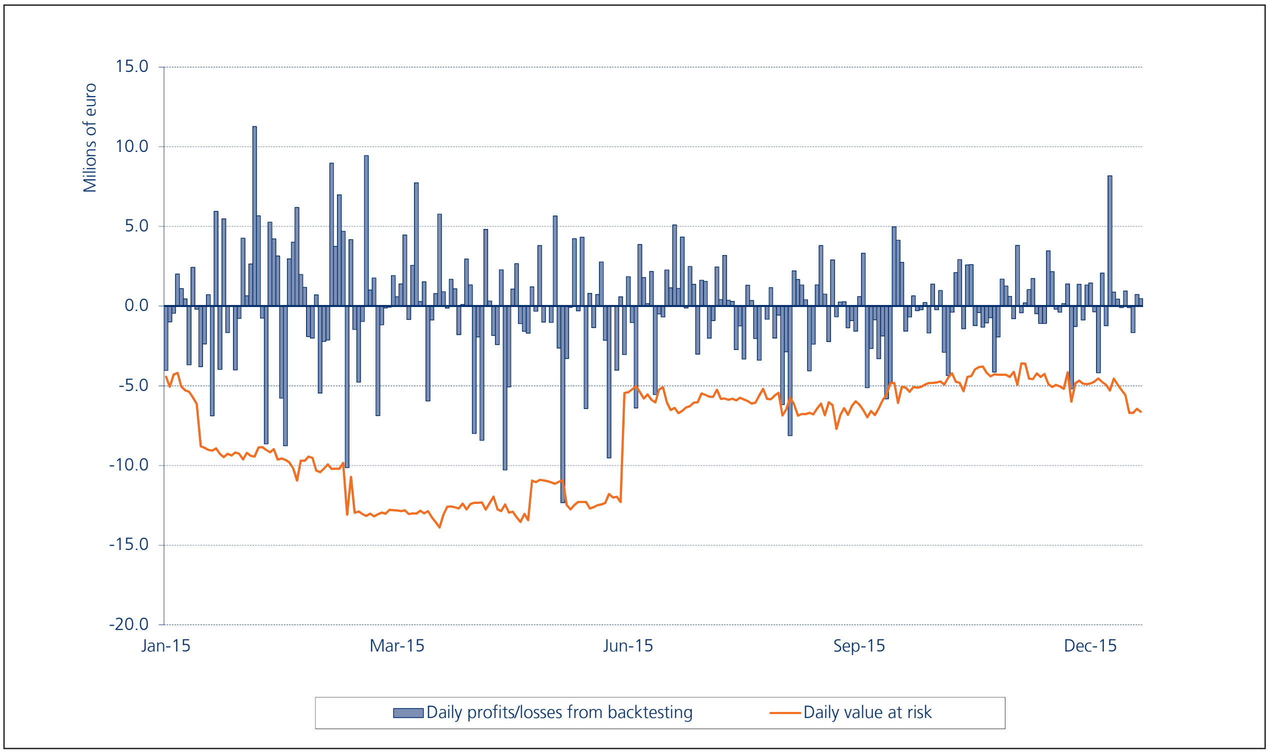
In particular:
- on stock market positions, a 5% decrease in stock prices with a resulting 10% increase in volatility would have led to a loss of approximately 13 million euro;
- on interest rate exposures, a rise of the curves of 40 basis points would have had a negative impact of 129 million euro, whereas a scenario with near zero rates would have led to potential gains;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 278 million euro loss;
- on foreign exchange exposures, a 10% increase of the fx rates would have resulted in a loss of approximately 16 million euro; gains in case of decreases;
- lastly, on commodity exposures, gains would be recorded in case of a 50% decrease in prices; conversely, in case of an increase, the potential losses would be equal to 2 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.

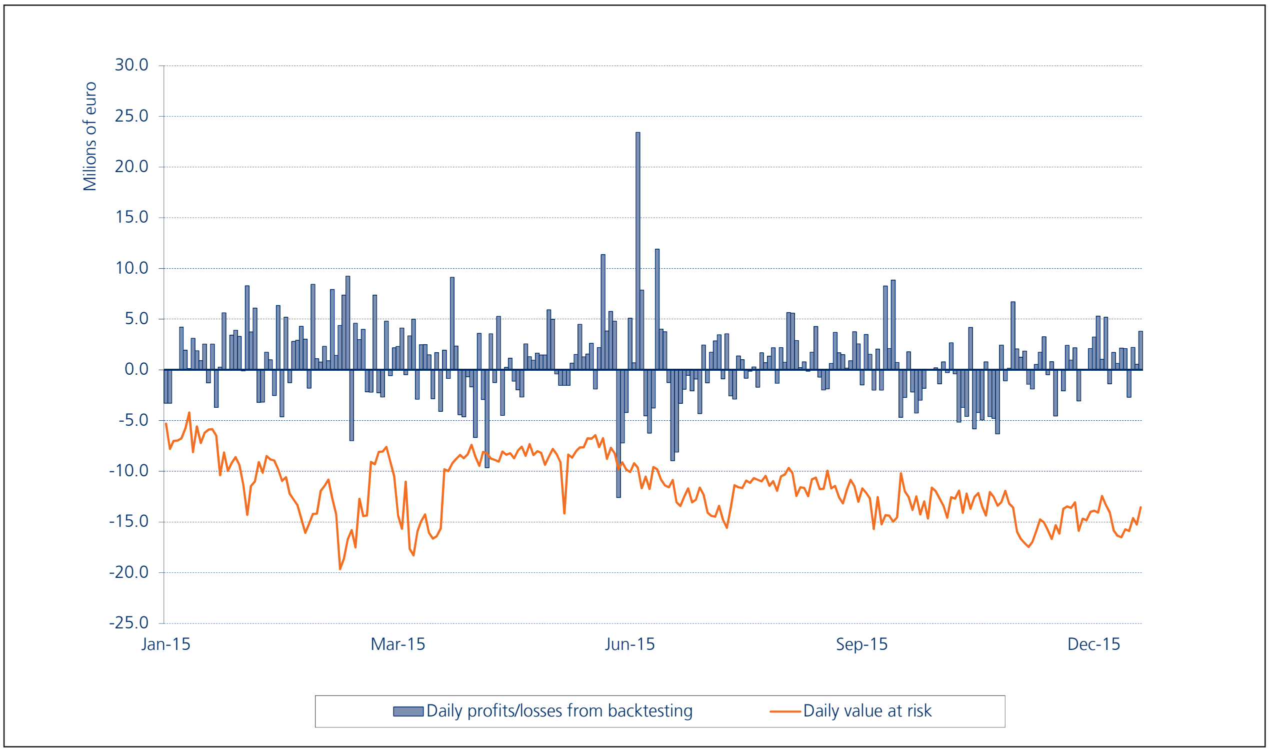
Backtesting in Intesa Sanpaolo

The four backtesting exceptions of Intesa Sanpaolo are to be attributed to the linear equity component of the hedge fund portfolios, the effects of the Greek debt crisis on fixed-income markets and interest-rate dynamics, with particular regard to the performance of cross-currency swaps.



Backtesting in Banca IMI

The two backtesting exceptions of Banca IMI refer to the actual P&L data. The losses derive from the increased volatility as a result of the worsening of the Greek debt crisis.



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 sector/rating classes and concentration indexes.

Breakdown of exposures by type of issuer for Intesa Sanpaolo and Banca IMI [(a)]

	TOTAL	OF WHICH					
		Corporate	Financial	Emerging	Covered	Government	Securitis.
Intesa Sanpaolo	67%	15%	4%	0%	18%	58%	5%
Banca IMI	33%	15%	5%	3%	12%	1%	63%
Total	**100%**	**15%**	**4%**	**1%**	**16%**	**39%**	**24%**

[(a)] In the Total column, the table reports the contribution to total exposure of Intesa Sanpaolo and Banca IMI to issuer risk, breaking down the contribution to exposure by type of issuer. The scope is the trading book subject to issuer credit limit (excluding Italian Government and AAA, own securities) , including cds.

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities in the government segment for Intesa Sanpaolo and the securitisation segment for Banca IMI.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the following basic concepts of hierarchy and interaction.

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 (VaR): at the level of individual legal entities, these are approved by the Management Board, concurrently with approval of the RAF. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risks Committee. Following approval, these limits are then allocated to the desks of the individual legal entities, considering the proposals by the business units;
- second level limits (sensitivity and greeks): 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 2015 Risk Appetite Framework, a total limit of 130 million euro (125 million euro from June onwards) was set for the trading component, representing an increase compared to the previous year in relation to the guidelines for the RAF concerning the growth of the securities portfolio.

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 48% in 2015, with a maximum use of 69%. For Banca IMI, the average VaR limit came to 83%, with a maximum use of 116%. It should be specified that for Banca IMI the VaR limit also includes the available for sale portfolio component, inasmuch as these assets are managed in close synergy with HFT assets.

The use of the Incremental Risk Charge (IRC) limits at year end amounted to 37.6% for Intesa Sanpaolo (limit of 290 million euro) and 29.5% for Banca IMI (limit of 330 million euro).

The use of VaR operating limits on the available for sale portfolio component (excluding Banca IMI) at year end was 65%. For 2015, this limit was revised from 135 million euro to 200 million euro. The new limit is in line with the RAF guidelines concerning the increase in the securities portfolio.

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 listed companies not fully consolidated, mostly held by the Parent Company and by Equiter and IMI Investimenti.
The following methods are used to measure financial risks of the Group's banking book:
– Value at Risk (VaR);
– Sensitivity Analysis.
Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR). Besides measuring the equity portfolio, VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, thereby taking into account diversification benefits. Value at Risk calculation models have certain limitations, as they are based on the statistical assumption of the normal distribution of the returns and on the observation of historical data that may not be repeated in the future. Consequently, VaR results cannot guarantee that the possible future losses will not exceed the statistically calculated estimates.
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of +100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by on demand customer deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. Equity risk sensitivity is measured as the impact of a price shock of ±10%.

Furthermore the sensitivity of the interest margin is also measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of 100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio that is being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a forecast indicator of the future levels of the interest margin.

B. Fair value hedging
C. Cash flow hedging

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover 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. On the basis of the carved-out version of IAS 39, fair-value hedging is also applied for the macrohedging of the stable portion of on demand deposits (core deposits) and on the already fixed portion of variable-rate loans.
In 2015 the Group extended the use of macrohedging to a portion of fixed-rate loans, adopting an open-portfolio macrohedging model for a portion of fixed-rate loans according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics.
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 Financial and Market Risks 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 535 million euro at the end of 2015, up compared to the 217 million euro at the end of 2014.
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 2015, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 338 million euro with a year-end figure of 547 million euro (190 million euro at the end of 2014), almost entirely concentrated on the euro currency. Interest rate risk, measured in terms of VaR, averaged 53 million euro in 2015, with a minimum value of 10 million euro and a maximum value of 139 million euro, the same level as at the end of 2015 (11 million euro at the end of 2014).
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 2015 of 37 million euro (30 million euro at the end of 2014), with peak and minimum values of 52 million euro and 22 million euro respectively (27 million euro at the end of 2015).
Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the abovementioned quoted assets recorded in the AFS category.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity
Price shock	+10%	4
Price shock	-10%	-4

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	**30,317**	**2,584**	**946**	**3,370**	**4,673**	**3,808**	**1,413**	**6,690**
A.1 Debt securities	6,451	864	3	444	1,396	735	872	1,947
A.2 Equities	685	30	29	6	39	32	-	66
A.3 Loans to banks	7,202	84	216	939	771	1,069	57	1,307
A.4 Loans to customers	15,979	1,606	698	1,981	2,467	1,972	484	3,370
A.5 Other financial assets	-	-	-	-	-	-	-	-
B. OTHER ASSETS	**6,113**	**408**	**24**	**146**	**92**	**191**	**254**	**404**
C. FINANCIAL LIABILITIES	**34,053**	**2,003**	**565**	**3,219**	**3,934**	**2,527**	**282**	**5,380**
C.1 Due to banks	8,554	981	263	338	165	150	54	1,027
C.2 Due to customers	12,169	521	295	2,849	3,769	2,377	66	2,361
C.3 Debt securities	13,330	501	7	32	-	-	162	1,992
C.4 Other financial liabilities	-	-	-	-	-	-	-	-
D. OTHER LIABILITIES	**674**	**403**	**7**	**83**	**-**	**349**	**7**	**367**
E. FINANCIAL DERIVATIVES								
- Options								
long positions	*2,829*	*72*	*156*	*37*	*-*	*-*	*62*	*455*
short positions	*3,422*	*26*	*69*	*21*	*-*	*-*	*56*	*605*
- Other derivatives								
long positions	*51,606*	*7,457*	*2,020*	*1,732*	*-*	*11*	*4,384*	*8,241*
short positions	*52,356*	*8,006*	*2,507*	*1,520*	*-*	*9*	*5,761*	*8,129*
TOTAL ASSETS	**90,865**	**10,521**	**3,146**	**5,285**	**4,765**	**4,010**	**6,113**	**15,790**
TOTAL LIABILITIES	**90,505**	**10,438**	**3,148**	**4,843**	**3,934**	**2,885**	**6,106**	**14,481**
DIFFERENCE (+/-)	**360**	**83**	**-2**	**442**	**831**	**1,125**	**7**	**1,309**

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 101 million euro as at 31 December 2015. This potential impact would only be reflected in the Shareholders' Equity.

1.2.4. DERIVATIVES

Starting in 2014, the Parent Company and Banca IMI were authorised to use EPE (Expected Positive Exposure) internal models to determine the requirement for counterparty risk.
This approach is applicable to almost the entire trading portfolio (as shown in the table below, as at 31 December 2015 approximately 93% of the total EAD of financial and credit derivatives is measured using EPE models). At consolidated level, derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2015 accounting for approximately 7% of overall EAD) and refer to:

– residual contracts of Banca IMI and Intesa Sanpaolo to which EPE is not applied (in compliance with the insignificance of the EBA thresholds);
– EAD generated by all other banks and companies in the group which report using the mark-to-market approach.

For the banks in the Banca dei Territori division, the activities are underway to extend the EPE internal model. With the entry into force of the rules of Basel 3, the scope of counterparty risk is expected to also include Exchange Traded Derivatives (ETD) and contracts with central counterparties (CCP).

The table below shows the overall EAD of exposures in financial and credit derivatives, broken down by measurement approach (EPE internal models or mark-to-market approach).

(millions of euro)

Transaction categories	31.12.2015		31.12.2014	
	Current Exposure Method	EPE Internal Method	Current Exposure Method	EPE Internal Method
Derivative contracts	1,325	16,412	1,424	17,093

The EPE internal model considers the collateral collected to mitigate credit exposure and any excess collateral paid. The value of guarantees received and included in the calculation of the EAD amounted to over 3.6 billion euro for the Parent Company and Banca IMI, while the collateral paid amounted to 7.7 billion euro.

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end notional amounts

(millions of euro)

Underlying assets / Type of derivatives	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**1,935,435**	**164,091**	**2,029,568**	**103,420**
a) Options	133,144	15,415	161,775	8,893
b) Swaps	1,802,252	-	1,867,734	-
c) Forwards	39	-	59	-
d) Futures	-	148,676	-	94,527
e) Others	-	-	-	-
2. Equities and stock indices	**15,253**	**50,315**	**14,864**	**47,319**
a) Options	14,925	48,830	14,456	46,023
b) Swaps	302	-	357	-
c) Forwards	26	-	51	-
d) Futures	-	1,485	-	1,296
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**136,703**	**347**	**125,045**	**237**
a) Options	19,853	11	19,034	-
b) Swaps	45,319	-	38,880	-
c) Forwards	70,415	-	65,878	-
d) Futures	-	336	-	237
e) Others	1,116	-	1,253	-
4. Commodities	**10,363**	**3,403**	**5,361**	**2,926**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,097,754**	**218,156**	**2,174,838**	**153,902**

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 1,611,682 million euro as at 31 December 2015 (1,546,732 million euro as at 31 December 2014).

A.2. Banking book: period-end notional amounts

A.2.1. Hedging

(millions of euro)

Underlying assets / Type of derivatives	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**225,394**	**-**	**241,671**	**-**
a) Options	4,852	-	5,079	-
b) Swaps	220,542	-	236,592	-
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	**3,819**	**-**	**3,706**	**-**
a) Options	-	-	-	-
b) Swaps	3,818	-	3,706	-
c) Forwards	1	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	**-**	-	**-**
5. Other underlying assets	-	**-**	-	**-**
TOTAL	**229,213**	**-**	**245,377**	**-**

A.2.2. Other derivatives

(millions of euro)

Underlying assets / Type of derivatives	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**3,333**	**-**	**5,860**	**-**
a) Options	1,775	-	4,055	-
b) Swaps	1,558	-	1,805	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**2,118**	**-**	**4,024**	**-**
a) Options	2,118	-	4,024	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**1,787**	**-**	**2,227**	**-**
a) Options	61	-	96	-
b) Swaps	1,038	-	1,359	-
c) Forwards	688	-	772	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**7,238**	**-**	**12,111**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments, the derivatives used to hedge debt securities measured at fair value through profit and loss and the put and call options relating to commitments on equity investments.

Tables A.3 to A.9 were not filled in as the financial derivatives whose counterparty risk is measured using methods other than internal models represent a residual portion of the portfolio.
Information on derivatives is shown below, in the section relating to internal models. Based on the financial statement instructions issued by the Bank of Italy, tables A.3 to A.9 do not have to be filled in by banks which use EPE internal models to calculate counterparty risk if this approach covers a significant portion of the portfolio.

A.3. Financial derivatives gross positive fair value – breakdown by product

A.4. Financial derivatives gross negative fair value – breakdown by product

A.5. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

A.6. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

A.7. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

A.8. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

A.9. Residual maturity of over the counter financial derivatives: notional amounts

A.10 Over the counter financial derivatives: counterparty risk/financial risk – internal models
As stated in the initial part of the section on derivatives, Banca IMI and the Parent Company were authorised to use EPE internal models to determine the requirement for counterparty risk. The other banks of the Group report the requirement using the mark-to-market approach.
At consolidated level, financial derivatives whose counterparty risk is measured using mark-to-market methods represent a residual portion of the portfolio. For this reason, the data relating to these derivatives was included in the tables below, for the purpose of summarising all the information on Group derivatives.

Financial derivatives gross positive fair value – breakdown by product

(millions of euro)

Portfolios /Types of derivatives	POSITIVE FAIR VALUE			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**28,634**	**689**	**34,080**	**732**
a) Options	4,422	689	5,345	625
b) Interest rate swaps	19,885	-	24,361	-
c) Cross currency swaps	2,369	-	2,135	-
d) Equity swaps	14	-	7	-
e) Forwards	902	-	1,408	-
f) Futures	-	-	-	107
g) Others	1,042	-	824	-
B. Banking book - hedging	**7,059**	**-**	**9,208**	**-**
a) Options	116	-	137	-
b) Interest rate swaps	6,381	-	8,543	-
c) Cross currency swaps	562	-	528	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**691**	**-**	**845**	**-**
a) Options	250	-	321	-
b) Interest rate swaps	429	-	497	-
c) Cross currency swaps	10	-	14	-
d) Equity swaps	-	-	-	-
e) Forwards	2	-	13	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**36,384**	**689**	**44,133**	**732**

Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

Portfolios /Types of derivatives	NEGATIVE FAIR VALUE			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**32,599**	**715**	**36,910**	**1,033**
a) Options	7,198	715	6,642	532
b) Interest rate swaps	21,452	-	26,302	-
c) Cross currency swaps	2,806	-	2,322	-
d) Equity swaps	9	-	7	-
e) Forwards	879	-	1,357	-
f) Futures	-	-	-	501
g) Others	255	-	280	-
B. Banking book - hedging	**8,230**	**-**	**10,247**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	7,790	-	9,912	-
c) Cross currency swaps	440	-	335	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**449**	**-**	**639**	**-**
a) Options	390	-	569	-
b) Interest rate swaps	53	-	60	-
c) Cross currency swaps	4	-	8	-
d) Equity swaps	-	-	-	-
e) Forwards	2	-	2	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**41,278**	**715**	**47,796**	**1,033**

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 4,076 million euro (4,884 million euro as at 31 December 2014).

The data contained in the two tables below - unlike the previous tables - refers exclusively to operations in Over the Counter derivatives.

Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	7,225	2,510	220,069	1,672,418	1,191	31,895	127
- positive fair value	3,554	608	14,476	2,987	48	1,835	13
- negative fair value	-5	-21	-16,655	-7,296	-9	-737	-
2. Equities and stock indices							
- notional amount	-	-	11,694	1,611	1,629	35	284
- positive fair value	-	-	224	115	-	2	-
- negative fair value	-	-	-3,091	-82	-147	-	-17
3. Foreign exchange rates and gold							
- notional amount	691	190	80,821	34,855	1,372	18,465	309
- positive fair value	-	-	1,462	1,470	109	499	3
- negative fair value	-59	-98	-2,253	-812	-6	-780	-3
4. Other values							
- notional amount	-	-	2,612	3,079	-	4,672	-
- positive fair value	-	-	46	124	-	1,059	-
- negative fair value	-	-	-95	-217	-	-216	-

Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	423	210,410	16,883	-	34	978
- positive fair value	-	4	6,830	215	-	5	1
- negative fair value	-	-	-7,290	-597	-	-	-176
2. Equities and stock indices							
- notional amount	-	-	1,802	62	-	19	235
- positive fair value	-	-	111	11	-	-	-
- negative fair value	-	-	-112	-	-	-	-56
3. Foreign exchange rates and gold							
- notional amount	640	-	4,621	303	-	25	18
- positive fair value	9	-	561	3	-	-	-
- negative fair value	-	-	-287	-161	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end notional amounts

(millions of euro)

Categories of transactions	REGULATORY TRADING BOOK		BANKING BOOK	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
- Credit default products	13,805	36,000	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	-	-	-	-
Total 31.12.2015	**13,805**	**36,000**	**-**	**-**
Total 31.12.2014	**16,832**	**40,608**	**-**	**-**
2. Protection sales				
- Credit default products	13,449	35,655	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	-	-	-	-
Total 31.12.2015	**13,449**	**35,655**	**-**	**-**
Total 31.12.2014	**16,625**	**40,077**	**-**	**-**

Part of the contracts in force as at 31 December 2015, shown in the table above, has been included within the structured credit products, namely: 94 million euro of protection purchases and 43 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 market risks in this Part of the Notes to the consolidated financial statements.

Tables B.2 to B.6 also were not filled in as the credit derivatives whose counterparty risk is measured using methods other than internal models represent a residual portion of the portfolio.
Information on derivatives is shown below, in the section relating to internal models. Based on the financial statement instructions issued by the Bank of Italy, tables B.2 to B.6 do not have to be filled in by banks which use EPE internal models to calculate counterparty risk if this approach covers a significant portion of the portfolio.

B.2. Over the counter credit derivatives: gross positive fair value – breakdown by product

B.3. Over the counter credit derivatives: gross negative fair value – breakdown by product

B.4. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts not included under netting arrangements

B.5. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty - contracts included under netting arrangements

B.6. Residual maturity of credit derivatives: notional amounts

B.7. Credit derivatives: counterparty risk/financial risk – internal models

As stated in the initial part of the section on derivatives, Banca IMI and the Parent Company were authorised to use EPE internal models to determine the requirement for counterparty risk, which is used for most of the portfolio.
Credit derivatives whose counterparty risk is measured using mark-to-market methods represent a residual portion of the portfolio. For this reason, the data relating to these derivatives was included in the tables below, for the purpose of summarising all the information on derivatives.

Over the counter credit derivatives: gross positive fair value – breakdown by product

(millions of euro)

Portfolios /Types of derivatives	POSITIVE FAIR VALUE	
	31.12.2015	31.12.2014
A. Regulatory trading book	**879**	**1,343**
a) Credit default products	879	1,297
b) Credit spread products	-	-
c) Total rate of return swap	-	46
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**879**	**1,343**

Part of the positive fair values, recognised as at 31 December 2015, and shown in the table above, has been included within the structured credit products, namely: 8 million attributable to short positions taken on creditworthiness indexes and protection purchases as part of structured packages.
For further information on the relative economic and risk effects, see the chapter on market risks in this Part of the Notes to the consolidated financial statements.

Over the counter credit derivatives: gross negative fair value – breakdown by product

(millions of euro)

Portfolios /Types of derivatives	NEGATIVE FAIR VALUE	
	31.12.2015	31.12.2014
A. Regulatory trading book	**940**	**1,467**
a) Credit default products	940	1,386
b) Credit spread products	-	-
c) Total rate of return swap	-	81
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**940**	**1,467**

Part of the negative fair values, recognised as at 31 December 2015, and shown in the table above, has been included within the structured credit products, namely: 18 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 market risks in this Part of the Notes to the consolidated financial statements.

Over the counter credit derivatives: gross (positive and negative) fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	129	33,165	16,511	-	-	-
- positive fair value	-	65	75	41	-	-	-
- negative fair value	-	-	-482	-238	-	-	-
2. Protection sales							
- notional amount	-	-	34,056	15,048	-	-	-
- positive fair value	-	-	464	234	-	-	-
- negative fair value	-	-	-99	-121	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

C. CREDIT AND FINANCIAL DERIVATIVES

C.1. Over the counter credit and financial derivatives: net fair values and future exposure by counterparty

This table was not filled in because, as previously illustrated, the Intesa Sanpaolo Group primarily calculates counterparty risk using the EPE approach, which is not based on the concept of future exposure. According to the internal models approach, the EPE is calculated as a statistical-time-based average of the future mark-to-market evolution of the derivatives, strengthened by conservative restrictions on the mark-to-market profiles that do not decrease over time.

1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

General aspects, liquidity risk management processes and measurement methods
Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).

The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.

The provisions on liquidity - introduced in the European Union in June 2013 with the publication of Regulation (EU) 575/2013 and Directive 2013/36/EU - were updated in early 2015 with the publication in the Official Journal of the European Union of Commission Delegated Regulation (EU) 61/2015 with regard to liquidity coverage requirements (liquidity coverage ratio - LCR), supplementing and partially amending previous regulations. Under Delegated Regulation 61/2015, from 1 October 2015 banks are required to comply with the new short-term indicator according to the phase-in process provided for in Art. 38 (60% from 1 October 2015, 70% from 1 January 2016, 80% from 1 January 2017 and 100% from 1 January 2018).

The Guidelines for Group Liquidity Risk Management, which already referred to Bank of Italy Circulars 263 and 285, and to Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), were therefore updated with effect from March 2015 to reflect the above additional regulations, which revised the composition of the liquid assets eligible for liquidity reserves and the definition of 30-day liquidity flows valid for the calculation of the LCR. With respect to structural liquidity, the most recent regulatory provisions of the Basel Committee concerning the Net Stable Funding Ratio (NSFR) with its October 2014 publication were also adopted.

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 adequate liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
– the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
– the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warning indicators used to activate emergency plans.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department, the Planning Head Office Department and the Active Value Management Department, responsible for liquidity management, and the Financial and Market Risks Department, directly responsible for measuring liquidity risk on a consolidated basis.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.

The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows with certain or estimated maturities included in 12 months' time horizon, in order to face periods of tension, including extended ones, on different funding markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Liquidity Coverage Ratio - LCR).

The cumulative projected wholesale imbalances indicator measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. The LCR indicator is aimed at strengthening the short-term liquidity risk profile, ensuring that sufficient unencumbered high quality liquid assets (HQLA) are retained that can be converted easily and immediately into cash on the private markets to satisfy the short-term liquidity requirements (30 days) in a liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by the Regulations.

The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to adopt the structural requirement provided for by the regulatory provisions of Basel 3: Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. NSFR's regulatory requirement, which is still subject to a period of observation, will come into force starting from 1 January 2018.

Within the Liquidity Policy it is also envisaged the time extension of the stress scenario for LCR indicator, provided by the new regulatory framework, measuring, for up to 3 months, the effect of specific acute liquidity tensions (at bank level) combined with a widespread and general market crisis. The internal management guidelines also envisage an alert threshold (Stressed soft ratio) for the LCR indicator up to 3 months, with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions.
The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Financial and Market Risks Department.
Moreover, there are no medium/long-term loan contracts containing contractual clauses that result in the immediate collectability of the loans following the downgrading of the bank.
For several medium/long-term loan contracts from supranational bodies, compensation for the rating trigger, i.e. loss of the minimum rating, may be requested with the issue of additional guarantees or collateral deemed suitable by the counterparty.

The Group's sound liquidity position - supported by suitable high quality liquid assets (HQLA) and the significant contribution from retail stable funding - remained well within the risk limits set out in the current Group Liquidity Policy for all of 2015: both indicators (LCR and NSFR) were met, already reaching a level above the limits under normal conditions. As at 31 December 2015, the Central Banks eligible and liquid reserves, mainly under centralised management by the Treasury Department of the Parent Company, including the reserves (cash and deposits) held with central banks, came to a total of 117 billion euro (105 billion euro at the end of December 2014), of which 78 billion euro, net of haircut, was unencumbered (70 billion euro at the end of December 2014).
Also the stress tests, when considering the consistent liquidity reserves (liquid or eligible), yielded results in excess of the target threshold for the ISP Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months. Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the main risk factors.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

The breakdown by maturity of financial assets and liabilities is shown in the tables below according to the rules set forth in financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity.
Therefore, no operational data was used that would require, for example, the modelling of demand liabilities and the representation of cash items according to their level of liquidability.

Currency of denomination: Euro

(millions of euro)

Type / Residual maturity	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	**59,530**	**18,495**	**7,674**	**12,031**	**22,560**	**18,379**	**30,325**	**122,947**	**113,032**	**3,908**
A.1 Government bonds	58	2	22	63	884	2,583	5,021	20,973	21,571	41
A.2 Other debt securities	56	603	1,000	1,808	336	631	645	5,548	8,997	2
A.3 Quotas of UCI	1,967	-	-	-	-	-	-	-	-	-
A.4 Loans	57,449	17,890	6,652	10,160	21,340	15,165	24,659	96,426	82,464	3,865
- Banks	*8,273*	*1,235*	*716*	*1,424*	*1,828*	*992*	*1,484*	*1,420*	*104*	*3,859*
- Customers	*49,176*	*16,655*	*5,936*	*8,736*	*19,512*	*14,173*	*23,175*	*95,006*	*82,360*	*6*
Cash liabilities	**185,536**	**23,495**	**5,407**	**5,325**	**12,217**	**14,589**	**21,807**	**90,326**	**27,005**	**2,114**
B.1 Deposits and current accounts	177,973	2,136	915	3,880	7,737	7,012	5,753	9,013	1,835	14
- Banks	*4,337*	*157*	*74*	*352*	*133*	*227*	*270*	*1,575*	*342*	*-*
- Customers	*173,636*	*1,979*	*841*	*3,528*	*7,604*	*6,785*	*5,483*	*7,438*	*1,493*	*14*
B.2 Debt securities	426	10	3,206	763	2,169	6,720	15,148	48,749	20,513	2,100
B.3 Other liabilities	7,137	21,349	1,286	682	2,311	857	906	32,564	4,657	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1,427*	*5,800*	*3,062*	*8,072*	*14,369*	*4,773*	*5,092*	*15,607*	*11,714*	*-*
- Short positions	*1,272*	*5,227*	*2,794*	*7,460*	*11,907*	*5,005*	*4,184*	*13,133*	*12,077*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*28,291*	*2*	*4*	*24*	*90*	*112*	*293*	*1,008*	*474*	*-*
- Short positions	*30,289*	*20*	*2*	*38*	*114*	*143*	*309*	*1,008*	*474*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*25,848*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*25,808*	*-*	*-*	*40*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*2,303*	*29,048*	*51*	*375*	*361*	*197*	*961*	*11,582*	*2,137*	*-*
- Short positions	*46,711*	*24*	*33*	*8*	*102*	*148*	*145*	*480*	*159*	*-*
C.5 Financial guarantees given	94	11	1	6	50	96	14	71	286	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*747*	*1,237*	*1,889*	*2,775*	*1,277*	*-*
- Short positions	*-*	*-*	*-*	*-*	*747*	*1,237*	*1,889*	*2,775*	*1,277*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*642*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*603*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

Currency of denomination: Other currencies

(millions of euro)

Type / Residual maturity	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	**5,698**	**2,915**	**1,579**	**2,434**	**5,256**	**4,636**	**6,132**	**15,602**	**8,723**	**2,384**
A.1 Government bonds	9	91	246	134	764	828	1,214	2,251	3,298	14
A.2 Other debt securities	27	75	14	35	84	47	154	2,777	952	-
A.3 Quotas of UCI	615	-	-	-	-	-	-	-	-	-
A.4 Loans	5,047	2,749	1,319	2,265	4,408	3,761	4,764	10,574	4,473	2,370
- Banks	*2,828*	*1,259*	*771*	*635*	*875*	*1,076*	*1,868*	*218*	*86*	*2,370*
- Customers	*2,219*	*1,490*	*548*	*1,630*	*3,533*	*2,685*	*2,896*	*10,356*	*4,387*	-
Cash liabilities	**13,820**	**5,585**	**3,962**	**4,430**	**5,581**	**2,078**	**1,502**	**9,518**	**5,692**	**-**
B.1 Deposits and current accounts	13,134	2,822	1,590	3,455	1,889	820	1,235	2,049	648	-
- Banks	*2,459*	*747*	*237*	*500*	*212*	*41*	*79*	*377*	*186*	-
- Customers	*10,675*	*2,075*	*1,353*	*2,955*	*1,677*	*779*	*1,156*	*1,672*	*462*	-
B.2 Debt securities	9	153	1,879	879	448	1,246	256	6,363	4,638	-
B.3 Other liabilities	677	2,610	493	96	3,244	12	11	1,106	406	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*147*	*10,354*	*4,612*	*9,047*	*13,535*	*6,426*	*6,766*	*15,009*	*10,373*	-
- Short positions	*664*	*11,462*	*4,897*	*9,656*	*14,957*	*6,639*	*8,056*	*15,554*	*9,885*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*2,356*	*15*	-	*9*	*40*	*16*	*52*	*31*	*45*	-
- Short positions	*1,516*	-	*1*	*7*	*28*	*17*	*54*	*31*	*45*	-
C.3 Deposits and loans to be settled										
- Long positions	*839*	-	-	-	-	-	-	-	-	-
- Short positions	*69*	*767*	*3*	*1*	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	*3,735*	*4*	*16*	*5*	*117*	*449*	*1,281*	*10,366*	*1,445*	-
- Short positions	*15,258*	*66*	*2*	*80*	*220*	*519*	*183*	*298*	*90*	*3*
C.5 Financial guarantees given	-	1	2	6	15	20	27	13	1	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	*487*	*87*	*191*	*2,993*	*9*	-
- Short positions	-	-	-	-	*487*	*87*	*191*	*2,993*	*9*	-
C.8 Credit derivatives without exchange of capital										
- Long positions	*121*	-	-	-	-	-	-	-	-	-
- Short positions	*133*	-	-	-	-	-	-	-	-	-

2. Self-securitisations

The Intesa Sanpaolo Group has carried out securitisations in which all the liabilities issued by the vehicle companies involved were subscribed by Group companies.
A brief description of the existing transactions as at 31 December 2015 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 S.p.A. (subsequently merged into Mediocredito Italiano) 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 2015, it had been fully amortised;
- a junior series, with a nominal value of 3 billion euro, unlisted and unrated, is still being repaid. As at 31 December 2015, 2.6 billion euro was still to be repaid.

All these notes were purchased by the subsidiary Leasint (now Mediocredito Italiano). In 2015, the junior notes were partially assigned through a repurchase agreement to Intesa Sanpaolo, which partially used them as collateral for a loan received.

Intesa Sanpaolo SEC S.A.

The securitisation of loans issued to large international corporate customers by some international branches of Intesa Sanpaolo (Frankfurt, Hong Kong, Madrid and New York) was finalised in August 2013. The securitisation was conducted through the Luxembourg-based vehicle company Intesa Sanpaolo SEC. SA, which is fully owned subsidiary of the Group.
The securities issued, with a total value of about 325 million euro, were subscribed by Intesa Sanpaolo and used for a value of about 308 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.

Intesa Sanpaolo Securitisation Vehicle S.r.l.

In December 2014 a new securitisation was approved, involving three portfolios of loans originated by CIB Bank ZRT, primarily non-performing positions, secured by guarantees and mortgages and denominated in euro, Hungarian forints and Swiss francs. Those portfolios were transferred without recourse to Intesa Sanpaolo, which on 30 December 2014 in turn assigned the three portfolios without recourse to the vehicle for 241 million euro, 17.1 billion Hungarian forints and 57.2 million Swiss francs, respectively.
Intesa Sanpaolo is the servicer of the portfolio and CIB Bank ZRT the sub-servicer, in accordance with applicable legislation.
In February 2015, Intesa Sanpaolo Securitisation Vehicle S.r.l. issued two classes of notes for each of the three separate asset pools. All classes of notes, which are unlisted and unrated, were subscribed for by Intesa Sanpaolo, as summarised below:

- class-A (senior) notes of 138.2 million euro and class-J (junior) notes of 103.3 million euro were issued for the portfolio of securitised loans in euro;

– class-A (senior) notes of 7.8 billion forints and class-J (junior) notes of 9.3 billion forints were issued for the portfolio of securitised loans in Hungarian forints;
– class-A (senior) notes of 29.4 million francs and class-J (junior) notes of 27.9 million francs were issued for the portfolio of securitised loans in Swiss francs.

As at 31 December 2015, the asset pools held by the vehicle were composed as follows:

– securitised assets in euro of 105.8 million, in addition to cash of 19 million euro. The securities in issue had a residual value of 115.5 million euro (class A) and 103.3 million euro (class J);
– securitised assets in Hungarian forints with a value in euro of 17.6 million and cash with a value in euro of 1 million euro. The securities in issue had a residual value of 14.5 million euro (class A) and 29.5 million euro (class J);
– securitised assets in Swiss francs with a value in euro of 7.3 million euro and cash with a value in euro of 11.2 million euro. The securities in issue had a residual value of 13.1 million euro (class A) and 25.7 million euro (class J).

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 31.12.2015
Adriano Lease SEC S.r.l.					**2,571**
		Senior	Receivables from lease payments	A+	-
		Junior	Receivables from lease payments	no rating	2,571
Intesa Sanpaolo SEC SA					**325**
of which issued in EUR					291
	Secured Principal Notes	Senior	Receivables from large international corporate customers	no rating	276
	Secured Income Notes	Junior	Receivables from large international corporate customers	no rating	15
of which issued in USD					34
	Secured Principal Notes	Senior	Receivables from large international corporate customers	no rating	32
	Secured Income Notes	Junior	Receivables from large international corporate customers	no rating	2
Intesa Sanpaolo Securitisation Vehicle SRL					**349**
of which issued in EUR					241
	Class A ABS F/R Notes	Senior	Commercial mortgage loans	no rating	138
	Class J ABS F/R and Additional Return Notes	Junior	Commercial mortgage loans	no rating	103
of which issued in CHF					53
	Class A ABS F/R Notes	Senior	Commercial mortgage loans	no rating	27
	Class J ABS F/R and Additional Return Notes	Junior	Commercial mortgage loans	no rating	26
of which issued in HUF					55
	Class A ABS F/R Notes	Senior	Commercial mortgage loans	no rating	25
	Class J ABS F/R and Additional Return Notes	Junior	Commercial mortgage loans	no rating	30
TOTAL					**3,245**

OTHER INFORMATION ON FINANCIAL RISKS

SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE COUNTERPARTY

The following table illustrates the value of the main exposures of the Intesa Sanpaolo Group to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	BANKING GROUP					INSURANCE COMPANIES (**)	TOTAL	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading (*)			
EU Countries	**7,314**	**41,212**	**977**	**754**	**8,028**	**55,111**	**113,396**	**19,161**
Austria	-	-	3	-	45	7	55	-
Belgium	-	262	-	-	27	10	299	-
Bulgaria	-	-	-	-	-	44	44	-
Croatia	95	125	2	754	7	45	1,028	1,052
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	-
Denmark	-	14	-	-	19	-	33	-
Estonia	-	-	-	-	-	-	-	-
Finland	105	81	-	-	119	9	314	8
France	104	4,800	-	-	347	118	5,369	15
Germany	40	4,405	-	-	879	1,277	6,601	-
Greece	-	-	-	-	1	-	1	-
Hungary	31	295	-	-	200	34	560	175
Ireland	-	196	-	-	6	91	293	-
Italy	6,640	23,525	356	-	5,041	52,464	88,026	17,115
Latvia	-	5	-	-	-	-	5	53
Lithuania	-	46	-	-	-	-	46	-
Luxembourg	-	-	-	-	-	-	-	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	40	-	-	826	141	1,007	-
Poland	28	67	-	-	120	19	234	-
Portugal	17	-	-	-	1	-	18	25
Romania	-	133	-	-	-	80	213	2
Slovakia	-	923	616	-	-	-	1,539	141
Slovenia	-	202	-	-	-	8	210	209
Spain	254	5,768	-	-	120	764	6,906	366
Sweden	-	116	-	-	270	-	386	-
United Kingdom	-	209	-	-	-	-	209	-
North African Countries	**-**	**1,405**	**-**	**-**	**-**	**-**	**1,405**	**-**
Algeria	-	-	-	-	-	-	-	-
Egypt	-	1,405	-	-	-	-	1,405	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**825**	**-**	**825**	**-**

(*) Taking into consideration on-balance sheet positions

(**) Debt securities of insurance companies are classified almost entirely to the available-for-sale portfolio

As illustrated in the table, the exposure to Italian government securities totalled approximately 88 billion euro, in addition to around 17 billion euro represented by loans. The value of debt security exposures decreased by approximately 4 billion euro compared to the figure recorded as at 31 December 2014.

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure to structured credit products amounted to 2,429 million euro as at 31 December 2015 with respect to funded and unfunded ABS/CDOs, compared to 2,492 million euro as at 31 December 2014, in addition to an exposure of 2 million euro with respect to structured packages, which compares with the 21 million euro observed as at 31 December 2014.
The strategy regarding the portfolio in question in 2015 focused on increasing the trading book to exploit market opportunities, on the one hand, and on disposing of the portfolio hard hit by the financial crisis, which is now managed by Capital Light Bank.
Specifically, the rise in exposure in funded and unfunded ABS/CDOs designated at fair value (from 1,821 million euro in December 2014 to 1,988 million euro in December 2015) is attributable to higher investments in ABS by the subsidiary Banca IMI, part of which was classified to the available-for-sale portfolio, as well as to European ABS/CDOs acquired by the Parent Company and classified in the trading portfolio. Banca IMI's investments mainly consist of securities with underlying residential mortgages and CLOs with mainly AA ratings. The Parent Company invested in European RMBS with mainly Aaa ratings.
With regard to the exposure represented by securities classified under the loan portfolio, on the other hand, another decrease was recorded (from 671 million euro in December 2014 to 441 million euro in December 2015), mostly attributable to sales that concerned the portfolios of the Parent Company and of Banca IMI.

From an income statement perspective, there was a loss of 1 million euro as at 31 December 2015 compared to the 40 million euro income recorded at the end of 2014.
As at 31 December 2015 the nil impact on "Profits (losses) on trading – caption 80" of the exposure in funded and unfunded ABS/CDOs was generated as the offsetting of:

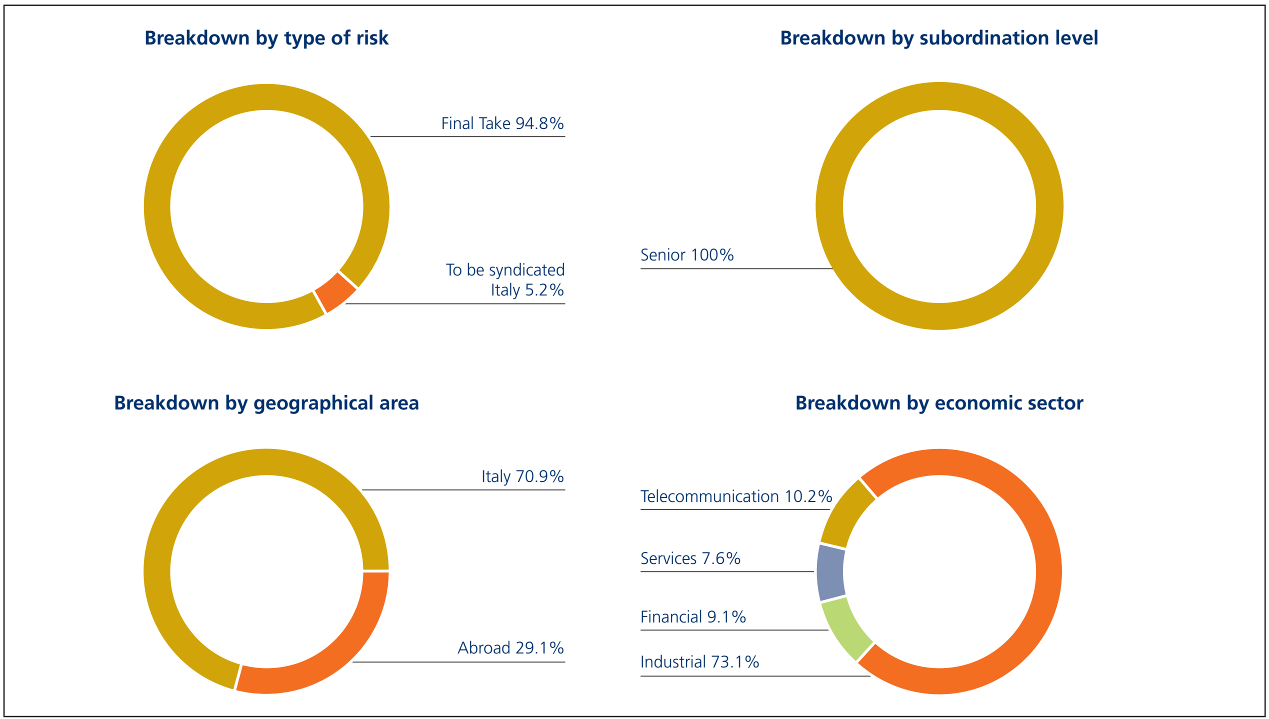
– the positive effect of 1 million euro of positions in Multisector CDOs;
– the negative effect of 1 million euro of funded European and US ABS/CDOs, fully attributable to the Parent Company.

As regards the exposure to funded and unfunded ABS/CDOs, it should be noted that the securities classified by the subsidiary Banca IMI in the available-for-sale portfolio recorded a net decrease in fair value of around 1 million euro, accounted for in the specific Shareholders' Equity Reserve.
The securities reclassified to the loan portfolio had a negative impact of 1 million euro on the income statement as at 31 December 2015. This result is attributable to Banca IMI, which realised gains of 1 million euro and the Parent Company which posted negative adjustments due to the impairment of several securities in the portfolio for 2 million euro.

The "Monoline risk" and "Non-monoline packages" made a nil contribution to "Profits (Losses) on trading – caption 80" as at 31 December 2015, compared with the 1 million euro loss recorded as at 31 December 2014.

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 2015, 109 transactions for a total amount granted of 3,014 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 2015 totalled 758 million euro, compared to 733 million euro recorded in December 2014. An analysis of changes in the portfolio shows distributions and redemptions during the period, which, however, were more than offset by the increase in the value in euro of the positions in US dollars due to the sharp appreciation of the foreign currency.
As at the same date, the overall result of the investments in this segment was negative for 4.6 million euro, compared to a positive 11 million euro of "Profits (Losses) on trading – caption 80" as at 31 December 2014.
Net losses of 4.6 million euro, recognised as at 31 December 2015 under "Profits (losses) on trading – caption 80", were attributable to a deterioration in the listed NAV of several funds, partially offset by gains on foreign exchange transactions deriving from the appreciation of the US dollar against the euro, even with a breakeven position in foreign currency.
The hedge fund portfolio earned net profit on trading of 3 million euro on several positions liquidated during the year (the net balance includes 5.5 million euro realised on the Eurizon Penghua Fund) and valuation gains, whose net impact on the "Profits (losses) on trading – caption 80" was a negative 8 million euro. At gross level, the portfolio reported gains of 33 million euro, distributed over 12 positions, and losses of 41 million euro, distributed over 8 positions.
In the fourth quarter of 2015, hedging strategies were implemented for events involving the Chinese market.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 31 December 2015, 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 7,670 million euro (8,731 million euro as at 31 December 2014). The notional value of these derivatives totalled 45,855 million euro (49,251 million euro as at 31 December 2014). Of these, the notional value of plain vanilla contracts was 42,521 million euro (44,543 million euro as at 31 December 2014), while that of structured contracts was 3,334 million euro (4,708 million euro as at 31 December 2014).

Please note that the positive fair value of contracts outstanding with the 10 customers with the highest exposures came to 5,161 million euro (5,469 million euro as at 31 December 2014), of which 493 million euro (558 million euro as at 31 December 2014) referred to structured contracts.

Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,929 million euro as at 31 December 2015 (1,306 million euro as at 31 December 2014). The notional value of these derivatives totalled 20,304 million euro (17,000 million euro as at 31 December 2014). Of these, the notional value of plain vanilla contracts was 17,999 million euro (15,150 million euro as at 31 December 2014), while that of structured contracts was 2,305 million euro (1,850 million euro as at 31 December 2014).

The fair value of derivative financial instruments entered into 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 2015, this led to a positive effect of 97 million euro being recorded under “Profits (Losses) on trading” in the income statement.
As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs in Part A of the Notes to the consolidated financial statements.
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 or out-of-contract liability or other disputes; ICT (Information and Communication Technology) risk and model risk. Strategic and reputational risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

With regard to operational risk, on 31 December 2009, the Group adopted the Advanced Measurement Approach (AMA - internal model), in partial use with the standardised (TSA) and basic approaches (BIA) to determine the associated capital requirement for regulatory purposes. The AMA approach was adopted by the main banks and companies in the Banca dei Territori, Corporate and Investment Banking, Private Banking and Asset Management Divisions, by the Intesa Sanpaolo Group Services consortium and by VUB Banka (including Consumer Financial Holding and VUB Leasing) and PBZ Banka.

The control of the Group's operational risk 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.
Moreover, the tasks of the Intesa Sanpaolo Group Internal Control Coordination and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has a centralised function within the Group Risk Manager Area (specifically in the Enterprise Risk Management Department) for the 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-diagnosis process, conducted on an annual basis, allows to:
- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
- analyse exposure to ICT risk, through a preliminary assessment by the IT functions and other functions with control duties (IT Security and Business Continuity);
- create significant synergies with the other functions with control duties of the Personnel and Organisation Department that supervise the planning of operational processes and business continuity issues, with the Administrative and Financial Governance and with control functions (Compliance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-diagnosis 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 (Self-diagnosis) information.
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (by the Operational Risk Management eXchange Association).
The qualitative component (scenario analysis) 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 (Business Environment Assessment), to take into account the effectiveness of internal controls in the various organisational units.
Operational risks are monitored by an integrated reporting system, which provides Management with support information for managing and/or mitigating the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was 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 damage, cash and valuables in transit losses, computer fraud, forgery, cyber crimes, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. At the end of June 2013, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to applicable regulations, the Group stipulated an insurance coverage policy named Operational Risk Insurance Programme, which offers additional coverage to traditional policies, significantly increasing the limit of liability, transferring the risk of significant operational losses to the insurance market.
The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

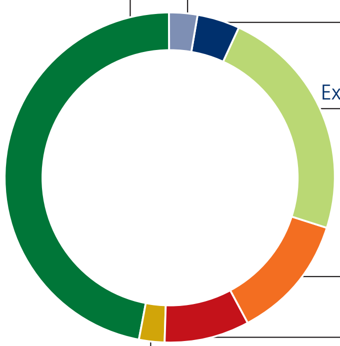
In addition, with respect to risks relating to real property and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Group may activate its business continuity solutions.

QUANTITATIVE INFORMATION

In determining its capital requirements, the Group adopts a combination of the methods provided for in regulations; the resulting capital requirement was 1,652 million euro as at 31 December 2015, down slightly from 31 December 2014 (1,693 million euro), with the AMA portion essentially stable and a slight decrease in the TSA and BIA components (following the annual update of the Relevant Indicator data used for this purpose).

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 have been made to the Allowances for risks and charges in the event of disputes for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
As at 31 December 2015 a total of about 18,000 disputes were pending, with total remedy sought of 7,916 million euro and allowances of 822 million euro.
The Parent Company and network banks are parties to disputes with total remedy sought of 6,319 million euro and allowances of 573 million euro with respect to the Parent Company and network banks. In further detail, these are:

- bankruptcy revocatory disputes, with remedy sought of 382 million euro and allowances of 56 million euro;
- insolvency compensation disputes, with remedy sought of 544 million euro and allowances of 8 million euro
- disputes concerning investment services, with remedy sought of 291 million euro and allowances of 61 million euro;
- disputes concerning interest in excess of the legal limit and other conditions, with remedy sought of 820 million euro and allowances of 122 million euro;
- disputes involving banking products, with remedy sought of 227 million euro and allowances of 26 million euro;
- complaints concerning loan positions, with remedy sought of 1,361 million euro and allowances of 12 million euro;
- disputes concerning criminal procedures and operational errors, with remedy sought of 113 million euro and allowances of 17 million euro;

– disputes concerning transferred loan positions, with remedy sought of 548 million euro and allowances of 94 million euro;
– other civil and administrative disputes, with remedy sought of 2,033 million euro and allowances of 177 million euro. The total amount also includes the remedy sought in the Rizzoli dispute, illustrated below, amounting to approximately 700 million euro. There are also labour lawsuits, in which the amount of remuneration or compensation for damages sought is often not specified, covered by allowances of 89 million euro.

Other disputes with total remedy sought of 1,192 million euro and allowances of 184 million euro relate to the other Italian investees (excluding Risanamento S.p.A., which is not subject to management and coordination by Intesa Sanpaolo) and primarily consist of disputes concerning interest beyond the legal limit and other conditions, with remedy sought of 288 million euro (allowances of 10 million euro), bankruptcy revocatory disputes, with remedy sought of 159 million euro (allowances of 16 million euro), disputes concerning operational matters, with remedy sought of 113 million euro (allowances of 68 million euro) and disputes concerning investment services, with remedy sought of 101 million euro (allowances of 28 million euro).
Other disputes, with total remedy sought of 405 million euro and allowances of 65 million euro, concern the international subsidiaries.

The following paragraphs contain brief remarks concerning the dispute relating to anatocism and investment services, as well as some concise information concerning individual legal disputes involving matters of particular complexity and/or potentially high costs.

Dispute relating to anatocism – As is common knowledge, in 1999 the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interest payable on current accounts to be unlawful. Following this decision, a series of disputes emerged on the subject of the capitalisation of interest for contracts executed prior to that date, whereas the problem was partly resolved for contracts executed after the amendment of Art. 120 of the Consolidated Law on Banking introduced in the interim by Legislative Decree 342/99, which made it legal to capitalise interest payable and receivable, provided that both occur with the same frequency.
In many cases, lawsuits pertaining to anatocism also concern other current account conditions, such as interest rates and overdraft charges (no longer applied). The overall economic impact of lawsuits in this area remain at insignificant level in absolute terms. The phenomenon is nonetheless the subject of constant monitoring. The risks related to these disputes are covered by specific, adequate provisions to the Allowances for risks and charges.
The phenomenon of "anatocism" (capitalisation of interest) saw further development following the amendment to Art. 120 of the Consolidated Law on Banking by the 2014 Stability Law. The new statute, deemed inapplicable in the absence of the resolution of the CICR (Interdepartmental Committee for Credit and Savings), which has been delegated to establish the "conditions and criteria for the accrual of interest in transactions undertaken in the context of banking activity", has rekindled controversy surrounding the legality of capitalised interest. In particular, the Consumers Movement Association has brought various suits on a preventative basis against the major Italian banks, including Intesa Sanpaolo, seeking an injunction against contractual clauses concerning capitalised interest, inasmuch as the new Art. 120 of the Consolidated Law on Banking is argued to have rendered it impossible to apply such interest from the date of entry into force of the statute (1 January 2014).
With the exception of some decisions favourable to the banks, in most cases, as in the case of Intesa Sanpaolo, the application for an injunction was granted, and the proceedings on the merits are now pending before the various courts. In this context, Intesa Sanpaolo objected, among its other arguments, that Art. 120 of the Consolidated Law on Banking is inapplicable in the absence of the resolution of the CICR, and that the statute is in conflict with the principle of EU law and the European Convention on Human Rights, in addition to being unconstitutional.
The outcome of the dispute cannot be predicted at this time. However, it will presumably also be influenced by the contents of the CICR resolution to be passed. The risk is estimated to be limited, even in the event of a negative outcome.

Altroconsumo class action - In 2010 Altroconsumo brought a class-action suit against Intesa Sanpaolo, seeking a finding of the unlawfulness of overdraft charges and the fee for overdrawing accounts without credit facilities. After the scope of the dispute was limited to the fee for overdrawing accounts without credit facilities, on 10 April 2014 the Court of Turin ruled that 101 of the 104 participants in the class-action suit were not admissible due to formal irregularities. On the merits, it found that the fee for overdrawing accounts without credit facilities was void on the basis of the principle according to which, in the absence of a formal credit facility, an overdraft would not justify the application of additional costs to the accountholder, given that no banking service requiring compensation has been provided in such cases. The decision was appealed by Intesa Sanpaolo because it is founded upon an untenable interpretation of the statute concerned. The appeal proceedings are still pending.
At the level of the income statement, the judgment is of negligible significance. It bears clarifying that the contested fee was replaced, effective October 2012, by the expedited approval fee introduced by the Monti administration's Save Italy Decree.

Dispute concerning other banking products – In the context of the dispute relating to other banking products, which remained at normal, limited overall levels, there was an increase, with regard to consumer credit business, in requests from customers who repaid their loans in advance to obtain a partial refund of sums paid at the signing of the contract (by way of financial fees or insurance costs).
In particular, the complaints revolve around an unclear distinction in contracts between fees for services rendered by the disbursing entity during the process of granting the loan, which thus are not eligible for a refund in the event of early repayment, and fees relating to management of the loan over time, which are therefore eligible for a pro-rated refund in the event of early repayment.
The foregoing contractual uncertainties relate to contracts signed in 2010, since after that date the aspects set out above were more clearly delineated in the contracts.

Dispute pertaining to investment services – Disputes concerning investment services continue to decrease in both number and value (down by approximately 16% compared to 2014). Also risks related to this category of disputes are constantly monitored and covered by accurate allowances that reflect the specific characteristics of the individual cases.

Cirio Group lawsuits - In 2007 ten companies affiliated with the Cirio Group in extraordinary administration served writs of summons on Intesa Sanpaolo and Banca Caboto (now Banca IMI), along with five other banks, seeking compensation, on a joint and several basis, for alleged damages, deriving in particular from the exacerbation of the default of the Cirio Group from the end of 1999 and 2003, of a maximum amount of 2,082 million euro and a minimum amount of 421 million euro.
In November 2009, the Court of Rome found that the Cirio Group's claims were without foundation.
While the appeal lodged by the claimants was pending, at the end of December 2015 a comprehensive settlement was reached, without the need for any outlay by the Intesa Sanpaolo Group, but only the waiver of the reimbursement of legal costs awarded in the first instance, the unsecured claims against the extraordinary administration procedures, and future distributions, up to the all-inclusive amount of 1 million euro.

Angelo Rizzoli lawsuit - In September 2009, Angelo Rizzoli filed suit against Intesa Sanpaolo 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 control of Rizzoli Editore S.p.A. and claiming compensation in an amount ranging from 650 to 724 million euro.
In 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 claimant lodged an appeal, and the suit, which was suspended due to Angelo Rizzoli's death, was then resumed by the executor of the estate. Conclusions were then presented at the hearing of 22.12.2015.
Considering the favourable outcome of the first instance proceedings, no provisions were allocated.

Mazzucco Group lawsuit - By judgment filed on 20/05/2011, the Court of Bologna rejected the compensation claims of over 343 million euro brought against Cassa di Risparmio di Bologna and the Ministry of Economic Development by Antonio Mazzucco and companies represented by him, in respect of alleged damages sustained due to the revocation of the subsidies initially granted to the companies pursuant to Law 488/1992.
The decision was appealed, and the Court of Appeal, without granting the appellants' interim motions, set the term to proceed with the decision of the case in early 2016.
The appeal appears likely to see the judgment of the first instance upheld, and there are therefore no elements of risk.

Tralli Federico, Nuova Era S.A. and Holding 99 S.r.l. lawsuit - In September 2004 the claimants sued Intesa Sanpaolo, seeking, among other remedies, compensation for damages of 304 million euro, alleged to have been caused by the unlawful assignment to third parties of the receivables due from the claimants and the related pledge of Area S.p.A. shares. The Bank - as global coordinator and sponsor of the public invitation to bid for the shares of Area S.p.A. - was also alleged to be responsible for the failure of Area S.p.A. to obtain a listing on the stock exchange.
In its defence, the Bank demonstrated that it acted with the due diligence, and in particular that the decision to suspend the listing on the stock exchange was not attributable to the Bank.
The outcome of the trial was favourable to Intesa Sanpaolo in both the first and second instances. In 2011 the claimants lodged an appeal with the Court of Cassation. It is believed likely that the outcome will also be favourable in this instance.

Fondazione Monte Paschi di Siena lawsuit – In July 2014, Fondazione Monte Paschi di Siena sued former members of the Foundation's administrative body, as well as all of the banks, including Intesa Sanpaolo and Banca IMI, that had participated in 2011 in a pool loan to the Foundation intended to provide the Foundation with the resources required to subscribe for a capital increase undertaken by its subsidiary, Banca Monte Paschi di Siena.
In support of its compensation claim of approximately 286 million euro on a joint and several basis for all defendants, the Foundation argued that the former directors and advisor bore contractual liability for having breached the limit on the debt-to-equity ratio imposed by the articles of association, as well as that the lending banks bore tortious liability for having knowingly been complicit in the alleged breach by the directors.
The compensation claim, as presented against the defendant banks, is believed to be without foundation on a variety of grounds, including: an incorrect technical valuation of the financial statement captions which form the basis of the alleged breach of said statutory limit, the lack of a causal relationship between the objectionable conduct and the harmful event, and, finally, the improper determination of the amount of the items of the damages into which the compensation claim is divided.

Municipality of Taranto disputes – In 2007 the Municipality of Taranto sued Banca OPI (now Intesa Sanpaolo) before the Civil Court of Taranto with regard to the subscription by Banca OPI in 2004 for a bond of 250 million euro issued by the municipality.
In 2012 the Lecce Court of Appeal, upholding the judgment of the first instance, declared the invalidity of the operation, ordering the Bank to refund, with interest, the partial repayments of the bonds made by the municipality. The municipality was ordered to repay the bond, with interest. 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.

Intesa Sanpaolo lodged an appeal with the Court of Cassation and the hearing for discussion has been scheduled for 26 January 2016.
In November 2010 the Bank 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. A stay of these proceedings has been ordered pending the decision by the Court of Cassation.
The same matter is also the subject of criminal proceedings before the Court of Taranto against several executives of Banca OPI and Sanpaolo IMI (and members of the municipal council), in which the municipality has claimed damages, and Intesa Sanpaolo has been claimed to bear civil liability of no less than 1 billion euro. The charge is indirect abuse of office (a crime not significant for the purposes of Legislative Decree 231/2001).
In October 2014, the court ordered two Banca OPI executives (after acquitting all of the other Group defendants) to provide compensation, on a joint and several basis with the Bank, for the damages suffered by the municipality, to be established in separate proceedings, with the provisional amount of 26 million euro.
Both the convicted former employees and the Bank have lodged appeals.
In light of the grounds of the criminal judgment, in which it is clearly stated that the provisional amount is almost entirely represented by the interest actually paid by the municipality (approximately 25 million euro), already the subject of a civil judgment, an outlay by the Bank is unlikely, since the amount may be set off against the larger claim (approximately 230 million euro) against the municipality.
The Bank and the municipality have met repeatedly to assess the possibility of an amicable settlement to the 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.

Interporto Sud Europa (ISE) lawsuit – At the end of 2013 Interporto Sud Europa (ISE) sued Banco di Napoli and another bank, seeking a judgment ordering them to provide compensation for damages of 185 million euro on a joint and several basis. The damages in question, which have not been proved, are claimed to be attributable to failure to disburse an approved loan for the construction of a shopping centre. This is argued to have caused ISE a liquidity shortfall that led it to sell the shopping centre at a price 157.4 million euro below its market value and to accept liability for additional construction work for a total cost of 27.8 million euro.
In its defence, the Bank emphasised various factual elements intended to justify the decision not to disburse the loan.
The claimant did not file preliminary briefs, and the judge adjourned the case until the presentation of conclusions in 2017. In light of the factual circumstances and defensive arguments, the case may currently be regarded as without risks.

Acotel Group S.p.A. lawsuit - In October 2014 Acotel Group S.p.A. (after having waived arbitration proceedings previously initiated in regard to the same matter) and Noverca Italia s.r.l. sued Intesa Sanpaolo, seeking total compensation for damages of approximately 160 million euro, due to alleged breach of a cooperation agreement concerning, among other matters, the sale of an innovative telephone SIM card.
In its defence, the Bank emphasised, among its other arguments, the inadequacy of the product from a technological standpoint and the uncompetitive rates, factors to which it attributed the failure of the commercial initiative.
Pending the decision concerning the admission of the evidence requested by the claimants, in light of the facts of the case and the defensive arguments, the suit may currently be regarded as without risk.

Fatrotek lawsuit – Fatrotek S.r.l. brought a compensation suit against Intesa Sanpaolo (along with four other banks and the assignee of the receivables, the former Carime, Castello Finance). The claimant disputed the report of bad payer status in the Central Credit Register and sought a judgment ordering the banks that submitted the report to provide compensation for financial and non-financial damages of 157 million euro. The claim appears to be unfounded, primarily in light of the failure to demonstrate the causal connection between the alleged damages and the Bank's purportedly unlawful conduct: in the three years prior to the report of bad payer status in the Central Credit Register (which was submitted in 2004), the claimant had assets insufficient to cover its exposure to the banking system.
The suit is currently in the preliminary phase.

I Viaggi del Ventaglio Group lawsuits - The dispute with the I Viaggi del Ventaglio Group concerns three separate sets of allegations, two of which have now come to trial.
In December 2011, the bankruptcy trustee of Ventaglio International and two of its subsidiaries sued Intesa Sanpaolo and another bank, claiming damages due to the sale of mortgaged tourism complexes and the exacerbation of its default as a result of the continuation of company operations made possible by a pool loan of 95 million euro (only 25 million euro of which was provided by ISP), disbursed in 2005 to the parent company, I Viaggi del Ventaglio. The judgment is still pending, but it is believed it will be favourable, since it has not been proved that the banks' actions were unlawful or that there was a causal link between the loan provided and alleged damages.
In June 2014, the bankruptcy trustee of I Viaggi del Ventaglio sued the bankrupt company's directors and statutory auditors, along with Intesa Sanpaolo and another bank, for compensation for a series of financing transactions argued to have allowed the company to continue to operate improperly and thus to have exacerbated its default. The damages have been quantified at a minimum of 170 million euro and a maximum of approximately 191 million euro. In its appearance, Intesa Sanpaolo objected firstly that the right to damages had extinguished due to prescription and that the claimant did not have standing to sue, while also challenging the claims on the merits on matters of fact and law. The case is in the initial phase and there is currently not believed to be a concrete risk of an unfavourable outcome.
In July 2012 an extra-judicial request was received from the bankruptcy trustee of Organizzazione Viaggi Columbus S.r.l., regarded as specious and without foundation from the bank's perspective. This request did not give rise to any legal initiatives.

Allegra Finanz AG lawsuit – In 2015 the judgment rejecting the claims brought by Allegra Finanz AG and other international institutional investors against Intesa Sanpaolo, Eurizon Capital SGR and six other financial institutions concerning compensation claims of 129 million euro, resulting from losses due to investments in bonds and shares issued by Parmalat Group companies, became res judicata.

Alis Holding S.r.l. lawsuit – At the end of 2014, Alis Holding S.r.l. in liquidation sued Intesa Sanpaolo, seeking compensation for damages of 127.6 million euro, on the grounds that the Bank allegedly breached an obligation to provide financing to its investee Cargoitalia without justification. In addition to objecting that Alis Holding lacked standing to sue, the Bank challenged the opposing party's claims from various perspectives, in particular due to the lack of a causal link between its actions and the alleged damages, the absence of any commitment whatsoever on the Bank's part to fund Cargoitalia and the improper representation and quantification of the alleged damages.
While the suit was ongoing, the claimant formulated an additional subordinate compensation claim (in the same amount as its principal claim), alleging that the Bank was liable on the basis of statements made by a Bank employee in the capacity of the company's Board of Directors. In its defence, Intesa Sanpaolo disputed this allegation and objected to the new claim. At present, given the facts of the case and defensive arguments, the suit may be regarded as without risks.

Elifani Group lawsuits - In 2014 several disputes involving anatocism and interest beyond the legal limit were settled with four companies attributable to the Elifani Group of Rome, resulting in a total outlay for the Bank of 6 million euro.
In November 2015, the proceedings before the Court of Appeal were concluded, upholding the judgment of the first instance favourable to the Bank concerning the compensation claims of approximately 116 million euro formulated by three Elifani Group companies. The term for an appeal before the Court of Cassation has begun to run.

Alberto Tambelli lawsuit - In January 2013, before the Milan Court of Appeal, Alberto Tambelli reinstated an action after the Court of Cassation decision, claiming compensation for damages in terms of lost earnings for a total of approximately 110 million euro. The damages in question are alleged to derive from futures transactions undertaken in 1994, as a result of which Mr. Tambelli purportedly suffered financial loss**.** On termination of both levels of proceedings brought against the Bank, the claimant obtained compensation of the damages suffered but was 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.
On appeal, the counterparty's preliminary motions were not granted and the case was adjourned until 2016 for the presentation of conclusions.
As the lawsuit is deemed lacking in grounds no provisions have been made.

Disputes regarding tax-collection companies - In the context of the government's decision to reassume responsibility for tax collection, Intesa Sanpaolo sold to Equitalia S.p.A. full ownership of Gest Line and ETR/ESATRI, companies that managed tax-collection activities, undertaking to indemnify the buyer against any expenses associated with the collection activity carried out up to the time of purchase of the equity interests.
In particular, such expenses refer to liabilities for disputes (with tax authorities, taxpayers and employees) and out-of-period expenses and capital losses with respect to financial situation at the time of the sale.
A technical roundtable has been formed with Equitalia in order to assess the parties' claims.
At the level of disputes, the sole case of litigation refers to the suit brought before the Court of Accounts - Campania Regional Section, by the bankruptcy trustee of SERIT S.p.A., a former collection agent. The bankruptcy trustee claims 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 compensation claim has been quantified at 129 million euro. The judgment is pending. The Bank's position is founded on valid defence arguments, both in pre-trial phase and on the merits, which lead us to consider the dispute as free from risks.

Dealings with the Giacomini Group - In May 2012, the Public Prosecutor’s Offices of Verbania and Novara initiated investigations of possible tax offences committed by the Giacomini family and their advisors, and the Public Prosecutor’s Office of Milan launched an investigation of possible complicity in money-laundering by certain of the Giacominis’ financial advisors and the former CEO of the Luxembourg subsidiary, Société Européenne de Banque - SEB (now Intesa Sanpaolo Bank Luxembourg S.A.) and the head of Corporate Division relations of Intesa Sanpaolo, as well as SEB and ISP for administrative liability pursuant to Legislative Decree no. 231/01.
In the autumn all positions relating to the Intesa Sanpaolo Group were dismissed.

Geni S.p.A. bankruptcy lawsuit - A compensation suit was brought against Cassa di Risparmio Salernitana (subsequently IGC, now Intesa Sanpaolo), alleging that it occupied the position of dominant shareholder and de facto director, failed to provide financial support and unlawfully suspended credit to Geni (a tax-collection company), resulting in its default and bankruptcy.
In its March 2010 judgment, the Court of Salerno rejected the claims brought by the bankruptcy procedure due to a lack of a causal link between the alleged act of mismanagement and the bankruptcy damages.
In April 2011, the bankruptcy trustee lodged an appeal before the Court of Salerno. The case has been adjourned until the hearing of 7 July 2016 for the presentation of conclusions.
We are confident that the outcome of the appeal will also be favourable.

Alexbank lawsuit – In 2015 the preliminary phase of the suit that began in 2011, seeking the quashing of the administrative order for privatisation and the ensuing purchase by Sanpaolo IMI in 2006 of an 80% equity interest in Bank of Alexandria from the Egyptian Government, was brought to a conclusion.
A stay of the proceedings has currently been granted, pending a decision by the Constitutional Court as to the constitutionality of the April 2014 law, known as the "Save Privatisation Act".
On the merits of the case, the opposing party's claims are believed to be without foundation.

Legal and administrative proceedings at the New York branch - Two additional separate developments emerged from the investigation launched in 2008 by the New York District Attorney's Office and the Department of Justice concerning payments in dollars through the New York Branch, which was brought to a favourable conclusion in 2012.
The first, conducted by OFAC (Office of Foreign Assets Control of the U.S. Department of the Treasury), concluded with a modest

fine of 2.9 million dollars. The second, conducted by the Federal Reserve and the New York State Department for Financial Services (a financial service supervisory body of the State of New York), is still ongoing. At present, it is not possible to predict the outcome or evaluate the risk of penalties.

Potrošac dispute
In April 2012, PBZ and seven banks were sued by Potrošac, a consumer association, in relation to loans granted in CHF beginning in 2004, on the grounds that they allegedly did not inform customers adequately of foreign exchange risk and did not clearly specify in the contracts the rules for determining the interest rates, subject to unilateral modification by the banks.
The judgement of the first instance, unfavourable to the banks, was overturned in the second instance, with respect to the part ordering the banks to convert the loans into the local currency (HRK) at the exchange rate as at the disbursement date and at the fixed interest rate applicable to the loan contracts on the signing date. The courts upheld the ruling that the unilateral modification of the interest rates on the loans was unlawful.
In May 2015, the Supreme Court upheld the judgement of the second instance. According to the decision, in order to exercise their rights, customers would have had to take separate legal action. At present, only a very small minority of PBZ's customers have done so. PBZ has recognised appropriate allowances to account for the risk of an unfavourable outcome.

In September 2015, a law was enacted, requiring Croatian banks to offer customers the option of converting loans disbursed or indexed in CHF into euro at the exchange rate applicable at the disbursement date of each loan and at the interest rates applied from time to time to the corresponding loans in euro or in HRK with a euro indexing clause. The law applies to loans contracted from 1 January 2000 to 30 September 2015.
PBZ complied with the law, but in the interim (along with other Croatian banks) submitted an application to the Constitutional Court for constitutional review of the law, requesting that it be suspended pending the decision. The Constitutional Court denied the request for suspension of the law.
PBZ recognised a provision of 172 million euro to cover the losses resulting from the obligations imposed by the new legislation.

As a result of the new law, customers no longer have an interest in pursuing individual litigation.

IMI/SIR dispute
In judgement 11135 filed on 21 May 2015, the Court of Rome ordered Giovanni Acampora and Vittorio Metta, the latter jointly liable with the Prime Minister’s Office (pursuant to Law no. 117/1988 on the accountability of the judiciary), to pay Intesa Sanpaolo 173 million euro net of tax, plus legal interest running from 1 February 2015 to the date of final payment, plus legal expenses.
The above judgement followed on:
– judgement of the Rome Court of Appeal no. 1306/2013, which overturned, on the basis of judicial corruption, the judgement handed down by that same Rome Court of Appeal in 1990, ordering IMI to pay the heir of entrepreneur Nino Rovelli (who passed away in the interim) the sum of approximately 980 billion Italian lire;
– the compensation claim put forward by Intesa Sanpaolo (successor to IMI) on the basis of the judgements establishing the criminal liability of the corrupt judge (and his accomplices) and ordering the defendants to provide compensation for damages, referring the question of the amount of such damages to the civil courts.

The Court of Rome therefore proceeded to quantify the financial and non-financial damages due to Intesa Sanpaolo for a total of 173 million euro net of tax and after deduction of the amounts since received by the bank as part of the settlements with the Rovelli family and with the counterparties Previti and Pacifico.
Given that it was calculated net of tax, the award was grossed up and accounted for net of the amounts relating to: sums already recognised in the balance sheet (but not taken into account in the ruling by the Court of Rome) and to tax credits sold to Intesa Sanpaolo by the Rovelli family by way of settlement. These related to taxes previously paid by IMI as a result of the revoked, corrupt ruling, and the fiscal authorities have already been asked to pay them back. Consequently, 211 million euro has been booked in other operating income, along with the related taxes of 62 million euro.
The counterparties lodged an appeal with a motion for a stay. The appeal documents do not introduce any essentially new elements beyond those already considered and rejected by the court. The first hearing will be held on 19 July 2016.

Labour litigation
There were no significant cases of labour litigation from either a qualitative or quantitative standpoint as at 31 December 2015. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

TAX LITIGATION

The Group's tax litigation risks are covered by adequate provisions to allowances for risks and charges.

The Parent Company has 300 pending cases of litigation, for a total amount of 380 million euro (952 million euro in the 2014 financial statements), calculated considering both proceedings in administrative venues and proceedings in the various instances of the courts, in addition to three cases, illustrated below, with a tax risk of 467 million euro, for which initiatives were taken to reach a settlement through what are known as "dispute settlement mechanisms". The provisions for risks covering tax litigation were quantified at 229 million euro at 31 December 2015 (75 million euro in 2014).

At the Group's other Italian companies included in the scope of consolidation (with the exclusion of Risanamento S.p.A., not subject to management and coordination by Intesa Sanpaolo), tax litigation totalled 217 million euro at year-end (370 million euro in 2014), covered by specific provisions of 27 million euro (29 million euro in 2014).

Tax disputes involving international subsidiaries, totalling 537 million euro (9 million euro in 2014), are covered by allowances of 10 million euro (6 million euro in 2014). The significant increase in potential risks observed during the year (+528 million euro compared to 2014) is almost entirely related to the charge of illegal use of an offshore tax structure brought by the Italian tax authorities against the Luxembourg subsidiary Eurizon Capital S.A.

Among major developments affecting Intesa Sanpaolo, an audit initiated by the Guardia di Finanza in November 2013 was concluded with the issue in February 2015 of the auditors' report on findings, including three irregularities. Setting aside the first irregularity, relating to failure to apply VAT to custodian banking services rendered to asset management companies (settled through acquiescence to the assessment notices, but with the right to subsequent recovery of the tax from the asset management companies, which in turn charged it to the funds they manage), the second irregularity concerns the failure to withhold tax on interest paid by the New York branch on deposits by Intesa Funding LLC (2008-2013) and Sanpaolo IMI US Financial Company (2008-2010) on the basis of commercial papers issued by the companies in question on the U.S. market. The allegation, which presupposes that the foreign branch is subject to Italian withholding agent obligations, and which does not take account of the treaty for the avoidance of double taxation between Italy and the U.S., entails a total tax risk of 134 million euro. The third irregularity concerns a clearly unsubstantiated allegation of abuse of the law in connection with the operations of Intesa Sanpaolo Holding International ("ISPHI"), a Luxembourg holding company based that manages equity investments and loans to the Group's international banks. In particular, the Guardia di Finanza claim that the interest paid by the Italian subsidiary Mediocredito Italiano to Intesa Sanpaolo Bank Luxembourg (in turn, a borrower from ISPHI) may be attributed to Intesa Sanpaolo (as a shareholder of ISPHI), resulting in IRES and IRAP due on that same interest. The total risk associated with this irregularity is 107.5 million euro, including tax, penalties and interest.

Another significant tax dispute involves Tier 1 funding raised by issuing preference shares through companies based in the U.S.A. In this connection, it should be recalled that a report on findings issued by the Guardia di Finanza in September 2013 alleged that tax had failed to be withheld at source on interest paid by Intesa Sanpaolo, in the years 2007-2011, in respect of deposits placed by the above U.S. companies in view of capital enhancement. The allegations are based on the characterisation of the deposits as loans by the issuers to the Parent Company, and, as such, as subject to approval by the Bank of Italy and reporting in the financial statements. Overall, the allegations in question entail a maximum tax risk of 225 million euro, including tax, penalties and interest. The appeals concerning 2007 and 2008 were rejected by the Turin Provincial Tax Commission, but without application of penalties.

To resolve the disputes illustrated above (with the exception of the dispute concerning VAT on custodian bank services, which has already been settled), which present a total tax risk of 467 million euro and account for approximately 60% of Intesa Sanpaolo's disputes, initiatives have been taken to reach a settlement with the Italian Revenue Agency through "dispute settlement mechanisms", in view of the Bank's admission of the "cooperative compliance" programme governed by Legislative Decree 128/2015.

Attention should also be drawn to the important agreement reached with the Italian Revenue Agency in 2015 for complete settlement of the charges concerning tax period 2005, resulting in a reduction of the revenue authority's claim from the original 376 million euro (including tax, penalties and interest) to approximately 6 million euro. The most significant dispute from a quantitative standpoint subject to the above settlement, amounting to 370 million euro, concerned the claim that the losses on the transfer without recourse of non-performing loans to Castello Finance S.r.l. (a vehicle controlled by Fortress and Merrill Lynch), undertaken in 2005 by Banca Intesa, Intesa Gestione Crediti and Mediocredito Italiano, were not tax-deductible.

With respect to the dispute concerning the recovery of registration tax on contribution of company assets and the subsequent sale of equity investments, characterised by the tax authorities as transfer of a business unit, the Regional Tax Commission of Milan handed down its judgment with an unfavourable ruling to the Group in the specific matter at hand, despite the unambiguously favourable precedents. In this regard, there are currently eleven pending disputes concerning a total of 64.3 million euro of tax and interest.

Turning to the other Group companies, the Italian Revenue Agency, Emilia Romagna Regional Department, challenged the tax treatment by all Group banks based in the region (Cariromagna, Carisbo and the merged Banca Monte Parma) of the losses related to the transfer of loans to customers out of the performing category, subject to lump-sum write-downs, to positions subject to individual impairment testing, as a consequence of their involvement in insolvency procedures. In extremely short form, the revenue authorities argue that the individual impairment losses should be allocated, as a first priority, to the generic provision for adjustment, rather than being regarded, in accordance with the accounting treatment, full loan losses subject to immediate deduction pursuant to Art. 105, paragraph 5, of the Combined Tax Regulations, as in force at the time. The risk associated with the charges in question, totalling 61 million euro, is regarded as without foundation by the Bank, because it conflicts with the derivation principle set out in Art. 83 of the Combined Tax Regulations.

On the subject of abuse of the law, Banca IMI also reached a settlement through administrative channels for the last of the three years (2008 to 2010) subject to the charges brought by the Guardia di Finanza following an audit concluded in September 2013. The claim, which concerns the sale of futures on Italian listed shares to non-resident entities, argued that a manufactured dividend had been paid by the Bank and demanded that it be subject to withholding. Despite the conviction that the claim was unjustified, it was likewise decided to be in the Bank's interest to settle this claim as well, which for 2010 entailed a charge of 2 million euro, compared to the tax authority's claim of 134.3 million euro.

On 10 February 2015, the Guardia di Finanza concluded an audit of the Luxembourg subsidiary Eurizon Capital S.A. ("ECSA") based on the claim (supported by documentation obtained by the auditors while at the offices of Eurizon Capital SGR) that the Company is resident in Italy for tax purposes due to the alleged presence in Italy of its administrative office and primary place of business, and thus charged the company with failing to report income of approximately 731 million euro for the periods from 2004 to 2013. On 23 June 2015, ECSA received the assessment notices for the periods from 2004 to 2008 (a total of 122 million euro of IRES due, plus interest and penalties), against which it lodged an appeal in a timely manner. The claim, as also confirmed by an opinion issued by ECSA's advisors, is believed to be without foundation, in light of the legality of the actions of the subsidiary, which has been operating in Luxembourg since 1988, with over 50 highly qualified employees, primarily dedicated to managing, marketing and administering Luxembourg funds, is subject to supervision by the local authorities and has always acted in full compliance with national tax provisions and the treaty for the avoidance of double taxation between Italy and Luxembourg. Currently, contacts are ongoing with the Italian Revenue Agency to demonstrate the appropriateness of the subsidiary's conduct.

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Out of the total cases of tax litigation pending as at 31 December 2015, at Group level 262 million euro is posted to the balance sheet among assets (236 million euro in the 2014 financial statements), 222 million euro of which refers to the Parent Company (200 million euro in the 2014 financial statements), representing the total amount paid by way of provisional tax collection where assessments are conducted. The amount relating to Intesa Sanpaolo falls to 117 million euro if one excludes the provisional collection of the former Castello Finance position, for which the Bank received a refund on 5 February 2016.
The share of the provision for risks that covers the disputes in question amounts to 131 million euro, of which 119 million euro relates to Intesa Sanpaolo (49 million euro in 2014, of which 35 million euro for Intesa Sanpaolo).
The provisional payments in question were made in compliance with specific legal provisions, which mandate such payments based on an automatic mechanism independent of 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 judgement of the Court of Appeal of Rome on 7 March 2013, which has become final, ordered the revocation, due to judicial misconduct, of the judgement 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 judgement).
As a result of the revocation of the judgement, Intesa Sanpaolo - assignee of the rights of Mr. Rovelli's heir - submitted an application for refund from the financial authorities of the taxes paid at the time for various reasons following the first judgement, which was cancelled as a result of the revocation. Based on the applicable accounting standards, as there is a reasonable certainty that said assets may be realised at least partially, the 2013 financial statements posted assets totalling 128.1 million euro.
On 8 August 2014 the financial authorities settled the entire amount of inheritance tax paid at the time by the heir, amounting to approximately 111 million euro. As regards the other two taxes, i.e. registration tax applied to the revoked judgement and the tax withholdings applied to the interest on the late payment due by IMI to the heir, all amounting to approximately 43 million euro, the measures of the administration are currently pending as a result of the process initiated by way of the applications for refund.

SECTION 2 – RISKS OF INSURANCE COMPANIES

2.1 INSURANCE RISKS

QUALITATIVE AND QUANTITATIVE INFORMATION

Life business
The typical risks of the life insurance portfolio (managed by Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita) may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities). During the definition of a product, profit testing is used, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses.
Actuarial and demographic risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of "reserves". The loss ratio refers not only to actuarial loss, but also to financial loss (guaranteed interest rate risk). The Company guards against these risks by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.
Reserve risk is guarded against through the exact calculation of mathematical reserves, with a series of detailed checks (for example, checking that all the variables required for the calculation such as yields, quotations, technical foundations, parameters for the supplementary reserves, and recalculation of the value of single contracts are correctly saved in the system) as well as overall verifications, by comparing results with the estimates produced on a monthly basis. Specific attention is paid to checking the correct assumption of contracts, by checking the relative portfolio against the reconstruction of movements during the period, divided by purpose, and checking the consistency of the amounts settled compared with the movements of reserves.

The tables below show the structure of the mathematical reserves by expiry date, excluding reserves for amounts to be paid and before intercompany netting, and the structure of the guaranteed minimum yield as at 31 December 2015.

(millions of euro)

Breakdown of mathematical reserves of life branch: maturity	Mathematical reserve	%
up to 1 year	1,817	2.33
1 to 5 years	5,817	7.46
6 to 10 years	1,403	1.80
11 to 20 years	1,129	1.45
over 20 years	67,816	86.96
TOTAL	**77,982**	**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%	35,243	41.90
from 1% to 3%	32,217	38.31
from 3% to 5%	5,171	6.15
Insurance products	**5,351**	**6.36**
Shadow reserve	**6,122**	**7.28**
TOTAL	**84,104**	**100.00**

The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

The following table shows a breakdown by maturity of financial liabilities, before intercompany netting, represented by assets covering commitments arising under unit- and index-linked policies and subordinated liabilities.

(millions of euro)

Breakdown of financial liabilities by maturity	Within 12 months	Over 12 months	Total as at 31.12.2015	Total as at 31.12.2014
Unit linked	292	46,597	46,889	37,307
Index linked	275	1	276	449
Subordinated liabilities	1	1,398	1,399	1,423
Total	**568**	**47,996**	**48,564**	**39,179**

Non-life business

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita) mainly relate to premium and reserve risks.

Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).

Reserve risk is guarded against through the exact calculation of technical reserves. More specifically, for companies with non-life business the technical reserves may be broken down into: premium reserves, claims reserves, profit sharing and reversal reserves, other technical reserves and the equalisation reserve.

With regard to risk assumption, policies are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check is thus not only formal, but also substantive, and in particular allows the identification of exposures in terms of capital and limits of liability, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network.

Subsequently, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and health branches). This is also carried out in order to provide the Reinsurance department with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

The following table presents the development of claims by year of generation, broken down into the major business lines of operation, as at 31 December 2015.

(millions of euro)

Development of Claims Reserves	**YEAR OF GENERATION/EVENT**					**TOTAL**
	2011	**2012**	**2013**	**2014**	**2015**	
Reserve amount:						
as at 31/12 generation year N	69	92	117	124	122	
as at 31/12 year N+1	78	92	110	102		
as at 31/12 year N+2	74	88	108			
as at 31/12 year N+3	70	88				
as at 31/12 year N+4	71					
Total claims paid	**60**	**71**	**86**	**74**	**40**	**331**
Claims reserve booked as at 31.12.2015	**10**	**17**	**22**	**28**	**82**	**159**
Final claims reserve for previous years						**8**
Total claims reserve booked as at 31.12.2015						**167**

2.2 FINANCIAL RISKS

Financial Risks

These risks derive from the level or volatility of market prices of financial instruments that impact the book value of both assets and liabilities. The risk factors identified by the company are as follows:

- Interest rate risk: impacts assets and liabilities whose value is sensitive to changes in the forward structure of interest rates or the volatility of interest rates;
- Equity price risk: derives from the level or volatility of market prices of equities and impacts assets and liabilities whose value is sensitive to changes in equity prices;
- Property risk: derives from the level or volatility of market prices of real estate property and impacts assets and liabilities sensitive to said changes;
- Foreign exchange risk: derives from changes in the level or volatility of foreign exchange rates;
- Spread risk: impacts assets and liabilities whose value is sensitive to adverse changes in credit spreads;
- Concentration risk: reflects the risk of holding high percentages of financial assets of the same counterparty.

Investment portfolios

As at 31 December 2015, the investment portfolios of Group companies, recorded at book value, amounted to 133,858 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 81,821 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 52,036 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 (-139 million euro at book value) detailed below, 88.15% of the assets (72,123 million euro) consisted of bonds, whereas assets subject to equity price risk represented 1.80% of the total and amounted to 1,474 million euro. The remainder (10.05%, 8,225 million euro) consisted of investments relating to UCI, private equity and hedge funds.

Interest rate risk exposure

The breakdown by maturity of bonds showed 6.24% short-term (under 1 year), 35.15% medium-term and 58.61% long-term (over five years).

(millions of euro)

Financial assets	Book value	%	Duration
Fixed-rate bonds	**65,342**	**79.86**	**6.48**
up to 1 year	3,628	4.44	
1 to 5 years	21,277	26.00	
over 5 years	40,437	49.42	
Floating rate/indexed bonds	**6,781**	**8.29**	**2.85**
up to 1 year	873	1.07	
1 to 5 years	4,077	4.98	
over 5 years	1,831	2.24	
TOTAL	**72,123**	**88.15**	**-**
Equities or similar capital securities	**1,474**	**1.80**	
UCI, Private Equity, Hedge Fund	**8,225**	**10.05**	
TOTAL AS AT 31.12.2015	**81,822**	**100.00**	

The modified duration of the bond portfolio, i.e. the synthetic financial term of the assets, is approximately 6.1 years. Reserves relating to the revaluable contracts under discretionary portfolios have an average modified duration of 6.3 years. The related portfolios of assets have a modified duration of 5.5 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.
The sensitivity of the fair value of the portfolio of financial assets to interest rate movements, summarised in the table below, highlights both exposure of the securities portfolio and the effect of positions represented by hedging derivatives which reduce its sensitivity. For example, a parallel shift in the yield curve of +100 basis points leads to a negative fair value change in the bond portfolios of 4,155 million euro.

(millions of euro)

	Book value	%	Fair value changes due to interest rate fluctuations	
			+100 bps	-100 bps
Fixed-rate bonds	65,342	90.60	-3,974	4,417
Floating rate/indexed bonds	6,781	9.40	-181	200
Interest rate risk hedging effect	-	-	-	-
TOTAL	**72,123**	**100.00**	**-4,155**	**4,617**

Credit risk exposure

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented 4.22% of total investments and A bonds approximately 3.83%. Low investment grade securities (BBB) were 77.55% of the total, while the portion of speculative grade or unrated was minimal (2.55%).

With regard to exposure to BBB rated securities, the majority of the exposure related to bonds issued by the Republic of Italy.

(millions of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**72,123**	**88.15**
AAA	2,241	2.74
AA	1,212	1.48
A	3,136	3.83
BBB	63,449	77.55
Speculative grade	1,892	2.31
Unrated	193	0.24
Equities or similar capital securities	**1,474**	**1.80**
UCI, Private Equity, Hedge Fund	**8,225**	**10.05**
TOTAL	**81,822**	**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 77.72% of the total investments, whereas the securities of corporate issuers contributed around 22.28%.

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 2015, 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	56,055	77.72	-3,441	3,846
Corporate bonds	16,068	22.28	-809	845
TOTAL	**72,123**	**100.00**	**-4,250**	**4,691**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to 147 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	155	10.52	-15
Equities - Non-financial companies and other counterparties	1,319	89.48	-132
TOTAL	**1,474**	**100.00**	**-147**

Exchange risk exposure

The investment portfolio is not appreciably exposed to foreign exchange risk: approximately 97% of investments are made up of assets denominated in the EU currency. The residual exposure to exchange risk was hedged by positions in financial instruments, particularly domestic currency swaps, in the same 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, credit default swaps and futures) 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 2015.

(millions of euro)

Type of underlying	INTEREST RATES		EQUITIES, EQUITY INDICES, COMMODITIES, EXCHANGE RATES		TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	-	-	-	-	-
Effective management derivatives	-	-139	-	-	-	-139
TOTAL	**-**	**-139**	**-**	**-**	**-**	**-139**

The capital losses shown for the hedging derivatives are offset, due to the nature of the instruments, by the capital gains on the positions hedged. For the purpose of reducing investment risk, the instruments shown under effective management derivatives are also netted with the appreciation of the associated assets.

SECTION 3 – RISKS OF OTHER COMPANIES

Risks of other companies are essentially concentrated in the companies Romulus Funding Corporation and Duomo Funding Plc, subsidiaries included within the scope of consolidation pursuant to IFRS 10, and in the Risanamento Group companies, consolidated for accounting purposes starting in 2015, but not subject to management and coordination.

THE VEHICLES ROMULUS FUNDING CORPORATION AND DUOMO FUNDING PLC

Qualitative and quantitative information

These are asset-backed commercial paper conduits, originally established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international commercial paper market. The assets originated by customers are concentrated in Duomo, leaving Romulus activity of fund-raising on the U.S. market. Nonetheless, due to the subsequent downgrading of Intesa Sanpaolo at the end of 2014, US investors gradually divested without the vehicle being able to find new third party investors with which to place the commercial papers. As at 31 December 2015, around 3.2 billion euro of the around 3.3 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.

As at 31 December 2015, the investment portfolio of vehicle Romulus included 3,333 million euro in loans to the vehicle Duomo. These are in addition to cash, other assets and the positive fair value of hedging derivatives totalling approximately 2 million euro.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a carrying amount of 3,333 million euro, almost all of which was subscribed by the Parent Company Intesa Sanpaolo.
The table below shows the information and figures for the above two vehicles as at 31 December 2015.

(millions of euro)

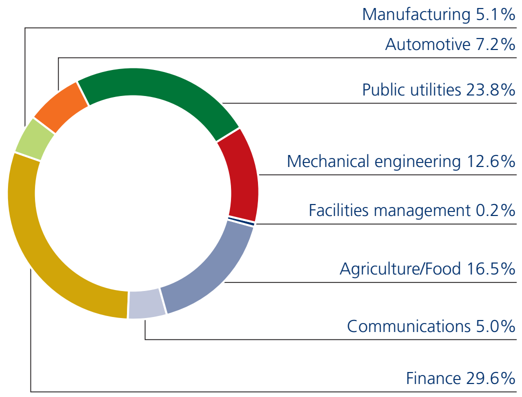
		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset backed commercial paper conduit	3,333 (1)		-	-		-	3,333	3,215	Loans	Amortised cost
DUOMO FUNDING CORP.	Asset backed commercial paper conduit	3,347	-	1,847 (2)	-		-	-			

(1) Entirely made up of loans disbursed to Duomo for transactions booked in the financial statements of the vehicle.
(2) of which 1.847 million euro referring to credit lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39.

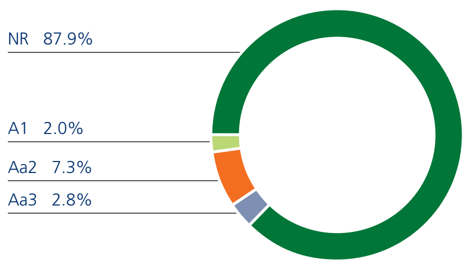
With regard to the portfolio of the vehicle Duomo, at the end of 2015 – in addition to receivables from Group banks for 1,888 million euro – this portfolio includes loans to customers for 1,420 million euro. In portfolio, the vehicle also holds quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 36 million euro as at 31 December 2015. The vehicle's total assets also include other assets of 3 million euro.
The total assets of the conduits Romulus and Duomo, net of dealings between the two vehicles, made up 0.5% of the total consolidated assets.

The portfolio of the two vehicles is approximately 63% accounted for by commercial loans and the remainder by consumer loans (15%), by loans deriving from lease contracts (12%), by inventory-backed loans (7%) and by loans/lease contracts to pharmaceutical companies (3%). Almost all of the eligible assets held by the vehicles are expressed in euro (97.4% of the total portfolio). The remainder is denominated primarily in US dollars.
The following information is provided concerning the portfolio of eligible assets.

Breakdown by economic sector



Breakdown of assets by rating



The unrated share of eligible assets is structured in such a way as to obtain an implicit A/AA rating.
With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 77.5% of the debtors are located in Italy.
Please note that the uses in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were of sufficient credit quality for the commercial papers issued by Romulus to maintain the A-3/P-2 ratings.

RISANAMENTO GROUP

Qualitative and quantitative information

With regard to the risks of other companies, mention should also be made of the potential effects of the unfavourable real-estate market situation on the Risanamento Group, in consideration of the specific nature of that Group's business.
Expectations for the real-estate sector are conditioned by economic growth, difficult credit access conditions and the high unemployment rate. The situation of the real-estate sector thus continues to appear uncertain and complex, just as the macroeconomic context of reference. Indeed, the expected performance of the real-estate market in the coming months is linked to the development of the complex economic scenario.

The real-estate market is subject to the cyclical performance of rent values and property prices. The length of such cycles varies, but normally spans multiple years. The macro-economic factors with the greatest influence on property values and cyclical performance are as follows:
- interest rate performance;
- market liquidity and access to remunerative alternative investments;
- economic growth.

The Risanamento Group's management policy is aimed at minimising the effects of the various phases of the cycle through long-term contracts with tenants of high standing, low vacancy rates to avoid the risk of having to locate new tenants in periods of limited demand for lease space, and investments in development projects with high quality standards.

The main risks specifically relating to real estate managed by the Risanamento Group are represented below.

Inability to sell / valuation of assets not in line with the Risanamento Group's strategic projections
This risk relates to all potential events that may influence the achievement of the sales and lease targets for the Risanamento Group's assets. At present, the ability to identify potential commercial tenants that meet the Company's expected needs and requirements is often subject to factors and circumstances beyond the Company's control. The consequences for operations could translate into a decrease in trades and an increase in vacant properties.
The Risanamento Group manages this risk through constant monitoring of commercial activities and observance of strategic objectives that allow it to assess and implement sales actions with a full awareness of the established strategic objectives.
In leasing activity, it should be noted that residual income-generating assets relate essentially to long-term lease contracts with tenants of high standing.

Risks associated with project execution
The execution of real-estate initiatives presents risks associated with planning activity, environmental problems, building activity, and the length and potential exposure of the initiative to the cyclical nature of the real-estate market.
This latter aspect is inherent in larger, long-term projects that are inevitably affected by the cyclical nature of the real-estate sector due to the need to combine administrative formalities with innovative design quality, harnessed to stimulate demand from the market.
The potential risk in question also translates into the possibility that i) errors in or critical aspects of a design may compromise the objectives of the timeliness and proper execution of the works, and ii) the works may not be completed according to the agreed terms and conditions for reasons attributable to the contractor.
The interim structural inspection process allows problems to be identified immediately and the resulting remedial action to be taken.

The total carrying amount of the Risanamento Group's real-estate portfolio in Intesa Sanpaolo's consolidated financial statements is 1,020 million euro.
In further detail, the portfolio may be broken down as follows:

- non-investment properties; 43 million euro;
- land and buildings held for investment purposes; 267 million euro;
- properties held for sale; 54 million euro;
- real-estate development areas and projects; 656 million euro;

As mentioned above, Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

Part F – Information on consolidated capital

SECTION 1 – CONSOLIDATED CAPITAL

A. Qualitative information

The control of capital adequacy both at consolidated level and at single entities level 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, 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, the capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory Pillar 1 constraints (in compliance with Basel 3 rules, effective from 1 January 2014) and operational Pillar 2 constraints. Projections are also produced under stress conditions in order to ensure that the available resources are adequate to cover all risks, even in adverse conditions.
As part of the process of defining budget targets, a compatibility analysis is conducted annually at Group level and at the level of individual entities 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 equal 7% of the Common Equity Tier 1, including the capital retention reserve equal to 2.5%, 8.5% of Tier 1 and 10.5% of Tier Total. On 25 February 2015 the Intesa Sanpaolo Group received the ECB's final decision regarding the minimum total capital requirements at consolidated level to be met (Common Equity Tier 1 ratio of 9% and Total Capital Ratio of 11.5%)

On 27 November 2015 the Intesa Sanpaolo Group received the ECB's final decision regarding the minimum total capital requirements at consolidated level to be met starting from 1 January 2016 (Common Equity Tier 1 Ratio of 9.5%) following the results of the Supervisory Review and Evaluation Process (SREP).

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	**9,289**	**-**	**400**	**-400**	**9,289**	***557***
Ordinary shares	8,804	-	400	-400	8,804	*557*
Savings shares	485	-	-	-	485	-
Share premium reserve	**27,521**	**-**	**106**	**-106**	**27,521**	***172***
Reserves	**9,122**	**-763**	**-462**	**1,225**	**9,122**	***-45***
Legal reserve	2,065	-	-	-	2,065	-
Extraordinary reserve	768	-	-	-	768	-
Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990)	232	-	-	-	232	-
Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	302	-	-	-	302	-
Consolidation reserve	5,546	-763	-462	1,225	5,546	*-45*
Other reserves	209	-	-	-	209	-
Equity instruments	**877**	**-**	**-**	**-**	**877**	**-**
(Treasury shares)	**-70**	**-2**	**-**	**-**	**-72**	***-2***
Valuation reserves:	**-950**	**681**	**110**	**-791**	**-950**	***68***
Financial assets available for sale	292	682	98	-98	974	*82*
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-
Cash flow hedges	-1,138	-	-	-	-1,138	-
Foreign exchange differences	-766	-	12	-12	-766	*-8*
Non current assets held for sale	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-483	-1	-	-	-484	*-6*
Share of valuation reserves connected with investments carried at equity	793	-	-	-681	112	-
Legally-required revaluations	352	-	-	-	352	-
Parent Company's net income (loss) and minority interest	**2,806**	**563**	**-9**	**-554**	**2,806**	***67***
Shareholders' equity	**48,595**	**479**	**145**	**-626**	**48,593**	***817***

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 such group, gross of the effects on the income statement of transactions with other companies within the scope of consolidation. Subsidiaries other than those belonging to the Banking group and consolidated on a line-by-line basis are stated here at equity. The columns Insurance companies and Other companies contain the amounts resulting from consolidation, gross of the effects on the income statement of transactions with companies belonging to the Banking group. The columns Netting and Adjustments on consolidation show the adjustments required to obtain the figure represented in the financial statements.

B.2. Valuation reserves of financial assets available for sale: breakdown

(millions of euro)

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		TOTAL 31.12.2015	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	857	-382	670	-13	-	-	-670	13	857	-382
2. Equities	476	-56	26	-8	98	-	-124	8	476	-56
3. Quotas of UCI	119	-34	19	-12	-	-	-19	12	119	-34
4. Loans	3	-1	-	-	-	-	-	-	3	-1
Total as at 31.12.2015	**1,455**	**-473**	**715**	**-33**	**98**	**-**	**-813**	**33**	**1,455**	**-473**
Total as at 31.12.2014	**1,268**	**-422**	**628**	**-10**	**-**	**-**	**-628**	**10**	**1,268**	**-422**

Approximately 8% of the positive reserve on equities is attributable to quoted securities classified as level 1, while the remaining 92% 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	**473**	**319**	**54**	**-**
2. Positive fair value differences	**602**	**331**	**65**	**2**
2.1 Fair value increases	483	294	54	2
2.2 Reversal to the income statement of negative reserves	20	30	8	-
- impairment	*3*	*25*	*5*	-
- disposal	*17*	*5*	*3*	-
2.3 Other changes	99	7	3	-
3. Negative fair value differences	**-600**	**-230**	**-34**	**-**
3.1 Fair value decreases	-253	-175	-28	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	*-310*	*-53*	*-4*	-
3.4 Other changes	-37	-2	-2	-
4. Closing amount	**475**	**420**	**85**	**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.	25,142,548
Purchases	no.	7,834,826
Sales	no.	-12,731,844
End-of-year number	no.	20,605,530

Non-convertible savings shares:

During the year no transactions on savings shares were recorded.

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

During the year the reserves in question recorded a positive change of 296 million euro (234 million euro of which referring to pension funds and 62 million euro to employee termination indemnities). As at 31 December 2015 there is an overall negative reserve equal to approximately 484 million euro for defined benefit plans.

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS FOR BANKS

2.1. Scope of application of regulations

The "Banking Group" differs from the scope of consolidation for the purposes of the financial statements prepared in accordance with the IAS/IFRS. The differences essentially relate to:
- the line-by-line consolidation in the IAS/IFRS financial statements of non-banking, financial and instrumental companies (primarily the insurance segment) not included in the "Banking group";
- the proportional consolidation in the "Banking Group" of the jointly controlled entities conducting banking, financial and instrumental business that are consolidated at equity in the financial statements.

Own funds and capital ratios were calculated on the basis of the provisions in force (Circulars 285 and 286, both issued during 2013, and the update to Circular 154 of 22 November 1991) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws.

2.2. Own funds of banks

A. Qualitative information

The new regulatory framework requires that Own Funds (or regulatory capital) are made up of the following tiers of capital:
- Tier 1 capital, in turn composed of:
  - Common Equity Tier 1 Capital (CET1);
  - Additional Tier 1 Capital (AT1);
- Tier 2 capital (T2)

Tier 1's predominant element is Common Equity, mainly composed of equity instruments (e.g. ordinary shares net of treasury shares), share premium reserves, profit reserves, valuation reserves and eligible minority interests, plus deducted elements.
In order to be eligible for Common Equity, the equity instruments issued must guarantee absorption of losses on going concern, by satisfying the following characteristics:
- maximum level of subordination;
- option for suspending the payment of dividends/coupons at the full discretion of the issuer and in a non-cumulative manner;
- unredeemability;
- absence of redemption incentives.

At present, with reference to the Intesa Sanpaolo Group, no equity instrument other than ordinary shares is eligible for inclusion in Common Equity.

A number of prudential filters are also envisaged with effects on Common Equity:
- filter on profits associated with future margins deriving from securitisations;
- filter on cash flow hedge (CFH) reserves;
- filter on profits or losses on liabilities designated at fair value (derivatives or otherwise) associated with changes in own credit rating;
- adjustments to fair value assets associated with the "prudent valuation".

The regulations also envisage a series of elements to be deducted from Common Equity Tier 1:
- goodwill, intangible assets and residual intangible assets;
- deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences (e.g. DTA on losses carried forward);
- expected losses exceeding total adjustments (the shortfall reserve) for positions weighted according to IRB approaches;
- net assets deriving from defined benefit plans;
- exposures for which it is decided to opt for deduction rather than a 1.250% weighting among RWA;
- minor investments in CET1 instruments issued by companies operating in the financial sector (less the amount exceeding the thresholds envisaged in the regulations);
- deferred tax assets (DTA) that rely on future profitability and arise from temporary differences (deducted for the amount exceeding thresholds envisaged in the regulations);
- significant investments in CET1 instruments issued by companies operating in the financial sector (less the amount exceeding the thresholds envisaged in the regulations).

In general, the AT1 category includes equity instruments other than ordinary shares, meeting the regulatory requirements for inclusion in that level of own funds (e.g. savings shares or the specific issues of Additional Tier 1 instruments).

Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.

Moreover, it has been envisaged that the new regulatory framework (the so-called Basel 3 framework) be introduced gradually over a transitional period, generally until 2017, during which several elements that, when the framework is in full effect, will be eligible for full inclusion in (or deduction from) Common Equity, will only have a partial percent effect on Common Equity Tier 1 Capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from AT1 or T2, or is considered among risk-weighted assets.

Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

The main contractual characteristics of the financial instruments included in Common Equity Tier 1 – CET 1, in the Additional Tier 1 – AT1 and in the Tier 2 –T2, respectively, are summarised below. A distinction is also made between the financial instruments that are subject to grandfathering and other eligible financial instruments.

For a detailed analysis of the contractual characteristics of the issued subordinated instruments such as, for example, the duration, remuneration, etc., please see the information in the document "Basel 3 Pillar 3".

1. Common Equity Tier 1 Capital (CET1)

The Common Equity Tier 1 only includes listed ordinary shares, for an amount equal to 35,596 million euro, including 27,349 million euro of share premium reserve.

2. Additional Tier 1 Capital (AT1)

The Additional Tier 1 includes listed savings shares for 485 million euro, in addition to the subordinated liabilities listed below.

Additional Tier 1 Capital (AT1) equity instruments eligible for grandfathering

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	up to 14/10/2019: 8.375% fixed rate; thereafter 3-month Euribor + 687 bps/year	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur		1,500,000,000	519
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	406
Intesa Sanpaolo	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Eur		1,000,000,000	335
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	175
Total Additional Tier 1 instruments subject to transitional provisions									**1,435**
Intesa Sanpaolo	7.70% fixed rate (up to the first call date)	NO	19-Sep-2015	perpetual	17-Sep-2025	Usd	NO	1,000,000,000	871
Total Additional Tier 1 instruments not subject to transitional provisions									**871**
Total Additional Tier 1 equity instruments									**2,306**

3. Tier 2 capital (T2).

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Subject to grandfathering	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo (*)	8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 687 bps/p.a.	YES	14-Oct-2009	31-Dec-2100	14-Oct-2019	Eur	YES	1,500,000,000	211
Intesa Sanpaolo (*)	up to 20/6/2018 excluded: 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	20-Jun-2049	20-Jun-2018	Eur	YES	1,250,000,000	165
Intesa Sanpaolo (*)	9.5% fixed rate	NO	01-Oct-2010	31-Dec-2100	01-Jun-2016	Eur	YES	1,000,000,000	124
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1,6%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Eur	YES	805,400,000	113
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 2%)/4	NO	31-Mar-2011	31-Mar-2018	NO	Eur	YES	373,400,000	101
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 4%)/4	NO	24-Sep-2008	24-Sep-2048	24-Sep-2018	Eur	YES	250,000,000	71
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1,60%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Eur	YES	479,050,000	71
Intesa Sanpaolo	up to 18/3/2019 excluded: 5.625% p.a.; thereafter: 3-month Sterling Libor + 1.125 p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	YES	165,000,000	16
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	YES	635,350,000	4
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	YES	165,050,000	1
Total Tier 2 capital instruments subject to transition requirements									**877**
Intesa Sanpaolo	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	Usd	NO	2,000,000,000	1,805
Intesa Sanpaolo	6,6625% fixed rate	NO	13-Sep-2013	13-Sep-2023	NO	Eur	NO	1,445,656,000	1,380
Intesa Sanpaolo	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Eur	NO	1,000,000,000	894
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	NO	1,250,000,000	837
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	NO	1,500,000,000	781
Intesa Sanpaolo	3-month Euribor + 237 bps/4	NO	30-Jun-2015	30-Jun-2022	NO	Eur	NO	781,962,000	715
Intesa Sanpaolo	2,855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Eur	NO	500,000,000	480
Intesa Sanpaolo	6.625% fixed rate	NO	08-May-2008	08-May-2018	NO	Eur	NO	1,250,000,000	394
Intesa Sanpaolo	5.75% fixed rate; from 28/05/2013 3-month Euribor +1.98%	YES	28-May-2008	28-May-2018	NO	Eur	NO	1,000,000,000	121
Intesa Sanpaolo	up to 20/2/2013 excluded: 3-month Euribor + 0.25% p.a.; thereafter: 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	NO	Eur	NO	750,000,000	63
Intesa Sanpaolo	6.16 % fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	NO	120,000,000	60
Intesa Sanpaolo	up to 26/6/2013 excluded: 4.375% p.a.; thereafter: 3-month Euribor + 1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	NO	Eur	NO	500,000,000	54
Intesa Sanpaolo	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	NO	30,000,000	9
Intesa Sanpaolo	6.375% fixed rate ; from 12 Nov 2012 3-month gpb libor	YES	12-Oct-2007	12-Nov-2017	NO	Gbp	NO	250,000,000	2
Intesa Sanpaolo	3,20% fixed rate	NO	25-Sep-2009	25-Sep-2016	NO	Eur	NO	5,000,000	1
Intesa Sanpaolo	3,50% fixed rate	NO	11-Aug-2009	11-Aug-2016	NO	Eur	NO	5,000,000	1
Total Tier 2 capital instruments not subject to transition requirements									**7,597**
TOTAL									**8,474**

(*) Instrument subject to "Grandfathering" in Additional Tier 1 capital, portion subject to cap pursuant to Art. 486 of EU Regulation 575/2013 (CRR).

B. Quantitative information

(millions of euro)

	31.12.2015	31.12.2014
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**44,134**	**43,067**
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	**-743**	**-465**
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**43,391**	**42,602**
D. Items to be deducted from CET 1	**-7,940**	**-7,842**
E. Transitional period - Impact on CET1 (+/-), including minority interests subject to transitional adjustments	**1,457**	**1,787**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**36,908**	**36,547**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	**2,799**	**2,131**
of which AT1 instruments subject to transitional adjustments	1,435	1,640
H. Items to be deducted from AT1	**-**	**-**
I. Transitional period - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 pursuant to transitional adjustments	**-497**	**-431**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**2,302**	**1,700**
M. Tier 2 (T2) before items to be deducted and effects of transitional period	**8,480**	**8,354**
of which T2 instruments subject to transitional adjustments	877	1,464
N. Items to be deducted from T2	**-152**	**-178**
O. Transitional period - Impact on T2 (+ / -), including instruments issued by subsidiaries and included in T2 pursuant to transitional adjustments	**-239**	**-133**
P. Total Tier 2 (T2) (M - N +/- O)	**8,089**	**8,043**
Q. Total own funds (F + L + P)	**47,299**	**46,290**

Consolidated own funds benefited from the regulation, which permits the gradual recognition in the regulatory capital of the effects deriving from application of the new IAS 19.
The amount of the "prudential filter" under the actuarial profits (losses) reserve on the defined benefit pension plans, negative for about 478 million euro, equals around 340 million euro.

In addition, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa Sanpaolo Group has opted not to include in any element of own funds unrealised gains or losses on exposures to central governments classified in the "Available for Sale" category. The effect on Common Equity Tier 1 Capital as at 31 December 2015 was one basis point negative, equal to 40 million euro.

The tables below show the changes in Own Funds

Common Equity Tier 1 Capital and Additional Tier 1 Capital

(millions of euro)

INFORMATION	31.12.2015	31.12.2014
Common Equity Tier 1 capital (CET1) - Beginning of the period	**36,547**	**33,658**
Common Equity Tier 1 capital (CET1) before regulatory adjustments (beginning of the period)	**43,067**	**43,356**
Common Equity Tier 1 capital (CET1)		
Share capital - ordinary shares	7	179
Share premium reserve[(a)]	-	-3,585
Reserves [(b)]	-1,089	-1,666
Accumulated other comprehensive income	604	-548
Allocation of previous period loss	-	4,550
Net income for the year	2,739	1,251
Non-eligible net income for the year [(c)]	-	-1,251
Dividends distributed during the period	1,195	822
Dividends to be distributed [(d)]	-2,383	-
Minority interests	-6	-41
Common Equity Tier 1 capital (CET1) before regulatory adjustments (end of the period)	**44,134**	**43,067**
Total regulatory adjustments to Common Equity Tier 1 capital (CET1) - (beginning of the period)	**-8,307**	**-12,291**
Common Equity Tier 1 capital (CET1): Regulatory adjustments		
Treasury shares	-5	-8
Goodwill [(e)]	-12	68
Other intangible assets [(e)]	70	210
Deferred tax assets that rely on future profitability and do not arise from temporary differences	58	101
Negative amounts resulting from the calculation of expected losses (shortfall reserve)	-187	502
Defined benefit pension funds assets	-	-
Prudential filters		
- of which Cash Flow Hedge Reserves	*-217*	*484*
- of which Gains or Losses due to change in own credit risk (DVA)	*79*	*-65*
- of which Prudent valuation adjustements	*37*	*-92*
- of which Other prudential filters	-	-
CET1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
Deductions with 10% threshold	-177	353
- of which Deferred tax assets (DTA) that rely on future profitability and arise from temporary differences	-	-
- of which CET1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	*-177*	*353*
Deductions with 15% threshold [(f) (g)]	-	-
Positive or negative items - other	-22	2,431
Total regulatory adjustments to Common Equity Tier 1 capital (CET1) - (end of the period)	**-8,683**	**-8,307**
Total adjustments in the transitional period (CET1) - (beginning of the period)	**1,787**	**2,593**
Changes in adjustments in the transitional period	-330	-806
Total adjustments in the transitional period (CET1) - (end of the period)	**1,457**	**1,787**
Common Equity Tier 1 capital (CET1) - (end of the period)	**36,908**	**36,547**

Additional Tier 1 capital (AT1) - beginning of the period	**1,700**	**1,099**
Additional Tier 1 capital (AT1) before regulatory adjustments - (beginning of the period)	**491**	**505**
Additional Tier 1 capital (AT1)		
Savings shares	-	-
Other AT1 instruments	871	-
Minority interests	2	-14
Additional Tier 1 capital (AT1) before regulatory adjustments - (end of the period)	**1,364**	**491**
Total regulatory adjustments to Additional Tier 1 capital (AT1) - (beginning of the period)	**-**	**-**
Additional Tier 1 capital (AT1) : Regulatory adjustments		
AT1 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
AT1 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	-	-
Positive or negative items - other	-	-
Total regulatory adjustments to Additional Tier 1 capital (AT1) - (end of the period)	**-**	**-**
Total adjustments in the transitional period including minority interests (AT1) - (beginning of the period)	**-431**	**-1,046**
Changes in adjustments in the transitional period	-66	615
Total adjustments in the transitional period including minority interests (AT1) - (end of the period)	**-497**	**-431**
AT1 instruments eligible for grandfathering - (beginning of period)	**1,640**	**1,640**
Change in AT1 instruments eligible for grandfathering	-205	-
AT1 instruments eligible for grandfathering - (end of period)	**1,435**	**1,640**
Additional Tier 1 capital (AT1) - end of the period	**2,302**	**1,700**
TIER 1 CAPITAL (Tier 1 = CET1 + AT1)	**39,210**	**38,247**

(a) Net of the distribution of reserves approved by the Shareholders' Meeting on 8 May 2014.

(b) Net of the allocation of net income for 2015 and the distribution of reserves in 2014, approved by the respective Shareholders' Meeting.

(c) In the calculation of Common Equity Tier 1 no account has been taken of profit for 2014, as the eligibility conditions of Art. 26, paragraph 2 of (EU) Regulation 575 of 26 June 2013 (CRR) are not satisfied (audit by independent auditors and authorisation from the supervisory authority).

(d) Dividends to be paid on the 2015 results, portion of the remuneration of the AT1 instruments issued on 17 September 2015 and portion of the profits allocated to charity , net of the tax effect

(e) Net of related deferred tax liabilities.

(f) The deductions reported refer solely to DTAs and significant investments not deducted in the 10% threshold.

(g) The threshold refers to the percentage indicated by the regulations for the transitional period. The threshold will become 17.65% with effect from 2018.

Development of Own Funds - Tier 2 Capital

(millions of euro)

INFORMATION	31.12.2015	31.12.2014
Tier 2 Capital (T2) - beginning of the period	**8,043**	**8,162**
Tier 2 Capital (T2) before regulatory adjustments - (beginning of the period)	**6,890**	**9,225**
Tier 2 Capital (T2)		
T2 instruments	712	-2,054
Minority interests	1	-17
Excess of provisions over expected losses eligible (excess reserve)	-	-264
Tier 2 capital (T2) before regulatory adjustments - (end of the period)	**7,603**	**6,890**
Total regulatory adjustments to Tier 2 capital (T2) - (beginning of the period)	**-178**	**-517**
Tier 2 capital (T2): Regulatory adjustments		
T2 instruments of financial sector entities where the institution does not have a significant investment, held directly, indirectly and synthetically	-	-
T2 instruments of financial sector entities where the institution has a significant investment, held directly, indirectly and synthetically	26	27
Positive or negative items - other	-	312
Total regulatory adjustments to Tier 2 capital (T2) - (end of the period)	**-152**	**-178**
Total adjustments in the transitional period including minority interests (T2) - (beginning of the period)	**-133**	**-927**
Changes in adjustments in the transitional period	-106	794
Total adjustments in the transitional period including minority interests (T2) - (end of the period)	**-239**	**-133**
T2 instruments eligible for grandfathering - (beginning of period)	**1,464**	**381**
Change in T2 instruments eligible for grandfathering	-587	1,083
T2 instruments eligible for grandfathering - (end of period)	**877**	**1,464**
Tier 2 Capital (T2) - (end of the period)	**8,089**	**8,043**
TOTAL CAPITAL (TC = T1 + T2)	**47,299**	**46,290**

2.3. Capital adequacy

A. Qualitative information

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Banking Group's total own funds must amount to at least 10.5% of total risk-weighted assets (total capital ratio including the minimum requirement and capital conservation buffer) arising from the risks typically associated with banking and financial activity (credit, counterparty, market and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques and the decrease in operational risks following insurance coverage. The competent authorities, as part of the Supervisory Review and Evaluation Process (SREP), may require higher capital requirements compared to those resulting from the application of the regulatory provisions.

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the Banca dei Territori Division and the main Italian product companies. Progressively, the scope of application has been gradually extended to include the SME Retail and Mortgage portfolios, as well as other Italian and international Group companies.

For additional information reference should be made to Part E of these Notes, paragraph "Basel 3 regulations and the Internal Project".

As already illustrated in Section 2.2 on "Own funds of banks" above, the total regulatory capital is made up of the algebraic sum of the elements specified below:

– Tier 1 Capital (capable of absorbing losses under going concern conditions). This capital is divided into Common Equity Tier 1 Capital and Additional Tier 1 Capital;
– Tier 2 Capital (capable of absorbing losses in the event of a crisis).

The elements indicated above are subject to the following limits:

– Common Equity Tier 1 must at all times be equal to at least 4.5% of risk-weighted assets;
– Tier 1 must at all times be equal to at least 6% of risk-weighted assets;
– Own funds (i.e. the total regulatory capital), equal to Tier 1 plus Tier 2 capital, must at all times be equal to at least 8.0% of risk-weighted assets.

Furthermore, in addition to top-quality capital necessary to satisfy own funds requirements, banks are expected to maintain a capital conservation buffer amounting to 2.5% of the bank's total risk exposure. The minimum capital requirements requested from the Intesa Sanpaolo Group as from 1 January 2015 equal 7% of the Common Equity Tier 1, including the capital retention reserve equal to 2.5%, 8.5% of Tier 1 and 10.5% of Tier Total.

In April 2015 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" Banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.

As shown previously, on 27 November 2015 Intesa Sanpaolo received the ECB's final decision regarding the specific capital requirements at consolidated level to be met starting from 1 January 2016, following the result of the Supervisory Review and Evaluation Process (SREP), which show a consolidated capital requirement of 9.5% for the CET1 ratio (for 2015 the Common Equity Tier 1 ratio to be met at consolidated level equalled 9%, based on previous ECB indications). No difficulty is currently predicted with regard to the current and future ability of Intesa Sanpaolo to meet this requirement.

For the sake of completeness, please note that Directive 2013/36/EU (CRD IV) establishes the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer (CCyB) starting from 1 January 2016. The ratio is subject to review on a quarterly basis. The European regulation was implemented in Italy with Bank of Italy circular no. 285, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the Bank of Italy decided to set the counter-cyclical ratio (relating to the exposures towards Italian counterparties) for the first three months of 2016 at 0%; 2016 is the first year the counter-cyclical buffer applied.

Finally, please note that, with letter dated 25 January 2016, the Bank of Italy identified the Intesa Sanpaolo banking group as an Other Systemically Important Institution (O-SII) authorised to operate in Italy. The decision was made pursuant to Bank of Italy circular no. 285, which implements the provisions of CRD IV in Italy and specifies the criteria on which the methodology for identifying the O-SIIs is based. The identification took into consideration the contribution of the four categories (size, importance for the Italian economy, complexity, interconnectedness with the financial system) the EBA guidelines use to determine the systemic importance of each institution at individual member state level. Based on the provisions set by CRD IV, the Bank of Italy decided to apply a capital buffer (the so-called O-SII buffer) equal to 0% for 2016; it is worth remembering that 2016 is the first year of application of the O-SII-related regulation and thus of the buffer specified by the Bank of Italy.

B. Quantitative information

	31.12.2015		31.12.2014	
	Unweighted amounts (*)	**Weighted amounts/ requirements**	**Unweighted amounts (*)**	**Weighted amounts/ requirements**
A. RISK ASSETS				
A.1 Credit and counterparty risk	**541,351**	**244,760**	**521,077**	**229,873**
1. Standardised approach	246,977	117,528	227,775	103,830
2. Internal rating based approach	289,159	122,807	288,812	121,604
2.1 Basic	*2,391*	*4,917*	*2,342*	*4,903*
2.2 Advanced	*286,768*	*117,890*	*286,470*	*116,701*
3. Securitisations	5,215	4,425	4,490	4,439
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks		**19,581**		**18,389**
B.2 Credit valuation adjustment risk		**83**		**122**
B.3 Settlement risk		**-**		**-**
B.4 Market risk		**1,326**		**1,318**
1. Standardised approach		228		333
2. Internal models		1,098		985
3. Concentration risk		-		-
B.5 Operational risk		**1,652**		**1,693**
1. Basic indicator approach		45		53
2. Standardised approach		232		255
3. Advanced measurement approach		1,375		1,385
B.6 Other calculation elements		**103**		**61**
B.7 Total capital requirements		**22,745**		**21,583**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets		**284,319**		**269,790**
C.2 Common Equity Tier 1 /Risk-weighted assets (CET1 capital ratio)		**13.0%**		**13.5%**
C.3 Tier 1 Capital / Risk-weighted assets (Tier 1 capital ratio)		**13.8%**		**14.2%**
C.4 Total own funds / Risk-weighted assets (Total capital ratio)		**16.6%**		**17.2%**

(*) In the case of the standardised approach, "unweighted amounts" correspond – in accordance with regulatory provisions – to the exposure value, which takes into account prudential filters, risk mitigation techniques and credit conversion factors. In the case of the internal rating based approach, "unweighted amounts" correspond to "exposure at default" (EAD). For guarantees given and commitments to disburse funds, credit conversion factors are also included when determining EAD.

The validated risk profiles for market risks are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

The Supervisory Authority authorised the Group to extend the internal model to specific risk on debt securities from the third quarter of 2012.

Effective from June 2014, market risks are to be reported according to the internal model for capital requirements for the Parent Company's hedge fund portfolios.

Starting from 1 July 2014, the capital requirements deriving from the use of internal models will benefit from the reduction in the prudential multipliers established by the Surveillance Body following completion of the previously recommended corrective actions.

In compliance with the recommendation of the Financial Stability Board, the Basel Committee on Banking Supervision developed a methodology to identify the Global Systemically Important Banks ("G-SIBs") that will be subject to additional requirements to absorb the losses starting from 1 January 2016.
The Committee has included since 2013 a new obligation of disclosure of the 12 indicators used in the assessment methodology for the banks with a leverage ratio exposure measure at the end of the year exceeding 200 billion euro and for those which - though being below this threshold - were designated as G-SIBs in the year before the reference one, or were added based on the judgement of the national Supervisory Authority.
Based on the provisions of the Financial Stability Board, for Italian banks with a leverage ratio exposure measure exceeding 200 billion euro – like 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 the terms provided at the link www.group.intesasanpaolo.com

SECTION 3 – REGULATORY CAPITAL AND CAPITAL RATIOS FOR INSURANCE COMPANIES

The insurance companies controlled solely by the Intesa Sanpaolo Group and subject to insurance supervision are:
– Intesa Sanpaolo Vita;
– Intesa Sanpaolo Life;
– Intesa Sanpaolo Assicura;
– Fideuram Vita.

As insurance parent company, Intesa Sanpaolo Vita calculates the aggregate solvency situation for insurance companies. Under ISVAP (now IVASS) Regulation 18 of 12 March 2008 (the insurers' code), Intesa Sanpaolo Vita is required to prepare an "aggregate consolidated report". Intesa Sanpaolo Assicura and Intesa Sanpaolo Life fall within the scope of this aggregate, inasmuch as they are 100% subsidiaries, like Fideuram Vita, inasmuch as it is subject to unitary management in accordance with the insurers' code.
The elements that constitute the solvency margin are therefore calculated separately from the figures in the consolidated/aggregate financial statements due to unitary management prepared by Intesa Sanpaolo Vita. Corrections represented by the "prudential filters" are then applied to these figures. The application of these filters, which involves an asymmetrical approach, aims at eliminating only the effects of the application of IAS/IFRS deemed inconsistent with the objective of a calculation for prudential purposes. Prudential filter provisions refer to:
– the re-measurement of technical reserves;
– unrealised capital gains;
– other filters.
For the purposes of the adjusted solvency situation, the elements that make up the available solvency margin are compared with the associated capital use, represented by the required solvency margin. The latter, which is computed according to the provisions of ISVAP (now IVASS) Regulation 28 of 17 February 2009, consists of the sum of the parent insurance company's minimum solvency margin and the proportional share of the minimum solvency margin of the subsidiary or associate insurance companies of the parent insurance company or insurance companies subject to unitary management.
As at 31 December 2015, Intesa Sanpaolo Vita showed a solvency ratio in terms of adjusted solvency, defined as the ratio of available margin to required margin, of approximately 166.3%.
On 3 November 2015 the Intesa Sanpaolo Vita Shareholders' Meeting approved the distribution of other reserves to the shareholders for 452 million euro; the payment was recorded by Intesa Sanpaolo on 9 November 2015.
Lastly, the Group has an equity investment of a marginal amount in an insurance company located in Slovakia, subject to significant influence, held through the subsidiary Vseobecna Uverova Banka (VUB).

SECTION 4 – THE CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

(millions of euro)

	Amounts
A. Financial conglomerate amount	50,064
B. Capital requirements for banking elements	22,222
C. Solvency margins for insurance elements	3,513
D. Total capital requirements of the financial conglomerate (B+C)	**25,735**
E. Financial conglomerate surplus (defincit) (A-D)	**24,329**

The Intesa Sanpaolo Group operates as a financial conglomerate that engages in universal banking activity and insurance services. As at 31 December 2015 the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by 24,329 million euro.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

1.1 Business combinations

(millions of euro)

Companies	Date of the transaction (a)	Cost of the transaction	Equity stake % (b)	Net interest and other banking income (c)	Net income / loss for the year (d)	Net income / loss recorded as of acquisition date (e)
1. Risanamento	30-Apr-2015	153	48.88	-27	-48	-15

[a] Date of acquisition of control.

[b] Percentage of voting rights at the Ordinary Shareholders' Meeting plus possible options on minorities' stakes.

[c] Net interest and other banking income (Caption 120 of the income statement) referred to full year 2015.

[d] Net income / loss recorded by the subsidiary for full year 2015.

[e] Net income / loss recorded by the subsidiary after acquisition date and included in the consolidated result of the Intesa Sanpaolo Group.

In addition to acquiring control over Risanamento, recognised based on IFRS 3 as summarised in the previous table, several extraordinary intragroup transactions were carried out during the year, which had no effects on the consolidated financial statements. Such transactions, which are scoped out of IFRS 3, involved the transfer of business lines or legal entities between Intesa Sanpaolo Group companies or business combinations between entities under common control. Since the transfers were carried out for reorganisation purposes only, in accordance with the Group’s accounting policy, these transactions were simply recorded applying book value accounting in the individual statements of the companies involved, without recognition of any economic effect.
The intragroup transactions completed during the year concerned:
– the sale of shares held in CIB Leasing by CIB Leasing Holding to CIB Bank;
– the merger by incorporation of Fideuram Gestions into Fideuram Bank Luxembourg;
– the contributions of business lines from Intesa Sanpaolo and IMI Investimenti to Manzoni;
– the partial proportional demerger of Manzoni in Melville;
– the acquisition by Intesa Sanpaolo of the shares held by Banco di Napoli in Banca Prossima;
– the contribution of the business line from Oldequiter (formerly Equiter) in Equiter (Newco);
– the partial non proportional demerger of Intesa Sanpaolo Group Services in Intesa Sanpaolo;
– the partial proportional demerger of Accedo (formerly Intesa Sanpaolo Personal Finance) in Intesa Sanpaolo;
– the contribution of a business line from Intesa Sanpaolo to Intesa Sanpaolo Group Services;
– the contribution of a business line from Intesa Sanpaolo Private Banking to FIDEURAM – Intesa Sanpaolo Private Banking (formerly Banca Fideuram) and the subsequent sale of shares issued for the purpose of the contribution to Intesa Sanpaolo;
– the contribution of the entire investment in Intesa Sanpaolo Private Banking from Intesa Sanpaolo to FIDEURAM – Intesa Sanpaolo Private Banking (formerly Banca Fideuram);
– the contribution of the entire investment in Sirefid from Intesa Sanpaolo to FIDEURAM – Intesa Sanpaolo Private Banking (formerly Banca Fideuram);
– the sale of the investment in Intesa Sanpaolo Private Bank (Suisse) from Intesa Sanpaolo Holding International to FIDEURAM – Intesa Sanpaolo Private Banking (formerly Banca Fideuram);
– the merger by incorporation of Banca di Trento e Bolzano into Intesa Sanpaolo;
– the merger by incorporation of Banca Monte Parma into Intesa Sanpaolo;
– the merger by incorporation of Finor Leasing into Banka Koper;
– the partial demerger of Cassa di Risparmio di Firenze in Intesa Sanpaolo of the investments in Cassa di Risparmio della provincia di Viterbo, Cassa di Risparmio di Rieti, Cassa di Risparmio di Civitavecchia and Cassa di Risparmio dell’Umbria;
– the merger by incorporation of Cassa di Risparmio della provincia di Viterbo, Cassa di Risparmio di Rieti and Cassa di Risparmio di Civitavecchia into Intesa Sanpaolo;
– the partial demerger of Mediocredito in Intesa Sanpaolo and Intesa Sanpaolo Provis.

Annual changes in goodwill

(millions of euro)

	31.12.2015
Initial goodwill	**3,899**
Increases	**15**
- Goodwill recorded in the year	-
- Positive foreign exchange differences and other changes	15
Decreases	**-**
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences and other changes	-
Final Goodwill	**3,914**

Goodwill

(millions of euro)

CGUs/Goodwill	31.12.2015	31.12.2014
Banca dei Territori	1,091	1,076
Corporate and Investment Banking	-	-
Insurance	494	494
Asset Management	1,038	1,038
Private Banking	1,291	1,291
Banche Estere	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
Total	**3,914**	**3,899**

1.2 Other information

The acquisition of Risanamento

In 2010 the Risanamento Group, as part of the procedure pursuant to art. 182-bis of the bankruptcy law, started a significant action to rebalance its net financial position mainly through, among others, a capital increase almost fully subscribed by the lending banks as a conversion of their exposures, and the issue of a convertible bond.

On 12 May 2014 an event triggering early conversion of the Risanamento convertible bond occurred and on 23 May 2014 the additional Risanamento shares were assigned to Intesa Sanpaolo which, when added to those already held, made Intesa Sanpaolo the majority shareholder of the company with 48.88% of the capital.

It is worth underlining that, while the restructuring agreement was effective, neither Intesa Sanpaolo or any of the lending banks have ever exercised any type of control over Risanamento. The aim was to ensure the respect of the various interests that the banks participating in the restructuring agreement hold; in other words, the administrative rights connected to the position of shareholder of each of the banks could not be exercised in an independent and unilateral manner, but had a limit in the contractual rights and obligations assumed by each of them by virtue of the restructuring agreement which they had to comply and be compatible with. Consequently, Intesa Sanpaolo, regardless of a specific contractual provision in this sense, in any case would have not been able to act independently, imposing the governance rights attributed by its investment in Risanamento's share capital. As a consequence, the conversion of the convertible loan, which had increased Intesa Sanpaolo's stake in Risanamento, had not changed the framework and the balance of the relationships among the company's shareholders-creditors and had not ended Intesa Sanpaolo's duty to ensure the broadest representation in the Board to all the creditors-shareholders participating in Risanamento's restructuring agreements. Intesa Sanpaolo, in compliance with the contractual rights and obligations deriving from the restructuring agreement and applying the principles of good faith when executing this agreement, did not have the governance powers it would have been entitled to in light of the percentage of its investment.

The elements described above had led to excluding the presence of the power to direct the relevant activities of the subsidiary which, pursuant to IFRS 10, would have resulted in a situation of control. As a consequence, as at 31 December 2014 the investment in Risanamento was considered as an associate pursuant to IAS 28 and consolidated under the equity method.

The information described previously was changed during the first half of 2015 in consideration of the conclusion of the procedure, pursuant to art. 182-bis of the bankruptcy law, that Risanamento S.p.A. had been subject to; on 29 April 2015 the shareholders' meeting of the company was held that, among other issues, set the number of members of the Board of Directors to 5, establishing the duration of their appointment to three years, and appointed 4 directors from the list presented by Intesa Sanpaolo. In addition to this aspect, the ownership by Intesa Sanpaolo of 48.88% of Risanamento's ordinary shares needs to be considered (the stake did not change compared to 31 December 2014), in a highly split shareholder base. The elements described above have led to the conclusion that, starting from 30 April 2015, Intesa Sanpaolo took control of the accounts of the Risanamento Group pursuant to IFRS 10. The acquisition date pursuant to IFRS 3 was identified as of 30 April 2015, i.e. the date

following the meeting of the company, since it is from this date that Intesa Sanpaolo may substantially and concretely exercise the acquired rights and the control over Risanamento.
Even following acquisition of control for accounting purposes, Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 *et seq.* of the Italian Civil Code.
From an accounting point of view the acquisition operation was recorded based on the provisions of IFRS 3. In case of acquisition transactions achieved in stages, this principle requires, among others, that the share previously held in the target company is measured at its fair value at the control acquisition-date and that any difference is recognised in the income statement; the fair value of Risanamento's shares was assumed as equal to the market price of the company as at 30 April 2015 (0.1737 euro per share) and led to a valuation of the stake held by Intesa Sanpaolo (remaining equal to 48.88% also after the control acquisition) of 153 million euro. This value, compared with the previous carrying amount of the stake held (123 million euro), resulted in a gain of 30 million euro.
Based on the provisions of IFRS 3 the assets and liabilities on the subsidiary's balance sheet were recognised at fair value. In particular, a higher value of the real-estate portfolio was recorded for 64 million euro, a capital loss on the medium/long-term debt towards the banking system for 4 million euro and an increase in the provisions for risks and charges for 18 million euro.
Also the related tax effects were calculated through the recognition of deferred tax liabilities for 20 million euro and deferred tax assets for 5 million euro.
This business combination did not lead to the recognition of new intangible assets previously not recognised by the acquired entity.
The consideration transferred, assumed to be equal to the fair value of the stake held (153 million euro), equals the fair value of the subsidiary's assets and liabilities, for the portion pertaining to Intesa Sanpaolo; as a consequence, no entry for goodwill was recorded.

Book value and fair value of assets and liabilities acquired

(millions of euro)

Assets/liabilities	**Risanamento**	
	Book value	**Fair value**
Assets		
Financial assets	86	86
Due to banks	-	-
Loans to customers	-	-
Investments in associates and companies subject to joint control	-	-
Property and equipment	263	316
Intangible assets	-	-
Goodwill	-	-
Other assets	796	812
Total assets	**1,145**	**1,214**
Liabilities		
Due to banks	677	681
Due to customers	-	-
Securities issued	-	-
Financial liabilities	-	-
Technical reserves	-	-
Other liabilities and provisions for risks	182	220
Minority interests	146	160
Group shareholders' equity	140	153
Total liabilities and shareholders' equity	**1,145**	**1,214**

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE END OF THE YEAR

2.1 Business combinations

No business combinations within the scope of IFRS 3 have been undertaken since the end of 2015.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current reporting period that relate to business combinations that occurred in previous reporting periods.

Part H – Information on compensation and transactions with related parties

A) TRANSACTIONS WITH RELATED PARTIES

1. Procedural features

As of 31 December 2012, the Group has applied the "Group procedures regulating the conduct of transactions with Intesa Sanpaolo S.p.A. related parties and Group associated entities", approved in June 2012 by the Management Board and Supervisory Board, upon favourable opinion by the Control Committee.
These Regulations take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, as well as the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008.

The Regulations apply to the entire Intesa Sanpaolo Group and govern the deals with Related Parties of Intesa Sanpaolo and Associated Entities of the Intesa Sanpaolo Group with respect to the following aspects:
- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to Associated Entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by board members and general managers, employees and company staff, including other than Associated Entities.

Pursuant to the mentioned Regulations, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Board Members and General Managers and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each significant intermediary monitored with regulatory capital greater than 2% of the consolidated shareholders' equity. The following are considered to be Associated Entities for each monitored significant bank or intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) board members and general managers and their relative close family members up to the second degree and significant subsidiary entities.

As a form of self-regulation, the Bank has extended the regulations in terms of transactions with Related Parties, as well as those on activities involving risk and conflicts of interest with respect to Associated Entities, to shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital of over 2%, calculated only 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 analysis, decision-making process and subsequent disclosure to the Corporate Bodies and the market as for transactions with Related Parties and Associated Entities - and by keeping the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.

The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full and partial exemptions from the application of the regulations is also envisaged.
With regard to decision-making, the procedure distinguishes between:
- transactions involving smaller amounts: with a value of less than or equal to 250,000 euro for individuals and 1 million euro for entities (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250,000 euro for individuals and 1 million euro for entities) but lower or equal to the most significant thresholds indicated below;
- more significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2 billion euro for Intesa Sanpaolo);
- strategic transactions pursuant to the Articles of Association;
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Regulations – undertaken by the Parent Company with one of its Related Parties or Associated Entities are subject to approval by the Management Board upon recommendation by the Committee for transactions with Related Parties, and, for strategic transactions, authorisation of the Supervisory Board is also required.
The Regulations envisage specific controls in cases where the Management Board approves a more or less significant transaction and the Supervisory Board authorises a strategic transaction, despite the negative opinion of the independent Committee.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Regulations also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Bank funding transactions carried out at market or standard conditions and intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and do not present market or standard conditions). For ordinary intragroup transactions at market conditions, reporting is on an aggregate annual basis.

Lastly, each Italian subsidiary bank, as direct recipient of the Bank of Italy's supervisory regulations, in addition to having adopted the "Group regulations on the management of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", has adopted an additional set of specific rules and procedures.
Transactions undertaken by Italian subsidiary banks with Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

For the sake of completeness, note that the Italian banks of the Intesa Sanpaolo Group are required to apply Article 136 of the Consolidated Law on Banking, The version of this regulation in force since 27 June 2015, following the amendment introduced by Legislative Decree no. 72 of 12 May 2015, requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, 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 - even regarding Related Parties or Associated Entities - the operation requires a prior resolution adopted unanimously by the Management Board, excluding the vote of the interested member, 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 (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.
Article 2391, paragraph 1 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management 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.

In addition, the version of Article 53 of the Consolidated Law on Banking in force since 27 June 2015, following the amendment introduced by Legislative Decree no. 72/2015, requires banks' shareholders and directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

2. Information on balances with related parties

Receivable and payable balances with related parties as at 31 December 2015 within the consolidated accounts – other than those intragroup – amount to a total that is insignificant compared to the size of the Group'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.

	31.12.2015 Amount (millions of euro)	Impact (%)
Total financial assets	2,900	0.5
Total other assets	47	0.3
Total financial liabilities	1,062	0.3
Total other liabilities	440	0.2

	31.12.2015 Amount (millions of euro)	Impact (%)
Total interest income	109	0.8
Total interest expense	4	0.1
Total fee and commission income	52	0.6
Total fee and commission expense	9	0.5
Total operating costs	136	1.4

During the year there were net provisions for non-performing loans for 29 million euro on cash loans and 7 million euro on existing guarantees towards associates and companies subject to joint control.

The table below sets out the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of intragroup operations. Please see the paragraph below for information on compensation to Supervisory and Management Board Members, General Managers and Key Managers, as well as information on Shareholders and their corporate groups (subsidiaries, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank of over 2% (calculated considering only shares owned), included as a form of self-regulation. With regard to Investments in subsidiaries, associates and companies subject to joint control, please see the tables in the Notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets – Section 10.

The table does not show the impact of related party transactions on Group’s cash flows, as this was not significant.
For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate columns by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments totalling 590 million euro.
Concerning transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees and committments given	Guarantees and committments received
Subsidiaries not consolidated on a line-by-line basis	-	-	-	-	2	4	-	66	-	2	5	-
Companies subject to joint control and their subsidiaries	20	-	4	5	326	34	1	214	-	3	95	428
Associates and their subsidiaries	387	1	159	-	1,974	6	5	220	18	56	1,335	389
Board Members and General Managers, Key Managers and their related parties	-	-	-	-	13	-	-	10	-	2	2	18
Pension funds	-	-	-	-	-	2	-	279	-	377	-	-
Total	**407**	**1**	**163**	**5**	**2,315**	**46**	**6**	**789**	**18**	**440**	**1,437**	**835**
Shareholders (*)	1	1	5	-	2	1	-	249	-	-	63	3

(*) Shareholders and their groups that hold a stake in the Bank’s voting share capital exceeding 2% (calculated considering only shares owned).

For the sake of completeness, the Group’s most significant associates - and the companies controlled by them, are: Bank of Qingdao Co. Ltd., Penghua Fund Management Co. Ltd., Autostrade Lombarde S.p.A., Melville S.r.l., A4 Holding S.p.A., Cassa di Risparmio di Fermo S.p.A., Autostrada Pedemontana Lombarda S.p.A., LKS 2 S.a., Coinv S.p.A., IREN S.p.A., Mir Capital Sca Sicar, Sagat S.p.A. and Nuovo Trasporto Viaggiatori S.p.A.. The main companies subject to joint control (joint venture) include Re Consult Infrastrutture S.p.A., Allfunds Bank SA., Tangenziali Esterne di Milano S.p.A. and Tangenziale Esterna S.p.A..

A detailed list of companies subject to joint control and companies subject to significant influence as at 31 December 2015 is provided in the Notes to the consolidated financial statements (Part B – Assets – Section 10).
For further information on the transactions entered into by the Parent Company, see the corresponding paragraph in the Notes to the Parent Company's financial statements.

3. Information on transactions with related parties

More significant transactions
During the year the Group has not carried out any transactions qualifying as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Intesa Sanpaolo Group Regulations on the management of transactions with related parties – in an obligation to publish a market disclosure document.

More significant intragroup transactions
With regard to more significant intragroup transactions – exempt, pursuant to the aforementioned internal Regulations, from the special decision-making procedure and from the obligation to publish a market disclosure document, unless other related parties hold significant interests in the subsidiary – several securitisation transactions took place during the year, as well as transactions aimed at the issue of Covered Bonds. These transactions are described in the Notes to the consolidated financial statements - Part E – Information on risks and relative hedging policies, to which reference is made. Note that more significant transactions are those that exceed the threshold of 5% of own funds at consolidated level (approximately 2.5 billion euro for the year for Intesa Sanpaolo) or of the other indicators defined by the Consob regulation.

Other significant transactions
Transactions entered into with related parties fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.

Relations between the Intesa Sanpaolo Group and board members and general managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations.

As for the Group's most significant relations with companies subject to joint control, associates and companies controlled by them, during the year loans were granted, at market interest rates, to: Limacorporate S.p.A., Società di Progetto Autostrada Diretta Brescia Milano, Autostrada Pedemontana Lombarda, Serenissima Partecipazioni S.p.A., Serenissima Costruzioni, Pirelli e C. S.p.A., Camfin S.p.A., Tangenziale Esterna S.p.A., Alitalia-Società Area Italiana S.p.A., Telco S.p.A., the Termomeccanica Group, Italconsult S.p.A., Euromilano S.p.A., Nuovo Trasporto Viaggiatori S.p.A., Be Solutions S.p.A. Solve, Realize & Control, Be Consulting S.p.A., Be S.p.A., Guala Closures S.p.A., Immobiliare Novoli, Allfunds Bank S.a., Sirti, Iren, the RCN Finanziaria group and other minor companies. For the sake of completeness, please note that as at 31 December the companies: Pirelli, Telco and Guala Closures left the scope of the related parties. In addition, attention should also be drawn to the loans at conditions of mutual convenience for the parties - considering overall circumstances and the Group's interest - to Autostrada Pedemontana Lombarda, Manucor and Prelios Sgr. Finally, highlighted towards the latter is the participation in the restructuring plan, mainly implying the rescheduling of the entire banking exposure.
Regarding Manucor, worth mentioning is also the partial change of the agreement signed in June 2014, with reference to the waiver on the covenant and the method of using the short-term credit line granted by Banco di Napoli and secured by Intesa Sanpaolo.
In relation to the K-Equity project, which requires Intesa Sanpaolo, together with the other banks concerned, to assign their exposures to some selected debtors in need of restructuring, the assignment took place of Banco di Napoli's receivables from Manucor S.p.A. to a securitisation vehicle, pursuant to Law 130/1999, managed by a company controlled by KKR.
Some less significant transactions concluded during 2015 by the Parent Company or subsidiaries with related parties are reported below.

With reference to the complex corporate transaction regarding the restructuring of Pirelli & C. S.p.A., also taking place through a takeover bid concluded in November and brought by the Chinese China National Chemical Corporation (Chem China) group together with some of the previous controlling shareholders (Camfin and LTI), worth noting is Intesa Sanpaolo's participation in an international pool for the bridge loan totalling 6.8 billion euro (made available to the corporate vehicle Marco Polo Industrial Holding S.p.A. controlled by Chem China, for the acquisition and the target Pirelli & C S.p.A., for the refinancing of its debt). Following the syndication, Intesa Sanpaolo's stake amounted to 600 million euro.
Connected to the same corporate transaction, again in 2015, is the granting of another credit line in a pool with another bank, for a share of 50% pertaining to the Intesa Sanpaolo Group, amounting to 125 million euro in favour of Camfin S.p.A..

When analysing the transactions executed towards Alitalia, worth mentioning is the extension to 31 December 2016 of the lines for unsecured commitments, reorganising the credit structure as specified below:
– A line totalling 60 million euro to be used for the issue of guarantees to cover airport rights, fuel and various items.
– A line totalling 60 million dollars to be used for the issue of guarantees to cover airport rights, fuel and various items, as well as for guarantees and counter-guarantees of a financial nature for a maximum amount of 30 million dollars.
– Reduction of the credit line relating to the medium to long-term loan disbursed by the Paris Branch currently used for a total of 6 million euro.

With reference to the subsidiary Euromilano, the following is noted:
– the participation in a pool loan for an amount amounting to 30 million euro;
– the granting of a credit line for 25 million euro for advances on contracts and 10 million euro for substitution risks for an operation on rates.

Regarding Termomeccanica, worth noting is the restructuring of the existing credit exposure with an increase in new lines for about 20 million euro.

Concerning Autostrada Pedemontana Lombarda, an extension was granted until 30 June 2016 of the credit line of the bridge loan due on 31 March 2015.

With a view to supporting Re.Consult in the process of reorganisation and efficiency-enhancement of the A4 Holding group and to leverage the value of the stake held, highlighted is the review of the loan that is part of an overall credit facility requested for 97 million euro, with an extension from 5 February 2015 to 31 March 2016, and the novation for 13 million euro by Compagnia Italiana Finanziaria Srl.

Mentioned among the transactions regarding capital is the subscription of a new commitment in favour of Nuovo Trasporto Viaggiatori S.p.A. for 25 million euro, of which 15 paid in 2015 and 10 million as contingent equity and the participation in a restructuring agreement of the exposure with a review of the repayment plans and the conditions applied.

Referring to the contents of the Half-Yearly Report as at 30 June 2015 with reference to the subsidiaries Melville and Manzoni, please note that, with reference to Melville only, given the dilution of the group's commitment in the Neuberg Berman fund after the entry of new investors, it was able to proceed with the derecognition of the underlying assets.

For the sake of completeness, on 31 July the Board of Directors approved the total non-proportional spin-off of the subsidiary Enerpoint Energy, even if not performed yet: an equal joint venture consisting of Enerpoint S.p.A. (in liquidation) and Oldequiter S.p.A. (owned by the Parent Company which contributed to Equiter S.p.A. the investment in Enerpoint Energy as part of the S.I.F. project already approved in 2014).

Among the agreements of a commercial nature there is the partnership agreement between the Parent Company (on its own behalf and on the behalf of the Banche dei Territori) and Intesa Sanpaolo Smart Care S.r.l. (a subsidiary but valued at equity due to immateriality) in order to support the latter in placing its products and services. This latter transaction is considered non-ordinary, as the type of service offered, which adds to the traditional home protection policy the distribution of technological devices to detect and report situations of danger, also providing suitable electronic services on a subscription basis, is innovative in the banking field.

With particular respect to transactions with Shareholders holding 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), it is noted that in the year the Group granted credit facilities at market conditions.

In addition to the mentioned credit transactions, there are some transactions performed with Ente Cassa di Risparmio di Firenze (significant shareholder of the Parent Company):

a) on 22 May 2014 Ente CRFI and the Parent Company signed a "Consulting agreement and put option" implying a put option for Ente for the sale to Intesa Sanpaolo of its residual stake of 10.26% of CRFI's capital;
b) on 29 April 2015 an additional "Sales agreement" was signed where Ente formally exercised the PUT option and the parties agreed on the economic conditions for the acquisition by the Parent Company of 10.26%. The price was set at 182.5 million euro;
c) since Ente CRFI received the required authorisation on 5 June 2015 from the Ministry for Economy and Finance (a condition precedent for the sale), on 15 June 2015 the closing took place, finalised with the Parent Company paying Ente CRFI the agreed price and endorsing Ente CRFI's securities in favour of Intesa Sanpaolo.

Additional information on the Intesa Sanpaolo Group’s reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent Company’s financial statements.

Other significant information

In the consolidated financial statements 2015, adjustments/impairment losses were recorded on the subsidiaries: Autostrade Lombarde S.p.A. for 36 million euro, Italconsult S.p.A. for 2 million euro, Prelios Sgr S.p.A. for 1 million euro, Themys Investimenti S.p.A. for 1 million euro and other lesser impairment 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.

B) INFORMATION REGARDING COMPENSATION OF SUPERVISORY AND MANAGEMENT BOARD MEMBERS AND KEY MANAGERS

The following table shows the amounts of the compensation paid in 2015 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 31.12.2015	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Short-term benefits (4)	11	9	15	13	39	31	65	53
Post-employement benefits (5)	-	-	-	-	2	2	2	2
Other long-term benefits (6)	-	-	-	-	9	-	9	-
Termination benefits (7)	-	-	-	-	2	2	2	2
Share-based payments (8)	-	-	-	-	9	-	9	-
Total	**11**	**9**	**15**	**13**	**61**	**35**	**87**	**57**

(1) Figures referring to 217 positions

(2) Figures referring to 359 positions. The table does not include approximately 2 million euro relating to 102 positions on the Boards of Directors (or similar bodies), as this was fully transferred to other Group Companies

(3) Figures referring to 87 positions. The table does not include approximately 7 million euro relating to 16 General Manager positions (or similar positions), as this was fully transferred to other Group Companies

(4) Includes fixed and variable remuneration of Directors that may be treated as equivalent to labour cost and social security charges paid by the company for its employees

(5) Includes company contribution to pension funds and provisions for employee termination indemnities pursuant to law and company regulations

(6) Includes an estimate of provisions for employee seniority bonuses

(7) Includes benefits due under the employment contract for termination of employment

(8) The cost refers to the variable portion of short-/long-term remuneration to be paid in Intesa Sanpaolo shares/through LECOIPs

For detailed information on remuneration policies, pursuant to Art. 123 ter of the Consolidated Law on Finance, refer to the separate document “Report on Corporate Governance and Ownership Structures – Report on Remuneration", approved and published together with these financial statements, which sets forth:
– a detailed indication of the compensation paid to Supervisory and Management Board Members and General Managers and, in aggregate, Key Managers, as well as the stock option plans reserved for Management Board Members, General Managers and Key Managers;
– the details and the evolution of the stock option plans relative to Key Managers;
– Parent Company's and subsidiary companies' shares held by Supervisory and Management Board Members, General Managers, Key Managers and other associated entities.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Incentive Plan based on financial instruments

The Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, issued on 30 March 2011 (now integrated in Circular 285 of the Bank of Italy), required, inter alia, that a portion of incentives paid (50%) to “Risk Takers” be granted through the assignment of financial instruments, over a multi-year time horizon. As a result:

– with regard to the results for 2011, and in implementation of the Shareholders' Meeting resolution of 28 May 2012, on 26 June 2012 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 12,894,692 Intesa Sanpaolo ordinary shares (representing approximately 0.08% of the ordinary share capital) at an average purchase price of 0.97969 euro per share, for a total value of 12,632,743 euro;
– with regard to the results for 2012, and in implementation of the Shareholders' Meeting resolution of 22 April 2013, on 8 October 2013 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 8,920,413 Intesa Sanpaolo ordinary shares (representing approximately 0.06% of the ordinary share capital) at an average purchase price of 1.72775 euro per share, for a total value of 15,412,287 euro;
– with regard to the results for 2014, and in implementation of the Shareholders' Meeting resolution of 27 April 2015, on 09 October 2015 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 4,501,521 Intesa Sanpaolo ordinary shares (representing approximately 0.03% of the ordinary share capital) at an average purchase price of 3.18822 euro per share, for a total value of 14,389,260 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.

1.2 Long-term share-based instruments: PAD and LECOIP

The long-term employee shareholding instruments aim to support the motivation and loyalty of all the Group’s resources, at the time of launching the 2014-2017 Business Plan. In particular, these instruments have the aim of encouraging the identification (ownership), the alignment to the medium/long-term objectives and the sharing of the value created over time.
There have been two long-term instruments offered to employees during 2014: an Employee Share Ownership Plan (PAD) and the Leveraged Employee Co – Investment Plans (LECOIP) because there is the desire, on one side, to strengthen the sense of belonging and cohesion (PAD) and, on the other, to search for the explicit sharing of the "challenge to create value" represented by the Business Plan (LECOIP).
The share ownership proposal is subdivided into two phases:

1. launch of an Employee Share Ownership Plan that allows each employee to share equally in the value of Intesa Sanpaolo through ownership and, therefore, to increase their sense of belonging;
2. the possibility for each employee to use the shares received and:
   – maintain them in their securities account, in order to sell them subsequently or transfer them immediately;
   – invest them in Co-Investment Plans through long-term financial instruments, the “LECOIP Certificates”, with the duration aligned to the Business Plan.

These financial instruments originate from purchases in the market and from capital increases.
As a matter of fact, the free assignment of Intesa Sanpaolo ordinary shares (PAD) implied the purchase of these shares on the market – Free Shares – while the Lecoip Certificates - issued by a third-party financial company not belonging to the Group – use as underlying some additional newly issued Intesa Sanpaolo ordinary shares assigned to the employee against a free capital increase - Matching shares - and the subscription, by the same employee, of newly issued Intesa Sanpaolo ordinary shares deriving from a paid capital increase reserved to employees, at a discounted price compared to the market value – Discounted shares.
The Lecoip Certificates are subdivided into three categories and have different characteristics, depending on whether these are addressed to so-called Risk Takers, Executives or all employees. Lecoip Certificates in general incorporate:

– the right to receive an amount in cash (or in Intesa Sanpaolo ordinary shares) upon maturity, equal to the original reference value (calculated as the average of the market values recorded during November 2014) of the Free Shares and Matching Shares (“protected capital”) and
– the right to receive, always upon maturity, a portion of any appreciation in the value of the shares (Free Shares, Matching Shares and Discounted Shares) compared to the original reference value described above.

Adhesion to the plans did not imply any outlay for the employees. At the time of signing the Certificates, the employees entered into a forward agreement with the counterparty issuing the Certificates for the sale of the Free Shares, the Matching Shares and the discounted Shares. The sale consideration was used by the employees to subscribe the discounted shares and, for the remaining part, for the purchase of the Certificates.

The Co-Investment Plans were subject to the approval of the ordinary Shareholders' Meeting of 8 May 2014. The ordinary meeting of the Bank also resolved on the purchase of treasury shares (pursuant to Art. 2357, paragraph 2 of the Italian Civil Code) to confer the free shares (Free Shares). On 8 May 2014, ISP's extraordinary meeting resolved on the Board of Directors' mandate to:

– increase the capital (free share capital increase) to grant the employees the free shares (Matching Shares) and
– increase the paid capital in favour of the employees, without option rights, through the issue of shares at a discounted price compared to the market price of ISP ordinary shares.

The Co-Investment Plans were authorised by the Bank of Italy on 30 September 2014; after this measure, the Management Board took the necessary resolutions on 2 October 2014 to implement the plan.

The offer period for the employees to adhere to the Co-Investment Plans ended on 31 October 2014. The date for the assignment of the shares to the employees is 1 December 2014, which corresponds to the start of the vesting period, which will end in April 2018.

In compliance with IFRS 2 Share-based payment, the PAD and the LECOIP are represented in the consolidated financial statements of the Group as "equity settled" plans since the Group has assigned its own equity instruments as additional remuneration for the services received (the work performed). Instead the Group did not assume any liability to be settled with cash equivalents or other assets towards the employees.

Due to the impossibility of reliably estimating the fair value of the services received from employees, the cost of the benefit to employees is given by the fair value of the assigned shares, calculated on the assignment date, recognised in the income statement under caption 150a "Administrative expenses: personnel expenses", as a balancing entry for an increase in the shareholders' equity by valorising a specific reserve. The fair value of the Free Shares and Matching Shares was calculated on the basis of the market price of the shares on the date of assignment. As regards the Discounted shares, the fair value of the subscription discount was determined in consideration of the market price of the shares on the assignment date. For the shares assigned to Risk Takers only, the market price was adjusted to account for the constraint to the subsequent transfer upon the accrual period (holding period).

For the employees who only adhered to the Employee Share Ownership Plan, without adhering to the LECOIP investment plans (and who, thus, received the Free Shares only), the cost was entirely charged at the time of the assignment, as the shares are not subject to accrual conditions (vesting period).

For the employees who adhered to the LECOIPs, on the other hand, the condition applies of continuation of employment for the duration of the Plan, plus the additional performance conditions for Risk Takers and Executives (i.e. the achievement of certain objectives associated to the company capitalisation and the achievement of income results). If the accrual conditions fail to be respected, Intesa Sanpaolo shall take over the rights that would have been recognised to the employees by virtue of the Certificates.

The economic and financial effects of the Plan, estimated by suitably weighing the vesting conditions defined (including the probability of the employees continuing employment within the Group for the duration of the Plan), will be recognised during the period of accrual of the benefit and throughout the duration of the Plan.

B. QUANTITATIVE INFORMATION

2.1 Incentive plans based on financial instruments in 2015

	Number of shares	**Average strike price** (euro)	**Residual life**
Financial instruments outstanding as at 31 December 2014	14,953,606	-	Mar - Jun 2015 / Mar - Jun 2017
Financial instruments granted during the year	4,655,017	-	Mar - Oct 2017 / Sep - Oct 2019
Financial instruments no longer assignable [(a)]	988,474	-	Mar - Jun 2015 / Sep - Oct 2019
Financial instruments vested during the year and assigned	8,112,575	-	-
Financial instruments outstanding as at 31 December 2015	10,507,574	-	Mar - Jun 2016 / Sep - Oct 2019
of which: vested and assigned as at 31 December 2015	-	-	-

[(a)] Shares no longer deliverable to the beneficiaries following the related employment agreement ceasing and/or due to the application of the so-called malus conditions

Residual life	Number of shares
Mar - Jun 2016	4,233,069
Mar - Oct 2017	5,075,757
Sep - Oct 2018	961,486
Sep - Oct 2019	237,262

2.2 Long-term share-based instruments: LECOIP

The economic effects for 2015 connected to the LECOIP Plans amount to about 149 million euro (including the repayment of the tax charges - sell to cover - to be borne by the assignees), amounting to 12/40 of the overall value of the Plan (approximately 490 million euro overall).

This being an equity settled plan, payables for cash settled payments are not recorded.

	LECOIP									
	Free Shares 31.12.2014		Matching Shares 31.12.2014		Discounted Shares 31.12.2014		Sell to cover shares 31.12.2014 (a)		Total number of shares assigned 31.12.2014	Number of LECOIP Certificates 31.12.2014 (c)
	Number of shares	Average unit fair value	Number of shares	Average unit fair value	Number of shares	Average unit fair value (b)	Number of shares	Average unit fair value (b)		
Total employees	22,646,388	2.3442	42,332,754	2.3310	259,916,568	0.3736	46,201,721	2.4007	371,097,431	64,979,142

(a) Assigned shares allocated to cover the payment relating to the employee's tax burden.

(b) Fair value of the subscription discount.

(c) Number of Certificates subscribed at 1 December by the Group employees who participate in the LECOIP Co – Investment Plan.

	Number of LECOIP Certificates 31.12.2014	Changes in the year (d)	Number of LECOIP Certificates 31.12.2015	Average fair value 31.12.2015
Total employees	64,979,142	-1,527,183	63,451,959	5.0279

(d) Number of Certificates for which Intesa Sanpaolo shall take over the rights that would have been recognised to the employees by virtue of the Certificates due to failure to comply with the condition of continuation of employment for the duration of the Plan

Part L – Segment reporting

Breakdown by business area: 2015 income statement figures [a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Net interest income	4,902	1,544	1,479	201	1	-	-315	7,812
Profits (losses) on investments carried at equity	-	8	51	9	85	-	-57	96
Net fee and commission income	4,242	843	532	1,449	670	-	-240	7,496
Profits (Losses) on trading	66	712	101	27	1	-	127	1,034
Income from insurance business	-	-	-	-	-	1,100	-103	997
Other operating income (expenses)	45	2	-61	-6	2	2	-270	-286
Operating income	**9,255**	**3,109**	**2,102**	**1,680**	**759**	**1,102**	**-858**	**17,149**
Personnel expenses	-3,061	-361	-567	-290	-65	-67	-905	-5,316
Other administrative expenses	-1,922	-567	-369	-226	-77	-90	485	-2,766
Adjustments to property, equipment and intangible assets	-3	-3	-97	-16	-	-3	-612	-734
Operating costs	**-4,986**	**-931**	**-1,033**	**-532**	**-142**	**-160**	**-1,032**	**-8,816**
Operating margin	**4,269**	**2,178**	**1,069**	**1,148**	**617**	**942**	**-1,890**	**8,333**
Net provisions for risks and charges	-60	2	-159	-39	-3	1	-142	-400
Net adjustments to loans	-2,076	-203	-340	-	-	-	-687	-3,306
Net impairment losses on other assets	-2	-22	-2	-	-	-20	-122	-168
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-	-	-	138	138
Income (Loss) before tax from continuing operations	**2,131**	**1,955**	**568**	**1,109**	**614**	**923**	**-2,703**	**4,597**
Taxes on income from continuing operations	-893	-605	-145	-332	-139	-258	778	-1,594
Charges (net of tax) for integration and exit incentives	-37	-3	-4	-30	-	-4	-5	-83
Effect of purchase price allocation (net of tax)	-2	-	-	-84	-	-31	-2	-119
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-3	-3
Minority interests	-	-	-1	-	-9	-	-49	-59
Net income (loss)	**1,199**	**1,347**	**418**	**663**	**466**	**630**	**-1,984**	**2,739**

Breakdown by business area: balance sheet figures as at 31 December 2015 [a]

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Loans to customers	184,750	89,691	25,827	8,971	372	24	40,375	350,010
Direct deposits from banking business	159,860	109,915	32,456	20,922	9	196	48,825	372,183

[a] Figures from the reclassified forms as described in the Report on operations.

[b] Netting between segments is reported by the Corporate Centre.

Breakdown by geographical area: 2015 income statement figures [a]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	5,648	1,466	698	7,812
Profits (losses) on investments carried at equity	-30	43	83	96
Net fee and commission income	6,136	1,163	197	7,496
Profits (Losses) on trading	933	153	-52	1,034
Income from insurance business	893	104	-	997
Other operating income (expenses)	-269	-20	3	-286
Operating income	**13,311**	**2,909**	**929**	**17,149**
Personnel expenses	-4,593	-551	-172	-5,316
Other administrative expenses	-2,210	-475	-81	-2,766
Adjustments to property, equipment and intangible assets	-625	-99	-10	-734
Operating costs	**-7,428**	**-1,125**	**-263**	**-8,816**
Operating margin	**5,883**	**1,784**	**666**	**8,333**
Net provisions for risks and charges	-225	-170	-5	-400
Net adjustments to loans	-2,784	-450	-72	-3,306
Net impairment losses on other assets	-154	-14	-	-168
Profits (Losses) on investments held to maturity and on other investments	125	10	3	138
Income (Loss) before tax from continuing operations	**2,845**	**1,160**	**592**	**4,597**
Taxes on income from continuing operations	-1,245	-300	-49	-1,594
Charges (net of tax) for integration and exit incentives	-80	-3	-	-83
Effect of purchase price allocation (net of tax)	-115	-4	-	-119
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-3	-	-	-3
Minority interests	-6	-24	-29	-59
Net income (loss)	**1,396**	**829**	**514**	**2,739**

Breakdown by geographical area: balance sheet figures as at 31 December 2015 [a]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers	297,577	37,829	14,604	350,010
Direct deposits from banking business	310,504	51,336	10,343	372,183

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 Fabrizio Dabbene (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 2015.

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 2015 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[15].

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2015:
   - 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.

23 February 2016

Carlo Messina
Managing Director and CEO

Fabrizio Dabbene
Manager responsible for preparing
the Company's financial reports

[15] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors’ Report on the Consolidated financial statements

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Intesa Sanpaolo S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Intesa Sanpaolo Group (the "group"), which comprise the consolidated balance sheet as at 31 December 2015, the consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated shareholders' equity and consolidated statement of cash flows for the year then ended and notes thereto.

Management board's responsibility for the consolidated financial statements

The parent's management board is responsible for the preparation of consolidated financial statements that give a true and fair view 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the bank's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 31 of Legislative decree no. 2015/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements at 31 December 2015. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2015.

Milan, 3 March 2016

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments to the Consolidated Financial Statements

Consolidated reconciliation statements

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2014 and the adjusted consolidated balance sheet as at 31 December 2014

Reconciliation between published consolidated income statement for 2014 and adjusted consolidated income statement for 2014

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2014 and the restated consolidated balance sheet as at 31 December 2014

Reconciliation between adjusted consolidated income statement for 2014 and restated consolidated income statement for 2014

Reconciliation between consolidated income statement for 2015 and restated consolidated income statement for 2015

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 2015

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2014 and adjusted consolidated balance sheet as at 31 December 2014

The published consolidated balance sheet as at 31 December 2014 did not require any adjustments.

Reconciliation between published consolidated income statement for 2014 and adjusted consolidated income statement for 2014

(millions of euro)

	2014 Published	Effects of IFRS 5 application (a)	2014 Adjusted
10. Interest and similar income	15,933	18	15,951
20. Interest and similar expense	-6,116	-20	-6,136
30. Interest margin	**9,817**	**-2**	**9,815**
40. Fee and commission income	8,058	11	8,069
50. Fee and commission expense	-1,591	-1	-1,592
60. Net fee and commission income	**6,467**	**10**	**6,477**
70. Dividend and similar income	315	-	315
80. Profits (Losses) on trading	210	-9	201
90. Fair value adjustments in hedge accounting	-139	-	-139
100. Profits (Losses) on disposal or repurchase of	1,074	-	1,074
a) loans	*86*	-	*86*
b) financial assets available for sale	*1,271*	-	*1,271*
c) investments held to maturity	-	-	-
d) financial liabilities	*-283*	-	*-283*
110. Profits (Losses) on financial assets and liabilities designated at fair value	971	-	971
120. Net interest and other banking income	**18,715**	**-1**	**18,714**
130. Net losses / recoveries on impairment	-4,314	-15	-4,329
a) loans	*-4,102*	*-15*	*-4,117*
b) financial assets available for sale	*-187*	-	*-187*
c) investments held to maturity	*1*	-	*1*
d) other financial activities	*-26*	-	*-26*
140. Net income from banking activities	**14,401**	**-16**	**14,385**
150. Net insurance premiums	16,600	-	16,600
160. Other net insurance income (expense)	-18,805	-	-18,805
170. Net income from banking and insurance activities	**12,196**	**-16**	**12,180**
180. Administrative expenses	-8,842	-27	-8,869
a) personnel expenses	*-5,268*	*-16*	*-5,284*
b) other administrative expenses	*-3,574*	*-11*	*-3,585*
190. Net provisions for risks and charges	-546	-	-546
200. Net adjustments to / recoveries on property and equipment	-342	-2	-344
210. Net adjustments to / recoveries on intangible assets	-631	-3	-634
220. Other operating expenses (income)	720	-	720
230. Operating expenses	**-9,641**	**-32**	**-9,673**
240. Profits (Losses) on investments in associates and companies subject to joint control	340	-	340
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	114	-	114
280. Income (Loss) before tax from continuing operations	**3,009**	**-48**	**2,961**
290. Taxes on income from continuing operations	-1,651	-	-1,651
300. Income (Loss) after tax from continuing operations	**1,358**	**-48**	**1,310**
310. Income (Loss) after tax from discontinued operations	-48	48	-
320. Net income (loss)	**1,310**	**-**	**1,310**
330. Minority interests	-59	-	-59
340. Parent Company's net income (loss)	**1,251**	**-**	**1,251**

[a] Income statement figures for the first nine months of 2014 for the Ukrainian subsidiary Pravex Bank, the sale agreement for which was terminated in the first half of 2015.

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2014 and restated consolidated balance sheet as at 31 December 2014

(millions of euro)

Assets		31.12.2014 Published (*)	Reconsolidation of discontinued operations (a)	Risanamento Group (b)	31.12.2014 Restated
10.	Cash and cash equivalents	6,631	16	-	6,647
20.	Financial assets held for trading	53,741	-	-	53,741
30.	Financial assets designated at fair value through profit and loss	43,863	-	-	43,863
40.	Financial assets available for sale	124,150	26	-	124,176
50.	Investments held to maturity	1,471	-	-	1,471
60.	Due from banks	31,372	2	237	31,611
70.	Loans to customers	339,105	125	-228	339,002
80.	Hedging derivatives	9,210	-	-	9,210
90.	Fair value change of financial assets in hedged portfolios (+/-)	59	-	-	59
100.	Investments in associates and companies subject to joint control	1,944	-	-134	1,810
110.	Technical insurance reserves reassured with third parties	27	-	-	27
120.	Property and equipment	4,884	16	246	5,146
130.	Intangible assets	7,243	10	-	7,253
	of which				
	- goodwill	*3,899*	-	-	*3,899*
140.	Tax assets	14,431	-	73	14,504
	a) current	*3,021*	-	*55*	*3,076*
	b) deferred	*11,410*	-	*18*	*11,428*
	- of which convertible into tax credit (Law no. 214/2011)	*8,824*	-	-	*8,824*
150.	Non-current assets held for sale and discontinued operations	229	-205	5	29
160.	Other assets	8,067	10	717	8,794
Total Assets		**646,427**	**-**	**916**	**647,343**

(*) Figures originally published in the Annual Report 2014.

(a) Line-by-line restatement of assets previously classified as held for sale and discontinued operations, in a manner consistent with the restatement of the income statement. In particular, reference is made to the contents of the balance sheet as at 31 December 2014 of the Ukrainian subsidiary Pravex Bank, the sale agreement for which was terminated in the first half of 2015.

(b) Acquisition of control of the Risanamento Group. Amounts net of the deconsolidation of the investment, which as at December 2014 was measured at equity, and of existing intragroup dealings with the Intesa Sanpaolo Group.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2014 Published (*)	Reconsolidation of discontinued operations (a)	Risanamento Group (b)	31.12.2014 Restated
10.	Due to banks	51,495	-	464	51,959
20.	Due to customers	230,738	194	-15	230,917
30.	Securities issued	123,768	-	-	123,768
40.	Financial liabilities held for trading	46,376	-	5	46,381
50.	Financial liabilities designated at fair value through profit and loss	37,622	-	-	37,622
60.	Hedging derivatives	10,300	-	-	10,300
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,449	-	-	1,449
80.	Tax liabilities	2,323	-	148	2,471
	a) current	*662*	-	*117*	*779*
	b) deferred	*1,661*	-	*31*	*1,692*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	201	-201	-	-
100.	Other liabilities	12,119	7	53	12,179
110.	Employee termination indemnities	1,480	-	2	1,482
120.	Allowances for risks and charges	3,793	-	89	3,882
	a) post employment benefits	*1,167*	-	-	*1,167*
	b) other allowances	*2,626*	-	*89*	*2,715*
130.	Technical reserves	79,701	-	-	79,701
140.	Valuation reserves	-1,622	-	-	-1,622
150.	Redeemable shares	-	-	-	-
160.	Equity instruments	-	-	-	-
170.	Reserves	9,054	-	-	9,054
180.	Share premium reserve	27,349	-	-	27,349
190.	Share capital	8,725	-	-	8,725
200.	Treasury shares (-)	-74	-	-	-74
210.	Minority interests (+/-)	379	-	170	549
220.	Net income (loss)	1,251	-	-	1,251
Total Liabilities and Shareholders' Equity		**646,427**	**-**	**916**	**647,343**

(*) Figures originally published in the Annual Report 2014.

(a) Line-by-line restatement of assets previously classified as held for sale and discontinued operations, in a manner consistent with the restatement of the income statement. In particular, reference is made to the contents of the balance sheet as at 31 December 2014 of the Ukrainian subsidiary Pravex Bank, the sale agreement for which was terminated in the first half of 2015.

(b) Acquisition of control of the Risanamento Group. Amounts net of the deconsolidation of the investment, which as at December 2014 was measured at equity, and of existing intragroup dealings with the Intesa Sanpaolo Group.

Reconciliation between adjusted consolidated income statement for 2014 and restated consolidated income statement for 2014

(millions of euro)

	2014 Adjusted	**Changes in the scope of consolidation** Risanamento Group consolidation (a)	**2014** Restated
10. Interest and similar income	15,951	-	15,951
20. Interest and similar expense	-6,136	-29	-6,165
30. Interest margin	**9,815**	**-29**	**9,786**
40. Fee and commission income	8,069	-	8,069
50. Fee and commission expense	-1,592	-7	-1,599
60. Net fee and commission income	**6,477**	**-7**	**6,470**
70. Dividend and similar income	315	-	315
80. Profits (Losses) on trading	201	-32	169
90. Fair value adjustments in hedge accounting	-139	-	-139
100. Profits (Losses) on disposal or repurchase of	1,074	-	1,074
a) loans	*86*	-	*86*
b) financial assets available for sale	*1,271*	-	*1,271*
c) investments held to maturity	-	-	-
d) financial liabilities	*-283*	-	*-283*
110. Profits (Losses) on financial assets and liabilities designated at fair value	971	-	971
120. Net interest and other banking income	**18,714**	**-68**	**18,646**
130. Net losses / recoveries on impairment	-4,329	-	-4,329
a) loans	*-4,117*	-	*-4,117*
b) financial assets available for sale	*-187*	-	*-187*
c) investments held to maturity	*1*	-	*1*
d) other financial activities	*-26*	-	*-26*
140. Net income from banking activities	**14,385**	**-68**	**14,317**
150. Net insurance premiums	16,600	-	16,600
160. Other net insurance income (expense)	-18,805	-	-18,805
170. Net income from banking and insurance activities	**12,180**	**-68**	**12,112**
180. Administrative expenses	-8,869	-24	-8,893
a) personnel expenses	*-5,284*	*-10*	*-5,294*
b) other administrative expenses	*-3,585*	*-14*	*-3,599*
190. Net provisions for risks and charges	-546	-	-546
200. Net adjustments to / recoveries on property and equipment	-344	-6	-350
210. Net adjustments to / recoveries on intangible assets	-634	-	-634
220. Other operating expenses (income)	720	5	725
230. Operating expenses	**-9,673**	**-25**	**-9,698**
240. Profits (Losses) on investments in associates and companies subject to joint control	340	-31	309
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	114	-	114
280. Income (Loss) before tax from continuing operations	**2,961**	**-124**	**2,837**
290. Taxes on income from continuing operations	-1,651	6	-1,645
300. Income (Loss) after tax from continuing operations	**1,310**	**-118**	**1,192**
310. Income (Loss) after tax from discontinued operations	-	276	276
320. Net income (loss)	**1,310**	**158**	**1,468**
330. Minority interests	-59	-158	-217
340. Parent Company's net income (loss)	**1,251**	**-**	**1,251**

[a] Income statement figures for the first nine months of 2014 for the Risanamento Group, net of the deconsolidation of the investment measured at equity in the ISP Group's Interim Statement.

Reconciliation between consolidated income statement for 2015 and restated consolidated income statement for 2015

(in millions of euro)

	2015	Changes in the scope of consolidation Risanamento Group consolidation (a)	2015 Restated
10. Interest and similar income	14,148	-	14,148
20. Interest and similar expense	-4,910	-11	-4,921
30. Interest margin	**9,238**	**-11**	**9,227**
40. Fee and commission income	8,735	-	8,735
50. Fee and commission expense	-1,686	-2	-1,688
60. Net fee and commission income	**7,049**	**-2**	**7,047**
70. Dividend and similar income	378	-	378
80. Profits (Losses) on trading	285	-	285
90. Fair value adjustments in hedge accounting	-68	-	-68
100. Profits (Losses) on disposal or repurchase of	1,205	-	1,205
a) loans	*-44*	-	*-44*
b) financial assets available for sale	*1,452*	-	1,452
c) investments held to maturity	-	-	-
d) financial liabilities	*-203*	-	-203
110. Profits (Losses) on financial assets and liabilities designated at fair value	977	-	977
120. Net interest and other banking income	**19,064**	**-13**	**19,051**
130. Net losses / recoveries on impairment	-2,824	-	-2,824
a) loans	*-2,751*	-	-2,751
b) financial assets available for sale	*-203*	-	-203
c) investments held to maturity	-	-	-
d) other financial activities	*130*	-	130
140. Net income from banking activities	**16,240**	**-13**	**16,227**
150. Net insurance premiums	12,418	-	12,418
160. Other net insurance income (expense)	-14,680	-	-14,680
170. Net income from banking and insurance activities	**13,978**	**-13**	**13,965**
180. Administrative expenses	-9,506	-8	-9,514
a) personnel expenses	*-5,394*	*-3*	-5,397
b) other administrative expenses	*-4,112*	*-5*	-4,117
190. Net provisions for risks and charges	-536	-	-536
200. Net adjustments to / recoveries on property and equipment	-360	-3	-363
210. Net adjustments to / recoveries on intangible assets	-557	-	-557
220. Other operating expenses (income)	934	7	941
230. Operating expenses	**-10,025**	**-4**	**-10,029**
240. Profits (Losses) on investments in associates and companies subject to joint control	111	11	122
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	103	-	103
280. Income (Loss) before tax from continuing operations	**4,167**	**-6**	**4,161**
290. Taxes on income from continuing operations	-1,359	-1	-1,360
300. Income (Loss) after tax from continuing operations	**2,808**	**-7**	**2,801**
310. Income (Loss) after tax from discontinued operations	-2	-1	-3
320. Net income (loss)	**2,806**	**-8**	**2,798**
330. Minority interests	-67	8	-59
340. Parent Company's net income (loss)	**2,739**	**-**	**2,739**

[a] Income statement figures for the first six months of 2015 for the Risanamento Group, net of the deconsolidation of the investment measured at equity in the ISP Group's Half-yearly Report.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		31.12.2015	31.12.2014	Changes	
			Restated	amount	%
10.	Cash and cash equivalents	9,344	6,647	2,697	40.6
20.	Financial assets held for trading	51,597	53,741	-2,144	-4.0
30.	Financial assets designated at fair value through profit and loss	53,663	43,863	9,800	22.3
40.	Financial assets available for sale	131,402	124,176	7,226	5.8
50.	Investments held to maturity	1,386	1,471	-85	-5.8
60.	Due from banks	34,445	31,611	2,834	9.0
70.	Loans to customers	350,010	339,002	11,008	3.2
80.	Hedging derivatives	7,059	9,210	-2,151	-23.4
90.	Fair value change of financial assets in hedged portfolios (+/-)	110	59	51	86.4
100.	Investments in associates and companies subject to joint control	1,727	1,810	-83	-4.6
110.	Technical insurance reserves reassured with third parties	22	27	-5	-18.5
120.	Property and equipment	5,367	5,146	221	4.3
130.	Intangible assets	7,195	7,253	-58	-0.8
	of which				
	- goodwill	*3,914*	*3,899*	*15*	*0.4*
140.	Tax assets	15,021	14,504	517	3.6
	a) current	*3,626*	*3,076*	*550*	*17.9*
	b) deferred	*11,395*	*11,428*	*-33*	*-0.3*
	- of which convertible into tax credit (Law no. 214/2011)	*8,749*	*8,824*	*-75*	*-0.8*
150.	Non-current assets held for sale and discontinued operations	27	29	-2	-6.9
160.	Other assets	8,121	8,794	-673	-7.7
Total Assets		**676,496**	**647,343**	**29,153**	**4.5**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2015	31.12.2014 Restated	Changes amount	%
10.	Due to banks	59,327	51,959	7,368	14.2
20.	Due to customers	255,258	230,917	24,341	10.5
30.	Securities issued	110,144	123,768	-13,624	-11.0
40.	Financial liabilities held for trading	43,522	46,381	-2,859	-6.2
50.	Financial liabilities designated at fair value through profit and loss	47,022	37,622	9,400	25.0
60.	Hedging derivatives	8,234	10,300	-2,066	-20.1
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,014	1,449	-435	-30.0
80.	Tax liabilities	2,367	2,471	-104	-4.2
	a) current	*508*	*779*	*-271*	*-34.8*
	b) deferred	*1,859*	*1,692*	*167*	*9.9*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	11,566	12,179	-613	-5.0
110.	Employee termination indemnities	1,353	1,482	-129	-8.7
120.	Allowances for risks and charges	3,480	3,882	-402	-10.4
	a) post employment benefits	*859*	*1,167*	*-308*	*-26.4*
	b) other allowances	*2,621*	*2,715*	*-94*	*-3.5*
130.	Technical reserves	84,616	79,701	4,915	6.2
140.	Valuation reserves	-1,018	-1,622	-604	-37.2
150.	Redeemable shares	-	-	-	
160.	Equity instruments	877	-	877	
170.	Reserves	9,167	9,054	113	1.2
180.	Share premium reserve	27,349	27,349	-	-
190.	Share capital	8,732	8,725	7	0.1
200.	Treasury shares (-)	-70	-74	-4	-5.4
210.	Minority interests (+/-)	817	549	268	48.8
220.	Net income (loss)	2,739	1,251	1,488	
Total Liabilities and Shareholders' Equity		**676,496**	**647,343**	**29,153**	**4.5**

Restated consolidated income statement

(millions of euro)

	2015 Restated	2014 Restated	Changes amount	%
10. Interest and similar income	14,148	15,951	-1,803	-11.3
20. Interest and similar expense	-4,921	-6,165	-1,244	-20.2
30. Interest margin	**9,227**	**9,786**	**-559**	**-5.7**
40. Fee and commission income	8,735	8,069	666	8.3
50. Fee and commission expense	-1,688	-1,599	89	5.6
60. Net fee and commission income	**7,047**	**6,470**	**577**	**8.9**
70. Dividend and similar income	378	315	63	20.0
80. Profits (Losses) on trading	285	169	116	68.6
90. Fair value adjustments in hedge accounting	-68	-139	-71	-51.1
100. Profits (Losses) on disposal or repurchase of	1,205	1,074	131	12.2
a) loans	*-44*	*86*	*-130*	
b) financial assets available for sale	*1,452*	*1,271*	*181*	*14.2*
c) investments held to maturity	-	-	-	
d) financial liabilities	*-203*	*-283*	*-80*	*-28.3*
110. Profits (Losses) on financial assets and liabilities designated at fair value	977	971	6	0.6
120. Net interest and other banking income	**19,051**	**18,646**	**405**	**2.2**
130. Net losses / recoveries on impairment	-2,824	-4,329	-1,505	-34.8
a) loans	*-2,751*	*-4,117*	*-1,366*	*-33.2*
b) financial assets available for sale	*-203*	*-187*	*16*	*8.6*
c) investments held to maturity	-	*1*	*-1*	
d) other financial activities	*130*	*-26*	*156*	
140. Net income from banking activities	**16,227**	**14,317**	**1,910**	**13.3**
150. Net insurance premiums	12,418	16,600	-4,182	-25.2
160. Other net insurance income (expense)	-14,680	-18,805	-4,125	-21.9
170. Net income from banking and insurance activities	**13,965**	**12,112**	**1,853**	**15.3**
180. Administrative expenses	-9,514	-8,893	621	7.0
a) personnel expenses	*-5,397*	*-5,294*	*103*	*1.9*
b) other administrative expenses	*-4,117*	*-3,599*	*518*	*14.4*
190. Net provisions for risks and charges	-536	-546	-10	-1.8
200. Net adjustments to / recoveries on property and equipment	-363	-350	13	3.7
210. Net adjustments to / recoveries on intangible assets	-557	-634	-77	-12.1
220. Other operating expenses (income)	941	725	216	29.8
230. Operating expenses	**-10,029**	**-9,698**	**331**	**3.4**
240. Profits (Losses) on investments in associates and companies subject to joint control	122	309	-187	-60.5
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	103	114	-11	-9.6
280. Income (Loss) before tax from continuing operations	**4,161**	**2,837**	**1,324**	**46.7**
290. Taxes on income from continuing operations	-1,360	-1,645	-285	**-17.3**
300. Income (Loss) after tax from continuing operations	**2,801**	**1,192**	**1,609**	
310. Income (Loss) after tax from discontinued operations	-3	276	-279	
320. Net income (loss)	**2,798**	**1,468**	**1,330**	**90.6**
330. Minority interests	-59	-217	-158	-72.8
340. Parent Company's net income (loss)	**2,739**	**1,251**	**1,488**	

Reconciliation between consolidated financial statements and reclassified consolidated financial statements

Reconciliation between 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	31.12.2015	31.12.2014 restated
Financial assets held for trading		51,597	53,741
	Caption 20 - Financial assets held for trading	*51,597*	*53,741*
Financial assets designated at fair value through profit and loss		53,663	43,863
	Caption 30 - Financial assets designated at fair value through profit and loss	*53,663*	*43,863*
Financial assets available for sale		131,402	124,176
	Caption 40 - Financial assets available for sale	*131,402*	*124,176*
Investments held to maturity		1,386	1,471
	Caption 50 - Investments held to maturity	*1,386*	*1,471*
Due from banks		34,445	31,611
	Caption 60 - Due from banks	*34,445*	*31,611*
Loans to customers		350,010	339,002
	Caption 70 - Loans to customers	*350,010*	*339,002*
Investments in associates and companies subject to joint control		1,727	1,810
	Caption 100 - Investments in associates and companies subject to joint control	*1,727*	*1,810*
Property, equipment and intangible assets		12,562	12,399
	Caption 120 - Property and equipment	*5,367*	*5,146*
	+ Caption 130 - Intangible assets	*7,195*	*7,253*
Tax assets		15,021	14,504
	Caption 140 - Tax assets	*15,021*	*14,504*
Non-current assets held for sale and discontinued operations		27	29
	Caption 150 - Non-current assets held for sale and discontinued operations	*27*	*29*
Other assets		24,656	24,737
	Caption 10 - Cash and cash equivalents	*9,344*	*6,647*
	+ Caption 160 - Other assets	*8,121*	*8,794*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*22*	*27*
	+ Caption 80 - Hedging derivatives	*7,059*	*9,210*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*110*	*59*
Total Assets	**Total Assets**	**676,496**	**647,343**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	31.12.2015	31.12.2014 restated
Due to banks		59,327	51,959
	Caption 10 - Due to banks	*59,327*	*51,959*
Due to customers and securities issued		365,402	354,685
	Caption 20 - Due to customers	*255,258*	*230,917*
	+ Caption 30 - Securities issued	*110,144*	*123,768*
Financial liabilities held for trading		43,522	46,381
	Caption 40 - Financial liabilities held for trading	*43,522*	*46,381*
Financial liabilities designated at fair value through profit and loss		47,022	37,622
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*47,022*	*37,622*
Tax liabilities		2,367	2,471
	Caption 80 - Tax liabilities	*2,367*	*2,471*
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		20,814	23,928
	Caption 100 - Other liabilities	*11,566*	*12,179*
	+ Caption 60 - Hedging derivatives	*8,234*	*10,300*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,014*	*1,449*
Technical reserves		84,616	79,701
	Caption 130 - Technical reserves	*84,616*	*79,701*
Allowances for specific purpose		4,833	5,364
	Caption 110 - Employee termination indemnities	*1,353*	*1,482*
	Caption 120 - Allowances for risks and charges	*3,480*	*3,882*
Share capital		8,732	8,725
	Caption 190 - Share capital	*8,732*	*8,725*
Reserves (net of treasury shares)		36,446	36,329
	Caption 170 - Reserves	*9,167*	*9,054*
	Caption 180 - Share premium reserve	*27,349*	*27,349*
	– Caption 200 - Treasury shares	*-70*	*-74*
Valuation reserves		-1,018	-1,622
	Caption 140 - Valuation reserves	*-1,018*	*-1,622*
Equity instruments		877	-
	Caption 160 - Equity instruments	*877*	-
Minority interests		817	549
	Caption 210 - Minority interests	*817*	*549*
Net income (loss)		2,739	1,251
	Caption 220 - Net income (loss)	*2,739*	*1,251*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**676,496**	**647,343**

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	2015 Restated	2014 Restated
Net interest income		**7,812**	**8,358**
	Caption 30 - Interest margin	*9,227*	*9,786*
	- Caption 30 (partial) - Contribution of insurance business	*-2,020*	*-2,062*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*12*	*15*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-4*	*182*
	+ Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	*-*	*3*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*643*	*509*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-45*	*-71*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-1*	*-4*
Profits (losses) on investments in associates and companies subject to joint control (carried at equity)		**96**	**35**
	Caption 70 - Dividend and similar income	*378*	*315*
	- Caption 70 (partial) - Contribution of insurance business	*-171*	*-89*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-206*	*-226*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*95*	*35*
Net fee and commission income		**7,496**	**6,765**
	Caption 60 - Net fee and commission income	*7,047*	*6,470*
	- Caption 60 (partial) - Contribution of insurance business	*474*	*311*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*-25*	*-16*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-*
Profits (Losses) on trading		**1,034**	**736**
	Caption 80 - Profits (Losses) on trading	*285*	*169*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-68*	*-139*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*1,452*	*1,271*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-203*	*-283*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*977*	*971*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*206*	*226*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*4*	*-182*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-*
	- Caption 80 (partial) - Contribution of insurance business	*-1,619*	*-1,297*
Income from insurance business		**997**	**932**
	Caption 150 - Net insurance premiums	*12,418*	*16,600*
	+ Caption 160 - Other net insurance income (expense)	*-14,680*	*-18,805*
	+ Caption 30 (partial) - Contribution of insurance business	*2,020*	*2,062*
	+ Caption 60 (partial) - Contribution of insurance business	*-474*	*-311*
	+ Caption 70 (partial) - Contribution of insurance business	*171*	*89*
	+ Caption 80 (partial) - Contribution of insurance business	*1,619*	*1,297*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-77*	*-*
Other operating income (expenses)		**-286**	**2**
	Caption 220 - Other operating income (expenses)	*941*	*725*
	+ Caption 180 (partial) - Other administrative expenses (Resolution fund and deposit guarantee scheme)	*-516*	*-*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-15*	*-14*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-711*	*-737*
	- Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*23*	*28*
	- Caption 220 (partial) - Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*-8*	*-*
Operating income		**17,149**	**16,828**
Personnel expenses		**-5,316**	**-5,118**
	Caption 180 a) - Personnel expenses	*-5,397*	*-5,294*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*36*	*105*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*45*	*71*
Administrative expenses		**-2,766**	**-2,794**
	Caption 180 b) - Other administrative expenses	*-4,117*	*-3,599*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*84*	*38*
	- Caption 180 b) (partial) - Other administrative expenses (Resolution fund and deposit guarantee scheme)	*516*	*-*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*25*	*16*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*711*	*737*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*15*	*14*
Adjustments to property, equipment and intangible assets		**-734**	**-694**
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-363*	*-350*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-557*	*-634*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*6*	*3*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*22*	*15*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*7*	*8*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-17*	*-18*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*168*	*282*
Operating costs		**-8,816**	**-8,606**
Operating margin		**8,333**	**8,222**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2015 Restated	2014 Restated
Operating margin		**8,333**	**8,222**
Net provisions for risks and charges		**-400**	**-542**
	Caption 190 - Net provisions for risks and charges	*-536*	*-546*
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*1*	*4*
	- Caption 190 (partial) - Net provisions for risks and charges (tax charges)	*135*	*-*
Net adjustments to loans		**-3,306**	**-4,568**
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-44*	*86*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-2,751*	*-4,117*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-643*	*-509*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*130*	*-26*
	- Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	*-*	*-3*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*2*	*1*
Net impairment losses on other assets		**-168**	**-237**
	+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-203*	*-187*
	+ 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	*77*	*-*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-22*	*-15*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*10*	*-*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-7*	*-8*
	+ Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*-23*	*-28*
Profits (Losses) on investments held to maturity and on other investments		**138**	**388**
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-*
	+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*8*	*-*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*122*	*309*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-95*	*-35*
	+ Caption 270 - Profits (Losses) on disposal of investments	*103*	*114*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*-*	*-*
Income (Loss) before tax from continuing operations		**4,597**	**3,263**
Taxes on income from continuing operations		**-1,594**	**-1,775**
	Caption 290 - Taxes on income from continuing operations	*-1,360*	*-1,645*
	+ Caption 190 (partial) - Net provisions for risks and charges (tax charges)	*-135*	*-*
	- Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	*-*	*-*
	- Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*-43*	*-43*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*-56*	*-87*
Charges (net of tax) for integration and exit incentives		**-83**	**-103**
	+ Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*-36*	*-105*
	+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*-84*	*-38*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-6*	*-3*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*43*	*43*
Effect of purchase price allocation (net of tax)		**-119**	**-193**
	+ Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*-12*	*-15*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*17*	*18*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*-10*	*-*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*-168*	*-282*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*-2*	*-1*
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*-*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*56*	*87*
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
	Caption 260 - Goodwill impairment	-	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	*-*	*-*
Income (Loss) after tax from discontinued operations		**-3**	**276**
	Caption 310 - Income (Loss) after tax from discontinued operations	*-3*	*276*
Minority interests		**-59**	**-217**
	Caption 330 - Minority interests	*-59*	*-217*
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**2,739**	**1,251**

Other consolidated attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2015

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 - 2173/2015 (**) - 2343/2015 (**) - 2441/2015 (**)
IFRS 2	Share-based Payment	1126/2008 mod. 1261/2008 - 495/2009 - 243/2010 - 244/2010 - 1254/2012 - 1255/2012 - 28/2015 (*)
IFRS 3	Business Combinations	1126/2008 mod. 495/2009 - 149/2011 - 1254/2012 - 1255/2012 - 1174/2013 - 1361/2014 - 28/2015 (*)
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 - 2343/2015 (**)
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 - 2343/2015 (**) - 2406/2015 (**)
IFRS 8	Operating Segments	1126/2008 mod. 1274/2008 - 243/2010 - 632/2010 - 475/2012 - 28/2015 (*)
IFRS 10	Consolidated Financial Statements	1254/2012 mod. 313/2013 - 1174/2013
IFRS 11	Joint Arrangements	1254/2012 mod. 313/2013 - 2173/2015 (**)
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 mod. 313/2013 - 1174/2013
IFRS 13	Fair Value Measurement	1255/2012 mod. 1361/2014
IAS 1	Presentation of Financial Statements	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 301/2013 - 2113/2015 (**) - 2406/2015 (**)
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 - 28/2015 (*) - 2113/2015 (**) - 2231/2015 (**)
IAS 17	Leases	1126/2008 mod. 243/2010 - 1255/2012 - 2113/2015 (**)
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 - 29/2015 (*) - 2343/2015 (**)
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 - 2113/2015 (**)
IAS 24	Related Party Disclosures	1126/2008 mod. 1274/2008 - 632/2010 - 475/2012 - 1254/2012 - 1174/2013 - 28/2015 (*)
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 - 2441/2015 (**)
IAS 28	Investments in Associates	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 495/2009 - 1254/2012 - 1255/2012 - 2441/2015 (**)
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008 - 70/2009
IAS 32	Financial Instruments: Presentation	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 1293/2009 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012 - 301/2013 - 1174/2013
IAS 33	Earnings per Share	1126/2008 mod. 1274/2008 - 494/2009 - 495/2009 - 475/2012 - 1254/2012 - 1255/2012
IAS 34	Interim Financial Reporting	1126/2008 mod. 1274/2008 - 70/2009 - 495/2009 - 149/2011 - 475/2012 - 1255/2012 - 301/2013 - 1174/2013 - 2343/2015 (**) - 2406/2015 (**)
IAS 36	Impairment of Assets	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 1374/2013 - 2113/2015 (**)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 mod. 1274/2008 - 495/2009 - 28/2015 (*)
IAS 38	Intangible Assets	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 28/2015 (*) - 2231/2015 (**)
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 - 28/2015 (*)
IAS 40	Investment Property	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 1361/2014 - 2113/2015 (**)
IAS 41	Agriculture	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 2113/2015 (**)

(**) Companies apply this Regulation at the latest as of the first financial year starting after 1 February 2015.

(**) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2016.

INTERPRETATIONS		Regulation endorsement
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008 mod. 1260/2008 - 1274/2008
IFRIC 2	Members' Shares in Cooperative Entities and Similar Instruments	1126/2008 mod. 53/2009 - 1255/2012 - 301/2013
IFRIC 4	Determining whether an Arrangement contains a Lease	1126/2008 mod. 254/2009 - 1255/2012
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 mod. 1254/2012
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7	Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008
IFRIC 9	Reassessment of Embedded Derivatives	1126/2008 mod. 495/2009 - 1171/2009 - 243/2010 - 1254/2012
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008 mod. 1274/2008
IFRIC 12	Service Concession Arrangements	254/2009
IFRIC 13	Customer Loyalty Programmes	1262/2008 mod. 149/2011 - 1255/2012
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008 mod. 1274/2008 - 633/2010 - 475/2012
IFRIC 15	Agreements for the Construction of Real Estate	636/2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009 mod. 243/2010 - 1254/2012
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009 mod. 1254/2012 - 1255/2012
IFRIC 18	Transfers of Assets from Customers	1164/2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010 mod. 1255/2012
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012
IFRIC 21	Levies	634/2014
SIC 7	Introduction of the Euro	1126/2008 mod. 1274/2008 - 494/2009
SIC 10	Government Assistance - No Specific Relation to Operating Activities	1126/2008 mod. 1274/2008
SIC 15	Operating Leases - Incentives	1126/2008 mod. 1274/2008
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	1126/2008 mod. 1274/2008
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1126/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 mod. 1274/2008 - 254/2009
SIC 31	Revenue - Barter Transactions Involving Advertising Services	1126/2008
SIC 32	Intangible Assets - Web Site Costs	1126/2008 mod. 1274/2008