INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: CONSOLIDATED RESULTS AS AT DECEMBER 31st 2014

STRONG PROFITABILITY GROWTH, WHICH IS ABOVE THE BANK'S 2014-2017 BUSINESS PLAN TARGETS.

PROPOSED CASH DIVIDENDS AMOUNT TO €1.2BN.

A FURTHER STRENGTHENING OF A STRONG CAPITAL BASE WHICH IS WELL ABOVE REGULATORY REQUIREMENTS: THE PRO-FORMA COMMON EQUITY RATIO ON A FULLY LOADED BASIS IS UP TO 13.3%, NET OF PROPOSED DIVIDENDS.

NET INCOME FOR 2014 WAS €1.7BN, EXCLUDING THE RETROACTIVE TAX RATE INCREASE RELATING TO THE BANK OF ITALY STAKE. STATED NET INCOME WAS €1,251M.

NET INTEREST INCOME SHOWED A POSITIVE TREND, COMMISSION INCOME GREW AT A SUSTAINED PACE (REACHING, IN 2014, ITS HIGHEST LEVEL SINCE 2007), WHILE ASSETS UNDER MANAGEMENT PERFORMED STRONGLY.

PROVISIONS WERE REDUCED, REFLECTING AN IMPROVING CREDIT TREND, AND INCLUDED ADJUSTMENTS RESULTING FROM THE ASSET QUALITY REVIEW.

NPL INFLOW FROM PERFORMING LOANS IN 2014 WAS AT ITS LOWEST SINCE 2011.

- **PROPOSED CASH DIVIDENDS OF €1.2BN: €7 CENTS PER ORDINARY SHARE AND €8.1 CENTS PER SAVINGS SHARE. DIVIDEND YIELD(1) OF 2.8% PER ORDINARY SHARE AND 3.7% PER SAVINGS SHARE**
- **ROBUST NET INCOME:**
  - **€1,690M IN 2014, EXCLUDING THE RETROACTIVE TAX RATE INCREASE RELATING TO THE BANK OF ITALY STAKE, UP 38.8% VS €1,218M IN 2013, EXCLUDING THE IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS**
  - **STATED INCOME AT €1,251M IN 2014, DESPITE AN EFFECTIVE TAX RATE OF 52%**
  - **€48M IN Q4 2014**
- **STRONG GROWTH IN PRE-TAX INCOME: UP 36.5% VS 2013**
- **SIGNIFICANT INCREASE IN CORE OPERATING MARGIN:**
  - **UP 11.6% VS 2013, EXCLUDING PROFITS ON TRADING**
- **POSITIVE TREND IN NET INTEREST INCOME: UP 3.3% VS 2013**
- **SUSTAINED GROWTH IN NET FEES AND COMMISSIONS: UP 10.5% VS 2013**
- **CONTINUOUS COST MANAGEMENT WITH OPERATING COSTS UP 3% VS 2013, AN INCREASE ENTIRELY DUE TO INCENTIVES TO TRIGGER GROWTH THAT WERE NOT PAID IN 2013**
- **REDUCTION IN PROVISIONS, REFLECTING AN IMPROVING CREDIT TREND. PROVISIONS INCLUDED ADJUSTMENTS DUE TO THE OUTCOME OF THE AQR:**
  - **LOAN LOSS PROVISIONS OF €4,538M IN 2014 VS 7,111M IN 2013 (DOWN 36.2%)**
  - **NPL INFLOW FROM PERFORMING LOANS IN 2014 AT ITS LOWEST SINCE 2011, DOWN 22% NET AND 21% GROSS VS 2013**
- **A FURTHER STRENGTHENING OF A STRONG CAPITAL BASE WHICH IS WELL ABOVE REGULATORY REQUIREMENTS. THE COMMON EQUITY RATIO, NET OF €1.2BN DIVIDENDS ACCRUED IN 2014, IS:**
  - **13.6% ON A TRANSITIONAL BASIS FOR 2014(2) ("PHASED IN")**
  - **13.3% ON A FULLY LOADED BASIS(3)**

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(1) At the Intesa Sanpaolo stock price on February 9th 2015.

(2) Includes the net income for 2014 after the deduction of accrued dividends; excluding it, the Phased-in Common Equity ratio is equal to 13.5%.

(3) Estimated applying the parameters set out under fully loaded Basel 3 to the financial statements as at December 31st 2014 considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment, the expected absorption of DTAs on losses carried forward, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of nine basis points).

HIGHLIGHTS:

OPERATING INCOME:	FY 2014	**+4%** AT €16,898M VS €16,248M IN 2013;
	Q4 2014	-1.9% AT €4,127M VS €4,206M IN Q3 2014
OPERATING COSTS:	FY 2014	**+3%** AT €8,544M VS €8,298M IN 2013;
	Q4 2014	+13.5% AT €2,346M VS €2,067M IN Q3 2014
OPERATING MARGIN:	FY 2014	**+5.1%** AT €8,354M VS €7,950M IN 2013;
	Q4 2014	-16.7% AT €1,781M VS €2,139M IN Q3 2014
INCOME BEFORE TAX FROM CONTINUING OPERATIONS:	FY 2014	**+36.5%** AT €3,435M VS €2,516M IN 2013;
	Q4 2014	-57.9% AT €374M VS €888M IN Q3 2014
NET INCOME:	FY 2014	**€1,251M** VS -€4,550M IN 2013
		€1,690M EXCLUDING THE RETROACTIVE TAX RATE INCREASE RELATING TO THE BANK OF ITALY STAKE, VS €1,218M IN 2013 EXCLUDING GOODWILL/INTANGIBLES IMPAIRMENT;
	Q4 2014	€48M VS €483M IN Q3 2014

CAPITAL RATIOS: COMMON EQUITY RATIO AFTER ACCRUED DIVIDENDS:
13.3% PRO-FORMA FULLY LOADED(4)**;**
13.6% PHASED IN(5)

Turin - Milan, February 10th 2015 – At its meeting today, the Intesa Sanpaolo Management Board approved the parent company and consolidated results for the year ended December 31st 2014(6).

The Group has achieved a **strong improvement in profitability - above the 2014-2017 Business Plan targets -** despite prolonged market challenges, **confirming that its balance sheet is solid**, as the figures below show:

- **robust net income of €1,690m in 2014, excluding the retroactive increase in the tax rate**, from 12% to 26%, on the capital gain from the **Bank of Italy** stake booked in 2013. This was up 38.8% from €1,218m in 2013, excluding the impairment of goodwill and other intangible assets. The **stated net income** amounted to **€1,251m in 2014** (versus a net loss of €4,550m in 2013), **despite an effective tax rate of 52%**, and **€48m in Q4 2014.**

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(4) Estimated by applying the parameters set out under fully loaded Basel 3 to the financial statements as at December 31st 2014, considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment, the expected absorption of DTAs on losses carried forward, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of nine basis points).

(5) Includes the net income for 2014 after the deduction of accrued dividends; excluding it, the Phased-in Common Equity ratio is equal to 13.5%.

(6) Methodological note on the scope of consolidation on page 23.

- **strong growth in pre-tax income** to **€3,435m in 2014**, **up 36.5%** versus 2013

- **a significant increase in core operating margin** of **11.6%** versus 2013, excluding profits on trading

- **a positive pre-tax result for all business units,** with a contribution, in 2014, of €1,663m from Banca dei Territori(7) (vs a negative balance of €239m in 2013), €841m from Private Banking(8) (up 12.4% vs 2013), €418m from Asset Management(9) (up 34.8% vs 2013), €779m from Insurance(10) (up 23.7% vs 2013), €1,869m from Corporate and Investment Banking (up 7.5% vs 2013), and €523m from International Subsidiary Banks (up 4.1% vs 2013)

- **strong growth in assets under management** of approximately €43bn in 2014, with approximately €18bn switched from assets previously held under administration

- **support to the real economy** with approximately €34bn of medium/long-term new lending to families and businesses in 2014

- **positive trend in net interest income** which reached €8,374m in 2014, **up 3.3%** versus 2013

- **sustained growth in net fees and commissions** to €6,775m in 2014, **the highest figure since 2007**, **up 10.5%** versus 2013

- **high efficiency**, highlighted by a **cost/income ratio of 50.6%** in 2014, **a figure that places Intesa Sanpaolo in the top tier of European peers**

- **continuous cost management** with operating costs up 3% in 2014, compared with 2013, due to personnel expenses rising 6% - an increase entirely due to incentives to trigger growth that were not paid in 2013 - and administrative expenses falling 1.4%

- **improving credit trend** with **NPL inflow from performing loans in 2014 at its lowest since 2011.** Net inflow was €8.6bn in 2014, from €11bn in 2013 (down 22%); gross inflow was €12.3bn, from €15.5bn in 2013 (down 21%).

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(7) Banca dei Territori excluding Intesa Sanpaolo Private Banking, Insurance, Sirefid and Intesa Sanpaolo Private Bank (Suisse).
(8) Banca Fideuram, Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse).
(9) Eurizon Capital.
(10) Intesa Sanpaolo Vita and Fideuram Vita.

- **<u>decline in provisions reflecting improving credit trend</u>**
  - **loan loss provisions** of €4,538m in 2014, **down 36.2%** from €7,111m in 2013, **including the AQR additional provisions** (€383m, which were set aside in the first nine months of 2014),
  - **NPL cash coverage ratio of 46.8%** at year-end 2014 from 46% at year-end 2013 (Italian peers average: 37% in Q3 2014), **with a doubtful loan cash coverage ratio of 62.7%** at year-end 2014 from 62.5% at year-end 2013,
  - **total NPL coverage ratio of 136% including collateral**, at year-end 2014 (**158% with the addition of personal guarantees**), with a total **doubtful loan** coverage ratio of **137%** (**158%** with the addition of personal guarantees),
  - **robust reserve buffer on performing loans** amounting to 80bps at year-end 2014, unchanged as at year-end 2013 (Italian peers average: 52bps in Q3 2014)
- **<u>a further strengthening of an already solid capital base</u>** with **a further improvement in capital ratios** (already well above regulatory requirements) as at December 31st 2014, net of dividends accrued for the financial year 2014. The **pro-forma Basel 3 Common Equity ratio on a fully loaded basis increased to 13.3%**(11) from 12.3% at year-end 2013, **one of the highest figures amongst major European banks**. The phased-in Common Equity ratio came in at 13.6%(12), compared with a pro-forma ratio of 11.9% at year-end 2013

- **<u>strong liquidity position and funding capability</u>** with **liquid assets of €97bn** and **large availability of unencumbered eligible assets with Central Banks, corresponding to liquidity of €63bn at year-end 2014. Basel 3 Liquidity Coverage Ratio and Net Stable Funding Ratio requirements have already been complied with,** well ahead of the implementation timeline (2018). In the fourth quarter of 2014, the Group's refinancing operations with the ECB to optimise the cost of funding amounted, on average, to €10.3bn (€9.9bn, on average, in the first quarter, €5bn in the second quarter, and €3.1bn in the third quarter of 2014). This consisted of four-year TLTRO funding for €5.8bn (under the TLTRO programme, the Group borrowed €4bn in September 2014 and €8.59bn in December 2014) and standard open-market operations with one-week maturity for €4.5bn

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(11) Estimated applying the parameters set out under fully loaded Basel 3 to the financial statements as at December 31st 2014, considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment, the expected absorption of DTAs on losses carried forward, and the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of nine basis points).

(12) Includes the net income for 2014 after the deduction of accrued dividends; excluding it, the Phased-in Common Equity ratio is equal to 13.5%.

- **<u>several Business Plan initiatives already under way and on track</u>**, with the strong involvement of the Group's people, as shown below:
  - the Group's **new organisational structure** including
    - the creation of three new Divisions (**Private Banking**, **Asset Management** and **Insurance**) and **Capital Light Bank**
    - a **new organisational structure for the Banca dei Territori division.** A **Sales and Marketing Area** has been created. A **new generation of Regional Managers and Sales and Marketing Managers** has been appointed (who are, on average, ten years younger than the previous generation). A **new service model** has been identified, involving the creation of **three specialised commercial value chains** (Retail, Personal and SMEs) and approximately 1,200 managerial roles, and the innovation of the SMEs service model;
    - a **new organisational structure for the Corporate and Investment Banking division**, based on a sector-oriented model with the aim of evolving from financial partner to industry advisor, with **four departments** (International Network and Global Industries, Corporate and Public Finance, Global Banking & Transaction, Merchant Banking) and **Banca IMI**, the Intesa Sanpaolo Group's investment bank
  - **New Growth Bank**
    - **Banca 5®**
      - the **Banca 5® "specialised" business model has been introduced in more than 2,200 branches**, with 2,800 dedicated relationship managers, and revenues per client have already increased from €70 to €82
      - "**Intesa Sanpaolo Casa**" has been created, specialising in real estate sale and brokerage, which, by the end of the first half 2015, will have opened **12 real estate agencies** in the most important cities
    - **Multichannel Bank**
      - **new multichannel processes have been successfully tested** and **the number of multichannel clients has increased by around 500 thousand** in 2014 **to 4.9m** (Intesa Sanpaolo ranks number one in Italy in multichannel banking)
    - the **Private Banking hub**
      - the set-up of the **HNWI competence center** has been completed
      - **best practice sharing** has been adopted as a lever to increase profitability (e.g., fine-tuning of the customer segmentation, launch of new insurance products reserved for the Intesa Sanpaolo Private Banking clients)
    - the **Asset Management hub**
      - a **new product range** has been introduced in the offering of the Private Banking division (e.g., "**best expertise products**")
    - the **Insurance hub**
      - **Intesa Sanpaolo Previdenza has been integrated** into Intesa Sanpaolo Vita
      - a new **distinctive P & C insurance offer for house and car products** has been launched
    - **Banca 360° for corporate clients**
      - a new commercial model and a product offering for the **SME Finance hub** have been developed (new Mediocredito Italiano)

    - the new **Transaction Banking strategy** and **commercial initiatives** are under implementation at Group level
- **Core Growth Bank**
  - **capturing untapped revenue potential**
    - the roll-out of the "**cash desk service evolution**" project is in progress with around **600 branches already having cash desks closing at 1 pm** and **approximately 70 branches fully dedicated to advisory**
    - a new **e-commerce portal** has been launched, ready to fully grab **business potential from 2015 EXPO**
    - a new retail **branch layout** has been defined
    - **the Corporate and Investment Banking Asset Light model has been fully implemented**, with benefits on cross selling
    - a **front-line excellence programme** has been launched within the Corporate and Investment Banking division, involving more than **400 people**
    - a **new segmentation and** a **new service model** have been adopted for **affluent clients of the International Subsidiary Banks division**
  - **continuous cost management**
    - the **geographical footprint simplification** continues, with **an additional 55 branches closed in the fourth quarter** 2014, **reaching a total of approximately 270 branch closures in 2014**
    - the **simplification of legal entities is ongoing**: **the rationalisation of seven product factories**, performing leasing, factoring, specialised finance and advisory activities, **into one** (new Mediocredito Italiano) has been finalised, and **three mergers of local banks** have been completed out of 11 planned by the end of 2015
  - **dynamic credit and risk management**
    - the **proactive credit management value chain** has been empowered: it is fully in place for the Banca dei Territori division and the Corporate and Investment Banking division with approximately **300 dedicated specialists** and has been launched in pilot Countries where the International Subsidiary Banks division has a presence, with a **full roll-out starting in the second quarter 2015**
    - **integrated management of substandard loans** has been adopted
- **Capital Light Bank**
  - Capital Light Bank is **fully operative** with **approximately €3.9bn of deleveraging already achieved**
  - the model for the **recovery of doubtful loans** has been redesigned with **three external specialised agencies** focusing on **new flows of unsecured small-ticket exposures** and **Italfondiario** focusing on the doubtful loans **stock**
  - **Re.O.Co.** (Real Estate Owned Company) is **fully operative** and generated an estimated positive impact for the Group of around **€12m** in 2014

- **people and investment as key enablers**:
  - around **2,600 people have been reallocated** to high priority initiatives
  - the **Investment Plan for Group employees has been finalised, registering the highest number of participants** in the Group's history
  - **people satisfaction within the Group** has increased **by 23 percentage points** versus 2013
  - the "**Big Financial Data**" programme for integrated management of customer and financial data is being implemented
  - the **Chief Innovation Officer** is fully operative
  - the "**Innovation Center**", created for training and developing new products, processes and the "ideal branch", is fully operative at the **new Intesa Sanpaolo Tower** in Turin.

- **<u>cash dividends of €1.2bn</u>**. At its meeting today, the Management Board decided to propose to shareholders at the next Ordinary Shareholders' Meeting the **distribution of €7 cents per ordinary share and €8.1 cents per savings share**, before tax. Specifically, the proposal envisages the distribution of a total amount of €1,184,758,020.25 deriving from €7 cents on each of the 15,846,089,783 ordinary shares and €8.1 cents on each of the 932,490,561 savings shares. No distribution will be made to own shares the Bank should hold at record date. The dividend payment, if approved at the Shareholders' Meeting, will start from May 20th 2015 (with coupon presentation on May 18th and record date on May 19th). The dividend yield is 2.8% per ordinary share and 3.7% per savings share and is based on the Intesa Sanpaolo stock price on February 9th 2015.

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The following information is provided at the request of Consob.

- With regard to the Asset Quality Review (AQR) carried out by the European Central Bank, and the relevant accounting effects:
  - for the credit sample selected as at December 31st 2013 (Credit File Review), adjustments to provisions on non-performing exposures amounted to €466m. €383m of these were included in the Group's results as at December 31st 2014, while the remaining portion (€83m) is no longer due. This is because it relates to loans which, during 2014, returned to being performing exposures, were repaid, were sold, or in any case registered a proven improvement;
  - for the projection of findings to the entire credit portfolio selected for the AQR, adjustments to provisions on non-performing exposures amounted to €8m with no accounting effects, being these adjustments not associated with specific exposures and in any case covered by the existing collective provisioning;

- for the Collective Provision Analysis, adjustments to provisions amounted to €498m, resulting from adjustment shortfalls, in relation to the findings of the Challenger Model applied by the ECB, in four out of the 13 portfolios selected. The additional provisions were not included in the Group's results as at December 31st 2014, as they arise from prudential criteria specific to the AQR. These criteria do not allow excesses and shortfalls in coverage to be offset among the various portfolio categories within the total performing credit exposure. Intesa Sanpaolo's Incurred Loss model does, on the one hand, reflect the existing economic conditions to a lesser extent than the ECB's Challenger Model, thus generating the aforementioned shortfalls. On the other hand, it factors in the concentration risk, resulting more conservative on large exposures and leading to excess coverage on some portfolios which can offset shortfalls in coverage on others. Intesa Sanpaolo, therefore, has deemed the adjustments already in place adequate to cover the incurred losses for the entire portfolio. This is consistent with the accounting standards and prudential regulations which allow the shortfalls in coverage of performing portfolios to be offset by the excess coverage of other performing portfolios. During the first half of 2015, Intesa Sanpaolo will fine-tune the methodology currently in use, both by considering the removal of the concentration risk factor, which is not provided for by prudential regulations, and by introducing a differently structured process to take economic conditions into account in the estimation of incurred losses. The combined effect of these modifications is not expected to lead to a significant increase in the level of collective provisioning;
- for the Credit Value Adjustment of financial derivatives, no adjustments were required;
- for Level 3 Fair Value Exposures Review, adjustments amounted to €650,000 and related to the review of the pricing models of derivatives. In the light of new market conditions, these adjustments were included in the Group's results as at December 31st 2014 for an updated amount of €930,000.

• With regard to capital requirements, the Common Equity Tier 1 ratio as at December 31st 2014, as reported to the Prudential Supervisory Authority, is 13.5%(13).

(13) Does not include the net income for 2014 after the deduction of accrued dividends.

The income statement for the fourth quarter of 2014

The consolidated income statement for Q4 2014(14) recorded **operating income** of €4,127m, down 1.9% from €4,206m in Q3 2014 and up 5% from €3,931m in Q4 2013.

Net interest income for Q4 2014 amounted to €2,060m, down 2.4% from €2,110m in Q3 2014 and up 1.4% from €2,032m in Q4 2013.

Net fee and commission income amounted to €1,815m, up 10.1% from €1,649m in Q3 2014. In detail, commissions on commercial banking activities were down 1.2%, and those on management, dealing and consultancy activities (including portfolio management, distribution of insurance products, dealing and placement of securities, etc.) were up 15.8%. Under the latter, commissions on dealing and placement of securities were up 20.7%, commissions on portfolio management were up 17% (an increase also due to about €100m performance commissions), and those on distribution of insurance products were up 14.5%. Net fee and commission income in Q4 2014 increased by 12%, compared with €1,620m in Q4 2013. In detail, commissions on commercial banking activities were down 3.5%, and those on management, dealing and consultancy activities were up 19.1%. Under the latter, commissions on distribution of insurance products were up 28.8%, commissions on portfolio management were up 20.8% (around €130m performance commissions were recorded in Q4 2013), and those on dealing and placement of securities were down 4.5%.

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(14) During the preparation of the interim statement at September 30th 2008, in the wake of the global financial crisis, certain amendments to international accounting standards were introduced and adopted by the European Commission. In short, in accordance with these amendments it is possible to reclassify - in specific circumstances considered to be rare - unquoted financial instruments, or no longer quoted, in an active market and no longer held for trading or available for sale: in particular, out of the category "fair value through profit and loss" into the categories "available-for-sale" or the "held-to-maturity" or "loans and receivables", and out of the category "available-for-sale" into the category "loans and receivables". The Group, largely basing on the prices at July 1st 2008, reclassified financial assets held for trading of €778m into loans and receivables and €2m into financial assets available for sale; the Group also reclassified financial assets available for sale of €5,531m into loans and receivables. If these reclassifications had not been made, the profits/losses on trading for the fourth quarter of 2014 would have recorded a negative pre-tax impact of €9m (a positive impact of €60m in full-year 2014, a positive impact of €94m in full-year 2013, a positive impact of €135m in full-year 2012, a negative impact of €11m in full-year 2011, a positive impact of €92m in full-year 2010 and of €73m in full-year 2009, and a negative impact of €460m in full-year 2008) and the shareholders' equity as at December 31st 2014 would have included a negative pre-tax direct impact of €1,070m (with a negative impact of €22m in the fourth quarter of 2014 and a positive impact of €210m in full-year 2014).

Profits on trading were €81m, compared with €136m in Q3 2014. Profits from customers decreased to €40m from €53m. Profits from capital markets and AFS financial assets increased to €34m from €8m. Profits from proprietary trading and treasury activities fell to €3m from €66m. Profits from structured credit products decreased to €4m from €9m. Profits on trading of €81m for Q4 2014 are compared with profits on trading of €69m in Q4 2013, which recorded profits from customers of €45m, profits from capital markets and AFS financial assets of €13m, profits from proprietary trading and treasury activities of €9m, and profits from structured credit products of €1m. Without the IAS reclassification of financial assets held for trading into loans and receivables and financial assets available for sale made in past years, profits on trading for Q4 2014 would have recorded a negative pre-tax impact of €9m.

Income from insurance business amounted to €183m, compared with €237m in Q3 2014 and €142m in Q4 2013.

Operating costs amounted to €2,346m, up 13.5% versus €2,067m in Q3 2014, with personnel expenses up 8.2%, administrative expenses up 24.2%, and adjustments up 11.9%. Operating costs for Q4 2014 were up 7.2%, compared with €2,188m in Q4 2013, due to personnel expenses rising 13.3% (and including, in Q4 2014, incentives to trigger growth that were not paid in 2013), administrative expenses falling 0.1% and adjustments being unchanged.

As a result, **operating margin** amounted to €1,781m, down 16.7% from €2,139m in Q3 2014 and up 2.2% from €1,743m in Q4 2013. The cost/income ratio was 56.8% in Q4 2014 versus 49.1% in Q3 2014 and 55.7% in Q4 2013.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to €1,412m, compared with €1,324m in Q3 2014 and €3,517m in Q4 2013. Net provisions for risks and charges amounted to €294m, compared with €12m in Q3 2014 and €249m in Q4 2013. The figure for Q4 2014 included a charge of approximately €160m following the enactment of a legislation in Hungary impacting the local banking system and, therefore, the Group's Hungarian subsidiary. The legislation provides for customer reimbursement concerning bid/offer spreads on retail foreign-currency loans, and as a result of amendments to conditions applied to retail loans denominated in foreign currency and Hungarian forints, which the legislation has declared unilateral. Net adjustments to loans amounted to €1,034m, compared with €1,248m in Q3 2014 and €3,098m in Q4 2013. Net impairment losses on other assets were €84m, compared with €64m in Q3 2014 and €170m in Q4 2013.

Profits/losses on investments held to maturity and on other investments generated profits of €5m, compared with €73m in Q3 2014 and €2,441m in Q4 2013 (the figure for Q4 2013 included the capital gain of €2,558m deriving from the stake in the Bank of Italy).

Income before tax from continuing operations came to €374m, compared with €888m in Q3 2014 and €667m in Q4 2013.

No **impairment (net of tax) of goodwill and other intangible assets** was recorded in Q4 and Q3 2014 versus goodwill/intangibles impairment of €5,797m in Q4 2013.

Consolidated net income for the quarter amounted to €48m, compared with €483m in Q3 2014 and a net loss of €5,190m in Q4 2013 (a net income of €578m for Q4 2013, excluding the goodwill/intangibles impairment), after accounting:

- taxes of €183m
- charges (net of tax) for integration and exit incentives of €74m
- charges from purchase cost allocation (net of tax) of €45m
- loss after tax from discontinued operations of €15m
- minority interests of €9m.

<u>The income statement for 2014</u>

The consolidated income statement for 2014 recorded **operating income** of €16,898m, up 4% from €16,248m in 2013.

Net interest income for 2014 amounted to €8,374m, up 3.3% from €8,110m in 2013.

Net fee and commission income amounted to €6,775m, up 10.5% from €6,132m in 2013. In detail, commissions on commercial banking activities were up 2.4%, and those on management, dealing and consultancy activities (including portfolio management, distribution of insurance products, dealing and placement of securities, etc.) were up 20.6%. Under the latter, commissions on portfolio management were up 26.2%, commissions on distribution of insurance products were up 20.6%, and those on dealing and placement of securities were up 8.6%.

Profits on trading were €777m (including €161m in dividends from the stake in the Bank of Italy), compared with €1,159m in 2013 (including €277m in total capital gains deriving from buy-back and exchange transactions on own notes, and disposals). Profits from customers decreased to €240m from €308m. Profits from capital markets and AFS financial assets were down to €125m from €175m. Profits from proprietary trading and treasury activities decreased to €375m (including the aforementioned dividends) from €599m (including the aforementioned capital gains). Profits from structured credit products decreased to €38m from €77m. Without the IAS reclassification of financial assets held for trading into loans and receivables and financial assets available for sale made in past years, profits on trading for 2014 would have recorded a positive pre-tax impact of €60m.

Income from insurance business amounted to €919m, compared with €790m in 2013.

Operating costs amounted to €8,544m, up 3% versus €8,298m in 2013 due to personnel expenses rising 6% (and including, in 2014, incentives to trigger growth that were not paid in 2013), and administrative expenses and adjustments falling 1.4% and 0.9% respectively.

As a result, **operating margin** amounted to €8,354m, up 5.1% from €7,950m in 2013. The cost/income ratio improved to 50.6% in 2014 versus 51.1% in 2013.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) amounted to €5,307m, compared with €7,842m in 2013. Net provisions for risks and charges amounted to €542m, compared with €314m in 2013. The figure for 2014 included around €230m set aside as reimbursement payable to customers by subsidiary CIB Bank in relation to bid/offer spreads on retail foreign-currency loans, and as a result of modifications to conditions applied to retail loans in foreign currency and in Hungarian forints, which the local legislation has declared unilateral. Net adjustments to loans came to €4,538m, compared with €7,111m in 2013. Net impairment losses on other assets came to €227m, compared with €417m in 2013.

Profits/losses on investments held to maturity and on other investments generated profits of €388m, compared with €2,408m in 2013 (the figure for 2013 included the capital gain of €2,558m deriving from the stake in the Bank of Italy).

Income before tax from continuing operations came to €3,435m, up 36.5% from €2,516m in 2013.

No **impairment (net of tax) of goodwill and other intangible assets** was recorded in 2014 versus goodwill/intangibles impairment €5,797m in 2013.

Consolidated net income amounted to €1,251m, compared with a net loss of €4,550m in 2013, after accounting:

- taxes of €1,781m (including €443m related to the retroactive tax rate increase relating to the capital gain from the Bank of Italy stake);
- charges (net of tax) for integration and exit incentives of €103m;
- charges from purchase cost allocation (net of tax) of €193m;
- loss after tax from discontinued operations of €48m;
- minority interests of €59m.

Balance sheet as at December 31st 2014

As regards the consolidated balance sheet figures, as at December 31st 2014 **loans to customers** amounted to €339bn, a decrease of 1.4% from December 31st 2013 (a 6.5% decrease when taking into account average volumes instead of those at the end of the period). Total **non-performing loans** (doubtful, substandard, restructured and past due) - net of adjustments - amounted to €33,461m, up 8% from €30,987m at year-end 2013. In detail, doubtful loans rose to €14,178m from €12,899m at year-end 2013, with a doubtful loans to total loans ratio of 4.2% (3.8% as at year-end 2013) and a cash coverage ratio of 62.7% (62.5% as at year-end 2013). Adding **collateral and guarantees** to doubtful loans to the cash coverage, the total coverage ratio was 137% including collateral and 158% adding also personal guarantees. Substandard loans increased to €15,485m from €13,815m at year-end 2013. Restructured loans increased to €2,546m from €2,315m at year-end 2013. Past due loans decreased to €1,252m from €1,958m at year-end 2013.

Customer financial assets amounted to €827bn (net of duplications between direct deposits and indirect customer deposits), up 2.9% from year-end 2013. Under customer financial assets, **direct deposits from banking business** amounted to €360bn, down 3.3% from year-end 2013; **direct deposits from insurance business and technical reserves** amounted to €119bn, up 26.9% from year-end 2013. Indirect customer deposits amounted to €466bn, up 8.2% from year-end 2013. **Assets under management** totalled €302bn, up 16.7% from year-end 2013. As for bancassurance, in 2014, new business for life policies amounted to €26bn (37.5% higher than in 2013). Assets under administration and in custody amounted to €164bn, down 4.5% from year-end 2013.

Capital ratios as at December 31st 2014 - calculated by applying Basel 3 transitional arrangements for 2014 and net of the dividends accrued for the financial year 2014 - were as follows:

- Common Equity ratio(15) at 13.6% (11.9% pro-forma at year-end 2013),
- Tier 1 ratio(16) at 14.2% (12.3% pro-forma at year-end 2013),
- total capital ratio(17) at 17.2% (15.1% pro-forma at year-end 2013).

The pro-forma capital ratios as at December 31st 2013 excluded the benefit deriving from the Bank of Italy stake in accordance with the regulation then in force.

The estimated pro-forma common equity ratio for the Group on a **Basel 3 fully loaded basis** stands at 13.3% (year-end 2013: 12.3%). It has been calculated applying the parameters set out under fully loaded Basel 3 to the financial statements as at December 31st 2014 and considering the total absorption of deferred tax assets (DTAs) related to the goodwill realignment, the expected absorption of DTAs on losses carried forward, as well as the effect of the Danish compromise (under which insurance investments are risk weighted instead of being deducted from capital, with a benefit of nine basis points).

* * *

Thanks to the strategic decisions taken, **Intesa Sanpaolo** has confirmed its position as **one of the most solid international banking Groups**. In addition to the asset quality and level of capital ratios commented on above, the Group has continued to build on the following key strengths:

- a **robust liquidity profile** with
  - large availability of unencumbered eligible assets with Central Banks (including eligible assets received as collateral and excluding eligible assets currently used as collateral), corresponding to liquidity of €97bn at year-end 2014
  - high level of liquid assets (made up of eligible assets available - excluding eligible assets received as collateral - and eligible assets currently used as collateral) equal to €63bn at year-end 2014;
  - the Group's refinancing operations with the ECB to optimise the cost of funding amounting, on average, to €10.3bn in the fourth quarter of 2014 (€9.9bn, on average, in the first quarter, €5bn in the second quarter, and €3.1bn in the third quarter). This consisted of four-year TLTRO funding for €5.8bn (under the TLTRO programme, the Group borrowed €4bn in September 2014 and €8.59bn in December 2014) and standard open-market operations with one-week maturity for €4.5bn;
  - stable and well-diversified sources of funding, with 75% of direct deposits from the banking business (including securities issued) generated from retail operations;

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(15) Includes the net income for 2014 after the deduction of accrued dividends; excluding it, the Common Equity ratio is equal to 13.5%.

(16) Includes the net income for 2014 after the deduction of accrued dividends; excluding it, the Tier 1 ratio is still equal to14.2%.

(17) Includes the net income for 2014 after the deduction of accrued dividends; excluding it, the total capital ratio is still equal to 17.2%.

- medium/long-term funding of approximately €20bn raised in 2014, of which €8bn retail;
- medium/long-term wholesale funding including €3.75bn of eurobonds, €1.25bn of covered bonds, $4.5bn of US bonds and CNY 650m (Renminbi-denominated) bonds placed on international markets in 2014 (the demand - more than 80% from foreign investors - on average exceeded the issue target by over 140%);

● **low leverage** with
- leverage ratio (7.1% as at December 31st 2014) and tangible net shareholders' equity to tangible assets ratio - which are best-in class among major European banking groups;

● a **low risk profile** with
- the Group's securities portfolio at year-end 2014 including Irish bonds for €92m and Portuguese bonds for €28m (issued by the central and local governments), and no Greek bonds.

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The Group had a **gross and net risk exposure** to structured credit products with underlying **US subprime** of €2m as at December 31st 2014.

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As at December 31st 2014, the Intesa Sanpaolo Group's **operating structure** had a total network of 5,867 branches - of which 4,473 were in Italy and 1,394 abroad - with 89,486 employees.

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Breakdown of results by business area[18]

The **Corporate and Investment Banking** division includes:

- International Network & Global Industries, in charge of managing relationships with 200 corporates (of which 50 Italian and 150 foreign) with global reach, which operate in six key industries with high growth potential (oil & gas, power & utilities, automotive, infrastructures, telecom & media, luxury & consumer goods). Furthermore, the department is responsible for foreign branches, representative offices and foreign subsidiaries carrying out corporate banking (Société Européenne de Banque and Intesa Sanpaolo Bank Ireland), and provides specialist support toward the internationalisation of Italian corporates and export development;
- Corporate and Public Finance, in charge of managing relationships with approximately 700 large to mid-sized Italian corporates and providing services to government, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers;
- Global Banking & Transaction, in charge of relationships with financial institutions, management of transactional services, trade and export finance products and services, as well as custody and settlement of Italian securities (local custody);
- Banca IMI, which is in charge of investment banking operations, namely the creation of structured finance products and M&A consultancy services to the Group’s clients, capital markets activities for the Group’s clients and institutional operators in market making activities;
- Merchant Banking, which operates in the private equity area also through Private Equity International (PEI) and IMI Investimenti companies.

The division also comprises the management of the Group’s proprietary trading.

In the fourth quarter of 2014, the Corporate and Investment Banking division recorded:

- operating income of €773m, up 15.5% from €670m in Q3 2014;
- operating costs of €267m, up 23.8% from €216m in Q3 2014;
- operating margin of €506m, up 11.5% from €454m in Q3 2014;
- a cost/income ratio of 34.6% versus 32.2% in Q3 2014;
- net provisions and adjustments of €112m from €126m in Q3 2014;
- losses on investments held to maturity and on other investments of €22m versus profits of €60m in Q3 2014;
- income before tax from continuing operations of €372m, down 4% from €387m in Q3 2014;
- net income of €248m, down 8.7% from €272m in Q3 2014.

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(18) Reporting of results by business area is based on the structure through which the Group operated in 2014. The new organisational structure was defined at the end of October 2014 with the creation of three new divisions (Private Banking, Asset Management and Insurance).

In 2014, the Corporate and Investment Banking division recorded:

- operating income of €3,243m, contributing approximately 19% of the consolidated operating income (21% in 2013), down 3.5% from €3,360m in 2013;
- operating costs of €898m, up 11.3% from €807m in 2013;
- operating margin of €2,345m, down 8.1% from €2,553m 2013;
- a cost/income ratio of 27.7% versus 24% in 2013;
- net provisions and adjustments of €555m from €820m in 2013;
- profits on investments held to maturity and on other investments of €90m, compared with losses of €15m in 2013;
- income before tax from continuing operations of €1,880m, up 9.4% from €1,718m in 2013;
- no impairment (net of tax) of goodwill and other intangible assets, compared with goodwill/intangibles impairment of €1,134m in 2013
- net income of €1,301m versus a net loss of €69m in 2013 (up 22.2% versus a net income of €1,065m for 2013, excluding goodwill/intangibles impairment).

The **Banca dei Territori** division comprises:

- retail customers: households (individual customers with financial assets up to €100,000), personal (individual customers with financial assets between €100,000 and €1m), small businesses (enterprises with a turnover under €2.5m and with loan facilities under €1m);
- businesses with a turnover between €2.5m and €350m;
- Private customers: individual customers with financial assets exceeding €1m.

The division includes Intesa Sanpaolo Private Banking, the Group's company which serves private banking customers, and Banca Prossima, at the service of non-profit entities and operating through the Group's branches with regional centres and a team of specialists. The Banca dei Territori division comprises product companies such as Mediocredito Italiano, which is the SME Finance Hub, Intesa Sanpaolo Vita operating in the insurance and pension business, the fiduciary service company Sirefid, Intesa Sanpaolo Personal Finance operating in the consumer credit business, Setefi operating in electronic payments.

In the fourth quarter of 2014, the Banca dei Territori division recorded:

- operating income of €2,739m, in line with €2,742m in Q3 2014;
- operating costs of €1,413m, up 6.4% from €1,328m in Q3 2014;
- operating margin of €1,326m, down 6.2% from €1,414m in Q3 2014;
- a cost/income ratio of 51.6% versus 48.4% in Q3 2014;
- net provisions and adjustments of €893m from €985m in Q3 2014;
- income before tax from continuing operations of €434m, up 1% from €429m in Q3 2014;
- net income of €170m from €268m in Q3 2014 (down 36.4%).

In 2014, the Banca dei Territori division recorded:
- operating income of €11,209m, contributing approximately 66% of the consolidated operating income (69% in 2013), up 0.7% from €11,135m 2013;
- operating costs of €5,421m, up 2.4% from €5,293m 2013;
- operating margin of €5,788m, down 0.9% from €5,842m 2013;
- a cost/income ratio of 48.4% versus 47.5% in 2013;
- net provisions and adjustments of €3,642m, compared with €5,597m 2013;
- income before tax from continuing operations of €2,146m from €245m in 2013;
- no impairment (net of tax) of goodwill and other intangible assets, compared with goodwill/intangibles impairment of €3,912m in 2013
- net income of €1,187m, compared with a net loss of €3,950m in 2013 (a net loss of €38m for 2013, excluding goodwill/intangibles impairment).

Eurizon Capital, the company specialising in providing collective and individual asset management products to the Group's internal banking networks, is developing increasingly effective synergies with the Banca dei Territori division. The company is also focused on strengthening its presence on the open market segment through specific distribution agreements with other networks and institutional investors. Eurizon Capital controls Eurizon Capital SA (Luxembourg), a company specialising in managing Luxembourg mutual funds with low tracking error; VUB Asset Management (Slovakia), a 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); and Epsilon Associati SGR, a company specialising in managing structured products and mutual funds using quantitative methods which is 51% owned by Eurizon Capital and 49% by Banca IMI. Eurizon Capital owns a 49% stake in a Chinese asset management company, Penghua Fund Management.

In the fourth quarter of 2014, Eurizon Capital recorded:
- operating income of €178m, up 45.5% from €122m in Q3 2014;
- operating costs of €37m, up 24.3% from €30m in Q3 2014;
- operating margin of €140m, up 52.4% from €92m in Q3 2014;
- a cost/income ratio improving to 21% versus 24.6% in Q3 2014;
- provisions and adjustments of €2m versus no provisions and adjustments in Q3 2014;
- income before tax from continuing operations of €139m, up 50.7% from €92m in Q3 2014;
- net income of €93m, up 62.4% from €57m in Q3 2014.

In 2014, Eurizon Capital recorded:
- operating income of €547m, contributing approximately 3% of the consolidated operating income (the same as in 2013), up 34.4% from €407m in 2013;
- operating costs of €130m, up 17,1% from €111m in 2013;
- operating margin of €417m, up 40.9% from €296m in 2013;
- a cost/income ratio improving to 23.7% versus 27.2% in 2013;
- a net release of provisions and adjustments of €1m versus a net release of €14m in 2013;
- income before tax from continuing operations of €418m, up 34.8% from €310m in 2013;
- net income of €270m, up 51.7% from €178m in 2013.

The **International Subsidiary Banks** division is responsible for activities in foreign markets where the Group is operational through commercial banking subsidiaries and associates. The division provides guidelines, coordination and support to subsidiaries abroad that are mainly active in retail banking. It is responsible for defining the Group's development strategy related to its direct presence abroad, including exploring and analysing new growth opportunities in markets where the Group already has a presence, as well as in new ones. This division also coordinates operations of international subsidiary banks and their relations with the Parent Company's head office departments and the Corporate and Investment Banking division's branches and offices abroad. The division is in charge of the Group's operations in the following geographical areas: i) South-Eastern Europe, through Privredna Banka Zagreb in Croatia, Banca Intesa Beograd in Serbia, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Bank Romania; ii) Central-Eastern Europe, through Banka Koper in Slovenia, VUB Banka in Slovakia and CIB Bank in Hungary; iii) CIS & South Mediterranean (19), through Banca Intesa in the Russian Federation and Bank of Alexandria in Egypt.

In the fourth quarter of 2014, the International Subsidiary Banks division recorded:
- operating income of €535m, down 2.5% from €549m in Q3 2014;
- operating costs of €294m, up 11.1% from €265m in Q3 2014;
- operating margin of €241m, down 15.2% from €284m in Q3 2014;
- a cost/income ratio of 54.9% versus 48.2% in Q3 2014;
- net provisions and adjustments of €360m, compared with €128m in Q3 2014;
- losses on investments held to maturity and on other investments of €2m, compared with no profits/losses in Q3 2014;
- loss before tax from continuing operations of €121m, compared with an income of €157m in Q3 2014. Q4 2014 and Q3 2014 would register an income €80m and €159m respectively (down 49.7%) excluding the negative contribution from the Hungarian subsidiary,

(19) Pravex-Bank in Ukraine is currently included under discontinued operations following the purchase-and-sale agreement concerning this subsidiary, signed in January 2014.

- net loss of €154m, compared with a net income of €113m in Q3 2014. Q4 2014 and Q3 2014 would register a net income of €59m and €127m respectively (down 54%), excluding the negative contribution from the Hungarian subsidiary,

In 2014, the International Subsidiary Banks division recorded:
- operating income of €2,129m, contributing approximately 13% of the consolidated operating income (the same as in 2013), in line with €2,123m in 2013;
- operating costs of €1,083m, down 2.3% from €1,108m in 2013;
- operating margin of €1,046m, up 3.1% from €1,015m in 2013;
- a cost/income ratio improving to 50.9% versus 52.2% in 2013;
- net provisions and adjustments of €792m, compared with €921m in 2013;
- no profits/losses on investments held to maturity and on other investments versus losses of €11m in 2013;
- income before tax from continuing operations of €254m, three times the figure (€83m) of 2013. The income for 2014 and 2013 would be €541m and €470m respectively (up 15%) excluding the negative contribution from the Hungarian subsidiary,
- no impairment (net of tax) of goodwill and other intangible assets, compared with goodwill/intangibles impairment of €722m in 2013
- net income of €89m, compared with a net loss of €812m in 2013 (a net loss of €90m for 2013 without the goodwill/intangibles impairment). Excluding the negative contribution from the Hungarian subsidiary, there would be a net income of €425m in 2014 and a net loss of €338m in 2013 (a net income of €370m for 2013, excluding the goodwill/intangibles impairment).

Banca Fideuram performs asset gathering activities serving customers with a medium to high savings potential through its network of private bankers. This business unit's operations include Fideuram Vita. In the fourth quarter of 2014, Banca Fideuram recorded:
- operating income of €275m, up 5% from €262m in Q3 2014;
- operating costs of €95m, up 15.4% from €83m in Q3 2014;
- operating margin of €180m, in line with €179m in Q3 2014;
- a cost/income ratio of 34.7% versus 31.6% in Q3 2014;
- net provisions and adjustments of €30m, compared with €13m in Q3 2014;
- income before tax from continuing operations of €149m, down 9.9% from €166m in Q3 2014;
- net income of €90m versus €97m in Q3 2014 (down 6.6%).

In 2014, Banca Fideuram recorded:

- operating income of €1,033m, contributing approximately 6% of the consolidated operating income (the same as in 2013), up 15.4% from €895m in 2013;
- operating costs of €337m, up 4.7% from €322m in 2013;
- operating margin of €696m, up 21.5% from €573m in 2013;
- a cost/income ratio improving to 32.6% versus 36% in 2013;
- net provisions and adjustments of €82m, compared with €84m in 2013;
- no profits/losses on investments held to maturity and on other investments versus losses of €2m in 2013;
- income before tax from continuing operations of €614m, up 26.1% from €487m in 2013;
- no impairment (net of tax) of goodwill and other intangible assets, compared with goodwill/intangibles impairment of €29m in 2013
- net income of €356m versus €218m in 2013 (up 63.3%), increasing 44.1% versus €247m in 2013 excluding the goodwill/intangibles impairment.

<u>The outlook for 2015</u>

In 2015, the Intesa Sanpaolo Group is expected to achieve an improvement in operating income, driven by net fees and commissions, as well as in operating margin and income before tax from continuing operations, with a decline in the cost of risk.

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For consistency purposes, the income statement and balance sheet figures of the four quarters of 2013 were restated mainly as a result of the ongoing disposal of Ukrainian subsidiary Pravex-Bank following the purchase-and-sale agreement signed in January 2014: the related items were deconsolidated line by line and their contribution to the income statement and the balance sheet was recorded, respectively, under income/loss from discontinued operations and under relevant assets/liabilities referring to discontinued operations.

Income statement and balance sheet figures for the first two quarters of 2013 relating to the business areas were restated to consider the change in the scope of the Banca dei Territori division and the Corporate and Investment Banking division, approved by the Management Board on May 21st 2013. Specifically, the scope of the Banca dei Territori division was extended to include businesses with consolidated turnover between €150m and €350m and product factories operating in the leasing and the factoring business.

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In order to present more complete information on the results generated in 2014, the reclassified income statement and the reclassified balance sheet approved by the Management Board are attached. Please note that the reclassified income statement and the reclassified balance sheet have not been reviewed by the auditing company. The parent company and consolidated draft financial statements for the year ended December 31st 2014 will be submitted for the approval of the Management Board at its meeting scheduled for March 3rd 2015. Notice is hereby given that Intesa Sanpaolo parent company and consolidated financial statements for the year ended December 31st 2014 will be made available for shareholders and the market by March 18th 2015. They will be submitted for the approval of the Supervisory Board at its meeting scheduled for March 17th 2015 and for the examination of the auditing firm in charge of auditing the annual report.

* * *

The manager responsible for preparing the company's financial reports, Ernesto Riva, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

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This press release 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 statements, 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.

Investor Relations
+39.02.87943180
investor.relations@intesasanpaolo.com

Media Relations
+39.02.87962326
stampa@intesasanpaolo.com

group.intesasanpaolo.com

Intesa Sanpaolo Group

Reclassified consolidated statement of income

(millions of euro)

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

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

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

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

Intesa Sanpaolo Group

Reclassified consolidated balance sheet

(millions of euro)

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

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

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

Intesa Sanpaolo Group

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

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

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

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

Intesa Sanpaolo Group

Breakdown of financial highlights by business area

Income statement (millions of euro)	Corporate e Investment Banking		Banca dei Territori		Banche Estere		Eurizon Capital		Banca Fideuram	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Operating income	3,243	3,360	11,209	11,135	2,129	2,123	547	407	1,033	895
Operating costs	-898	-807	-5,421	-5,293	-1,083	-1,108	-130	-111	-337	-322
Operating margin	2,345	2,553	5,788	5,842	1,046	1,015	417	296	696	573
Net income	1,301	-69	1,187	-3,950	89	-812	270	178	356	218

Balance sheet (millions of euro)	Corporate e Investment Banking		Banca dei Territori		Banche Estere		Eurizon Capital		Banca Fideuram	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Loans to customers	91,017	90,907	200,566	209,556	26,398	27,015	473	281	5,291	4,730
Direct deposits from banking business	97,400	113,956	176,078	193,799	31,078	30,182	9	3	8,660	7,256

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

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

Intesa Sanpaolo S.p.a.

Reclassified statement of income

(millions of euro)

	2014	2013	Changes	
			amount	%
Net interest income	2,181	1,865	316	16.9
Dividends	2,277	1,930	347	18.0
Net fee and commission income	2,514	2,324	190	8.2
Profits (Losses) on trading	218	661	-443	-67.0
Other operating income (expenses)	117	247	-130	-52.6
Operating income	7,307	7,027	280	4.0
Personnel expenses	-1,992	-1,884	108	5.7
Other administrative expenses	-1,594	-1,588	6	0.4
Adjustments to property, equipment and intangibles assets	-129	-137	-8	-5.8
Operating costs	-3,715	-3,609	106	2.9
Operating margin	3,592	3,418	174	5.1
Net provisions for risks and charges	-96	-116	-20	-17.2
Net adjustments to loans	-1,684	-2,706	-1,022	-37.8
Net impairment losses on other assets	-169	-196	-27	-13.8
Profits (Losses) on investments held to maturity and on other investments	393	1,558	-1,165	-74.8
Income (Loss) before tax from continuing operations	2,036	1,958	78	4.0
Taxes on income from continuing operations	-289	236	-525	
Charges (net of tax) for integration and exit incentives	-61	-39	22	56.4
Effect of purchase price allocation (net of tax)	-16	-58	-42	-72.4
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	-457	-5,971	-5,514	-92.3
Income (Loss) after tax from discontinued operations	-	-	-	-
Net income (loss)	1,213	-3,874	5,087	

Figures restated on a consistent basis.

Intesa Sanpaolo S.p.a.

Reclassified balance sheet

(millions of euro)

Assets	31.12.2014	31.12.2013	Changes	
			amount	%
Financial assets held for trading	24,075	17,454	6,621	37.9
Financial assets designated at fair value through profit and loss	345	334	11	3.3
Financial assets available for sale	30,975	41,202	-10,227	-24.8
Investments held to maturity	299	301	-2	-0.7
Due from banks	117,189	107,910	9,279	8.6
Loans to customers	168,631	174,066	-5,435	-3.1
Equity investments	28,940	28,611	329	1.1
Property, equipment and intangible assets	4,982	5,023	-41	-0.8
Tax assets	9,795	10,241	-446	-4.4
Non-current assets held for sale and discontinued operations	-	71	-71	
Other assets	15,519	13,989	1,530	10.9
Total Assets	400,750	399,202	1,548	0.4

Liabilities and Shareholders' Equity	31.12.2014	31.12.2013	Changes	
			amount	%
Due to banks	106,521	107,306	-785	-0.7
Due to customers and securities issued	220,836	225,739	-4,903	-2.2
Financial liabilities held for trading	16,678	11,429	5,249	45.9
Financial liabilities designated at fair value through profit and loss	-	-	-	-
Tax liabilities	668	525	143	27.2
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	13,049	11,885	1,164	9.8
Allowances for specific purpose	2,615	2,134	481	22.5
Share capital	8,725	8,546	179	2.1
Reserves	31,042	35,517	-4,475	-12.6
Valuation reserves	-597	-5	592	
Net income (loss)	1,213	-3,874	5,087	
Total Liabilities and Shareholders' Equity	400,750	399,202	1,548	0.4

Figures restated on a consistent basis.