INTESA SANPAOLO

Half-yearly report as at 30 June 2014

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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 8,553,821,316.56 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of “Intesa Sanpaolo”, included in the National Register of Banking Groups.

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Banks

INTESA SANPAOLO

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

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

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

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

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,374	Intesa Sanpaolo Private Banking	56
	Banca Fideuram	37
	Banca Prossima	20
	Mediocredito Italiano	2
	Banca IMI	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
25	CR del Veneto	347
	CR in Bologna	174
	CR del Friuli Venezia Giulia	107
	CR Venezia	93
	CR di Forlì e della Romagna	90
	Banca di Trento e Bolzano	73
	Banca Monte Parma	67
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	14
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
235	Banca CR Firenze	567
	Banca dell'Adriatico	115
	Intesa Sanpaolo Private Banking	23
	Banca Fideuram	21
	Banca Prossima	7
	Banco di Napoli	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
8	Banco di Napoli	619
	Banca dell'Adriatico	96
	Intesa Sanpaolo Private Banking	18
	Banca Prossima	15
	Banca Fideuram	11
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
156	Banca di Credito Sardo	88
	Banca Prossima	9
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Mediocredito Italiano	1

Figures as at 30 June 2014

Product Companies

INTESA SANPAOLO VITA

Bancassurance

EurizonCapital

Asset Management

INTESA SANPAOLO PERSONAL FINANCE

Consumer Credit

MEDIOCREDITO ITALIANO

Factoring and Leasing

INTESA SANPAOLO PREVIDENZA

Pension Funds

SIREFID

Fiduciary Services

SETEFI

Electronic Payments

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK بنك الإسكندرية | BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN | Banca FIDEURAM | BANCA IMI

BANCA INTESA | BANCA INTESA Beograd | BANKA KOPER | CIB BANK

INTESA SANPAOLO BANK Albania | INTESA SANPAOLO BANK Romania | INTESA SANPAOLO BANKA Bosna i Hercegovina | INTESA SANPAOLO BANK IRELAND

INTESA SANPAOLO PRIVATE BANK SUISSE | PRAVEX-BANK | PRIVREDNA BANKA ZAGREB | Société Européenne de Banque

VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

OCEANIA

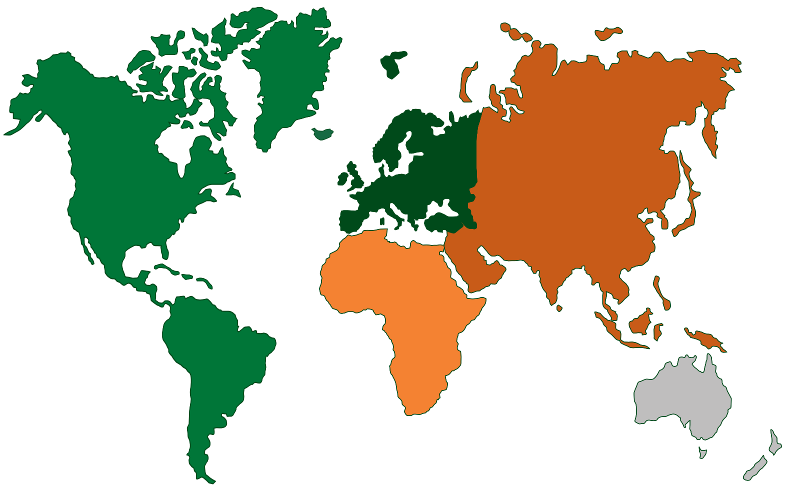
Representative Offices
Sydney

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(2)
Innsbruck(1)	Istanbul
Istanbul	Moscow
London	Stockholm
Madrid	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	51
Croatia	Privredna Banka Zagreb	200
Czech Republic	VUB Banka	1
Hungary	CIB Bank	95
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	72
Russian Federation	Banca Intesa	63
Serbia	Banca Intesa Beograd	191
Slovakia	VUB Banka	234
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank(3)	254
United Kingdom	Banca IMI	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	171
Casablanca			
Tunis			

Figures as at 30 June 2014
(1) Branch of Italian subsidiary Banca di Trento e Bolzano
(2) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(3) In January 2014 an agreement was signed for the sale of 100% of Pravex-Bank. Finalisation of the transaction is subject to regulatory approval

Product Companies

CONSUMER FINANCE HOLDING | INTESA SANPAOLO CARD

Consumer Credit, E-money and Payment Systems

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

Asset Management

CIB LEASING | INTESA LEASING Beograd | PBZ LEASING | VÚB LEASING

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Supervisory Board

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

Management Board

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

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

(*) General Managers

Half-yearly report on operations

Introduction

The "Half-yearly Report as at 30 June 2014" is made up of the Half-yearly report on operations and the Half-yearly condensed consolidated financial statements including the financial statements and related explanatory notes.

The "Half-yearly condensed consolidated financial statements as at 30 June 2014" have been prepared in compliance with art. 154-ter of Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations, as determined by the European Commission in EC Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements, subject to limited review, have been drawn up in compliance with IAS 34 requirements, which regulate interim reports.

To support the comments on results for the period, the Explanatory notes to the Half-yearly condensed consolidated financial statements also present and illustrate reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, envisaged by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments. The Half-yearly report on operations and the Half-yearly condensed consolidated financial statements contain financial information – for example, figures on quarterly development, and other alternative performance measures – not directly attributable to the financial statements.

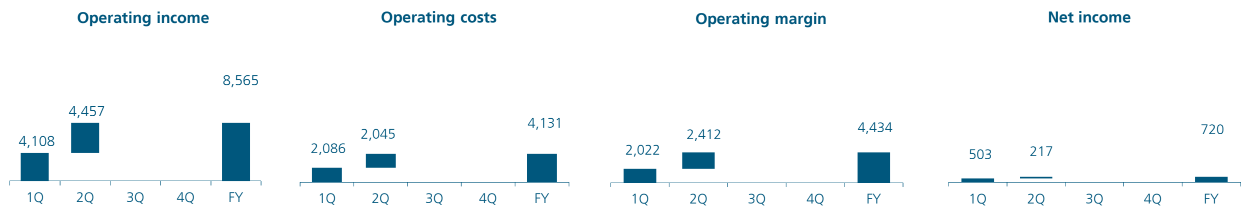
The website of Intesa Sanpaolo, at www.group.intesasanpaolo.com, contains the press releases issued during the period together with other financial documents.

Overview of the first half 2014

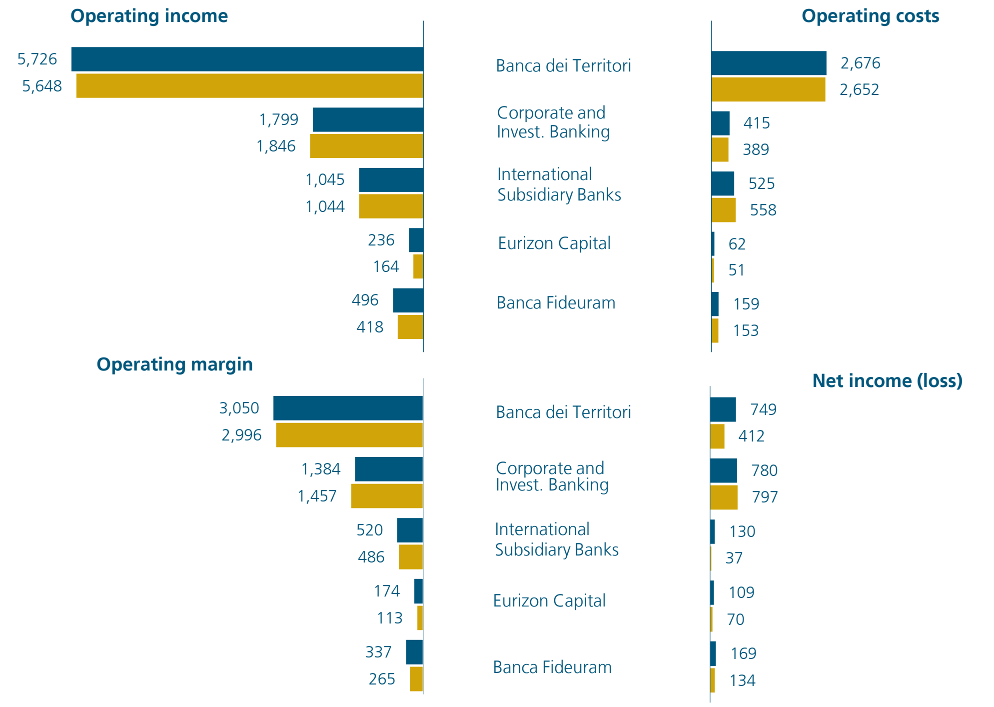
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)			**Changes** amount	**Changes** %
Net interest income	4,204	4,052	152	3.8
Net fee and commission income	3,311	3,033	278	9.2
Profits (losses) on trading	560	690	-130	-18.8
Income from insurance business	499	445	54	12.1
Operating income	8,565	8,182	383	4.7
Operating costs	-4,131	-4,081	50	1.2
Operating margin	4,434	4,101	333	8.1
Net adjustments to loans	-2,256	-2,548	-292	-11.5
Income after tax from discontinued operations	-22	-24	-2	-8.3
Net income (loss)	720	422	298	70.6

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



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



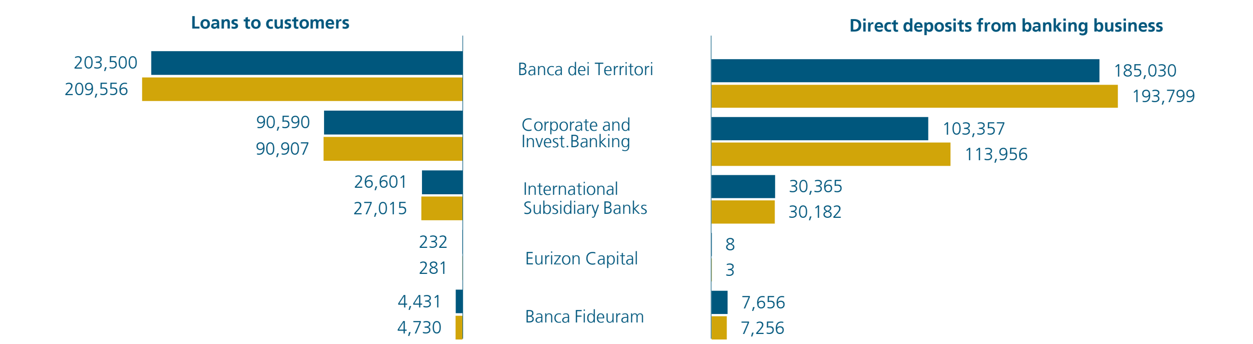
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

30.06.2014
30.06.2013

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)			**Changes amount**	**%**
Financial assets	210,335	202,105	8,230	4.1
of which: Insurance Companies	*99,461*	*89,905*	*9,556*	*10.6*
Loans to customers	332,211	343,789	-11,578	-3.4
Total assets	628,305	624,179	4,126	0.7
Direct deposits from banking business	375,775	372,066	3,709	1.0
Direct deposits from insurance business and technical reserves	104,695	93,493	11,202	12.0
Indirect deposits:	448,694	430,287	18,407	4.3
of which: Assets under management	*280,200*	*258,570*	*21,630*	*8.4*
Shareholders' equity	44,258	44,520	-262	-0.6

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



Operating structure	**30.06.2014**	**31.12.2013**	**Changes amount**
Number of employees	**89,821**	**90,245**	**-424**
Italy	65,042	65,247	-205
Abroad	24,779	24,998	-219
Number of financial advisors	**5,067**	**5,104**	**-37**
Number of branches [a]	**5,984**	**6,227**	**-243**
Italy	4,548	4,766	-218
Abroad	1,436	1,461	-25

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

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

30.06.2014

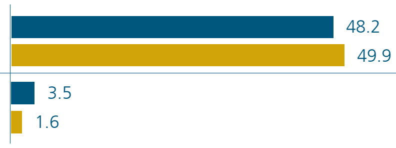
31.12.2013

Other alternative performance measures

Consolidated profitability ratios (%)

Cost / Income

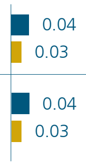
Net income / Average shareholders' equity (ROE) [a]



Earnings per share (euro)

Basic earnings per share (basic EPS) [b]

Diluted earnings per share (diluted EPS) [c]



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. The figure for the period with the exception of non-recurring components, has been annualised.

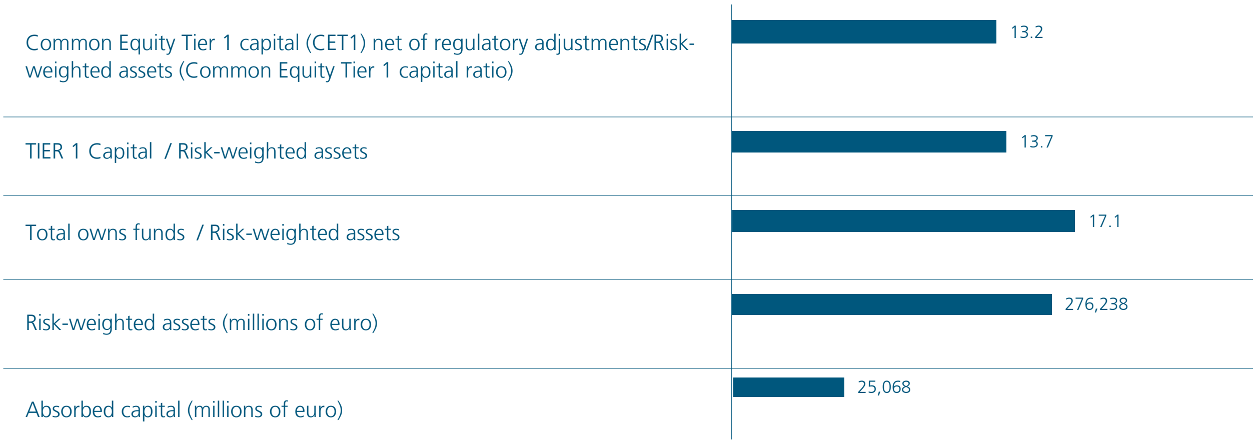
[b] Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated.

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

30.06.2014
30.06.2013

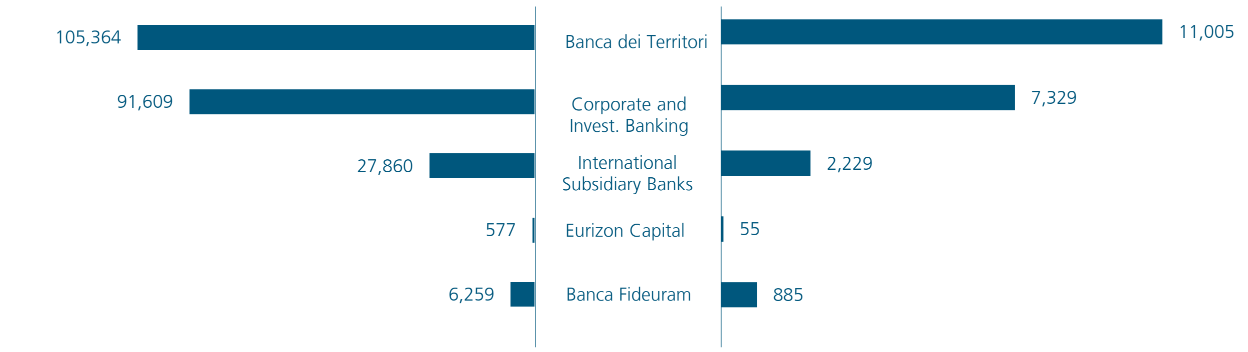
Consolidated risk ratios (%)

Consolidated capital ratios (%) [(d)]



Risk-weighted assets by sector [(d)] (millions of euro)

Absorbed capital by sector [(d)] (millions of euro)



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

(d) Values as at 30 June 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Reference should be made to the 2013 financial statements for the values as at 31 December 2013, which were determined using the methodology envisaged by the Basel 2 Capital Accord.

Executive summary

The macroeconomic context

The economy and the financial and currency markets

The first half of 2014 saw moderate growth in economic activity and international trade, as well as sharp economic fluctuations due to temporary factors, particularly of a climatic and fiscal nature. Bad weather caused a temporary drop in first quarter gross domestic product in the United States, followed by a robust return to growth in the second quarter, sustained by acceleration in consumption and creation of jobs. In Japan, the increase in indirect taxes in April led to a fluctuation in the complete opposite direction, favouring the first quarter over the second. The inflation trend became more differentiated, in line with the different stage of recovery in the various countries. Oscillations of the main currencies were relatively limited, except for the British pound sterling, Canadian dollar and Australian dollar.

The Eurozone recovered from the 2012/2013 recession, also sustained by final domestic demand. The recovery became more widespread among the various member countries and confirmed forecasts overall. The growth rate of economic activity slowed down in the second quarter, highlighting a level of volatility that reflects both the impact of the anomalous winter season trend on economic changes and calendar effects. Growth in production has already translated into job increases only in some countries. The inflation trend was widely below forecasts throughout the Eurozone, approaching zero. Apart from the weakness in internal demand, this also reflects the past appreciation of the exchange rate, trends in energy and food prices and the drop in prices in the communications sector.

Italy is among the European countries where the economic recovery struggles the most to gain momentum. Industrial production recorded stagnant performance on average and was highly volatile during the first five months of the year. The confidence of businesses and households improved in the first half of the year in all sectors, except for construction, and the initial signs of strengthening in domestic orders for capital goods appeared. Within a scenario still marked by weak internal demand, the greatest support continues to come from foreign demand. However, this was insufficient to prevent a decline in GDP in the first quarter of 2014. In the second quarter, the net decrease in industrial production in March and May quashed any hope for a significant recovery in GDP and resulted in downward revisions to the consensus estimates for all of 2014.

Monetary policies are starting to move in opposite directions. The Federal Reserve began its planned reduction in securities acquisitions and initiated the internal discussion on the programme that will lead to an increase in official rates in 2015. Yields on government bonds dropped significantly compared to the beginning of the year, dampened by disappointing performance of the first quarter figures, as well as by the caution with which the Central Bank is managing the shift in the monetary policy cycle. The Central Bank in the United Kingdom also began to prepare the markets for the future shift in the rates cycle.

Going in the opposite direction, the European Central Bank cut official interest rates in June, bringing the rate on main refinancing operations to 0.15% and the rate on the deposit facility to -0.10%. At the same time, in addition to confirming the guidance regarding a long period of rates equal to or lower than the current ones, it launched a new targeted longer-term refinancing operation (TLTRO) programme, extended full allocation to December 2016, suspended sterilisation of the monetary effects of the Securities Markets Programme (SMP) and announced preparatory work for a possible ABS purchase programme.

The accommodating approach adopted by the ECB facilitated the drop in expectations for money market rates and, consequently, for all interest rates of the curve. The Eonia, which had undergone moderate upward pressure until May as a result of the spontaneous reabsorption of excess liquidity, dropped to 1-3 basis points after announcement of the measures. The Euribor quarterly rate, which rose up to 0.35% in April, quickly dropped towards 0.20% in June. The medium-term IRS rates also underwent a significant decline: the five-year maturity gradually fell from 1.25% at the beginning of the year to 0.64% at the end of June. The outlook by investors in countries affected by the debt crisis between 2010 and 2011 continued to improve until mid-June. Italy and Spain benefited from capital inflows that squeezed risk premiums (-53 basis points for the Italian ten-year maturity). Returns also fell in absolute terms as a result of the decrease seen, at the same time, in yields on Germany's debt (-69 basis points on the ten-year maturity). However, after reaching record lows in the first half of June, interest rate spreads subsequently rose again. Absorption of supply on the primary market continued regularly, to the extent that even Portugal and Greece were able to resume their public debt refinancing programmes through bond issues.

As for the stock markets, performance in Europe and the USA was positive overall during the first six months of the year, with investors showing a higher risk appetite and the economies and international financial markets gradually approaching normality.

In particular, markets in the Eurozone continued to draw support from the ECB's still expansive monetary policy, despite fears of deflation and strengthening of the euro. Concerns by investors with regard to emerging countries also surfaced, due to the uncertainties over the intensity of economic growth and developments in the exchange rates. The Japanese market was also penalised by forecasts of tighter fiscal policies, with negative effects on consumption.

During April and May, markets in the Eurozone underwent a phase of correction/consolidation of the prior increases, due to the renewed geopolitical risk (return of the crisis in Ukraine and tensions in the Middle East), as well as uncertainty on the outcome of the elections to renew the European Parliament, in a scenario of non-impressive macroeconomic performance.

Following the results of those elections, in which the anti-Europe movements were not as successful as expected,, and the measures announced by the ECB at the beginning of June, the stock markets closed the half year with an overall positive performance. Also worthy of mention is a sharp recovery of new issues (IPOs and capital increases) on the primary market during the second quarter.

In the Eurozone, the peripheral markets achieved higher performance than the core markets. The Euro Stoxx 50 index closed the half year slightly up (+3.8%), the CAC 40 appreciated marginally (+2.9%) and the Dax 30 recorded an increase for the same amount. The Spanish stock market boasted a highly positive performance, with the IBEX 35 up 10.1% at the end of June. Outside of the Eurozone, the SMI Swiss market index gained 4.3% during the half year, while the UK FTSE 100 index was unchanged.
The S&P 500 index rose by 6.1% at the end of June. On the other hand, the major Asian stock markets recorded negative performance levels: the Chinese benchmark SSE A-Share index closed the first half year down 3.2%, with a slowdown of the forecast growth rate, whilst the Nikkei 225 index dropped 6.7% at the end of June as a result of fears about the effects of the tax squeeze on consumption.
In a scenario plagued by lower interest rates on government bonds and a decrease in the spread on German yields, the Italian stock market performed better than all of the major European and international markets, facilitated by the initial weak signs of domestic economic recovery, greater political stability and the expected implementation of the institutional reform process. The FTSE MIB index ended the period up 12.2% (after a record of 18.6% as at 10 June), with particularly good performance by securities in the banks and utilities sectors; a similar increase was recorded by the FTSE Italia All Share index, at +11.8% at the end of June. Performance of mid-cap stocks was slightly lower, with the FTSE Italia STAR index up 7.3% at the end of June.

As regards the European corporate bond markets, the first six months of the year ended with positive performance in the cash segment, particularly among the riskier asset classes, as well as in the derivatives segment. Market performance continues to be sustained mainly by the expansive monetary policies of the central banks and the resulting abundant liquidity in the system.
After a positive first quarter, despite the launch of tapering by the FED and the tensions between Russia and Ukraine, a continuous narrowing of the risk premiums was recorded during subsequent months of the year as well. A short halt occurred in May, when some disappointing macroeconomic data and uncertainty over the European Parliament elections triggered an increase in volatility and widening of the spreads. Reassured by the electoral results and supported by expectations on the trend in loans linked to the new measures announced by the ECB in June, the credit markets resumed their positive performance.
During the half year, in the investment grade segment industrial bonds performed slightly better than the financial bonds; in the speculative segment, a higher risk appetite and the ongoing search for yields by investors drove the performance of securities with lower creditworthiness. Even the derivatives segment showed an overall reduction in insolvency risk hedging costs, mainly in the synthetic crossover and financial indices, particularly subordinated indices.
In terms of new issues, the first six months of 2014 recorded steady volumes in the investment grade segment as well as in the speculative segment, also due to the need for issuers to use the primary market in the place of bank debt, also taking advantage of market rates that are at historically very low levels.

The emerging economies and markets

The available data on a sample of countries accounting for 75% of the GDP of emerging countries highlight a slowdown in the economic cycle during the first quarter of 2014, with the annual growth rate of GDP equal to 4.7% from 5% in the second half of 2013. The slowdown was more marked in the CIS countries (from 2.2% in the fourth quarter of 2013 to 0.6% in the first quarter of 2014), with Russian and Ukraine undergoing exceptional political turmoil and, to a lesser extent, in Asia (from 6.8% to 6.5% in the same periods). Conversely, the GDP trend was essentially unchanged in Latin America (at around 1.5%), where the significant acceleration of Mexico (from 0.7% in the fourth quarter of 2013 to 1.8% in the first quarter of 2014) offset Brazil's slowdown (+1.9% in the first quarter) and Argentina's drop (-0.2%).
The trend in GDP was different in countries where Intesa Sanpaolo operates through subsidiaries. In the Central Eastern European countries, which are closely linked to the Eurozone's manufacturing cycle and to that of Germany in particular, the first quarter data showed an acceleration in Hungary (+3.5%) and Slovakia (+2.4%), and simultaneously confirmed Slovenia's exit from the recession (+1.9%). In the South Eastern European countries, production was still steady in Romania (+3.5% from 5.4% in the fourth quarter of 2013), whilst a significant slowdown was observed in Serbia (+0.1% from 2.7% in the prior quarter). In CIS countries, exacerbated by the Russia-Ukraine crisis, GDP annual growth went from 2% in the fourth quarter of 2013 to 0.9% in the first quarter of 2014 in Russia and from +3.3% to -1.1% in Ukraine. In the MENA area, the GDP trend resumed growth in Egypt to 2.5% in the first quarter of 2014 from 1.3% in the previous quarter, with gradual stabilisation of the internal political situation.
During April and May, the annual growth rate in industrial production for the same sample representing 75% of the GDP of emerging countries increased slightly to 4.5% from 4.3% in the prior quarter, though with sharp differences among countries. In fact, the sharp increases in India (4.1% from -0.5%), Russia (2.6% from 1.1%) and Egypt (2.5% from -7.5%) were accompanied by a slowdown in China (8.8% from 9.1%) and Turkey (3% from 5.3%) and a significant decline in Brazil (-4.5% from 0.6%). The April-May industrial production figure also indicates a slight slowdown in the CEE countries (6.4% from 7.5% in the first quarter), a sharper decline in the SEE countries (3.3% from 6.1% in the first quarter), particularly Serbia due to the flooding that seriously hit the country in the spring, and a further drop in Ukraine (-4.4% from -4.9%).
With regard to inflation, the drop in prices of many primary agricultural products and the limited internal demand in the first half of 2014 mitigated some of the upward pressure that had taken place in a number of cases in 2013. The inflation rate for the sample representing 75% of emerging countries was 4.7% in June 2014, compared to 4.9% in December 2013.
In countries where the Group operates through subsidiaries, inflation slowed significantly in the CEE/SEE areas (with declining prices in June in Hungary, Slovakia and Croatia), while it was up in Russia (to 7.8%) and Ukraine (to 12%), due to a number of factors, particularly depreciation of the exchange rate and the inefficiencies created by the local geopolitical tension and, in the specific case of Ukraine, the tariff hikes linked to the fiscal stabilisation measures agreed upon with the IMF. In Egypt, the inflation rate decelerated again in the first half of the year (from 11.7% in December 2013 to 8.2% in June 2014).

In early 2014, the central banks raised the reference rates in a number of major emerging countries, particularly Russia (from 5.5% to 7%), Turkey (from 4.5% to 10%) and Brazil (from 10% to 11%), in addition to India and South Africa, where the reference rates were raised by 0.25 and 0.5 percentage points, respectively. Ukraine significantly raised the reference rate (+300 basis points) in April, bringing it to 9.5%. There measures were generally aimed at offsetting the depreciation pressures on the exchange rate, particularly strong in countries with more vulnerable external positions. On the other hand, expansive measures were implemented in Chile, Mexico, Thailand and Vietnam. During the second quarter, taking advantage of more favourable market conditions, Turkey brought the reference rate to 8.75%. Monetary easing continued in the CEE and SEE countries, favoured by the ECB's confirmation of its accommodating stance, with further reductions in the reference rates in Romania (to 3%), Hungary (to 2.3%) and Serbia (to 8.5%).

With regard to the financial markets of emerging countries, the half year saw a gradual mitigation of concerns over the possible impact of the tapering by the FED, over the risks linked to the slowdown in the Chinese economy and over the repercussions of a possible worsening of the Ukrainian crisis, which encouraged a widespread reduction of the risk premium, with partial return of portfolio capital flows towards emerging countries and an increase in the relative market indices, particularly bonds.
More specifically, the emerging bond markets recorded average performance, measured by the JPM Total Return Index, of 6% during the period January-June 2014 (compared to a modest 0.9% for all of 2013). The EMBI+ spread fell simultaneously to 280 bps from approximately 330 bps at the end of 2013. Spreads declined significantly in Latin America, in the oil-producing countries of the Gulf and in Central Eastern Europe, as well as in Ukraine, following the political elections.
In the same period, the MSCI share index for emerging countries reached +3.3%, with performance in line with that of Eurostoxx (+3.9%) but lower than that of the S&P USA index (+6.9%). The weakness of a number of major markets like Shanghai (-3.2%) and Moscow (-5.3%) was more than offset by the sizeable increases of several Asian markets (India +22.9%), the Middle East (Dubai +17% and Egypt +23%) and Eastern Europe, specifically Slovenia (+25.4%), Turkey (+15.8%) and Romania (+8%).
The US dollar was essentially unchanged against the currencies of the emerging countries in the first half of 2014, with the OITP index down by 0.2%. The dollar appreciated against the Chinese renminbi (-2.5%) and Russian rouble (-2.8%), but depreciated against other currencies in Asia, such as the Indian rupee (+2.9%) and Indonesian rupee (+1.4%), and in Latin America, such as the Brazilian real (+6.2%). In emerging European countries, the Hryvnia lost nearly half its value against the dollar (-42.6%), while in the CEE/SEE area, the currencies of countries with flexible exchange rate depreciated against the euro, particularly the Hungarian forint (-5.5%) and the Serbian dinar (-2.3%).

The Italian banking system

Rates and spreads

The first half of 2014 saw further progress in the reduction of the overall cost of deposits, at the lowest levels for three years. The decline in rates impacted overnight deposits, particularly those paid on balances held by non-financial companies, as well as time deposits. The gradual decline that began at the beginning of the year for the average rate on the stock of bonds, which was particularly sticky in prior months, continued during the half year. At the same time, the marginal cost of fixed-rate bond issues remained constantly below 3%, slightly under 2.5% in May, the lowest level in four years. Consequently, as a result of the general drop in rates in individual elements of funding and the continuous decrease in the impact of bonds, the decline continued in the cost of customer funding as a whole.
Rates on loans continued to be largely unyielding due to the ongoing high credit risk. Nevertheless, albeit with mixed performance levels, rates on new loans to non-financial companies also began to show signs of easing in the second quarter, for transactions of up to 1 million as well as for larger transactions, with the average rate down to record lows since mid-2011. The decline in the rate on new household loans for house purchase continued, a sign of more expansive credit terms.
Despite the initial signs of easing of the rates on new loans, the overall rate on the stock of loans confirmed the stickiness observed throughout 2013. Consequently, following the reduction in the cost of funding, the overall margin on lending and deposit collection activities recovered during the second quarter as well, after the progress already recorded in the first three months of 2014 and during 2013. The spread between average interest rates on the stock of loans and outstanding customer funding rose to over 2.3%. The contribution from deposits, measured on short-term interest rates, remained in negative territory, but until May had confirmed the gradual recovery, also due to the slight increase in monetary rates (mark-down[1] on the 1-month Euribor at -0.11% in May and -0.14% in the first five months of 2014, from -0.38% in the first half of 2013 and -0.26% in the last three months of 2013). The mark-up[2] on the 1-month Euribor remained high, though gradually declining up until May (4.87% in the first five months of 2014, from 5.01% on average in 2013 and 4.97% in the fourth quarter). The decrease in Euribor rates in June, following the cut to reference rates by the ECB, justifies a temporary inversion of the trend in the contribution margins.

Loans

Lending activity remained very weak. The decline in the stock of loans to non-financial companies eased slightly during the half year, leaving behind the cycle low reached in the last quarter of 2013. The decrease in short-term loans continued, and medium/long-term loans also recorded a significant downturn, although slightly easing in the second quarter compared to the low in March. During the half year, the decrease in loans was more marked for large companies than for small companies, as already seen in the second half of 2013.
Loans to households continued to record a very limited decrease, easing slightly over the course of the half year.
Overall, private sector loans recorded a slightly lower decline than the drop recorded in the final part of 2013. The decrease in loans continued to be affected by weak demand which, however, showed signs of improvement, halting the decline in demand from businesses and recording a rise in applications for household mortgages for house purchase. Furthermore, on the supply side, the restrictive impact of the perceived risk associated with expectations for the economy in general and for particular sectors and businesses eased gradually. Growth in gross doubtful loans slowed slightly in the first half of 2014. Therefore, the bank

[1] Difference between the 1-month Euribor and interest rates on household and business overnight deposits.
[2] Difference between the interest rate applied to households and businesses on loans with maturity up to one year and the 1-month Euribor.

lending market maintained a prudent attitude, although recording a clear improvement in the impressions of businesses with respect to credit access conditions, particularly significant even for small and medium-sized ones.

Direct deposits

Customer funding was slightly down overall, although this trend eased in the second quarter thanks to the performance of the demand component. Among total funding, deposits continued to grow, although at a very moderate rate. This trend benefited from the solidity of household deposits, with a positive although modest annual change, and vigorous deposits by non-financial companies, albeit with high variability in growth rates. The growth in overnight deposits, which, after proceeding at the slow pace recorded at the end of 2013, accelerated in May, contributed to the resilience of overall deposits. Simultaneously, time deposits entered a slightly declining phase, following the strong development of previous years. The growth in deposits continued to be offset by the significant drop in the stock of bank bonds, although slightly less marked than in the spring months. The bonds trend was again affected by the portfolio reallocation processes of customers. On the other hand, Italian banks continued to issue bonds on the international wholesale market.

Indirect deposits and asset management

With regard to assets under administration, the decline in debt securities held in custody by banks on behalf of customers continued at a pace in line with the last few months of the previous year, but slower than the rest of 2013. This performance was also impacted by the constant decline of bank bonds and the phase of considerable interest in mutual funds.
As to assets under management, the Italian market for open-ended mutual funds achieved highly positive net inflows during the first six months of the year, further confirming the positive trend of the last two years. The balance between subscriptions and redemptions was mainly sustained by flexible funds but, with the only exception of liquidity funds, which are still negative, all categories achieved positive inflow balances. Foreign funds once again attracted most of the inflows, but Italian funds continued to record positive inflow balances.
As to insurance, the new life insurance business recorded an accelerated growth in premiums collected during the first five months of 2014, reinforcing the positive trend that began in early 2013. The increase in subscriptions of life policies was driven mainly by the traditional ones, while linked policies with a higher financial content were down slightly.

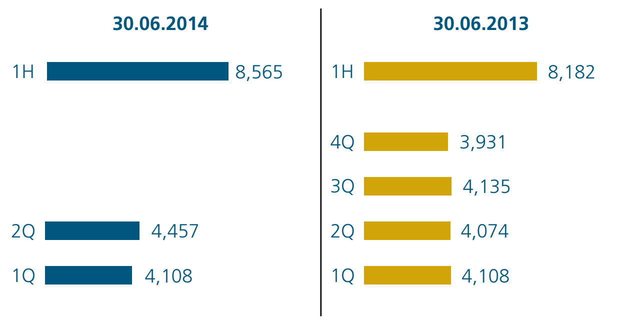
Intesa Sanpaolo in the first six months of 2014

Consolidated results

As stated above, the macroeconomic scenario in the first half of 2014 saw moderate growth of the economy and international trade. The Eurozone recovered from the 2012/2013 recession, but the growth rate slowed down during the second quarter. Italy is among the European countries where the recovery is struggling the most to regain momentum. Inflation was below forecasts throughout the Eurozone, approaching zero. The ECB cut official interest rates in June to 0.15% on main refinancing operations and -0.10% on deposit facility. It simultaneously proposed a long period of low rates and launched a new targeted long-term refinancing operation programme.

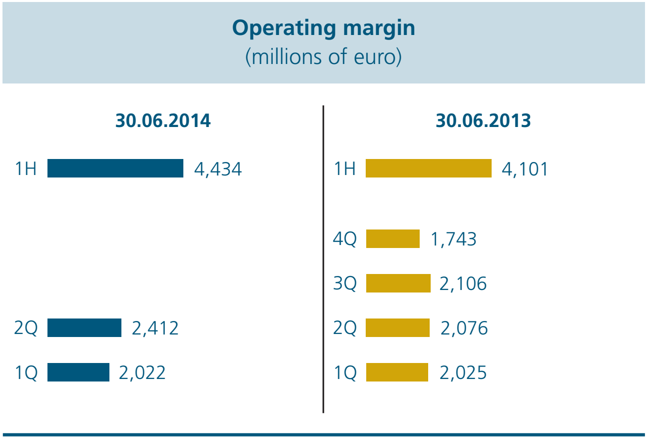
The Intesa Sanpaolo Group achieved positive economic results during the period, both as a whole and in relation to its various revenue and cost components compared to those of the same period last year. The income statement as at 30 June 2014 closed with net income of 720 million euro, compared to 422 million euro in the first half of the previous year. In particular, operating income was up compared to the first half of 2013 and of better quality, as the contribution from fee and commission income increased, while there was a decrease in profits on trading, a component structurally subject to volatility. The contribution from the companies consolidated at equity and that from the insurance segment were also positive.
The operating margin also increased compared to the figures for the first six months of 2013. The slight increase in personnel expenses, entirely attributable to the variable component, was partly absorbed by the lower administrative expenses and by the decrease in adjustments. Moreover, the income before tax from continuing operations benefited from the reduced requirement for adjustments. Growth in income, associated with the cost control and lower adjustments, allowed a pre-tax income up by approximately 70% on the first half of the previous year.

Operating income
(millions of euro)



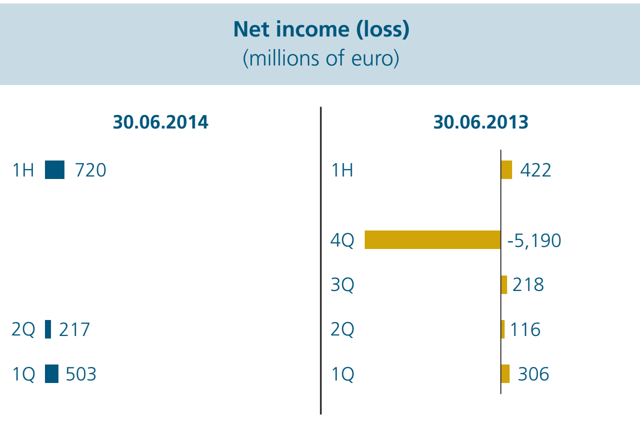
A detailed breakdown of operating income items shows that the income statement for the first half of the year recorded net interest income of 4,204 million euro, up 3.8% compared to the first half of 2013, relating to the increase in customer spread, which more than offset the drop in volumes.
The services segment generated net fee and commission income of 3,311 million euro, up by 9.2%, mainly driven by the positive contribution from financial instrument dealing and management activities (around +21%) which also benefited from the persistently better performance of the financial markets.
Profits on trading amounted to 560 million euro, compared to 690 million euro in the first half of 2013, mainly attributable to the lower trading result, only partly offset by

the improvement in results from AFS securities and financial liabilities.
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 499 million euro (approximately +12%), due to positive performance of deposits and the higher net investment result.



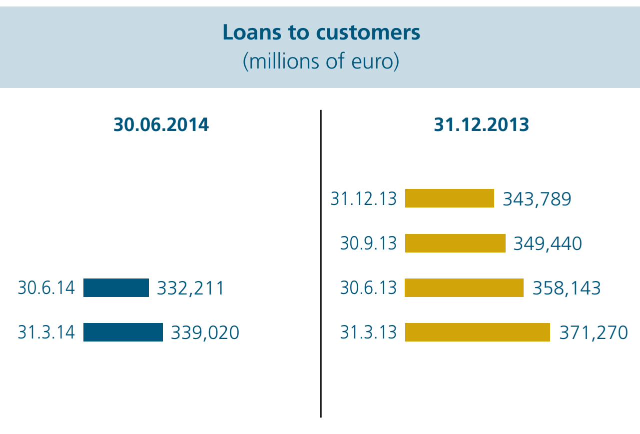
As a result of the above trends, operating income for the first half of 2014 came to 8,565 million euro, up 4.7% over the first half of the prior year.
Operating costs grew slightly (+1.2% to 4,131 million euro). Personnel expenses recorded an increase (+3.3%) attributable exclusively to the variable component. In fact, while in the first half of 2013 – in relation to failure to achieve the income targets – this component was absent, the positive business performance for the first half of this year and activation of the innovative bonus system envisaged in the new Business Plan resulted in suitable provisions for this purpose. Conversely, other administrative expenses and adjustments decreased (-1.8% and -1.5% respectively).

The operating margin, therefore, amounted to 4,434 million euro, up 8.1% over the first half of 2013.



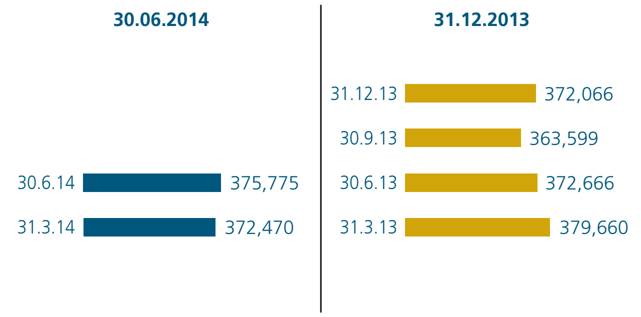
Adjustments and provisions for risks, as a whole, were down around 9%, due to lower adjustments to loans (-11.5%) and other assets (approximately -63%). Conversely, provisions for risks increased (+172 million), following the allocation of 65 million by the Hungarian subsidiary in relation to the new regulatory provisions impacting the country and the loss of releases of provisions that had characterised the first half of 2013. Profits on investments held to maturity and on other investments included the capital gains from the sale of SIA (173 million) and Pirelli (59 million) and the capital gain deriving from the transaction involving the stake in NH Italia (47 million).
Income before tax from continuing operations consequently came to 2,173 million euro, up by approximately 70% on the first six months of the previous year.
Taxes were high (1,276 million) due to the extraordinary tax established by Law Decree 66/14, converted into Law 89/14, on the substitute tax on capital gains determined through recognition in the 2013 financial statements of the new stake in the Bank of Italy. The caption was also impacted by the impairment of deferred tax assets following reduction of the IRAP tax rate envisaged by the same provision. Overall, these non-recurring tax charges weighed on the income statement of the second quarter of 2014 for approximately 520 million.
After recognition of charges for integration and exit incentives of 20 million euro, the effect of purchase price allocation of 99 million, loss from discontinued operations of 22 million, as well as minority interests of 36 million, the income statement for the first half year closed, as already noted, with a net income of 720 million, compared to 422 million for the first six months of 2013, up by approximately 71%.

In the quarterly analysis, net income was 217 million euro in the second quarter of 2014, compared to 503 million euro in the first three months. More specifically, the growth in operating income (+8.5%) and the decline in operating costs (approximately -2%) led to a 19.3% increase in the operating margin. Despite the greater need for adjustments and provisions, the income before tax from continuing operations rose by approximately 28%. Net income, however, was impacted by the aforementioned higher tax burden.



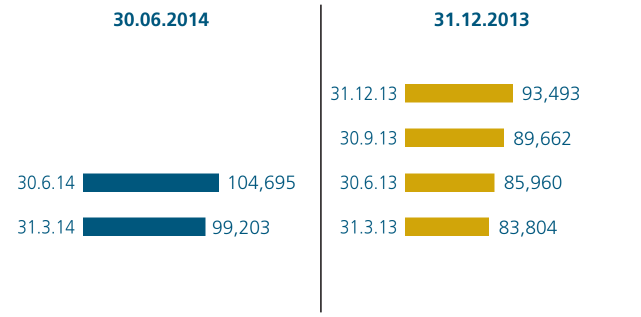
Performance of balance sheet aggregates highlights loans to customers for 332 billion (-3.4% compared to the end of 2013). The decline in commercial banking loans (current accounts, mortgages, advances and loans, down -2.7% overall), and in loans represented by securities (-4.2%) was accompanied by the significant decrease in short-term financial loans represented by repurchase agreements (approximately -30%). Growth in non-performing loans (+3.9%) also had an impact on the abovementioned trends.

Direct deposits from banking business
(millions of euro)



In terms of customer deposits, direct deposits from banking business recorded slight growth to 376 billion euro (+1% compared to the end of 2013). More specifically, the demand component, represented by current accounts and deposits, was stable, while the decline in bond funding (-5.7%) was mostly offset by higher inflows from certificates of deposit (approximately +76%, due to increased issues by the international branches), subordinated liabilities (approximately +9%) and other funding (approximately +9%, mainly from commercial papers and capital protected certificates). Repurchase agreements increased (+28%).

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



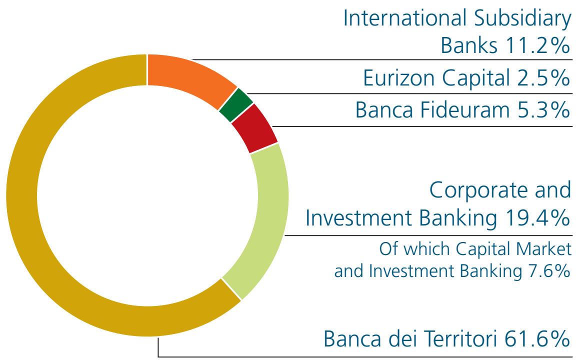
Direct deposits from insurance business, which include technical reserves, increased significantly (+12% approximately to 105 billion euro). The overall increase was attributable both to the increase in technical reserves, which represent the amount owed to customers who took out traditional insurance policies, and, to a lesser extent, the higher value of financial liabilities of the insurance segment designated at fair value, particularly unit-linked products. The new business for the half year of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to approximately 12.8 billion euro.

Indirect deposits amounted to approximately 449 billion euro (+4.3% compared to the end of 2013). During the first half of the year, customers continued to reposition into forms of professional asset management, which were the priority destination for new funding inflows. Assets under management, which account for more than half of the total aggregate, increased by 21.6 billion euro (+8.4%), owing to net inflows and the revaluation of assets under management. All main technical forms making up assets under management performed well, continuing the positive trend that had started in the first quarter of 2013. In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 12.6 billion euro in the first six months of 2014.
Conversely, assets under administration decreased by 3.2 billion euro (-1.9%), due to the third-party securities and products component.

Results of the Business Units

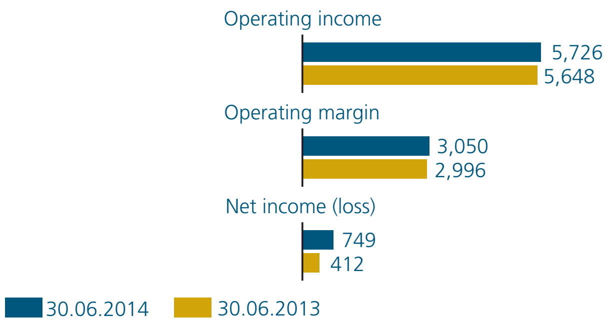
The contribution to operating income of the Group's five business units in the first half of 2014 confirms that the greatest contribution continues to come from retail banking activities in Italy (around 62% of the business units' operating income), although there was also a significant contribution from corporate and investment banking activities (approximately 19%) and international retail banking activities (around 11%).

Operating income:
Breakdown by business area (1)



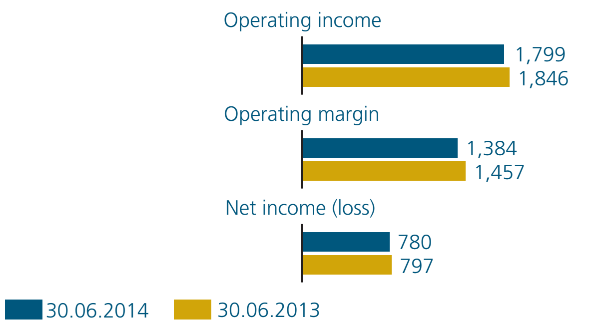
(1) Excluding Corporate Centre

Banca dei Territori



In the first half of 2014, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income higher than that recorded in the first six months of the previous year (+1.4% to 5,726 million euro). More precisely, the decrease in net interest income (-3.9%) was widely offset by the increase in net fee and commission income (+8.7%), driven by those relating to management, dealing and consultancy activities. Profits on trading decreased (by approximately 17%), whilst income from insurance business recorded an increase (approximately +11%) attributable to the improvement in the net investment result. Operating costs remained largely stable (+0.9%). As a consequence of the above performances, operating margin increased (+1.8%), as did income before tax from continuing operations (around +47%) aided by the reduced need for adjustments to loans. After accounting for the Division's taxes (482 million euro), charges for integration (17 million euro) and the economic effect of purchase price allocation (35 million euro), net income stands at 749 million euro (around +82%).
Balance sheet figures at the end of June 2014 showed loans to customers down compared to the end of the previous year (-2.9% to 203,500 million euro) mainly as a result of the decrease in loans to small and medium-sized businesses. Direct deposits from banking business also decreased (-4.5% to 185,030 million euro), owing to the downward trend in securities issued and related to the maturity of retail bonds. On the other hand, direct deposits from insurance business rose (+11.7% to 83,842 million euro), mainly as a result of the growth in technical reserves.

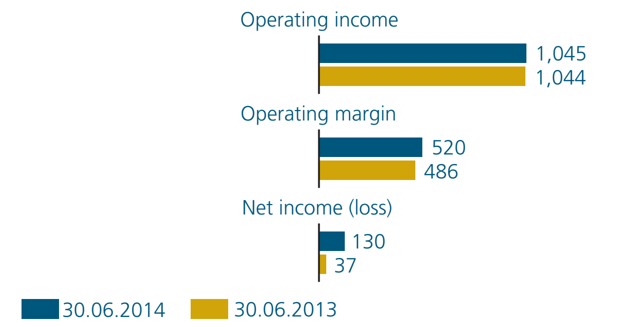
Corporate and Investment Banking



The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – recorded declining operating income (-2.5% to 1,799 million euro) compared to the first half of 2013. More specifically, the decrease in net interest income (-1.6%, mainly due to the lower contribution from customer dealing) was accompanied by a decrease in net fee and commission income (-8.7%), mainly associated with the lower contribution from investment banking activities. Profits on trading were essentially stable (approximately +0.4%) over the first half of the prior year, following the positive trend in capital markets activities, which offset the absence of merchant banking transactions and the lower contribution from proprietary trading activity. Operating costs were up (+6.7%) due to higher personnel and administrative

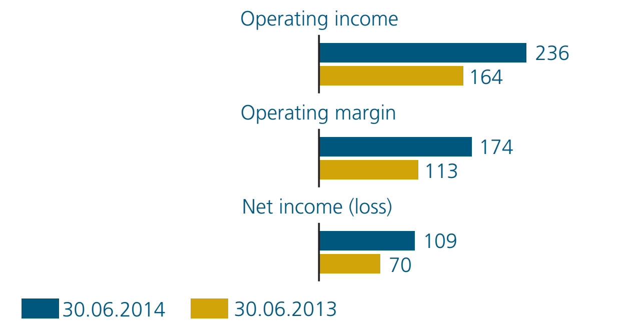
expenses. As a result of the above revenue and cost trends, the operating margin decreased (-5%), as did income before tax from continuing operations (-5.5%), which was impacted by higher adjustments to loans. Net income came to 780 million euro, down by 2.1% on the first six months of 2013.
As to intermediated volumes, direct deposits from banking business declined (-9.3% to 103,357 million euro), mainly due to lower repurchase agreement transactions and the decrease in corporate deposits. Loans to customers were stable (-0.3% at 90,590 million euro), with lower use of cash by Italian and international corporate customers as well as by those of the Irish subsidiary, almost entirely absorbed by the development of repurchase agreements.

International Subsidiary Banks



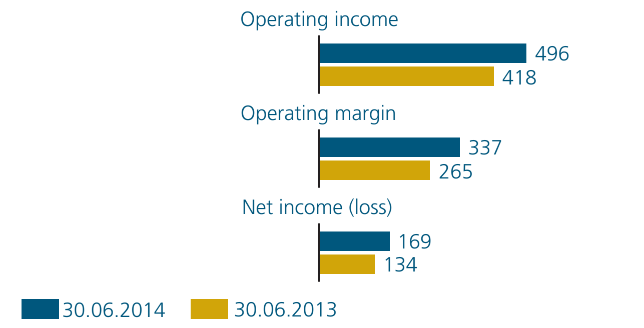
In the first half of 2014 the operating income of the International Subsidiary Banks Division – which oversees the Group’s commercial operations on international markets through subsidiary and associated banks – remained essentially stable (+0.1% at 1,045 million euro). In detail, the decrease in net interest income (-2.9%) was partly offset by the improvement in dividends and profits on investments carried at equity (increasing from 16 to 26 million euro), net fee and commission income (+1.6%) and, above all, profits on trading (approximately +56%). Operating costs were down (-5.9%). As a consequence of the above results, the operating margin increased (+7%), and so did income before tax from continuing operations (+80%), benefitting from lower adjustments to loans and other assets. The Division closed the income statement with a net income of 130 million euro for the half year, compared to 37 million in the first half of 2013.
The Division's intermediated volumes decreased slightly compared to the end of December 2013, owing to the decrease in loans to customers (-1.5%). By contrast, direct deposits from banking business increased slightly (+0.6%), mainly due to the securities issued component.

Eurizon Capital



The operating income of Eurizon Capital – which operates in the asset management segment – increased during the first half year (approximately +44% to 236 million euro), due to the positive performance of net fee and commission income (approximately +44%), mainly attributable to the positive trend in assets under management. Operating costs increased (+22%) due to administrative and personnel expenses. As a result of the revenue and cost trends, the operating margin increased (approximately +54%). Eurizon Capital closed the first half of the year with a net income of 109 million euro (approximately +56%).
Overall, total assets managed by Eurizon Capital as at the end of June 2014 came to approximately 183 billion euro (+12% since the end of 2013), as a result of net inflows and favourable financial market performance. As at 30 June 2014, Eurizon Capital’s market share of assets under management was 14.7% (14.5% at the end of December 2013).

Banca Fideuram



For Banca Fideuram – specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential – the operating margin for the first half of 2014 recorded a significant growth (approximately +27% to 337 million euro), attributable to the increase in operating income (around +19%) and a limited increase in operating costs (+3.9%). The performance of revenues is attributable in particular to net fee and commission income (approximately +18%), with a favourable performance of net interest income (around +13%), profits on trading (+5 million) and income from insurance business (approximately +22%), the latter attributable to Fideuram Vita.
As a result of the above trends, income before tax from continuing operations rose by around 32%. Banca Fideuram closed the first half of 2014 with net income of 169 million euro (approximately +26% on the first six months of 2013).
Assets under management of the Banca Fideuram Group at the end of June 2014 amounted to 88 billion euro (of which 70 billion euro in assets under management and 18 billion euro in assets under administration), up 4.9% since the beginning of the year. This trend is attributable to the positive performance in terms of net inflows and the positive market performance of the assets. Increases were recorded by assets under management (+5.6% compared to the end of 2013), as a result of the positive performance of the portfolio management and life insurance segments, and in assets under administration (+2.3%).

Direct deposits from the banking business grew from the beginning of the year (+5.5% to 7,656 million), mainly as a result of repurchase agreements and customer term deposits. Direct deposits from insurance business also increased (+13.1% to 20,853 million euro), attributable to the positive trend in financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.

Main risks and uncertainties

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

Liquidity remains high: as at 30 June both regulatory indicators envisaged by Basel 3 (LCR and NSFR), adopted from this year as the internal liquidity risk measurement metrics, were already met reaching a level above fully phased-in requirements. As at 30 June 2014, the Central Banks eligible liquidity reserves came to 107 billion euro (124 billion euro at the end of December 2013), of which 82 billion euro, net of haircut, was unencumbered (88 billion euro at the end of December 2013).
The refinancing through the European Central Bank, resulting from participation in the two 3-year LTRO (Long-Term Refinancing Operation) auctions held by the monetary authority in December 2011 and February 2012, was repaid in full in 2013 and replaced in the first half of 2014 by the temporary recourse to the weekly and 3-month auctions capable of ensuring greater flexibility in management of the liquidity position: at the end of June 2014, debt to the European Central Bank was zero.

In terms of funding, the widespread branch network remains a stable, reliable source: 75% of direct deposits from banking business come from retail operations (283 billion euro). Furthermore, approximately 15 billion euro in bonds were placed during the half year, of which approximately 10 on the wholesale market.

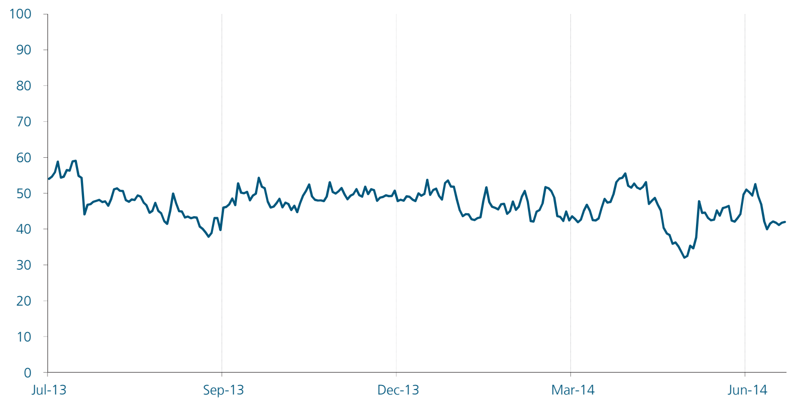
The leverage of the Intesa Sanpaolo Group continues to be at lower levels than its main competitors', while the ratio of risk-weighted assets to total assets is among the highest, given the prevalence of retail banking activities within the Group.

The capital base remains high and growing. Own funds, risk weighted assets and the capital ratios at 30 June 2014 were calculated according to the new harmonised rules and regulations for banks and investment companies contained in Directive 2013/363/EU (CRD IV) and in (EU) Regulation no. 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 285 and 286 (issued in 2013) and Circular 154 (updated during 2013).
As at 30 June 2014, total own funds came to 47,275 million euro, against risk-weighted assets of 276,238 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The total capital ratio stood at 17.1%, while the ratio of the Group's tier 1 capital to its total risk-weighted assets (its tier 1 ratio) was 13.7%. The Common Equity Tier 1 ratio stood at 13.2%.

With regard to the insurance segment, as at 30 June 2014 the available individual solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, was 3,777 million euro, up on the 3,560 million euro of 31 December 2013 due to the net income for the period. The capital absorption level was 2,502 million euro, up compared to 2,290 million euro as at 31 December 2013. The margin exceeded the level required by supervisory rules by 1,275 million euro. The solvency ratio as at 30 June 2014 was 151%, down slightly on the figure as at 31 December 2013 due to the strong growth in premiums issued for new business recorded during the first half of the year.

The Group's risk profile remained at relatively low and declining levels, consistent 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 risk measures in the first half of 2014 were down significantly compared to the same period in 2013, at levels of between 32 and 55 million euro. The average VaR for the half year totalled 45.6 million euro.

Market risks trend:
VaR (millions of euro)



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

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public sector entities, Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor's position are promptly recognised. The alarming pace at which the crisis deepened and expanded has made it necessary to constantly review the value both of loans already showing signs of distress and of those not yet showing clear signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average provisioning percentages for doubtful loans (63.1%) and substandard loans (23.5%). With regard to performing loans to customers, the "collective" adjustments provide a portfolio coverage ratio of 0.8%, unchanged compared to the coverage in the 2013 financial statements. The lump-sum provisions on performing loans, amounting to 2,421 million euro, fully cover the expected loss calculated by means of internal models.

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

As at 30 June 2014, the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 120 billion euro (of which 51 billion in securities held in Group insurance companies' portfolios) and other loans for 21 billion euro, essentially unchanged compared to the end of 2013 (exposure to securities amounted to approximately 120 billion euro, while other loans amounted to 22 billion).
The exposure to Italian Government securities is about 100 billion euro: in more detail, the Group banks' exposure (approximately 53 billion euro) is concentrated in the short-term segment (32 billion euro up to 3 years), with a duration of 3 years. On the other hand, the duration of the insurance portfolio is longer, at 5.9 years, consistently with that of liabilities.
Investment levels in structured credit products and hedge funds remained low. The changes in the fair value of these products over the three months generated a positive impact of 18 million euro for the former (plus 7 million euro in profits from disposals) and 13 million euro for the latter.

In the current volatile market environments, measuring the recoverable amount of intangible assets is also particularly difficult.
In terms of intangible assets with indefinite useful life, consisting of the goodwill and brand name, recognised under balance sheet assets at a residual total value of 5,781 million euro (of which 3,899 million referring to goodwill), no indicators that could negatively impact the results achieved in the 2013 financial statements were identified during the first half of the year, despite a macroeconomic scenario that shows persistent fragility in the recovery trend. It is noted that, in said financial statements, the impairment tests conducted on intangible assets with indefinite useful life highlighted the necessity to recognise impairment of the goodwill and brand name for a total of 5,178 million euro.
The analyses carried out for the Half-yearly Report showed only slight changes in the forecasts for some macroeconomic parameters in the period 2014-2017: a slightly lower average ECB reference rate and Euribor, a slight slowdown in the expected trend of growth in banking aggregates and, finally, improvement of the expected growth in assets under management. However,

these changes have a negligible impact on the Group's expected cash flows and no significant impact on the mentioned indicator and on the valuation of intangible assets.
Updating of the discounting rates, on the other hand, showed a decrease in the cost of capital for all CGUs, mainly due to the sharp decline in the risk-free rate, accompanied by a slight increase in beta coefficient for Banca dei Territori and a decline for Eurizon Capital and Banca Fideuram.
In conclusion, in the light of the above, no critical elements have been identified, compared to the indicators already considered in the 2013 impairment test, such as to require recalculation of value in use in the half-year financial statements.
In terms of market values, Intesa Sanpaolo's ordinary stock performance grew during the half year (up 25.8%), essentially double the amount of the FTSE MIB index and higher than the Italian bank stock index. On the other hand, the Eurozone banking sector index at the end of June 2014 was not significantly different from the value at the end of 2013. This would indicate that stock performance is likely partly due to overall growth of the Italian stock market up until the end of June and partly to the specific assessments of the Bank's fundamentals.
Even the analysis of financial analysts' assessments and "target prices" of Intesa Sanpaolo stock showed no significant critical factors compared to those already noted at the beginning of the year and included in the impairment test for the 2013 financial statements.
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. All indicators will continue to be carefully monitored during the second half of the year, in order to immediately identify any factors that might modify the positive conclusions outlined in this Half-yearly Report.
The other intangible assets recorded under assets in the balance sheet for a total value of 680 million euro, composed by the asset management and insurance portfolios (both with defined useful life), were amortised (approximately 141 million euro before tax). Qualitative analyses were carried out for these assets as well (mainly focusing on the trends in volumes), in order to identify any impairment indicators. These analyses identified no critical aspects with respect to the situation at the end of 2013.

Last, with regard to the going-concern assumption, the Directors of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the Half-yearly Report as at 30 June 2014 on a going-concern basis. This is because in the asset and financial structure and in the performance of operations of the Group, no uncertainties have been detected that would cast doubt on the going concern assumption.

The 2014-2017 Business Plan

With the new Business Plan approved last March, the Intesa Sanpaolo Group 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 genetic 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.

In the first part of the year, a number of initiatives were implemented from both the organisational standpoint as well as with regard to product innovation, aimed at improving customer service and developing Intesa Sanpaolo's human capital.

a) New Growth Bank
As part of the "New Growth Bank" initiative, the Banca 5® project was launched, relying on an ad hoc offer and on a dedicated commercial value chain of approximately 3,000 people to revamp approximately 5 million Retail customers currently marked by low profitability but with good loyalty potential. A "specialised" commercial model was introduced during the first six months of the year in approximately 1,300 branches (with around 1,800 dedicated managers) and a "mixed" model in about 2,200 branches. Particular attention was also paid to the process of sharing objectives with the network structures and preparing the monitoring instruments for the initiative.
Numerous activities were launched to develop the multi-channel approach, which will enable customers to purchase products and services from all channels through consistent, integrated paths. The guidelines for the new Digital Customer Experience were defined within this scenario and, in accordance with them, measures to activate multi-channel processes for payment cards, investments and personal loans were launched and/or planned. Organisational solutions that will permit the Contact Unit to perform commercial activities were also defined.
Numerous organisational measures were implemented, with works beginning for the establishment of the Private Banking, Asset Management and SME Finance Hubs. In particular, as regards the Private Banking Hub, all works that will manage the organisational, legal and administrative aspects of the Intesa Sanpaolo Private Banking and Banca Fideuram combination were

launched. The development guidelines were also defined and the main works for the Asset Management Hub were set up. As far as the SME Finance Hub is concerned, following incorporation of the Leasing companies into Mediocredito Italiano, the integration of Mediofactoring and Agriventure into Mediocredito Italiano became effective from 1 July 2014, consistently with the overall simplification envisaged by the Business Plan. This strengthens the SME Finance Hub as the Group's reference for specialised credit and business advisory services. Apart from the many activities necessary to manage the corporate integration, the new commercial model, products catalogue and credit model were defined.
As regards of the "Transaction Banking" project, the strategic guidelines and initiatives to strengthen domestic coverage, international coverage and quality of service were defined, and the target model and future scope of activities of the Product Factory supporting the Group were identified.
The International Subsidiary Banks Division launched 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.

b) Core Growth Bank
With regard to the "Core Growth Bank" initiatives, Banca dei Territori launched three projects aimed at optimising the service model for mass customers ("Full Potential"), affluent customers ("Investment House") and SME customers ("Business-Entrepreneur "). In detail, for the "Full Potential" project, activities are focused on launch of a new model to oversee Households customers, activation of pilot projects for local simplification, and reduction of branch hours and roll-out of the new Banca Estesa model. The "Investment House" project focuses on innovation of the product range, development of IT tools to support managers, training and expansion of the Offsite Offering. The initial activities under the "Business-Entrepreneur" project regarded customer segmentation, reorganisation of the territorial network and training of human resources. The "Commercial Excellence" project was also launched, aimed at increasing the level of service provided to high value customers, also through different organisation of the work and leveraging of leads generated by the multi-channel platform.
The Corporate & Investment Banking Division further bolstered the Foreign Network expansion project in economically emerging areas, opening a branch in Istanbul and launching operations in the new subsidiary in Brazil.
Furthermore, projects linked to development of an Asset Light model continued at full pace, aiming to make loans more marketable, in addition to other planned initiatives designed to increase synergies among the Division's Relationship areas and Banca IMI's product specialisations.
In terms of strategic and active management of loans and risks, two important projects aimed at increasing connection speed and proactive credit management were finalised.
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 within 2015.
The first corporate transaction will involve the merger of Banca di Credito Sardo and CR Venezia, 100%-owned, into Intesa Sanpaolo. This is expected to be completed by the end of the year. Other corporate transactions are currently being examined, but with longer completion times.
Finally, the rationalisation of local presence resulted in the closure of approximately 200 branches during the first half of the year.

c) Capital-Light Bank
In addition to growth in revenues, reduction of 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 and deleveraging of the Group's non-core assets. This will take place through creation of a Business Unit ("Capital Light Bank") that focuses on management of a closed portfolio that includes: (i) doubtful loans, (ii) repossessed assets, (iii) equity stakes and (iv) other non-strategic assets. The unit will have dedicated reporting and incentive systems, with the objective of maximising portfolio optimisation.
Preliminary activities to roll out the initiative were carried out during the first part of the year, defining the project's organisation and the breakdown of work sites.
The activities of Intesa Sanpaolo REOCO were also launched. This new company aims to enhance the assets that are repossessed and protect the bank's assets. Intesa Sanpaolo REOCO is the focal point of numerous company areas, ranging from lending to property management, and aims to become a specialised centre serving the entire Group. In this respect, REOCO is collaborating with Mediocredito Italiano to define the best strategy to enhance the value of the repossessed assets portfolio.

d) People and investments as key enablers
Following development of technology and customer trends, the bank has surplus production 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 was initiated in order to support development of the new business initiatives under the Plan. This set-up led to the implementation of key initiatives like Banca 5® which, as stated above, already includes some 1,800 managers dedicated to developing the relationship with Retail customers.
The Plan also approaches the delicate issue of management turnover. The new executives' agreement signed with the Trades Unions on 19 March 2014 will permit the Intesa Sanpaolo Group to develop a new generation of managers, simultaneously enhancing the experience gained throughout years of work by managers who are amongst the best ones on the market.

Highlights for first half-year 2014

On 23 January 2014 Intesa Sanpaolo signed the agreement for the sale of 100% of the capital of its Ukrainian subsidiary Pravex Bank to CentraGas Holding GmbH for a consideration of 74 million euro. Based on the contractual agreements and on the timing envisaged for finalisation of the transaction, in this Half-yearly Report the assets and liabilities in Pravex-Bank were reclassified under discontinued operations in accordance with IFRS 5. Subject to obtaining the required authorisations, in fact, finalisation of this transaction is expected during 2014. The consolidated income statement for the first half year includes the loss for the period of the Ukrainian bank, recognised under Income (Loss) after tax from discontinued operations for a total of 22 million euro. Note that the evidence of a transaction price lower than the carrying amount, which constitutes an impairment indicator, led to recognition of the loss already in the 2013 financial statements for a total of 38 million euro. The negative effect linked to the exchange rate reserve, for which IAS 21 requires recognition in the income statement only at the time of disposal, is currently estimated at 90 million euro.
Furthermore, in January the Intesa Sanpaolo Group also signed a binding memorandum of understanding concerning the sale of the stake held by subsidiary Intesa Sanpaolo Vita in the Chinese insurance company Union Life (representing 19.9% of the latter's capital) for a consideration of 146 million euro. This transaction will generate a positive contribution of approximately 28 million euro after tax to the consolidated income statement. The transaction was authorised by the local supervisory bodies and will be completed in the third quarter of 2014.

From the end of January, work started on setting up the new SME Finance Hub of the Intesa Sanpaolo Group. The company chosen to act as hub is Mediocredito Italiano, a Group company specialising in medium- and long-term lending to SMEs. The Hub is focused on supporting the investments and growth strategies of SMEs and will become the point of reference for advisory services on business financing, specialised loans, leasing and factoring. The aim of this project is to provide more effective answers to the emerging needs of SMEs: growing in size to achieve critical mass, leveraging on the strength of value chains, investing in innovation and internationalisation, and optimising their financial structure. To help businesses achieve their objectives, the SME Finance Hub is based on three pillars: comprehensive and integrated commercial offer covering strategic and growth investments, sector specialisation in the approach to customers and integration with the Group's local network. Following the integration of Mediofactoring and Agriventure as at 1 July, the activities of Mediocredito Italiano, which is part of the Banca dei Territori Division of Intesa Sanpaolo, will cover four main areas of business offering targeted commercial solutions:
- consulting/advisory services: consulting for entrepreneurs on corporate finance, extraordinary finance transactions; optimisation of liabilities; internationalisation; aggregation in Business Networks; sector approach;
- specialised loans and subsidised credit: sector loans and loans for research and innovation, with specific financial funding, subsidised loans, co-lending with Local Public Entities and subsidised European instruments;
- leasing: real estate, instrumental, automotive, naval-aviation, energy production plants, trademarks and works of art;
- factoring: complete product range serving domestic and international customers.

Therefore, for the whole Intesa Sanpaolo Group, Mediocredito Italiano will be in charge of managing subsidised finance and financing schemes for research and innovation, also through agreements with industrial associations, business associations and other partners offering consulting services to Group customers and companies.

On 6 March, Intesa Sanpaolo completed the sale of approximately 7 million ordinary shares held in Pirelli & C., corresponding to approximately 1.5% of the Company's voting share capital and representing the entire stake held. The sale was made at a price of 12.48 euro per share in an accelerated bookbuilt offering.
The total value was 89.3 million euro, representing a positive contribution to consolidated net income of about 59 million euro in the income statement for the first half of 2014.

In the first half of March, after having obtained the necessary authorisations, Intesa Sanpaolo annulled in full its bonds guaranteed by the Republic of Italy pursuant to Article 8 of Law Decree 201 of 6 December 2011 converted with amendments by Law 214 of 22 December 2011. These bonds, whose total nominal value was 12 billion euro, had been subscribed on issue by Intesa Sanpaolo and used as guarantee on the LTRO transactions with the ECB (repaid in full in 2013) and had never been placed on the market.

On 19 March 2014 Intesa Sanpaolo and the Trades Unions Dircredito and Sinfub signed an agreement regarding Intesa Sanpaolo Group executives, collectively governing individual contract terminations of the executives pursuant to art. 2118: a maximum of 170 people will leave the Group by 30 June 2015. This agreement allows Intesa Sanpaolo to foster the professional development paths of all employees, adjust the organisation to the new needs of the Group and to promote merit and professional skills. Definition of the scope of executives involved is still underway.

In relation to the new stake issued by the Bank of Italy following amendments to the Statute approved by the general meeting of 23 December 2013 and recognised in the 2013 financial statements, Law Decree 66 of 24 April 2014, converted into Law 89 of 23 June 2014, replaced article 1, paragraph 148 of Law 147 of 27 December 2013 (Stability Law 2014) regarding taxation of the new stake in the Bank of Italy, changing the substitute tax rate to be applied to the difference between the nominal value of the new stake and the fiscal value of the old stake, bringing it to 26% rather than 12% as established by Law 147/13. The tax payment methods were also changed, envisaging payment in one lump sum in June 2014, instead of in 3 instalments as per Law 147/13.
The increase in the tax rate resulted in an additional tax of 443 million euro for the Intesa Sanpaolo Group in the second quarter income statement, which, added to the 379 million euro in taxes already recognised as at 31 December 2013, was paid on 16 June.

In April 2014, Intesa Sanpaolo and NH Hotel Group S.A., a Spanish company whose shares are listed on the Madrid, Barcelona, Bilbao, Valencia and New York Stock Exchanges, executed an agreement regarding the contribution of ISP entire shareholding owned in NH Italia S.p.A., representing 44.5% of the latter's share capital, to NH Hotel Group. In particular, the Contribution Agreement provides for the NH Hotel Group to resolve upon a share capital increase reserved to ISP, which should be paid by

means of the contribution of the shareholding, and ISP should receive no. 42,000,000 new NH ordinary shares at a price of 4.70 euro per share.
The transaction was finalised following the approval obtained at the shareholders' meeting of NH Hotel Group S.A. on 26 June 2014 regarding the capital increase reserved to ISP. As a result of the execution of the capital increase, ISP now holds, directly and indirectly, a shareholding equal to approximately 16% of NH Hotel Group’s share capital (compared to the previous 4.52% shareholding), classified among investments subject to significant interest.
The new NH shares assigned to ISP were recognised at their fair value, equal to the price as at 26 June 2014, namely 4.3750 euro, for a total value of 184 million euro which, compared to the carrying amount of the NH Italia shares contributed (128 million), resulted in a net capital gain in the consolidated financial statements, limited to the minority investment in the NH Hotel Group, equal to 47 million euro.

It should also be noted that the Intesa Sanpaolo shareholders’ meeting of 8 May 2014, in addition to approving integration of the Legal Reserve, coverage of the loss for 2013 and the distribution of part of the extraordinary reserve to shareholders, also approved an investment plan based on financial instruments for employees and risk takers of the Intesa Sanpaolo Group. This is an instrument of broad-based shareholding which the Intesa Sanpaolo Group, at the time that it launches the 2014-2017 Business Plan, will offer to all its employees, as key enablers in the achievement of the Business Plan’s objectives. Employees, who have been assigned without charge Intesa Sanpaolo ordinary shares purchased on the market, will be offered a multi-year investment opportunity (Investment Plan) having the same time horizon as the Business Plan. Alternatively, employees may freely dispose of the assigned shares. The Investment Plan provides for the assignment to employees of new ordinary shares of Intesa Sanpaolo deriving from a free share capital increase, as well as employees’ subscription to new ordinary shares of Intesa Sanpaolo deriving from a share capital increase reserved for employees, at a discounted issue price.
In this respect, the shareholders’ meeting then authorised the purchase of own shares on the market for free allocation to Intesa Sanpaolo Group employees by up to a maximum of 54,097,875 ordinary shares, corresponding to approximately 0.3% of the ordinary and savings share capital of Intesa Sanpaolo. Any ordinary shares over and above those needed to serve the share ownership plan can be sold on the market or held to serve future incentive schemes.
The shareholders’ meeting consequently conferred mandate upon the Management Board to increase the share capital for a maximum 53,101,088.56 euro, through the issue of a maximum 102,117,478 Intesa Sanpaolo ordinary shares and to increase the share capital – in divisible form, in one or more tranches, by 28 February 2018 – for a maximum total of 213,073,650.40 euro, without pre-emption rights, in favour of Intesa Sanpaolo Group employees, through the issue of a maximum 409,757,020 Intesa Sanpaolo ordinary shares at a discounted price compared to the market value of Intesa Sanpaolo ordinary shares, calculated as the average of prices recorded in the 30 days prior to the issue date. Assuming all Group employees adhere to the Investment Plan, the total number of ordinary shares to be issued in the free share capital increase and in the capital increase for consideration is estimated to be equal to a maximum number representing around 3.3% of the ordinary share capital and 3.1% of the total share capital of Intesa Sanpaolo.

On 28 May 2014, the ISP Group completed the sale of 28.9% of SIA’s share capital, classified among investments in associates, retaining a 4% stake, reclassified under AFS securities. The Intesa Sanpaolo Group’s consolidated net income has recorded a positive contribution of 173 million euro from the transaction (including the fair value measurement of the stake retained, in accordance with IAS 28). In this respect, it should be noted that on 29 November 2013, the ISP Group, Unicredit, BNL and MPS had entered into a sale-and-purchase agreement with several investment funds concerning the sale of 59.3% of the share capital of SIA; the price was determined on the basis of a valuation of 100% of the SIA capital equal to 765 million euro, of which approximately 100 million to be paid as dividends prior to completion of the transaction. The completion of the transaction was subject to regulatory approval, which in the meantime was obtained.

On 16 June 2014, Assicurazioni Generali, Intesa Sanpaolo and Mediobanca exercised the right to request the demerger of Telco, under the terms of its shareholders' agreement. On 26 June 2014, the Board of Directors of Telco and, subsequently, on 9 July, the shareholders' meeting of Telco approved the proposed partial non-pro rata demerger of the company as a result of which four newly-incorporated beneficiary companies – 100%-owned by each shareholder – will be allocated the respective shareholder’s stake in Telecom Italia (overall equal to approximately 22.39% of Telecom Italia’s ordinary share capital) and, specifically: 14.77% to the Newco owned by Telefonica, 4.32% to the Newco owned by Generali Group, and 1.64% to each of the newcos owned respectively by Intesa Sanpaolo and Mediobanca. Completion of the demerger is subject to the requisite clearances from the Brazilian antitrust authority (CADE), the Brazilian regulatory authority (ANATEL) and the Argentinian antitrust authority (CNDC, Defensa de la Competencia) and, for those matters which fall within its scope of responsibility, by the Italian insurance regulatory authority (IVASS).
As part of the demerger, Telco will also repay all its bank debt outstanding (660 million euro as at 30 April 2014) and the bond issue subscribed to by its shareholders (1,750 million euro nominal value, plus 70 million euro in interest accrued to 30 April 2014), plus the interest that will accrue until the repayment date, via funds to derive from a shareholders’ loan to Telco, which will be disbursed pro rata to the shareholders' investment in the company immediately prior to the execution of the demerger. With the demerger, then, each newco will be allocated the respective share of the shareholders’ loan as well as the relevant Telecom Italia stake.
Telco will continue to exist with a minimal share capital and with no Telecom Italia shares held, in order to deal with the remaining assets and liabilities on the balance sheet. The company will then be placed in liquidation once this phase is complete. In this context, also in occasion of the 2014 Half-yearly Report, the investment was valued by considering the Telecom shares at their market price as at 30 June 2014, equal to 0.925 euro. This valuation resulted in a recovery on the investment of 25 million euro, which net of the pro rata amount of losses recorded by the company, equal to 3 million, brings the new carrying amount of the investment to 22 million euro.

Illustration of the "Alitalia issue" is not easy, with long and complex negotiations underway to achieve collaboration and integration with Etihad Airways, the national airline of the United Arab Emirates.
Clearly, this Report cannot include an illustration of the Plan that the various parties are defining in order to solve the Alitalia difficult situation, also caused by the economic crisis, which had a particularly severe impact on air travel.

As known, Intesa Sanpaolo holds, directly and indirectly, a 20.59% stake in Alitalia. Intesa Sanpaolo is committed to encourage a positive solution to the negotiations, with a twofold objective: maximising protection of its exposure and facilitating a positive solution to the Alitalia crisis.
Based on a prudent assessment of the current situation of Alitalia and of the commitments undertaken, Intesa Sanpaolo has, in this Half-yearly Report: (i) fully written down the residual carrying amount of the investment (38 million euro); (ii) established provisions for risks and charges of 30 million euro for losses that the company is suffering; (iii) adjusted cash loans, currently equal to approximately 160 million euro, for an amount of 119 million euro.
The impact on the half-yearly income statement amounted to 188 million euro, before tax.

Half-yearly condensed consolidated Financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.06.2014	31.12.2013	Changes	
				amount	%
10.	Cash and cash equivalents	7,347	6,525	822	12.6
20.	Financial assets held for trading	52,071	49,000	3,071	6.3
30.	Financial assets designated at fair value through profit and loss	38,459	35,761	2,698	7.5
40.	Financial assets available for sale	118,350	115,302	3,048	2.6
50.	Investments held to maturity	1,455	2,051	-596	-29.1
60.	Due from banks	30,882	26,481	4,401	16.6
70.	Loans to customers	332,211	344,023	-11,812	-3.4
80.	Hedging derivatives	8,541	7,534	1,007	13.4
90.	Fair value change of financial assets in hedged portfolios (+/-)	63	69	-6	-8.7
100.	Investments in associates and companies subject to joint control	2,128	1,991	137	6.9
110.	Technical insurance reserves reassured with third parties	25	14	11	78.6
120.	Property and equipment	4,910	5,056	-146	-2.9
130.	Intangible assets	7,290	7,471	-181	-2.4
	of which				
	- goodwill	*3,899*	*3,899*	-	-
140.	Tax assets	14,973	14,921	52	0.3
	a) current	*4,393*	*3,942*	*451*	*11.4*
	b) deferred	*10,580*	*10,979*	*-399*	*-3.6*
	- of which convertible into tax credit (Law no. 214/2011)	*8,157*	*8,644*	*-487*	*-5.6*
150.	Non-current assets held for sale and discontinued operations	369	108	261	
160.	Other assets	9,231	7,872	1,359	17.3
Total Assets		**628,305**	**624,179**	**4,126**	**0.7**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2014	31.12.2013	Changes	
				amount	%
10.	Due to banks	34,557	52,244	-17,687	-33.9
20.	Due to customers	233,343	229,057	4,286	1.9
30.	Securities issued	136,832	138,197	-1,365	-1.0
40.	Financial liabilities held for trading	41,183	39,219	1,964	5.0
50.	Financial liabilities designated at fair value through profit and loss	33,441	30,733	2,708	8.8
60.	Hedging derivatives	8,846	7,590	1,256	16.5
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,344	1,048	296	28.2
80.	Tax liabilities	2,593	2,236	357	16.0
	a) current	*1,052*	*897*	*155*	*17.3*
	b) deferred	*1,541*	*1,339*	*202*	*15.1*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	203	-	203	
100.	Other liabilities	15,802	12,317	3,485	28.3
110.	Employee termination indemnities	1,448	1,341	107	8.0
120.	Allowances for risks and charges	3,246	2,898	348	12.0
	a) post employment benefits	*917*	*738*	*179*	*24.3*
	b) other allowances	*2,329*	*2,160*	*169*	*7.8*
130.	Technical reserves	70,694	62,236	8,458	13.6
140.	Valuation reserves	-1,241	-1,074	167	15.5
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,261	10,721	-1,460	-13.6
180.	Share premium reserve	27,020	30,934	-3,914	-12.7
190.	Share capital	8,549	8,546	3	0.0
200.	Treasury shares (-)	-51	-57	-6	-10.5
210.	Minority interests (+/-)	515	543	-28	-5.2
220.	Net income (loss)	720	-4,550	5,270	
Total Liabilities and Shareholders' Equity		**628,305**	**624,179**	**4,126**	**0.7**

Consolidated income statement

(millions of euro)

	1st half of 2014	1st half of 2013	Changes amount	Changes %
10. Interest and similar income	8,162	8,669	-507	-5.8
20. Interest and similar expense	-3,236	-3,894	-658	-16.9
30. Interest margin	**4,926**	**4,775**	**151**	**3.2**
40. Fee and commission income	3,914	3,640	274	7.5
50. Fee and commission expense	-773	-760	13	1.7
60. Net fee and commission income	**3,141**	**2,880**	**261**	**9.1**
70. Dividend and similar income	238	139	99	71.2
80. Profits (Losses) on trading	228	442	-214	-48.4
90. Fair value adjustments in hedge accounting	-51	-34	17	50.0
100. Profits (Losses) on disposal or repurchase of	460	397	63	15.9
a) loans	*40*	*-3*	*43*	
b) financial assets available for sale	*622*	*476*	*146*	*30.7*
c) investments held to maturity	-	-	-	
d) financial liabilities	*-202*	*-76*	*126*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	472	325	147	45.2
120. Net interest and other banking income	**9,414**	**8,924**	**490**	**5.5**
130. Net losses / recoveries on impairment	-2,139	-2,516	-377	-15.0
a) loans	*-2,045*	*-2,353*	*-308*	*-13.1*
b) financial assets available for sale	*-87*	*-177*	*-90*	*-50.8*
c) investments held to maturity	-	-	-	
d) other financial activities	*-7*	*14*	*-21*	
140. Net income from banking activities	**7,275**	**6,408**	**867**	**13.5**
150. Net insurance premiums	8,487	4,849	3,638	75.0
160. Other net insurance income (expense)	-9,493	-5,691	3,802	66.8
170. Net income from banking and insurance activities	**6,269**	**5,566**	**703**	**12.6**
180. Administrative expenses	-4,222	-4,138	84	2.0
a) personnel expenses	*-2,541*	*-2,477*	*64*	*2.6*
b) other administrative expenses	*-1,681*	*-1,661*	*20*	*1.2*
190. Net provisions for risks and charges	-238	-67	171	
200. Net adjustments to / recoveries on property and equipment	-163	-222	-59	-26.6
210. Net adjustments to / recoveries on intangible assets	-297	-361	-64	-17.7
220. Other operating expenses (income)	336	308	28	9.1
230. Operating expenses	**-4,584**	**-4,480**	**104**	**2.3**
240. Profits (Losses) on investments in associates and companies subject to joint control	292	-73	365	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	29	5	24	
280. Income (Loss) before tax from continuing operations	**2,006**	**1,018**	**988**	**97.1**
290. Taxes on income from continuing operations	-1,228	-557	671	
300. Income (Loss) after tax from continuing operations	**778**	**461**	**317**	**68.8**
310. Income (Loss) after tax from discontinued operations	-22	-24	-2	-8.3
320. Net income (loss)	**756**	**437**	**319**	**73.0**
330. Minority interests	-36	-15	21	
340. Parent Company's net income (loss)	**720**	**422**	**298**	**70.6**
Basic EPS - Euro	**0.04**	**0.03**		
Diluted EPS - Euro	**0.04**	**0.03**		

Statement of consolidated comprehensive income

(millions of euro)

	1st half of 2014	1st half of 2013	Changes amount	%
10. NET INCOME (LOSS)	**756**	**437**	**319**	**73.0**
Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-199**	**32**	**-231**	
20. Property and equipment	-	-	-	
30. Intangible assets	-	-	-	
40. Defined benefit plans	-206	32	-238	
50. Non-current assets held for sale	-	-	-	
60. Share of valuation reserves connected with investments carried at equity	7	-	7	
Other comprehensive income (net of tax) that may be reclassified to the income statement	**31**	**207**	**-176**	**-85.0**
70. Hedges of foreign investments	-	-	-	
80. Foreign exchange differences	-58	-52	6	11.5
90. Cash flow hedges	-258	276	-534	
100. Financial assets available for sale	364	-33	397	
110. Non-current assets held for sale	-	-	-	
120. Share of valuation reserves connected with investments carried at equity	-17	16	-33	
130. Total other comprehensive income (net of tax)	**-168**	**239**	**-407**	
140. TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +130)	**588**	**676**	**-88**	**-13.0**
150. Total consolidated comprehensive income pertaining to minority interests	**35**	**5**	**30**	
160. Total consolidated comprehensive income pertaining to the Parent Company	**553**	**671**	**-118**	**-17.6**

Changes in consolidated shareholders’ equity as at 30 June 2014

(millions of euro)

	30.06.2014											
	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**	**10,364**	**503**	**-1,091**	**-**	**-60**	**-4,557**	**45,063**	*44,520*	*543*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves			**-3,913**	**-683**					**4,596**	**-**	*-*	*-*
Dividends and other allocations									**-39**	**-39**	*-*	*-39*
CHANGES IN THE PERIOD												
Changes in reserves			**-1**	**16**						**15**	*-2*	*17*
Operations on shareholders' equity												
Issue of new shares	3							6		**9**	*9*	*-*
Purchase of treasury shares											*-*	*-*
Extraordinary dividends				-822						**-822**	*-822*	*-*
Changes in equity instruments										**-**	*-*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens										**-**	*-*	*-*
Other	-41									**-41**	*-*	*-41*
Total comprehensive income for the period						**-168**			**756**	**588**	*553*	*35*
SHAREHOLDERS’ EQUITY AS AT 30.06.2014	**8,389**	**488**	**27,075**	**8,875**	**503**	**-1,259**	**-**	**-54**	**756**	**44,773**	*44,258*	*515*
- Group	**8,064**	**485**	**27,020**	**8,758**	**503**	**-1,241**	**-**	**-51**	**720**	**44,258**		
- minority interests	**325**	**3**	**55**	**117**	**-**	**-18**	**-**	**-3**	**36**	**515**		

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

Changes in consolidated shareholders’ equity as at 30 June 2013

(millions of euro)

	30.06.2013											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2013	**8,375**	**488**	**30,989**	**9,606**	**503**	**-1,695**	**-**	**-12**	**1,654**	**49,908**	*49,322*	*586*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves				**757**					**-757**	**-**	*-*	*-*
Dividends and other allocations									**-897**	**-897**	*-832*	*-65*
CHANGES IN THE PERIOD												
Changes in reserves				**-29**						**-29**	*-67*	*38*
Operations on shareholders' equity										**-**		
Issue of new shares										**-**	*-*	*-*
Purchase of treasury shares								-6		**-6**	*-6*	*-*
Extraordinary dividends										**-**	*-*	*-*
Changes in equity instruments										**-**	*-*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens										**-**	*-*	*-*
Other			-2							**-2**	*-*	*-2*
Total comprehensive income for the period						**239**			**437**	**676**	*671*	*5*
SHAREHOLDERS’ EQUITY AS AT 30.06.2013	**8,375**	**488**	**30,987**	**10,334**	**503**	**-1,456**	**-**	**-18**	**437**	**49,650**	*49,088*	*562*
- Group	**8,061**	**485**	**30,934**	**10,144**	**503**	**-1,443**	**-**	**-18**	**422**	**49,088**		
- minority interests	**314**	**3**	**53**	**190**	**-**	**-13**	**-**	**-**	**15**	**562**		

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

Consolidated statement of cash flows

(millions of euro)

	30.06.2014	30.06.2013
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**7,207**	**4,930**
- net income (loss) (+/-)	756	437
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	318	2,179
- gains/losses on hedging activities (-/+)	51	34
- net losses/recoveries on impairment (+/-)	1,807	2,856
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	460	587
- net provisions for risks and charges and other costs/revenues (+/-)	298	138
- net insurance premiums to be collected (-)	-	-
- other insurance revenues/charges to be collected (-/+)	5,692	2,240
- taxes, duties and tax credits to be paid/collected(+/-)	-192	-240
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-1,983	-3,301
2. Cash flow from / used in financial assets	**-2,329**	**22,723**
- financial assets held for trading	-2,779	8,059
- financial assets designated at fair value through profit and loss	-1,089	-49
- financial assets available for sale	-1,074	-6,384
- due from banks: repayable on demand	-4,706	-1,197
- due from banks: other	279	6,156
- loans to customers	9,175	15,523
- other assets	-2,135	615
3. Cash flow from / used in financial liabilities	**-3,840**	**-27,376**
- due to banks: repayable on demand	-343	4,296
- due to banks: other	-17,419	-10,116
- due to customers	4,566	1,514
- securities issued	-1,567	-10,529
- financial liabilities held for trading	1,900	-7,816
- financial liabilities designated at fair value through profit and loss	1,571	2,261
- other liabilities	7,452	-6,986
Net cash flow from (used in) operating activities	**1,038**	**277**
B. INVESTING ACTIVITIES		
1. Cash flow from	**805**	**37**
- sales of investments in associates and companies subject to joint control	209	-
- dividends collected on investments in associates and companies subject to joint control	-	29
- sales/reimbursements of investments held to maturity	596	8
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-148**	**-315**
- purchases of investments in associates and companies subject to joint control	-	-56
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-12	-131
- purchases of intangible assets	-136	-128
- purchases of subsidiaries and business branches	-	-
Net cash flow from (used in) investing activities	**657**	**-278**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	6	-4
- share capital increases	3	-
- dividend distribution and other	-861	-897
Net cash flow from (used in) financing activities	**-852**	**-901**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**843**	**-902**
RECONCILIATION		
Cash and cash equivalents at beginning of period	6,525	5,301
Net increase (decrease) in cash and cash equivalents	843	-902
Cash and cash equivalents: foreign exchange effect	-21	-10
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,347**	**4,389**

LEGEND: (+) from (–) used in

Explanatory notes

Accounting policies

General preparation principles

The Half-yearly condensed consolidated financial statements as at 30 June 2014 have been prepared in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission and in force as at 30 June 2014 according to EC Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements have been prepared in compliance with IAS 34 requirements, which regulate interim financial reporting.
The Half-yearly condensed consolidated financial statements have been prepared using the principles endorsed and in force as at 30 June 2014, including related SIC and IFRIC interpretation documents.
In preparing the Half-yearly condensed consolidated financial statements, the accounting standards adopted for the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained unchanged with respect to those adopted for the 2013 Intesa Sanpaolo Group Annual Report – to which reference should be made for further details – with the exception of the effects resulting primarily from the application, compulsory from 1 January 2014, of the accounting standards referring to consolidation (IFRS 10, IFRS 11 and IFRS 12, together with resulting amendments to IAS 27 and IAS 28), and then from the amendments to IAS 32 on the offsetting of financial assets and liabilities and the amendments to IAS 39 on hedging.
In particular, the objective of IFRS 10 is to provide a single consolidation model that identifies control or "de facto control" as the basis for consolidation for all types of entities. The standard provides a precise definition of the case in which an investor controls an entity. IFRS 10 essentially establishes that in order to have control of an entity, an investor must have the ability, deriving from a legal right or even from a mere de facto situation, to have a significant influence on the type of management strategies to be assumed with regard to the entity's relevant activities and to be exposed to the variability of returns.
Then, in relation to the accounting standards on consolidation, IFRS 11 defines the financial reporting standards by entities that are parties to arrangements that establish "joint control". Finally, IFRS 12 combines, strengthens and supersedes disclosure obligations for subsidiaries, joint arrangements and associates and unconsolidated structured entities.
The new provisions on consolidation were introduced by Regulation 1254/2012, subsequently integrated by later Regulations (no. 313 and no. 1174 of 2013), these too effective from 1 January 2014.
The impact of Regulation 1254/2012 and – more specifically – of the application of IFRS 10 on the Intesa Sanpaolo Group's scope of consolidation is not significant, as it essentially concerns the deconsolidation of UCIs underlying insurance policies, the risk of which is borne by the insured parties (and not by the insurance company of the Group). Therefore the Group is not exposed to fluctuations in the returns generated by these UCIs. Restatement of the balance sheet figures as at 31 December 2013 led to a decrease of approximately 2.1 billion euro in consolidated assets, whilst there was no overall impact on the income statement.
Through the amendments made to IAS 32 by Regulation 1256/2012, the IASB instead aimed to improve the application guidelines in order to eliminate inconsistencies in the application of the standard and to better specify the requirements already outlined in paragraph 42 of IAS 32, to define when financial assets and liabilities are subject to netting in the Balance Sheet. Based on current operations involving financial instruments and related contractual agreements, in these Half-yearly condensed consolidated financial statements there is no impact on the representation of balance sheet totals.
To conclude, a note regarding Regulation 1375/2013, also applicable from 1 January 2014 and amending IAS 39 on hedging. In particular, the amendment introduced envisages the novation of a derivative designated as a hedging instrument by an existing counterparty to a central counterparty does not result in termination of the hedging relationship provided that contractual changes to the derivative are limited to those necessary to such a counterparty replacement.

Preparation of the Half-yearly condensed consolidated financial statements requires the use of estimates and assumptions in the determination of certain cost and income components and for the measurement of assets and liabilities. Again reference must be made to the 2013 Annual Report for the related description. Moreover, please note that in certain valuation processes, in particular the more complex ones, such as the asset impairment tests, these are generally performed in their entirety at the time of preparation of the annual report, with the exception of the cases in which there are significant impairment indicators which require the immediate valuation of losses.

The Half-yearly condensed consolidated financial statements, drawn up in euro as the functional currency, are prepared in condensed form as permitted by IAS 34, and contain the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, the Statement of cash flows and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, on the main risks and uncertainties to be faced in the remaining months of the year, as well as information on significant related party transactions.
The amounts indicated in the financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.
The Income statement as at 30 June 2014 shows profits and losses on discontinued operations relating to the investment in the Ukrainian subsidiary Pravex-Bank, following the agreement signed in January 2014 for the sale of 100% of its capital to CentraGas Holding Gmbh. The related assets and liabilities are recognised in the Balance sheet among disposal groups and associated liabilities. Subject to obtaining the required authorisations, finalisation of this transaction is expected during 2014.
In addition to amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the first half of 2013 in the Income statement and at 31 December 2013 for the Balance sheet. Where necessary, the Balance sheet figures have been adjusted for the effect of application of the new provisions on consolidation.

As usual, condensed reclassified income statements have been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, the figures 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. Attached to the Half-yearly condensed consolidated financial statements are the reconciliations between the financial statements and the aforementioned condensed reclassified statements.

The Half-yearly condensed consolidated financial statements as at 30 June 2014 are complemented by certification of the Managing Director – CEO and the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance and are subject to limited review.

Scope of consolidation and consolidation methods

Scope of consolidation

The Condensed financial statements as at 30 June 2014 include Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, comprising – as specifically set out by IAS/IFRS – also the companies operating in sectors dissimilar to the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
There have been no significant new additions to the scope of consolidation with respect to the position as at 31 December 2013. In infragroup terms, Leasint, Neos Finance and Centro Leasing have been excluded following their merger by incorporation into Mediocredito Italiano.
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. In addition, following the previously mentioned application of IFRS 10 from 1 January 2014, certain UCIs underlying insurance policies, the risk of which is borne by the insured parties (and not by the insurance company of the Group) have been excluded from the scope of consolidation.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2013 Intesa Sanpaolo Group Annual Report to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Report as at 30 June 2014 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.

Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

The following table lists the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Half-yearly condensed consolidated financial statements as at 30 June 2014.

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
A. CONSOLIDATED COMPANIES						
	Parent Company					
	Intesa Sanpaolo S.p.A. Share capital 8.549.266.378,64 euro in shares of 0,52 euro	Torino				
A. 1 Companies subject to full consolidation						
1	Adriano Finance 2 S.r.l. (c) Share capital 10.000 euro	Milano	4	Intesa Sanpaolo	5.00	
2	Adriano Lease Sec S.r.l. (c) Share capital 10.000 euro	Conegliano	4	Intesa Sanpaolo	5.00	
3	Banca dell'Adriatico S.p.A. Share capital 70.755.020 euro	Ascoli Piceno	1	Intesa Sanpaolo	100.00	
4	Banca di Credito Sardo S.p.A. Share capital 258.276.569,35 euro	Cagliari	1	Intesa Sanpaolo	100.00	
5	Banca di Trento e Bolzano S.p.A. Share capital 65.915.704,40 euro	Trento	1	Intesa Sanpaolo	88.21	
6	Banca Fideuram S.p.A. Share capital 186.255.207,16 euro	Roma	1	Intesa Sanpaolo	100.00	
7	Banca IMI S.p.A. Share capital 962.464.000 euro	Milano	1	Intesa Sanpaolo	100.00	
8	Banca Imi Securities Corp Share capital USD 44.500.000	New York	1	Imi Capital Markets USA Corp.	100.00	
9	Banca Intesa a.d., Beograd (e) Share capital RSD 21.315.900.000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
10	Banca Intesa Zao (m) Share capital RUB 10.820.180.800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	53.02 46.98 100.00	
11	Banca Monte Parma S.p.A. Share capital 147.359.895,03 euro	Parma	1	Intesa Sanpaolo	78.62	
12	Banca Prossima S.p.A. (l) Share capital 80.000.000 euro	Milano	1	Intesa Sanpaolo	71.67	
13	Banco di Napoli S.p.A. Share capital 1.000.000.000 euro	Napoli	1	Intesa Sanpaolo	100.00	
14	Bank of Alexandria S.A.E. (f) Share capital EGP 800.000.000	Cairo	1	Intesa Sanpaolo	80.00	70.25
15	Banka Koper d.d. (g) Share capital 22.173.218,16 euro	Koper	1	Intesa Sanpaolo	97.65	
16	Brivon Hungary Zrt Share capital HUF 15.000.000	Budapest	1	Recovery Property Utilisation and Services	100.00	
17	Cassa dei Risparmi di Forlì e della Romagna S.p.A. Share capital 214.428.465 euro	Forlì	1	Intesa Sanpaolo	82.30	
18	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Share capital 210.263.000 euro	Gorizia	1	Intesa Sanpaolo	100.00	
19	Cassa di Risparmio del Veneto S.p.A. Share capital 781.169.000 euro	Padova	1	Intesa Sanpaolo	100.00	
20	Cassa di Risparmio della Provincia di Viterbo S.p.A. Share capital 49.407.056,31 euro	Viterbo	1	Cassa di Risparmio di Firenze	75.81	82.02
21	Cassa di Risparmio di Civitavecchia S.p.A. Share capital 34.505.380 euro	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
22	Cassa di Risparmio di Firenze S.p.A. (h) Share capital 831.364.347 euro	Firenze	1	Intesa Sanpaolo	89.74	
23	Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. (i) Share capital 171.846.279,99 euro	Pistoia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	74.88 8.11 82.99	
24	Cassa di Risparmio di Rieti S.p.A. Share capital 47.339.291 euro	Rieti	1	Cassa di Risparmio di Firenze	85.00	
25	Cassa di Risparmio di Venezia S.p.A. Share capital 284.536.000 euro	Venezia	1	Intesa Sanpaolo	100.00	
26	Cassa di Risparmio in Bologna S.p.A. Share capital 703.692.000 euro	Bologna	1	Intesa Sanpaolo	100.00	
27	Casse di Risparmio dell'Umbria S.p.A. Share capital 187.657.326 euro	Terni	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	87.86 10.85 98.71	
28	Cib Bank Ltd Share capital HUF 145.000.000.005	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	67.69 32.31 100.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
29	CIB Car Trading Ltd Share capital HUF 10.000.000	Budapest	1	Recovery Property Utilisation and Services	100.00	
30	CIB Factor Financial Services Ltd Share capital HUF 103.500.000	Budapest	1	Cib Bank	100.00	
31	CIB Insurance Broker Ltd Share capital HUF 10.000.000	Budapest	1	CIB Bank	100.00	
32	CIB Investment Fund Management Ltd Share capital HUF 600.000.000	Budapest	1	Vub Asset Management Spravcovska Spolocnost	100.00	
33	CIB Leasing Holding Limited Liability Company in Voluntary Dissolution Share capital HUF 1.000.000	Budapest	1	Cib Bank	100.00	
34	CIB Leasing Ltd Share capital HUF 53.000.000	Budapest	1	CIB Leasing Holding in Voluntary Dissolution CIB Real Estate	98.23 1.77 100.00	
35	CIB Real Estate Ltd Share capital HUF 52.000.000	Budapest	1	Cib Bank	100.00	
36	CIB Rent Operative Leasing Ltd Share capital HUF 800.000.000	Budapest	1	Cib Bank	100.00	
37	Compagnia Italiana Finanziaria - CIF S.r.l. Share capital 138.864.869,00 euro	Milano	1	IN.FRA - Investire nelle Infrastrutture	63.78	
38	Consumer Finance Holding a.s. Share capital 53.110.277 euro	Kezmarok	1	Vseobecna Uverova Banka	100.00	
39	Duomo Funding Plc (j)	Dublin	4	Intesa Sanpaolo	-	
40	Epsilon Associati SGR S.p.A. Share capital 5.200.000 euro	Milano	1	Eurizon Capital SGR Banca IMI	51.00 49.00 100.00	
41	Equiter S.p.A. Share capital 150.000.000 euro	Torino	1	Intesa Sanpaolo	100.00	
42	Eurizon Capital S.A. Share capital 7.557.200 euro	Luxembourg	1	Eurizon Capital SGR	100.00	
43	Eurizon Capital SGR S.p.A. Share capital 95.010.000 euro	Milano	1	Intesa Sanpaolo	100.00	
44	Eurizon Multi Alpha Classe I (d)	Luxembourg	4	Intesa Sanpaolo Vita Eurizon Capital	66.10 33.90 100.00	
45	Euro-Tresorerie S.A. Share capital 250.038.322,20 euro	Paris	1	Financière Fideuram	100.00	
46	Fideuram Asset Management (Ireland) Ltd Share capital 1.000.000 euro	Dublin	1	Banca Fideuram	100.00	
47	Fideuram Bank Luxembourg S.A. Share capital 30.000.000 euro	Luxembourg	1	Banca Fideuram	100.00	
48	Fideuram Fiduciaria S.p.A. Share capital 1.551.000 euro	Torino	1	Banca Fideuram	100.00	
49	Fideuram Gestions S.A. Share capital 10.000.000 euro	Luxembourg	1	Banca Fideuram Fideuram Vita	99.94 0.06 100.00	
50	Fideuram Investimenti S.G.R. S.p.A. Share capital 25.850.000 euro	Milano	1	Banca Fideuram	99.50	
51	Fideuram Vita S.p.A. Share capital 356.946.836 euro	Roma	1	Intesa Sanpaolo Banca Fideuram	80.01 19.99 100.00	
52	Financière Fideuram S.A. Share capital 346.761.600 euro	Paris	1	Banca Fideuram	100.00	
53	Finor Leasing d.o.o. Share capital 2.044.700 euro	Koper	1	Banka Koper	100.00	
54	IMI Capital Markets USA Corp. Share capital USD 5.000	New York	1	IMI Investments	100.00	
55	IMI Finance Luxembourg S.A. Share capital 100.000 euro	Luxembourg	1	IMI Investments	100.00	
56	IMI Fondi Chiusi S.G.R. S.p.A. Share capital 2.000.000 euro	Bologna	1	IMI Investimenti	100.00	
57	IMI Investimenti S.p.A. Share capital 579.184.200 euro	Bologna	1	Intesa Sanpaolo	100.00	
58	IMI Investments S.A. Share capital 21.660.000 euro	Luxembourg	1	Banca IMI	100.00	
59	IN.FRA - Investire nelle Infrastrutture S.p.A. Share capital 117.342.245,47 euro	Milano	1	Intesa Sanpaolo	100.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
60	Infogroup S.c.p.A. Share capital 4.352.000 euro	Firenze	1	Cassa di Risparmio di Firenze	65.45	
				Intesa Sanpaolo	31.07	
				Cassa di Risparmio di Pistoia e della Lucchesia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				altre quote minori	0.01	
					100.00	
61	Iniziative Logistiche S.r.l. Share capital 58.901.017,59 euro	Milano	1	IN.FRA - Investire nelle Infrastrutture	61.58	
62	Intesa Funding LLC Share capital USD 25.000	Wilmington	1	Intesa Sanpaolo	100.00	
63	Intesa Leasing (Closed Joint-Stock Company) Share capital RUB 3.000.000	Moscow	1	Banca Intesa Zao	100.00	
64	Intesa Leasing d.o.o. Beograd Share capital RSD 960.374.301	Beograd	1	Banca Intesa Beograd	100.00	
65	Intesa Sanpaolo Assicura S.p.A. Share capital 27.912.258 euro	Torino	1	Intesa Sanpaolo Vita	100.00	
66	Intesa Sanpaolo Bank Albania Sh.A. (k) Share capital ALL 5.562.517.674	Tirana	1	Intesa Sanpaolo	98.61	100.00
67	Intesa Sanpaolo Bank Ireland Plc Share capital 400.500.000 euro	Dublin	1	Intesa Sanpaolo	100.00	
68	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Share capital BAM 44.782.000	Sarajevo	1	Intesa Sanpaolo Holding International	94.92	
69	Intesa Sanpaolo Card BH D.O.O. Share capital BAM 3.649.126,50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
70	Intesa Sanpaolo Card d.o.o. - Ljubljana Share capital 5.618.760,80 euro	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
71	Intesa Sanpaolo Card d.o.o. - Zagreb Share capital HRK 30.863.400	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. Share capital 272.157.000 euro	Torino	1	Intesa Sanpaolo	99.88	
				Banca Fideuram	0.01	
				Cassa di Risparmio del Veneto	0.01	
				Cassa di Risparmio di Firenze	0.01	
				Banco di Napoli	0.01	
				Banca Imi	0.01	
				Eurizon Capital SGR	0.01	
				Intesa Sanpaolo Vita	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				Banca dell'Adriatico	0.01	
				altre quote minori	0.03	
					100.00	
73	Intesa Sanpaolo Holding International S.A. Share capital 2.200.087.440 euro	Luxembourg	1	Intesa Sanpaolo	100.00	
74	Intesa Sanpaolo Immobilière S.A. Share capital 350.000 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
75	Intesa Sanpaolo Leasing Romania IFN S.A. Share capital RON 1.080.000	Bucharest	1	Intesa Sanpaolo Romania	99.50	
				CIB Leasing	0.50	
					100.00	
76	Intesa Sanpaolo Life Ltd Share capital 625.000 euro	Dublin	1	Intesa Sanpaolo Vita	100.00	
77	Intesa Sanpaolo Personal Finance S.p.A. Share capital 176.611.670 euro	Bologna	1	Intesa Sanpaolo	100.00	
78	Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A. Share capital 15.417.500 euro	Milano	1	Intesa Sanpaolo	100.00	
79	Intesa Sanpaolo Private Bank (Suisse) S.A. Share capital CHF 20.000.000	Lugano	1	Intesa Sanpaolo Holding International	100.00	
80	Intesa Sanpaolo Private Banking S.p.A. Share capital 105.497.424 euro	Milano	1	Intesa Sanpaolo	100.00	
81	Intesa Sanpaolo Provis S.r.l. Share capital 4.625.000 euro	Roma	1	Intesa Sanpaolo	100.00	
82	Intesa Sanpaolo Real Estate S.A. Share capital 2.940.476 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
83	Intesa Sanpaolo Romania S.A. Commercial Bank Share capital Ron 886.639.410	Arad	1	Intesa Sanpaolo Cassa di Risparmio di Firenze Intesa Sanpaolo Holding International	91.47 8.18 0.35 100.00	
84	Intesa Sanpaolo Sec S.A. Share capital 31.000 euro	Luxembourg	1	Intesa Sanpaolo	100.00	
85	Intesa Sanpaolo Servitia S.A. Share capital 1.500.000 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
86	Intesa Sanpaolo Vita S.p.A. Share capital 320.322.508,16 euro	Torino	1	Intesa Sanpaolo	99.99	
87	Intesa Sec. 3 S.r.l. Share capital 70.000 euro	Milano	1	Intesa Sanpaolo	60.00	
88	Intesa Sec. Npl S.p.A. Share capital 129.000 euro	Milano	1	Intesa Sanpaolo	60.00	
89	Intesa Sec. S.p.A. Share capital 100.000 euro	Milano	1	Intesa Sanpaolo	60.00	
90	Inversiones Mobiliarias S.A.- IMSA Share capital PEN 7.893.263,67	Lima	1	Intesa Sanpaolo	100.00	
91	ISP CB Ipotecario S.r.l. Share capital 120.000 euro	Milano	1	Intesa Sanpaolo	60.00	
92	ISP CB Pubbico S.r.l. Share capital 120.000 euro	Milano	1	Intesa Sanpaolo	60.00	
93	ISP OBG S.r.l. Share capital 42.038 euro	Milano	1	Intesa Sanpaolo	60.00	
94	Lima Sudameris Holding S.A. in liquidation Share capital PEN 172.384.709,03	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
95	Lunar Funding V Plc (j)	Dublin	4	Intesa Sanpaolo	-	
96	Lux Gest Asset Management S.A. Share capital 200.000 euro	Luxembourg	1	Société Européenne de Banque	100.00	
97	Mediocredito Italiano S.p.A. Share capital 742.043.495 euro	Milano	1	Intesa Sanpaolo	100.00	
98	Mediofactoring S.p.A. Share capital 248.980.000 euro	Milano	1	Intesa Sanpaolo	97.31	
99	PBZ Card d.o.o. Share capital HRK 43.422.200	Zagreb	1	Privredna Banka Zagreb	100.00	
100	PBZ Invest d.o.o. Share capital HRK 5.000.000	Zagreb	1	Vub Asset Management Spravcovska Spolocnost	100.00	
101	PBZ Leasing d.o.o. za poslove leasinga Share capital HRK 15.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
102	PBZ Nekretnine d.o.o. Share capital HRK 3.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
103	PBZ Stambena Stedionica d.d. Share capital HRK 115.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
104	Pravex Bank Public Joint-Stock Company Commercial Bank Share capital UAH 949.170.000	Kiev	1	Intesa Sanpaolo	100.00	
105	Private Equity International S.A. Share capital 101.000.000 euro	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
106	Privredna Banka Zagreb d.d. (m) Share capital HRK 1.907.476.900	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
107	Recovery Property Utilisation and Services ZRT. Share capital HUF 15.000.000	Budapest	1	Cib Bank	100.00	
108	Romulus Funding Corporation (j)	Delaware	4	Intesa Sanpaolo	-	
109	Sanpaolo Invest SIM S.p.A. Share capital 15.264.760 euro	Roma	1	Banca Fideuram	100.00	
110	Setefi S.p.A. Share capital 8.450.000 euro	Milano	1	Intesa Sanpaolo	100.00	
111	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Share capital 2.600.000 euro	Milano	1	Intesa Sanpaolo	100.00	
112	Société Européenne de Banque S.A. Share capital 535.091.520 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
113	T T 1 Lux S.A. Share capital 44.571.000 euro	Luxembourg	1	IMI Investimenti	50.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
114	Trade Receivables Investment Vehicle Sarl (d)	Luxembourg	4	Banca IMI/Duomo Funding	100.00	
115	Vseobecna Uverova Banka a.s. Share capital 430.819.063,81 euro	Bratislava	1	Intesa Sanpaolo Holding International	96.97	
116	VUB Asset Management Sprav. Spol a.s. Share capital 4.093.560 euro	Bratislava	1	Vseobecna Uverova Banka	40.55	
				Eurizon Capital	50.12	
				Privredna Banka Zagreb	9.33	
					100.00	
117	VUB Factoring a.s. Share capital 2.232.334 euro	Bratislava	1	Vseobecna Uverova Banka	100.00	
118	VUB Leasing a.s. Share capital 16.600.000 euro	Bratislava	1	Vseobecna Uverova Banka	100.00	

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

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

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

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

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

(f) 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.

(g) Minority shareholders are subject to a legal commitment to purchase the remaining 2.35% of share capital.

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

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

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

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

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

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

Other information

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured into five business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition to these operating areas there are two support structures: Group Treasury and the Head Office departments concentrated in the Corporate Centre.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the Consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
For each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the instructions issued by the Bank of Italy in compliance with the regulations in force. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

Subsequent events

On 10 July Nuove Partecipazioni, Intesa Sanpaolo, UniCredit, Clessidra SGRA S.p.A. - on behalf of Fondo Clessidra Capital Partner II, and Long Term Investments Luxembourg S.A. – a company designated by Rosneft Oil Company as investor in Camfin S.p.A., closed the transaction referred to in the joint press release dated 24 May 2014.
With the implementation of such agreements, Long Term Investments Luxembourg purchased for a total consideration of approximately 553 million euro:

i) from Clessidra, the entire share capital of Lauro 54 and, therefore, the indirect stake representing 24.06% of Lauro 61/Camfin share capital;
ii) from each of Intesa Sanpaolo and UniCredit, a stake representing 12.97% of Lauro 61/Camfin share capital.

As a result of the above acquisitions, Long Term Investments Luxembourg has become the indirect holder (through Lauro 54 and Lauro 61) of 50% of Camfin share capital; the remaining 50% of Camfin share capital is owned by Nuove Partecipazioni, Intesa Sanpaolo and UniCredit. These three companies have entered into a shareholders’ agreement with respect to the equity stakes held by each of them in Lauro 61/Camfin (i.e. 38.78%, 5.61% and 5.61%, respectively), corresponding as indicated above to 50% of Camfin share capital; once the corporate reorganisation illustrated below has been completed, the stakes will be contributed into a Newco (COINV S.p.A.) which, therefore, will become the owner of 50% of Camfin share capital. As a consequence of such contributions, COINV S.p.A. will be owned by Nuove Partecipazioni for a shareholding equal to 76% and by each of Intesa Sanpaolo and UniCredit for a shareholding equal to 12%.
On the date hereof, the shareholders’ meeting of Camfin approved the partial and non-proportional demerger of Camfin assets and liabilities not related to the Pirelli equity stakes - i.e. of Prelios equity stake and other minor equity stakes - in favour of COINV S.p.A.. The shareholders’ meetings of both Lauro 61 and Camfin also approved the merger by incorporation of Lauro 61 into Camfin. Both the demerger and the merger will be completed after the expiry of the 60-day opposition period as of the registration of the relevant shareholders’ resolutions with the competent Registry Office. It is also foreseen by the agreements that, after completion of the merger of Lauro 61 into Camfin, Long-Term Investments Luxembourg shall have the right to require that also Lauro 54 be merged by incorporation into Camfin, by means of which it will directly own the stake into Camfin.
As a consequence of all the above transactions, each of Long-Term Investments Luxembourg and COINV S.p.A. will directly own a shareholding equal to 50% in Camfin, which in turn is the exclusive owner, directly and indirectly, of a 26.19% equity stake in Pirelli.
Upon closing of the transaction, the shareholders’ agreement previously in place between Nuove Partecipazioni, Clessidra, Intesa Sanpaolo and UniCredit ceases to be effective and the following shareholders' agreements become effective: (i) the shareholders' agreement entered into by and between Nuove Partecipazioni, Intesa Sanpaolo, UniCredit and Long Term Investments Luxembourg, containing provisions regarding the governance of Camfin and Pirelli, and (ii) the shareholders’ agreement entered into by and between Nuove Partecipazioni, Intesa Sanpaolo and UniCredit, containing provisions regarding the governance of COINV S.p.A. and Camfin.
Published on 29 May 2014 pursuant to applicable laws, the shareholders' agreements have not been subject to any amendments with respect to what was already announced in the press release of 24 May 2014.
For ISP, this transaction has resulted in a positive contribution of 44 million euro, which will be recognised in the third quarter.

As already announced in the press release dated 21 July, the Hungarian subsidiary CIB Bank and the Group are impacted by a law approved in Hungary on 4 July 2014 and published on 18 July 2014, which concerns the local banking sector. The law establishes the abolition, and the consequent retroactive correction, of both the bid/offer spreads applied to retail foreign-currency loans and the modifications – defined by the law as unilateral – to conditions applied to retail loans in foreign and local currency. The enactment of this law entails a negative impact on the Intesa Sanpaolo Group's consolidated net income for the second quarter of 2014 of approximately 65 million euro, resulting from customer reimbursement in relation to the spread correction.
With regard to the second provision, as CIB Bank intends to exercise its right – as provided for by the aforementioned law – to take legal action in order to prove that the modifications to conditions applied to retail loans have been fair, correct and compliant with the relevant effective laws, potential charges that may arise from any compensation payable to customers cannot be reckoned at this stage.
In addition, no reckoning can be made at this stage with respect to possible additional charges that may arise from a law, expected to be approved in the second half of the year, concerning the conversion of retail foreign-currency loans into Hungarian forints.

Economic results

General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the period. 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. Lastly, please note that no intragroup relations are netted where their amount is not significant.

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

Reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business have been recorded under a specific caption, and the effect of the adjustment of the technical reserve – with respect to the component attributable to policyholders – associated with the impairment of securities available for sale held in the portfolios of the Group's insurance companies was also attributed to this caption;
- differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
- profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
- Profits (Losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from Administrative expenses, instead of being included among Other operating income;
- profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- Net impairment losses on other financial activities (caption 130d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- net impairment losses on property, equipment and intangible assets (with the exception of impairment losses on intangible assets) have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express adjustments – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale and investments held to maturity; by contrast, impairment losses on intangible assets have been reclassified, net of the tax 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;
- Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
- the Effect of purchase price allocation, net of tax, is indicated in a specific caption. It represents 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)

	30.06.2014	30.06.2013	Changes	
			amount	%
Net interest income	4,204	4,052	152	3.8
Dividends and profits (losses) on investments carried at equity	11	-41	52	
Net fee and commission income	3,311	3,033	278	9.2
Profits (Losses) on trading	560	690	-130	-18.8
Income from insurance business	499	445	54	12.1
Other operating income (expenses)	-20	3	-23	
Operating income	**8,565**	**8,182**	**383**	**4.7**
Personnel expenses	-2,488	-2,409	79	3.3
Other administrative expenses	-1,316	-1,340	-24	-1.8
Adjustments to property, equipment and intangible assets	-327	-332	-5	-1.5
Operating costs	**-4,131**	**-4,081**	**50**	**1.2**
Operating margin	**4,434**	**4,101**	**333**	**8.1**
Net provisions for risks and charges	-236	-64	172	
Net adjustments to loans	-2,256	-2,548	-292	-11.5
Net impairment losses on other assets	-79	-215	-136	-63.3
Profits (Losses) on investments held to maturity and on other investments	310	2	308	
Income (Loss) before tax from continuing operations	**2,173**	**1,276**	**897**	**70.3**
Taxes on income from continuing operations	-1,276	-635	641	
Charges (net of tax) for integration and exit incentives	-20	-33	-13	-39.4
Effect of purchase price allocation (net of tax)	-99	-147	-48	-32.7
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-22	-24	-2	-8.3
Minority interests	-36	-15	21	
Net income (loss)	**720**	**422**	**298**	**70.6**

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

Quarterly development of the reclassified income statement

(millions of euro)

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

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

In a fragile recovery scenario, during the half year the Group achieved positive results: the good performance of fee and commission income and net interest income, accompanied by attentive cost monitoring, have led to an increase in the operating margin compared to the first half of 2013 (+8.1%). Thanks to the decrease in net adjustments to loans (-11.5%) and extraordinary income from the enhancement of non-core assets, income before tax from continuing operations was higher than in the corresponding period of last year (+70.3%). Net income, despite being heavily impacted by the increased taxation on the higher value of the stake in the Bank of Italy, also grew compared to the 422 million euro recorded in the first six months of 2013, and reached 720 million euro (+70.6%).

Operating income

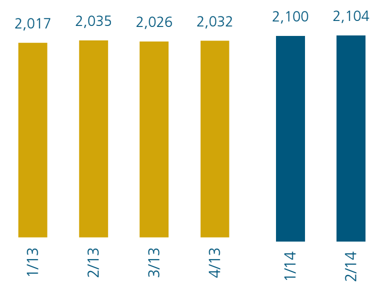
Operating income amounted to 8,565 million euro in the half year, up 4.7% compared to 8,182 million euro in the same period of 2013. The increases in net fee and commission income (+9.2%), net interest income (+3.8%) and income from insurance business (+12.1%) more than offset the decline in profits on trading (-18.8%). Revenues in the second quarter were up 8.5% on the first quarter as a result of the profits on trading and of net fee and commission income.

Net interest income

(millions of euro)

	30.06.2014	30.06.2013	Changes	
			amount	%
Relations with customers	4,750	4,763	-13	-0.3
Securities issued	-2,400	-2,704	-304	-11.2
Differentials on hedging derivatives	563	806	-243	-30.1
Customer dealing	**2,913**	**2,865**	**48**	**1.7**
Financial assets held for trading	153	178	-25	-14.0
Investments held to maturity	30	40	-10	-25.0
Financial assets available for sale	572	589	-17	-2.9
Financial assets	**755**	**807**	**-52**	**-6.4**
Relations with banks	**-18**	**-135**	**-117**	**-86.7**
Non-performing assets	**572**	**539**	**33**	**6.1**
Other net interest income	**-18**	**-24**	**-6**	**-25.0**
Net interest income	**4,204**	**4,052**	**152**	**3.8**

Quarterly development
Net interest income



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

In the first half of 2014, net interest income came to 4,204 million, up 3.8% compared to the same period of 2013, as a result of the reduction in interest expense on the interbank market and the improved margin on customer dealing which more than offset the decreased volumes and the lesser contribution from hedges on core deposits.
Customer dealing amounted to 2,913 million euro, up 1.7% on the same period of the previous year: the decrease in differentials on hedging derivatives was more than offset by the lower interest expense on securities issued. In a context of an annual reduction in rates, relations with customers largely remained stable: the widening spreads offset the negative trend of volumes, particularly in loans to customers. Interest on financial assets, in line with the market trend, dropped by 6.4% compared to the first half of 2013, due to the decrease in interest on financial assets held for trading (-25 million euro), interest on financial assets available for sale (-17 million euro) and investments held to maturity (-10 million euro). Net interest on the interbank market reported a negative balance of 18 million euro, sharply down on the negative balance of 135 million euro for the first six months of the previous year. The improvement is attributable to the reduced exposure to the ECB, which in the first half of 2014 was equal to approximately 7.5 billion euro on average, and made up of standard transactions of one week to three months, compared to the outstanding 24 billion euro three-year LTROs as at 30 June 2013.

(millions of euro)

	2014		Changes	
	Second quarter	First quarter	amount	%
Relations with customers	2,355	2,395	-40	-1.7
Securities issued	-1,183	-1,217	-34	-2.8
Differentials on hedging derivatives	269	294	-25	-8.5
Customer dealing	**1,441**	**1,472**	**-31**	**-2.1**
Financial assets held for trading	83	70	13	18.6
Investments held to maturity	14	16	-2	-12.5
Financial assets available for sale	286	286	-	-
Financial assets	**383**	**372**	**11**	**3.0**
Relations with banks	**1**	**-19**	**20**	
Non-performing assets	**288**	**284**	**4**	**1.4**
Other net interest income	**-9**	**-9**	**-**	**-**
Net interest income	**2,104**	**2,100**	**4**	**0.2**

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

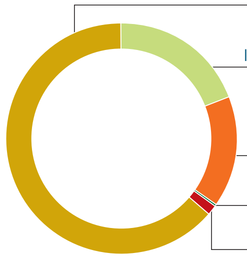
The interest margin for the second quarter remained essentially in line with that of the first quarter: the decline in interest on customer dealing was offset by the improvement in the interbank margin and the higher interest on financial assets.

(millions of euro)

	30.06.2014	30.06.2013	Changes	
			amount	%
Banca dei Territori	3,017	3,140	-123	-3.9
Corporate and Investment Banking	917	932	-15	-1.6
International Subsidiary Banks	742	764	-22	-2.9
Eurizon Capital	1	1	-	-
Banca Fideuram	71	63	8	12.7
Total business areas	**4,748**	**4,900**	**-152**	**-3.1**
Corporate Centre	-544	-848	-304	-35.8
Intesa Sanpaolo Group	**4,204**	**4,052**	**152**	**3.8**

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

Business areas



Banca dei Territori, which accounts for 64% of business area results, recorded a 3.9% decrease in net interest income, affected by the lower contribution from hedging of demand deposits and lower volumes of loans to customers, despite higher margins on customer dealing. Corporate and Investment Banking recorded a 1.6% decrease due the lower contribution from customer dealing as a result of rising spreads and lower average loan volumes, only partly offset by positive performance of the net investment result observed in the capital markets segment of Banca IMI. The International Subsidiary Banks also recorded a drop in net interest income (-2.9%) due to the lower volumes of loans, mainly for the subsidiary banks in Hungary, Croatia, Serbia and Russia, given a repricing on new loans at higher rates than the maturing loans. Banca Fideuram's net interest income increased by 12.7%, thanks to a higher average return on assets compared to the same period of 2013, also because of the reinvestment of part of Group's liquidity in bonds, in addition to the contribution from higher volumes of collateralised loans to customers.

Dividends and profits on investments carried at equity

In the first half of 2014 the caption shows a positive balance of 11 million euro, against 41 million euro of losses in the same period of the previous year, essentially due to the improved contribution from the companies consolidated with the equity method. The second quarter of 2014 also includes a negative contribution of 38 million euro relating to Alitalia. Note that this caption refers only to dividends of companies not consolidated line-by-line. Dividends on shares held for trading and securities available for sale, on the other hand, are reclassified to Profits (Losses) on trading.

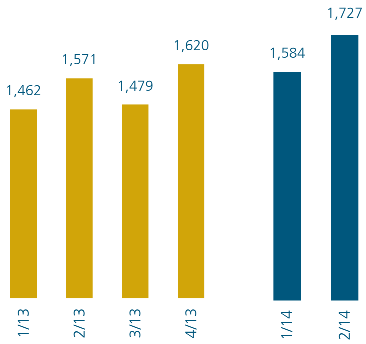
Net fee and commission income

(millions of euro)

	30.06.2014	30.06.2013	Changes	
			amount	%
Guarantees given / received	158	149	9	6.0
Collection and payment services	184	147	37	25.2
Current accounts	557	565	-8	-1.4
Credit and debit cards	247	233	14	6.0
Commercial banking activities	**1,146**	**1,094**	**52**	**4.8**
Dealing and placement of securities	311	256	55	21.5
Currency dealing	20	21	-1	-4.8
Portfolio management	858	692	166	24.0
Distribution of insurance products	469	395	74	18.7
Other	84	80	4	5.0
Management, dealing and consultancy activities	**1,742**	**1,444**	**298**	**20.6**
Other net fee and commission income	**423**	**495**	**-72**	**-14.5**
Net fee and commission income	**3,311**	**3,033**	**278**	**9.2**

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

Quarterly development Net fee and commission income



Net fee and commission income, which makes up over one-third of operating income, came to 3,311 million euro, up 9.2% compared to the same period in 2013 and benefiting from the positive trend in the main components. Fees and commissions on commercial banking activities recorded a growth (4.8%), thanks to the increase in those on collection and payment services (+25.2%), on credit and debit cards (+6%) and on guarantees given (+6%). The contribution from current accounts recorded a slight drop (-1.4%). Management, dealing and consultancy activities, which benefited from the positive performance of financial markets and the considerable boost from assets under management, on the whole generated fee and commission income totalling 1,742 million euro, expanding by 298 million euro (+20.6%) compared to the first half of 2013. Contributing to this trend were portfolio management (+166 million euro), particularly collective and individual portfolio management, the distribution of insurance products (+74 million euro), the commission income on dealing and placement of securities (+55 million euro) and the other management and dealing commissions (+4 million euro). Other net fee and commission income recorded a drop of 72 million euro compared to the first six months of the previous year, standing at 423 million euro due to the reduction in commissions on loans issued.

(millions of euro)

	2014 Second quarter	2014 First quarter	Changes amount	Changes %
Guarantees given / received	87	71	16	22.5
Collection and payment services	99	85	14	16.5
Current accounts	278	279	-1	-0.4
Credit and debit cards	130	117	13	11.1
Commercial banking activities	**594**	**552**	**42**	**7.6**
Dealing and placement of securities	159	152	7	4.6
Currency dealing	10	10	-	-
Portfolio management	467	391	76	19.4
Distribution of insurance products	242	227	15	6.6
Other	43	41	2	4.9
Management, dealing and consultancy activities	**921**	**821**	**100**	**12.2**
Other net fee and commission income	**212**	**211**	**1**	**0.5**
Net fee and commission income	**1,727**	**1,584**	**143**	**9.0**

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

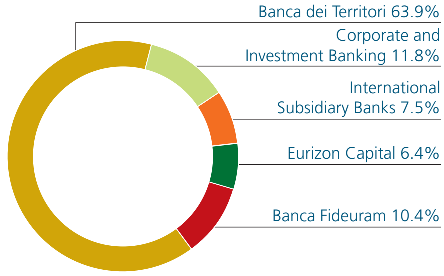
Compared to the first quarter of 2014, net fee and commission income for the second quarter recorded an increase of 9%. This trend is attributable to management, dealing and consultancy activities, particularly portfolio management and – to a lesser extent – to commercial banking activities.

(millions of euro)

	30.06.2014	30.06.2013	Changes amount	Changes %
Banca dei Territori	2,214	2,036	178	8.7
Corporate and Investment Banking	409	448	-39	-8.7
International Subsidiary Banks	262	258	4	1.6
Eurizon Capital	222	154	68	44.2
Banca Fideuram	360	304	56	18.4
Total business areas	**3,467**	**3,200**	**267**	**8.3**
Corporate Centre	-156	-167	-11	-6.6
Intesa Sanpaolo Group	**3,311**	**3,033**	**278**	**9.2**

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

Business areas



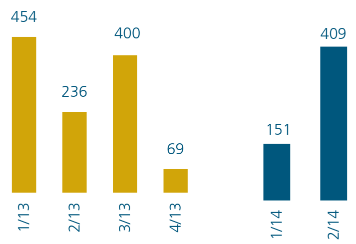
All Business Units experienced growth of net fee and commission income, except for Corporate and Investment Banking, which reported a decline. Banca dei Territori, which represents 64% of fee and commission income from the business units, recorded the most significant positive contribution in absolute terms (+8.7%, equal to 178 million euro). In particular, net fee and commission income on asset management and bancassurance products as well as on placements increased. Though more limited in absolute terms, the following have recorded an increase: Eurizon Capital (+44.2%), through the development of average assets under management, which considerably exceeded the level of the first six months of 2013, as well as entry and overperformance commissions received; Banca Fideuram (+18.4%), as a result of higher recurring fee and commission income from growth in the average assets under management and the advanced advisory services; and the International Subsidiary Banks (+1.6%). The decrease in Corporate and Investment Banking (-8.7%) is attributable to the downward trend of fee and commission income in the investment banking segment, particularly structured finance and, to a lesser extent, commercial banking and transaction banking activities.

Profits (Losses) on trading

(millions of euro)

	30.06.2014	30.06.2013	Changes	
			amount	%
Interest rates	-76	167	-243	
Equity instruments	224	150	74	49.3
Currencies	57	51	6	11.8
Structured credit products	25	67	-42	-62.7
Credit derivatives	-26	-16	10	**62.5**
Commodity derivatives	13	10	3	30.0
Trading result	**217**	**429**	**-212**	**-49.4**
Trading on AFS securities and financial liabilities	**343**	**261**	**82**	**31.4**
Profits (Losses) on trading	**560**	**690**	**-130**	**-18.8**

Quarterly development Profits (losses) on trading



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

In the first half of 2014 trading activities yielded a profit of 560 million euro, down compared to the 690 million euro recorded in the same period of the previous year (-18.8%). That trend is attributable to the trading result (-212 million euro), only partly offset by the improvement in trading on AFS securities and financial liabilities (+82 million euro).
Profits on trading were heavily affected by the decline in interest rate transactions (down 243 million euro to become negative) and credit derivative transactions, which should be considered jointly as they mainly involve transactions undertaken to hedge credit risk on investments in debt securities. Structured credit products also recorded a downward trend (-42 million euro). Positive results were seen from the higher profits on equity instruments (+74 million euro), currencies and commodity derivatives, the total of which was not sufficient to offset the above-mentioned decreases.
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. In the first half of 2014 this subcaption included Bank of Italy dividends (+161 million euro), previously recognised among the dividends and profits on investments carried at equity (+29 million euro in the first half of 2013). This shift is the result of reclassification of the investment to the AFS portfolio due to the concentration limits (3%) imposed on investments in the Bank of Italy by financial institutions, with the restriction of disposing of shares in excess of this limit within 3 years.

(millions of euro)

	2014		Changes	
	Second quarter	First quarter	amount	%
Interest rates	-92	16	-108	
Equity instruments	125	99	26	26.3
Currencies	37	20	17	85.0
Structured credit products	15	10	5	50.0
Credit derivatives	-21	-5	16	
Commodity derivatives	9	4	5	
Trading result	**73**	**144**	**-71**	**-49.3**
Trading on AFS securities and financial liabilities	**336**	**7**	**329**	
Profits (Losses) on trading	**409**	**151**	**258**	

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

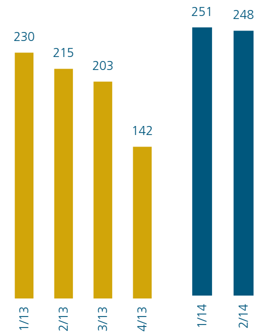
The quarterly analysis shows a stronger trading result in the second quarter of 2014 than in the first quarter due to trading on AFS securities and financial liabilities that incorporate the Bank of Italy dividend. Profits on trading, on the other hand, almost halved compared to the first quarter as a result of the interest rates trend.

Income from insurance business

(millions of euro)

Captions (a)	**30.06.2014**			**30.06.2013**			**Changes**	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**7**	**22**	**29**	**31**	**21**	**52**	**-23**	**-44.2**
Net insurance premiums (b)	8,384	103	8,487	4,745	104	4,849	3,638	75.0
Net charges for insurance claims and surrenders (c)	-3,753	-47	-3,800	-3,361	-45	-3,406	394	11.6
Net charges for changes in technical reserves (d)	-5,391	-	-5,391	-2,032	-	-2,032	3,359	
Gains (losses) on investments pertaining to insured parties on insurance products (e)	917	-	917	819	-	819	98	12.0
Net fees on investment contracts (f)	71	-	71	67	-	67	4	6.0
Commission expenses on insurance contracts (g)	-224	-23	-247	-195	-31	-226	21	9.3
Other technical income and expense (h)	3	-11	-8	-12	-7	-19	-11	-57.9
Net investment result	**458**	**12**	**470**	**384**	**9**	**393**	**77**	**19.6**
Operating income from investments	2,774	12	2,786	1,366	9	1,375	1,411	
Net interest income	*1,047*	*7*	*1,054*	*958*	*8*	*966*	*88*	*9.1*
Dividends	*40*	*1*	*41*	*34*	*1*	*35*	*6*	*17.1*
Gains/losses on disposal	*475*	*4*	*479*	*525*	*-*	*525*	*-46*	*-8.8*
Valuation gains/losses	*1,245*	*-*	*1,245*	*-120*	*-*	*-120*	*1,365*	
Portfolio management fees paid (i)	*-33*	*-*	*-33*	*-31*	*-*	*-31*	*2*	*6.5*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Gains (losses) on investments pertaining to insured parties	-2,316	-	-2,316	-982	-	-982	1,334	
Insurance products (k)	*-908*	*-*	*-908*	*-757*	*-*	*-757*	*151*	*19.9*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-9*	*-*	*-9*	*-62*	*-*	*-62*	*-53*	*-85.5*
Investment products (m)	*-1,399*	*-*	*-1,399*	*-163*	*-*	*-163*	*1,236*	
Income from insurance business	**465**	**34**	**499**	**415**	**30**	**445**	**54**	**12.1**

Quarterly development
Income from insurance business



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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the first half of 2014, income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, was 499 million euro, up 12.1% on the same period of the previous year. The segment's positive performance is attributable to both the life and the non-life business, with an incidence that remains marginal.

Net investment in life business recorded an improvement compared to the first six months of 2013: increased retrocession to policyholders, almost all attributable to investment products measured at fair value, was more than offset by the increase in the valuation component of the portfolios and by net interest income. Trading activity by the insurance companies in the first half of the year generated lower realised gains than in the first six months of 2013. The technical margin, on the other hand, decreased by 24 million euro: the increase in charges relating to the change in technical insurance reserves and those relating to insurance claims and surrenders, along with increases in the result pertaining to insured parties, have more than offset the growth in net premiums.

Income from non-life business grew by 4 million euro, mainly attributable to the net investment result (3 million euro), due to the capital gains. The technical margin also improved (1 million euro): higher technical charges and those relating to insurance claims and surrenders were more than offset by the decrease in commission expenses which benefited from the strong impact, on total premium inflows, of the motor class, sustained by the ViaggiaConMe product, against a lower impact from CPI – Credit Protection Insurance products.

(millions of euro)

Captions (a)	**2014**		**Changes**	
	Second quarter	**First quarter**	**amount**	**%**
Technical margin	**19**	**10**	**9**	**90.0**
Net insurance premiums (b)	3,778	4,709	-931	-19.8
Net charges for insurance claims and surrenders (c)	-1,912	-1,888	24	1.3
Net charges for changes in technical reserves (d)	-2,254	-3,137	-883	-28.1
Gains (losses) on investments pertaining to insured parties on insurance products (e)	494	423	71	16.8
Net fees on investment contracts (f)	36	35	1	2.9
Commission expenses on insurance contracts (g)	-123	-124	-1	-0.8
Other technical income and expense (h)	-	-8	-8	
Net investment result	**229**	**241**	**-12**	**-5.0**
Operating income from investments	1,609	1,177	432	36.7
Net interest income	*540*	*514*	26	5.1
Dividends	*31*	*10*	21	
Gains/losses on disposal	*268*	*211*	57	*27.0*
Valuation gains/losses	*788*	*457*	331	*72.4*
Portfolio management fees paid (i)	*-18*	*-15*	3	*20.0*
Profit/loss pertaining to third party underwriters of mutual funds (j)	-	-	-	-
Gains (losses) on investments pertaining to insured parties	-1,380	-936	444	47.4
Insurance products (k)	*-481*	*-427*	54	*12.6*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-13*	*4*	-17	
Investment products (m)	*-886*	*-513*	373	*72.7*
Income from insurance business	**248**	**251**	**-3.0**	**-1.2**

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

For notes, see the previous table

Income from insurance business in the first quarter of 2014, including the life and non-life business, remained essentially in line (-3 million euro) with that of the first quarter. The decrease in the net investment result, a consequence of increased retrocession to investment product subscribers, was almost completely offset by the increase in the technical margin.

(millions of euro)

	30.06.2014				**30.06.2013**
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**108**	**8,276**	**8,384**	*8,276*	**4,746**
Premiums issued on traditional products	90	8,195	8,285	*8,195*	4,642
Premiums issued on unit-linked products	8	15	23	*15*	28
Premiums issued on capitalisation products	-	1	1	*1*	-
Premiums issued on pension funds	10	65	75	*65*	76
Non-life insurance business	**21**	**86**	**107**	*218*	**107**
Premiums issued	21	89	110	*57*	133
Change in premium reserves	-	-3	-3	*161*	-26
Premiums ceded to reinsurers	**-1**	**-3**	**-4**	*-1*	**-4**
Net premiums from insurance products	**128**	**8,359**	**8,487**	***8,493***	**4,849**
Business on index-linked contracts	-	-	**-**	-	-
Business on unit-linked contracts	68	4,341	4,409	*4,345*	4,974
Total business from investment contracts	**68**	**4,341**	**4,409**	***4,345***	**4,974**
Total business	**196**	**12,700**	**12,896**	***12,838***	**9,823**

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

Total business in the insurance segment reached 12,896 million euro in premiums, compared to total inflows of 9,823 million euro in the first half of 2013. The significant increase is due to premiums issued against traditional life policies, which more than offset the drop in unit-linked contract business. New business represents almost all of the total premium inflows.

Other operating income (expenses)

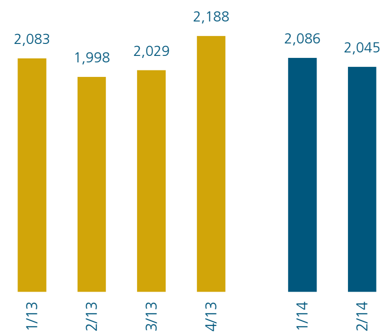
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In the first half of 2014, other operating income and expenses recorded a negative balance of 20 million euro compared to 3 million euro income recorded in the same period of 2013.

Operating costs

(millions of euro)

	30.06.2014	30.06.2013	Changes	
			amount	%
Wages and salaries	1,760	1,705	55	3.2
Social security charges	460	437	23	5.3
Other	268	267	1	0.4
Personnel expenses	**2,488**	**2,409**	**79**	**3.3**
Information technology expenses	306	318	-12	-3.8
Management of real estate assets expenses	315	344	-29	-8.4
General structure costs	208	207	1	0.5
Professional and legal expenses	168	157	11	7.0
Advertising and promotional expenses	62	52	10	19.2
Indirect personnel costs	46	44	2	4.5
Other costs	161	149	12	8.1
Indirect taxes and duties	451	422	29	6.9
Recovery of expenses and charges	-401	-353	48	13.6
Administrative expenses	**1,316**	**1,340**	**-24**	**-1.8**
Property and equipment	171	182	-11	-6.0
Intangible assets	156	150	6	4.0
Adjustments	**327**	**332**	**-5**	**-1.5**
Operating costs	**4,131**	**4,081**	**50**	**1.2**

Quarterly development Operating costs



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

Operating costs in the first half of 2014 amounted to 4,131 million euro, up slightly (+1.2%) on the corresponding period of 2013.

Personnel expenses, equal to 2,488 million, showed an increase (+3.3%, equal to 79 million euro) due solely to the variable component. In fact, while in the first half of 2013 – in relation to the failure to achieve the income targets – this component was absent, the positive business performance for the first half of this year and activation of the innovative bonus system envisaged in the new Business Plan resulted in suitable provisions for this purpose.

Administrative expenses came to 1,316 million euro, down 1.8% on the same period last year; the containment of expenses is mainly attributable to real estate management (-29 million euro) and to information technology expenses (-12 million euro). However, increases were seen in other costs (+12 million euro, mainly relating to services provided by third parties), professional and legal expenses (+11 million euro) and advertising and promotional expenses (+10 million euro).

Adjustments totalled 327 million euro, down 1.5% on the same period of the previous year: the drop is attributable to lower depreciation of property and equipment, while amortisation of investments in technologies and infrastructures, which are needed for innovation, is increasing. The cost/income ratio for the period was 48.2%, recording an improvement compared to 49.9% in the first half of 2013.

(millions of euro)

	2014		Changes	
	Second quarter	First quarter	amount	%
Wages and salaries	860	900	-40	-4.4
Social security charges	227	233	-6	-2.6
Other	128	140	-12	-8.6
Personnel expenses	**1,215**	**1,273**	**-58**	**-4.6**
Information technology expenses	152	154	-2	-1.3
Management of real estate assets expenses	156	159	-3	-1.9
General structure costs	102	106	-4	-3.8
Professional and legal expenses	86	82	4	4.9
Advertising and promotional expenses	35	27	8	29.6
Indirect personnel costs	25	21	4	19.0
Other costs	81	80	1	1.3
Indirect taxes and duties	228	223	5	2.2
Recovery of expenses and charges	-199	-202	-3	-1.5
Administrative expenses	**666**	**650**	**16**	**2.5**
Property and equipment	85	86	-1	-1.2
Intangible assets	79	77	2	2.6
Adjustments	**164**	**163**	**1**	**0.6**
Operating costs	**2,045**	**2,086**	**-41**	**-2.0**

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

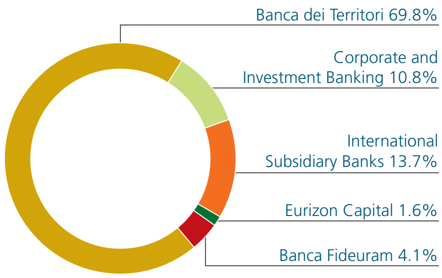
At the quarterly level, operating costs decreased by 2% in the second quarter compared to the previous quarter, reaching 2,045 million euro, due to the reduction in personnel expenses (-4.6%).

(millions of euro)

	30.06.2014	30.06.2013	Changes	
			amount	%
Banca dei Territori	2,676	2,652	24	0.9
Corporate and Investment Banking	415	389	26	6.7
International Subsidiary Banks	525	558	-33	-5.9
Eurizon Capital	62	51	11	21.6
Banca Fideuram	159	153	6	3.9
Total business areas	**3,837**	**3,803**	**34**	**0.9**
Corporate Centre	294	278	16	5.8
Intesa Sanpaolo Group	**4,131**	**4,081**	**50**	**1.2**

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

Business areas



Business Units showed a different trend for operating costs: International Subsidiary Banks recorded a decrease (-5.9%, equal to -33 million euro), due to the generalised savings across all cost captions. Banca dei Territori, which accounts for almost 70% of business area costs, remained essentially stable (+0.9%): the increase in personnel expenses was almost completely offset by the containment of administrative expenses. The operating costs of Corporate and Investment Banking, Eurizon Capital and Banca Fideuram rose as a result of higher personnel and administrative expenses.

Operating margin

The operating margin for the first half of 2014 was 4,434 million euro, up compared to 4,101 million euro recorded in the same period last year (+8.1%), due to the increase in revenues (+4.7%) which more than offset the slight increase in operating costs (+1.2%). Comparing the second quarter and first quarter figures, the operating margin recorded a 19.3% growth.

Adjustments to/write-backs on assets

Net provisions for risks and charges

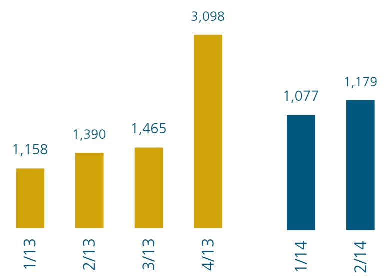
In the first half of 2014 net provisions for risks and charges stood at 236 million euro, of which 65 million euro attributable to provisions of the Hungarian subsidiary CIB Bank and 30 million euro to charges relating to Alitalia to cover losses accrued in the first quarter of 2014, against which the company's shareholders' meeting of 25 July approved a share capital increase. The total for this caption compares with 64 million euro recorded in the same period of 2013.

Net adjustments to loans

(millions of euro)

	30.06.2014	30.06.2013	Changes	
			amount	%
Doubtful loans	-1,119	-1,277	-158	-12.4
Substandard loans	-842	-1,069	-227	-21.2
Restructured loans	-34	-17	17	
Past due loans	-197	-225	-28	-12.4
Performing loans	-56	26	-82	
Net losses/recoveries on impairment of loans	**-2,248**	**-2,562**	**-314**	**-12.3**
Net adjustments to/recoveries on guarantees and commitments	**-8**	**14**	**-22**	
Net adjustments to loans	**-2,256**	**-2,548**	**-292**	**-11.5**

Quarterly development
Net adjustments to loans



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

The decrease in net adjustments to loans in the first half of 2014 compared to the same period of the previous year is attributable to the stabilisation of the economic situation as a whole and to the significant measures taken regarding the loan portfolio in the last quarter of 2013. Nonetheless, the cost of credit remains at a very high level, confirming that time will be needed before the loan quality can return to its pre-crisis level.
In the first half of 2014 in particular, net adjustments to loans stood at 2,256 million euro (including 119 million euro relating to Alitalia), down 11.5% compared to the same period of 2013 due to the lower provisions for substandard and doubtful loans. Action taken on the value of loans has allowed adequate coverage both of non-performing and performing loans to be maintained. Doubtful positions required total net adjustments of 1,119 million euro, a 12.4% decrease compared to the first six months of 2013, with an average coverage ratio rising to 63.1% from 62.5% at the end of 2013. Net impairment losses on substandard loans of 842 million euro recorded a drop of 21.2% compared to the first half of the previous year with a coverage ratio of 23.5%. Net impairment losses on past due loans decreased (-28 million euro, equal to -12.4%) compared to the same period of the previous year. Vice versa, impairment losses on restructured loans, of a limited overall value, recorded an increase of 17 million euro.
Last, the common reserve is 0.8% higher than the performing loans to cover the physiological risk inherent in this portfolio.

(millions of euro)

	2014		Changes	
	Second quarter	First quarter	amount	%
Doubtful loans	-561	-558	3	0.5
Substandard loans	-498	-344	154	44.8
Restructured loans	-15	-19	-4	-21.1
Past due loans	-63	-134	-71	-53.0
Performing loans	-14	-42	-28	-66.7
Net losses/recoveries on impairment of loans	**-1,151**	**-1,097**	**54**	**4.9**
Net adjustments to/recoveries on guarantees and commitments	**-28**	**20**	**-48**	
Net adjustments to loans	**-1,179**	**-1,077**	**102**	**9.5**

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

At the quarterly level, 1,179 million euro in adjustments in the second quarter compare with 1,077 million euro of the first quarter, up 9.5% as a result of the increase in provisions relating to the impairment of substandard loans (Alitalia) and to net adjustments to guarantees and commitments.

Net impairment losses on other assets

In the first half, net impairment losses on other assets amounted to 79 million euro, largely attributable to impairment on Parent Company investments (Istituto di Credito Sportivo, Giochi Preziosi and Banca delle Marche). This compares to the figure of 215 million euro recorded in the corresponding period of 2013.

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

Profits on investments held to maturity and on other investments totalled 310 million euro, mainly due to the valuation of non-core investments held by Intesa Sanpaolo in non-financial companies, consistent with the guidelines of the Business Plan relating to the Capital-Light Bank. The capital gains can be attributed to the disposals of SIA (173 million euro) and Pirelli & C. (59 million euro), to the corporate transaction concerning NH Italia (47 million euro) and, to a lesser extent, to the sale of properties. This figure compares to the figure of 2 million euro reported in the same period of 2013.

Income before tax from continuing operations

Income before tax from continuing operations came to 2,173 million euro, up 70.3% compared to the first half of 2013. When compared to the first quarter, income before tax from continuing operations increased by 28%.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred taxes totalled 1,276 million euro, more than double the figure recorded in the corresponding period of 2013 and with a tax rate that increased from 49.8% to 58.7%. This trend may be attributed to the retroactive increase in substitute tax applied to the new stake in the Bank of Italy, the rate on which increased from 12% to 26% with a tax effect of 443 million euro in the second quarter. In addition, adjustments to DTA – Deferred Tax Assets – were recorded for approximately 74 million euro following the decrease from 5.20% to 4.60% in the IRAP regional production tax rate for financial entities. This non-recurring charge was only partly offset by the lower current figure for IRAP (about 18 million euro).

Charges (net of tax) for integration and exit incentives

This caption totalled 20 million euro, down from the 33 million euro recorded in the first half of the previous year, due to lower charges for personnel exit incentives charged to accounts in 2014.

Effect of purchase price allocation (net of tax)

This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. In the first half of 2014 these charges stood at 99 million euro, down from the 147 million euro recorded in the same period of 2013, due to the portion from the intangible “core deposits” ceasing after being entirely written down in the 2013 financial statements.

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

In the first half of 2014 losses were recorded on discontinued operations for 22 million euro, entirely attributable to Pravex-Bank, for which a sales agreement was signed at the beginning of the year. This figure is compared to the negative balance of 24 million euro recorded in the first six months of 2013 and referring to the same.

Net income (loss)

The Group closed the first half of 2014 with a net income of 720 million euro, up on the figure reported in the same period of 2013 (+70.6%). This result was attributable to the positive performance of the main captions representing the bank's core business (on the one hand an increase in net fee and commission income and in the interest margin, and a decrease in adjustments on the other) and to the contribution from non-recurring components, all of which despite the presence of significant negative, extraordinary tax items.
The figure for the second quarter, 217 million euro, was lower than the 503 million euro of the first quarter due to the higher impact of tax charges.

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of the Group's assets and liabilities. Where necessary, comparative figures are restated to account for disposal groups and associated liabilities as well as for 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 referred to:

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

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

Reclassified balance sheet

(millions of euro)

Assets	30.06.2014	31.12.2013	Changes amount	Changes %
Financial assets held for trading	52,071	49,000	3,071	6.3
of which: Insurance Companies	*763*	*851*	*-88*	*-10.3*
Financial assets designated at fair value through profit and loss	38,459	35,761	2,698	7.5
of which: Insurance Companies	*37,303*	*34,776*	*2,527*	*7.3*
Financial assets available for sale	118,350	115,293	3,057	2.7
of which: Insurance Companies	*61,395*	*54,278*	*7,117*	*13.1*
Investments held to maturity	1,455	2,051	-596	-29.1
Due from banks	30,882	26,448	4,434	16.8
Loans to customers	332,211	343,789	-11,578	-3.4
Investments in associates and companies subject to joint control	2,128	1,909	219	11.5
Property, equipment and intangible assets	12,200	12,478	-278	-2.2
Tax assets	14,973	14,921	52	0.3
Non-current assets held for sale and discontinued operations	369	583	-214	-36.7
Other assets	25,207	21,946	3,261	14.9
Total Assets	**628,305**	**624,179**	**4,126**	**0.7**

Liabilities and Shareholders' Equity	30.06.2014	31.12.2013	Changes amount	Changes %
Due to banks	34,557	52,244	-17,687	-33.9
Due to customers and securities issued	370,175	366,974	3,201	0.9
of which: Insurance Companies	*568*	*534*	*34*	*6.4*
Financial liabilities held for trading	41,183	39,219	1,964	5.0
of which: Insurance Companies	*411*	*299*	*112*	*37.5*
Financial liabilities designated at fair value throughprofit and loss	33,441	30,733	2,708	8.8
of which: Insurance Companies	*33,433*	*30,723*	*2,710*	*8.8*
Tax liabilities	2,593	2,236	357	16.0
Liabilities associated with non-current assets held for sale and discontinued operations	203	292	-89	-30.5
Other liabilities	25,992	20,943	5,049	24.1
Technical reserves	70,694	62,236	8,458	13.6
Allowances for specific purpose	4,694	4,239	455	10.7
Share capital	8,549	8,546	3	-
Reserves	36,230	41,598	-5,368	-12.9
Valuation reserves	-1,241	-1,074	167	15.5
Minority interests	515	543	-28	-5.2
Net income (loss)	720	-4,550	5,270	
Total Liabilities and Shareholders' Equity	**628,305**	**624,179**	**4,126**	**0.7**

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

In the first half of 2014, Intesa Sanpaolo Group’s consolidated assets slightly increased compared to the end of 2013 (+0.7%). With regard to assets, there was a decrease in loans to customers (-11.6 billion euro) – due to the persistent difficulties of the economic cycle that has weakened lending, especially to non-financial companies – compared with an increase in financial assets held for trading (+3.1 billion euro), financial assets available for sale (+3.1 billion euro), financial assets designated at fair value through profit or loss (+2.7 billion euro), exposure to banking counterparties (+4.4 billion euro) and other assets (+3.3 billion euro). Among liabilities, there was a decline in amounts due to banks (-17.7 billion euro), particularly the exposure to the ECB, which was more than offset by increases in technical reserves (+8.5 billion euro) and financial liabilities designated at fair value through profit or loss (+2.7 billion euro), both attributable to the Group's insurance companies, amounts due to customers (+3.2 billion euro), financial liabilities held for trading (+2 billion euro) and other liabilities (+5 billion euro).

Quarterly development of the reclassified balance sheet

(millions of euro)

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

Liabilities and Shareholders' Equity	2014		2013			
	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	34,557	41,819	52,244	64,993	67,522	72,775
Due to customers and securities issued	370,175	366,795	366,974	359,878	368,833	376,353
of which: Insurance Companies	*568*	*569*	*534*	*558*	*81*	*132*
Financial liabilities held for trading	41,183	41,482	39,219	40,506	44,318	49,742
of which: Insurance Companies	*411*	*369*	*299*	*62*	*50*	*99*
Financial liabilities designated at fair value through profit and loss	33,441	31,433	30,733	30,027	29,257	28,130
of which: Insurance Companies	*33,433*	*31,424*	*30,723*	*30,016*	*29,246*	*28,120*
Tax liabilities	2,593	2,825	2,236	3,594	2,983	3,979
Liabilities associated with non-current assets held for sale and discontinued operations	203	212	292	322	353	364
Other liabilities	25,992	23,394	20,943	24,812	21,858	23,297
Technical reserves	70,694	67,210	62,236	59,088	56,633	55,552
Allowances for specific purpose	4,694	4,360	4,239	4,319	4,404	4,825
Share capital	8,549	8,549	8,546	8,546	8,546	8,546
Reserves	36,230	37,031	41,598	41,604	41,566	42,421
Valuation reserves	-1,241	-1,076	-1,074	-1,305	-1,443	-1,894
Minority interests	515	596	543	586	562	570
Net income (loss)	720	503	-4,550	640	422	306
Total Liabilities and Shareholders' Equity	**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.

Loans to customers

(millions of euro)

	30.06.2014	% breakdown	31.12.2013	% breakdown	Changes amount	Changes %
Current accounts	29,493	8.9	29,464	8.6	29	0.1
Mortgages	138,409	41.7	143,628	41.8	-5,219	-3.6
Advances and other loans	107,366	32.3	109,788	31.9	-2,422	-2.2
Commercial banking loans	**275,268**	**82.9**	**282,880**	**82.3**	**-7,612**	**-2.7**
Repurchase agreements	**10,526**	**3.1**	**15,059**	**4.4**	**-4,533**	**-30.1**
Loans represented by securities	**14,237**	**4.3**	**14,863**	**4.3**	**-626**	**-4.2**
Non-performing loans	**32,180**	**9.7**	**30,987**	**9.0**	**1,193**	**3.9**
Loans to customers	**332,211**	**100.0**	**343,789**	**100.0**	**-11,578**	**-3.4**

Quarterly development Loans to customers

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

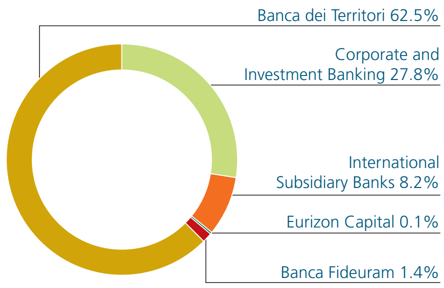
As at 30 June 2014, Intesa Sanpaolo Group loans to customers amounted to approximately 332 billion euro, down 3.4% compared to the end of the previous year.
The decrease in loans since the beginning of the year was essentially due to the reduction in commercial banking loans, down 7.6 billion euro (-2.7%) and in reverse repurchase agreements which fell by 4.5 billion euro (-30.1%). Also contributing to the overall change was the decline in loans represented by securities, the balance of which decreased by 626 million euro (-4.2%). The decrease in commercial banking loans, conditioned by the economic cycle, translated into a decrease in mortgages of 5.2 billion euro (-3.6%) and in advances and other loans, down 2.4 billion euro (-2.2%). This trend reflects, on the one hand, the weak demand for business loans both short-term loans, due to the reduced need to finance working capital, and medium/long-term loans, due to the decrease in investments made, and on the other hand the strict criteria adopted for the assessment of creditworthiness applied by managers in view of the decline in borrowers' capacity to meet their commitments. Current accounts remained more or less stable (+0.1%), halting the downward trend that characterised 2013.
In the domestic medium-/long-term loan market, in the first half of 2014 disbursements to households (including the small business and non-profit segments) amounted to 4.6 billion euro and disbursements to businesses within the scope of Banca dei Territori (including Corporate segment customers with turnover of up to 350 million euro migrated to Banca dei Territori) came to approximately 3.3 billion euro. During the same period, medium-/long-term disbursements to segments included in the new scope of the Corporate Division in Italy amounted to 4.7 billion euro.
As at 30 June 2014, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 15.3% for total loans. The estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global system figure for the end of June is not yet available.

(millions of euro)

	30.06.2014	31.12.2013	Changes amount	Changes %
Banca dei Territori	203,500	209,556	-6,056	-2.9
Corporate and Investment Banking	90,590	90,907	-317	-0.3
International Subsidiary Banks	26,601	27,015	-414	-1.5
Eurizon Capital	232	281	-49	-17.4
Banca Fideuram	4,431	4,730	-299	-6.3
Total business areas	**325,354**	**332,489**	**-7,135**	**-2.1**
Corporate Centre	6,857	11,300	-4,443	-39.3
Intesa Sanpaolo Group	**332,211**	**343,789**	**-11,578**	**-3.4**

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

Business areas



In the analysis of loans by business area, Banca dei Territori, which accounts for over 60% of the aggregate of the Group's business areas, recorded a decrease of 2.9% compared to the end of the previous year, particularly to the small and medium-sized businesses, including in the form of factored loans. Corporate and Investment Banking loans decreased slightly (-0.3%), resulting from the lesser use of cash by Italian and international corporate customers as well as by those of the Irish subsidiary, almost entirely offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI. There was also a decline in the loans of the International Subsidiary Banks (-1.5%), most markedly in the cases of the subsidiaries operating in Hungary, Serbia and Croatia, as well as in those of Banca Fideuram (-6.3%), which presented a stock of loans of modest overall amount, due to fewer repurchase agreement transactions with institutional customers. The decline in Corporate Centre loans (-39.3%) is largely attributable to decreased reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	30.06.2014		31.12.2013		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	13,401	4.0	12,899	3.8	502
Substandard loans	14,568	4.4	13,815	4.0	753
Restructured loans	2,491	0.8	2,315	0.7	176
Past due loans	1,720	0.5	1,958	0.5	-238
Non-performing loans	**32,180**	**9.7**	**30,987**	**9.0**	**1,193**
Performing loans	285,794	86.0	297,939	86.7	-12,145
Loans represented by performing securities	14,237	4.3	14,863	4.3	-626
Loans to customers	**332,211**	**100.0**	**343,789**	**100.0**	**-11,578**

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

As at 30 June 2014, the Group's non-performing loans, net of adjustments, increased compared to the end of the previous year (+3.9%). With non-performing loans accounting for 9.7% of total loans to customers, the Group maintained a rigorous provisioning policy suited to covering expected losses, also considering collateral and guarantees. Specific coverage of non-performing loans came to 46.6%, higher than the level at the end of 2013 (46%).
In further detail, doubtful loans came to 13.4 billion euro, net of adjustments, at the end of the first six months of 2014 (up by 3.9% compared to the beginning of the year), and represented 4% of total loans; coverage ratio increased to 63.1%. Substandard loans increased (+5.5%) compared to 31 December 2013 to reach 14.6 billion euro with a 4.4% impact on total loans to customers: the coverage ratio rose to 23.5%. Restructured loans stood at 2.5 billion euro, recording an increase of 7.6%, with an impact on total loans of 0.8% and a coverage ratio of 15.9%. Past due loans totalled 1.7 billion euro, down 12.2% compared to the end of 2013, with a coverage ratio of 12.1%.
The coverage ratio for performing loans was 0.8%, essentially stable compared to the end of 2013.

Customer financial assets

(millions of euro)

	30.06.2014		31.12.2013		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	375,775	45.5	372,066	46.3	3,709	1.0
Direct deposits from insurance business and technical reserves	104,695	12.7	93,493	11.6	11,202	12.0
Indirect customer deposits	448,694	54.4	430,287	53.6	18,407	4.3
Netting [(a)]	-103,643	-12.6	-92,484	-11.5	11,159	12.1
Customer financial assets	**825,521**	**100.0**	**803,362**	**100.0**	**22,159**	**2.8**

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

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

As at 30 June 2014, customer financial assets stood at 826 billion euro, up 2.8% compared to the beginning of the year, essentially attributable to direct deposits from insurance business and indirect customer deposits. The insurance segment recorded an 11.2 billion euro increase (+12%) as a result both of the increase in life insurance business technical reserves representing traditional policies and, to a lesser extent, the rise in financial liabilities designated at fair value associated with unit-linked products. Indirect customer deposits grew (+4.3%), driven by the assets under management component. Direct deposits from banking business recorded a slight increase (+1%) attributable to almost all the contract types except bonds.

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 (securitised derivatives).

(millions of euro)

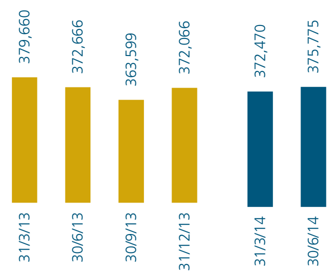
	30.06.2014	% breakdown	31.12.2013	% breakdown	Changes amount	Changes %
Current accounts and deposits	203,266	54.1	203,319	54.7	-53	-
Repurchase agreements and securities lending	20,011	5.3	15,633	4.2	4,378	28.0
Bonds	111,692	29.7	118,383	31.8	-6,691	-5.7
of which designated at fair value (*)	*8*	*-*	*10*	*-*	*-2*	*-20.0*
Certificates of deposit	7,825	2.1	4,453	1.2	3,372	75.7
Subordinated liabilities	14,259	3.8	13,080	3.5	1,179	9.0
Other deposits	18,722	5.0	17,198	4.6	1,524	8.9
of which designated at fair value (**)	*6,160*	*1.6*	*5,616*	*1.5*	*544*	*9.7*
Direct deposits from banking business	**375,775**	**100.0**	**372,066**	**100.0**	**3,709**	**1.0**

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.

Quarterly development Direct deposits from banking business



Direct deposits from banking business of 376 billion euro were up slightly on the end of December 2013 (+1%), with positive performances in almost all the deposit types.

Certificates of deposit increased sharply (+75.7%), essentially due to the increase of issues by international branches. Repurchase agreements and securities lending, which are primarily financial in nature, showed an increase of 4.4 billion euro (+28%), partly attributable to the increase in the Group's transactions with institutional counterparties. Also recording increases were other deposits (+8.9%), mainly due to commercial papers and capital protected certificates issued by Banca IMI and designated at fair value, and subordinated liabilities (+9%). Current accounts and deposits remained more or less stable, whilst bonds decreased by 6.7 billion euro (-5.7%).

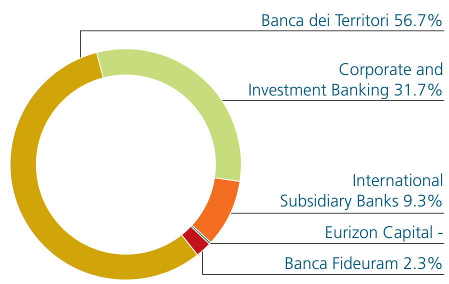
At the end of June 2014, the share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, was estimated at 16.4%. As already described above in reference to loans, this estimate is based on figures from the sample deriving from the ten-day report produced by the Bank of Italy.

(millions of euro)

	30.06.2014	31.12.2013	Changes amount	Changes %
Banca dei Territori	185,030	193,799	-8,769	-4.5
Corporate and Investment Banking	103,357	113,956	-10,599	-9.3
International Subsidiary Banks	30,365	30,182	183	0.6
Eurizon Capital	8	3	5	
Banca Fideuram	7,656	7,256	400	5.5
Total business areas	**326,416**	**345,196**	**-18,780**	**-5.4**
Corporate Centre	49,359	26,870	22,489	83.7
Intesa Sanpaolo Group	**375,775**	**372,066**	**3,709**	**1.0**

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

Business areas



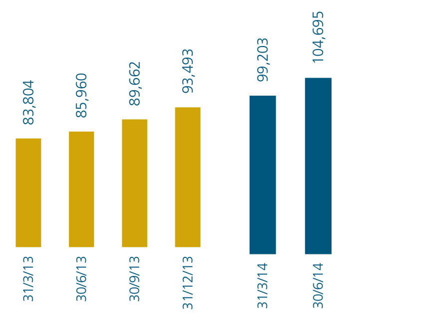
The breakdown by Group business areas shows that Banca dei Territori's direct deposits from banking business, which represent over half the aggregate for the business areas, were down 4.5% on the beginning of the year due to the downtrend in securities issued, associated with the maturity of retail bonds which more than offset the increase in amounts due to customers, particularly retail and private customers, that had subscribed savings deposits. Corporate and Investment Banking recorded a considerable decrease (-9.3%), mainly attributable to the decline in repurchase agreements and securities by Banca IMI and to the decrease in Italian and international corporate customers' deposits. Vice versa, Banca Fideuram's funding increased (+5.5%), primarily as a result of repurchase agreements and time deposits of ordinary customers. The International Subsidiary Banks recorded a slight increase in funding (+0.6%) during the period, essentially attributable to securities issued. The increase in the Corporate Centre's funding (+83.7%) is to be viewed in the light of the expansion of repurchase agreements with Cassa di Compensazione e Garanzia and Cassa Depositi e Prestiti, as well as in the light of the issue of wholesale securities, certificates and commercial papers.

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.06.2014		31.12.2013		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**33,433**	**31.9**	**30,723**	**32.9**	**2,710**	**8.8**
Index-linked products	*635*	*0.6*	*1,099*	1.2	*-464*	*-42.2*
Unit-linked products	*32,798*	*31.3*	*29,624*	31.7	*3,174*	*10.7*
Technical reserves	**70,694**	**67.6**	**62,236**	**66.5**	**8,458**	**13.6**
Life business	70,210	67.1	61,761	66.0	8,449	13.7
Mathematical reserves	*61,546*	*58.8*	*55,304*	*59.1*	*6,242*	*11.3*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*3,962*	*3.8*	*4,766*	*5.1*	*-804*	*-16.9*
Other reserves	*4,702*	*4.5*	*1,691*	*1.8*	*3,011*	
Non-life business	*484*	0.5	*475*	0.5	9	1.9
Other insurance deposits (***)	**568**	**0.5**	**534**	**0.6**	**34**	**6.4**
Direct deposits from insurance business and technical reserves	**104,695**	**100.0**	**93,493**	**100.0**	**11,202**	**12.0**

Quarterly development
Direct insurance deposits and technical reservese



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 almost 105 billion euro at the end of June 2014, up 12% from the beginning of the year. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies, recorded a net increase of 8.5 billion euro (+13.6%), attributable to the life business. This performance is due to the improvement in mathematical reserves, and, to a lesser extent, deferred liabilities to policyholders (included among other reserves), as a result of the favourable financial market performance, only partly offset by the decline in technical reserves associated with unit- and index-linked policies with significant insurance risk and with pension funds. Financial liabilities of the insurance business designated at fair value grew by 2.7 billion euro (+8.8%), attributable to the contribution from unit-linked products, which more than offset the decline in index-linked products.

Indirect customer deposits

(millions of euro)

	30.06.2014		31.12.2013		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	72,155	16.1	66,899	15.5	5,256	7.9
Open-ended pension funds and individual pension plans	4,004	0.9	3,697	0.9	307	8.3
Portfolio management	93,416	20.8	85,108	19.8	8,308	9.8
Life technical reserves and financial liabilities	100,101	22.3	92,321	21.5	7,780	8.4
Relations with institutional customers	10,524	2.3	10,545	2.4	-21	-0.2
Assets under management	**280,200**	**62.4**	**258,570**	**60.1**	**21,630**	**8.4**
Assets under administration and in custody	**168,494**	**37.6**	**171,717**	**39.9**	**-3,223**	**-1.9**
Indirect customer deposits	**448,694**	**100.0**	**430,287**	**100.0**	**18,407**	**4.3**

Quarterly development
Indirect deposits

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

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

As at 30 June 2014, indirect customer deposits totalled around 449 billion euro, up 4.3% over the end of the previous year. During the first half of the year, customers continued to reposition into forms of professional asset management, which were the priority destination for new funding inflows. Assets under management, which account for more than half of the total aggregate, increased 21.6 billion euro compared to the beginning of the year (+8.4%), owing to net inflows and the revaluation of assets under management. All main technical forms making up assets under management performed well, continuing the positive trend that had started in the first quarter of 2013: portfolio management increased by 8.3 billion euro (+9.8%), life insurance policies by 7.8 billion euro (+8.4%) and mutual funds by 5.3 billion euro (+7.9%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by collective and individual pension forms, which showed an increase of 307 million euro (+8.3%), whereas relations with institutional customers remained essentially unchanged (-0.2%). In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 12.6 billion euro in the first half of 2014.

Assets under administration, on the other hand, decreased by 3.2 billion euro (-1.9%) attributable to the third-party securities and products component.

Financial assets and liabilities

(millions of euro)

	30.06.2014		31.12.2013		Changes	
		of which Insurance Companies		*of which Insurance Companies*	**amount**	**%**
Financial assets held for trading	52,071	*763*	49,000	*851*	3,071	6.3
of which derivatives at fair value	*31,499*	*4*	*29,909*	*10*	*1,590*	*5.3*
Financial assets designated at fair value through profit and loss	38,459	*37,303*	35,761	*34,776*	2,698	7.5
Financial assets available for sale	118,350	*61,395*	115,293	*54,278*	3,057	2.7
Investments held to maturity	1,455	*-*	2,051	*-*	-596	-29.1
Total financial assets	**210,335**	***99,461***	**202,105**	***89,905***	**8,230**	**4.1**
Financial liabilities held for trading (*)	**-35,023**	***-411***	**-33,603**	***-299***	**1,420**	**4.2**
of which derivatives at fair value	*-32,404*	*-411*	*-30,568*	*-299*	*1,836*	*6.0*

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

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

The table above illustrates the breakdown of financial assets and the financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates, are not represented as they are included in the direct deposits aggregates.
Total financial assets rose by 4.1% as a result of upturns in all components except investments held to maturity. In particular, financial assets held for trading recorded an increase of 3.1 billion euro (+6.3%, primarily attributable to bonds and other debt securities). Financial assets available for sale showed a similar increase (+3.1 billion euro; 2.7%) almost all referring to bonds and other debt securities, with positive contributions reported mainly by the Parent Company. Financial assets designated at fair value through profit or loss also showed an increase (+2.7 billion euro; +7.5%), entirely attributable to equities. Investments held to maturity, on the other hand, fell by 0.6 billion euro (-29.1%).

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

(millions of euro)

	30.06.2014		31.12.2013		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	21,764	*2,919*	20,892	*3,713*	872	4.2
of which designated at fair value (fair value option)	*3,575*	*2,545*	*4,140*	*3,270*	*-565*	*-13.6*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	37,124	*35,000*	33,771	*31,715*	3,353	9.9
of which designated at fair value (fair value option)	*34,741*	*34,615*	*31,432*	*31,317*	*3,309*	*10.5*
Other assets designated at fair value through profit and loss	143	*143*	189	*189*	-46	-24.3
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**59,031**	***38,062***	**54,852**	***35,617***	**4,179**	**7.6**
Financial liabilities held for trading (*)	**-2,619**	*-*	**-3,035**	*-*	**-416**	**-13.7**
Net value of financial derivatives	-576	*-359*	-354	*-238*	222	62.7
Net value of credit derivatives	-329	*-48*	-305	*-51*	24	7.9
Net value of trading derivatives	**-905**	***-407***	**-659**	***-289***	**246**	**37.3**
Financial assets / liabilities, net	**55,507**	***37,655***	**51,158**	***35,328***	**4,349**	**8.5**

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

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

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss exceeded 55 billion euro, up 8.5% compared to the end of 2013. In detail, this trend was determined largely by the increase in the stock of equities and quotas of UCI. Financial liabilities held for trading declined, whilst the net value of trading derivatives recorded an increase.

Financial assets available for sale

(millions of euro)

	30.06.2014		31.12.2013		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Bonds and other debt securities	109,194	*57,796*	106,781	*51,447*	2,413	2.3
Equities and quotas of UCI	9,112	*3,599*	8,474	*2,831*	638	7.5
Securities available for sale	**118,306**	***61,395***	**115,255**	***54,278***	**3,051**	**2.6**
Loans available for sale	**44**	-	**38**	-	**6**	**15.8**
Financial assets available for sale	**118,350**	***61,395***	**115,293**	***54,278***	**3,057**	**2.7**

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

Financial assets available for sale amounted to over 118 billion euro, up 2.7% compared to the figure recorded as at 31 December 2013.
This caption consists primarily of bonds and other debt securities not held for trading, with increases reported by the Parent Company and by Intesa Sanpaolo Vita, offset by Banca IMI's decrease and, to a marginal extent, by equities and quotas of UCI. Financial assets available for sale are measured at fair value with a balancing entry in the specific shareholders' equity reserve.

Financial instrument reclassification

The table below shows the stock of securities subject to reclassification, as permitted by the amendments to IAS 39 made in October 2008, included in the portfolio as at 30 June 2014, together with the effects on the income statement and shareholders' equity reserves of the transfer from designation at fair value to measurement at amortised cost or from designation at fair value through profit and loss to fair value through shareholders' equity.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.06.2014	Fair value at 30.06.2014	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	935	901	49	7	-10	23
Equities and quotas of UCI	Financial assets held for trading	Financial assets available for sale	2	2	-1	-	-1	-
Debt securities	Financial assets available for sale	Loans	5,469	4,443	890	75	635	63
Loans	Financial assets available for sale	Loans	81	81	-6	1	-6	1
TOTAL			**6,487**	**5,427**	**932**	**83**	**618**	**87**

If the Group had not elected to reclassify the foregoing financial assets, a total of 314 million euro in income and 4 million euro in other negative components would have been recognised for the half year. No portfolio transfers were made in 2014.

Net interbank position

The net interbank position as at 30 June 2014 came to a negative 3.7 billion euro, an improvement on the figure recorded at the end of 2013 (-25.8 billion euro). A contributing factor in the decrease in the negative imbalance between interbank amounts receivable and payable was the reduction in exposures to the European Central Bank.

Sovereign risk exposure

As at 30 June 2014 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 120 billion euro (of which 51 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 21 billion euro.
Among these, the exposure to Italian government securities totalled approximately 100 billion euro, in addition to 19 billion euro represented by loans. Security exposures decreased slightly compared to the 31 December 2013 figures of 103 billion euro.
The following table illustrates the book value of the aforementioned exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,781**	**45,791**	**982**	**775**	**9,830**	**49,823**	**114,982**	**21,302**
Austria	-	103	3	-	27	10	143	-
Belgium	-	276	-	-	124	21	421	-
Bulgaria	-	-	-	-	5	-	5	-
Croatia	136	70	24	700	17	3	950	984
Cyprus	3	-	-	-	-	-	3	-
Czech Republic	-	25	-	-	1	-	26	-
Denmark	-	-	-	-	15	-	15	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	81	8	89	11
France	107	1,861	-	-	1,412	64	3,444	17
Germany	39	1,513	-	20	619	2,100	4,291	-
Greece	-	-	-	-	14	-	14	-
Hungary	30	791	-	-	121	25	967	257
Ireland	-	-	-	-	6	87	93	-
Italy	7,026	39,155	350	55	6,657	47,015	100,258	19,195
Latvia	-	-	-	-	-	-	-	58
Lithuania	-	20	-	-	-	-	20	-
Luxembourg	50	-	-	-	306	102	458	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	33	-	-	46	126	205	-
Poland	26	-	-	-	53	-	79	-
Portugal	-	-	-	-	7	24	31	15
Romania	10	147	-	-	2	6	165	14
Slovakia	-	1,334	605	-	57	-	1,996	117
Slovenia	-	164	-	-	3	6	173	176
Spain	354	299	-	-	169	226	1,048	458
Sweden	-	-	-	-	51	-	51	-
United Kingdom	-	-	-	-	37	-	37	-
North African Countries	**-**	**1,113**	**-**	**-**	**-**	**-**	**1,113**	**-**
Algeria	-	-	-	-	-	-	-	-
Egypt	-	1,113	-	-	-	-	1,113	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**390**	**-**	**390**	**-**
Other Countries	**144**	**1,003**	**370**	**38**	**1,108**	**748**	**3,411**	**185**
TOTAL	**7,925**	**47,907**	**1,352**	**813**	**11,328**	**50,571**	**119,896**	**21,487**

(*) Debt securities held by Insurance companies are classified as follows: 50,048 millions of euro as available for sale, 293 millions of euro among securities designated at fair value through profit and loss and 230 million of euro as held for trading.

Shareholders' equity

As at 30 June 2014, the Group's shareholders' equity, including net income for the period, came to 44,258 million euro compared to the 44,520 million euro at the end of the previous year. The change in shareholders' equity was primarily due to the charge in reserves, which include the 2013 net loss as well as the net income accruing in 2014. During the first half of the year, share capital increased from 8,546 million euro at the end of December 2013 to 8,549 million euro at the end of June 2014 as a consequence of the finalisation of the merger of Centro Leasing into the Parent Company.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2013	Change in the period	Valuation reserves as at 30.06.2014	
				% breakdown
Financial assets available for sale	363	369	732	-59.0
of which: Insurance Companies	*319*	*214*	*533*	*-42.9*
Property and equipment	-	-	-	-
Cash flow hedges	-878	-259	-1,137	91.6
Legally-required revaluations	359	-	359	-28.9
Other	-918	-277	-1,195	96.3
Valuation reserves	**-1,074**	**-167**	**-1,241**	**100.0**

As at 30 June 2014, the negative balance of the Group's valuation reserves came to -1,241 million euro, an increase compared to the value at the end of December 2013 (-1,074 million euro). Positive contributions to the change in the period included the improvement in reserves for financial assets available for sale (+369 million euro), particularly debt securities included in the insurance companies' portfolios, while negative factors included cash flow hedge reserves (-259 million euro) and other reserves (-277 million euro), the latter mainly referring to defined benefit plans.

Own funds and capital ratios

(millions of euro)

Own funds and capital ratios	30.06.2014
Own funds	
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	36,554
Additional Tier 1 capital (AT1) net of regulatory adjustments	1,260
TIER 1 CAPITAL	**37,814**
Tier 2 capital net of regulatory adjustments	9,461
TOTAL OWN FUNDS	**47,275**
Risk-weighted assets	
Credit and counterparty risks	234,920
Market risks	18,621
Operational risks	22,123
Other specific risks (a)	574
RISK-WEIGHTED ASSETS	**276,238**
% Capital ratios	
Common Equity Tier 1 capital ratio	13.2%
Tier 1 capital ratio	13.7%
Total capital ratio	17.1%

[a] In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities.

Own funds, risk weighted assets and the capital ratios at 30 June 2014 were calculated according to the new harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation no. 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) into European Union laws, and on the basis of Bank of Italy Circulars 285 and 286 (issued in 2013) and the update to Circular 154.
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 30 June 2014 take account of the adjustments envisaged by the transitional provisions for 2014.

As conditions envisaged by Article 26, paragraph 2, of (EU) Regulation no. 575 of 26 June 2013 (CRR) had been met for inclusion, net income for the period was included in common equity tier 1 capital. Consequently, the estimate of dividends to be paid on the 2014 result was also included and determined on a conventional basis as half of the dividends indicated in the 2014-2017 Business Plan as distributable in 2015 (totalling 1 billion euro).
With regard to the stake in the Bank of Italy, the prudential approach adopted in compliance with consolidated practice involves the weighting among RWA as equity exposure, in addition to full recognition in CET1 capital of the capital gain resulting from cancellation of the old stake and subsequent recognition of the new stake.
As at 30 June 2014, total own funds came to 47,275 million euro, against risk-weighted assets of 276,238 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The total capital ratio stood at 17.1%, while the ratio of the Group's tier 1 capital to its total risk-weighted assets (its tier 1 ratio) was 13.7%. The ratio of common equity tier 1 capital (CET1) to risk-weighted assets (the common equity ratio) was 13.2%.
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 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 30 June 2014 was seven basis point negative.

Reconciliation of shareholders' equity and common equity tier 1 capital

(millions of euro)

Captions	30.06.2014
Shareholders' equity pertaining to the Group	44,258
Shareholders' equity pertaining to minority interests	515
Shareholders' equity as per the Balance Sheet	**44,773**
Pro-rata dividend to Intesa Sanpaolo shareholders in accordance with the Business Plan	-500
Shareholders' equity following distribution to shareholders	**44,273**
Adjustments for instruments eligible for inclusion in AT1 or T2	
- Capital of savings shares eligible for inclusion in AT1	-485
- Minority interests eligible for inclusion in AT1	-7
- Minority interests eligible for inclusion in T2	-9
- Ineligible minority interests on full phase-in	-405
- Treasury shares included under regulatory adjustments	49
- Other ineligible components on full phase-in	2
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**43,418**
Regulatory adjustments (including transitional adjustments)	**-6,864**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**36,554**

Breakdown of consolidated results by business area and geographical area

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

(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first half of 2014.
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 first half of the year; it also illustrates income statement figures and the main balance sheet aggregates. For each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the instructions issued by the Bank of Italy in compliance with the regulations in force. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
30.06.2014	5,726	1,799	1,045	236	496	-737	8,565
30.06.2013	5,648	1,846	1,044	164	418	-938	8,182
% change [(a)]	1.4	-2.5	0.1	43.9	18.7	-21.4	4.7
Operating costs							
30.06.2014	-2,676	-415	-525	-62	-159	-294	-4,131
30.06.2013	-2,652	-389	-558	-51	-153	-278	-4,081
% change [(a)]	0.9	6.7	-5.9	21.6	3.9	5.8	1.2
Operating margin							
30.06.2014	3,050	1,384	520	174	337	-1,031	4,434
30.06.2013	2,996	1,457	486	113	265	-1,216	4,101
% change [(a)]	1.8	-5.0	7.0	54.0	27.2	-15.2	8.1
Net income (loss)							
30.06.2014	749	780	130	109	169	-1,217	720
30.06.2013	412	797	37	70	134	-1,028	422
% change [(a)]	81.8	-2.1		55.7	26.1	18.4	70.6
Loans to customers							
30.06.2014	203,500	90,590	26,601	232	4,431	6,857	332,211
31.12.2013	209,556	90,907	27,015	281	4,730	11,300	343,789
% change [(b)]	-2.9	-0.3	-1.5	-17.4	-6.3	-39.3	-3.4
Direct deposits from banking business							
30.06.2014	185,030	103,357	30,365	8	7,656	49,359	375,775
31.12.2013	193,799	113,956	30,182	3	7,256	26,870	372,066
% change [(b)]	-4.5	-9.3	0.6		5.5	83.7	1.0
Risk-weighted assets [(c)]							
30.06.2014	105,364	91,609	27,860	577	6,259	44,569	276,238
Absorbed capital [(c)]							
30.06.2014	11,005	7,329	2,229	55	885	3,565	25,068

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 30.06.2014 and 30.06.2013.

[(b)] The change expresses the ratio between 30.06.2014 and 31.12.2013.

[(c)] Values as at 30 June 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Reference should be made to the 2013 financial statements for the values as at 31 December 2013, which were determined using the methodology envisaged by the Basel 2 Capital Accord.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.06.2014	30.06.2013	Changes amount	Changes %
Net interest income	3,017	3,140	-123	-3.9
Dividends and profits (losses) on investments carried at equity	-	12	-12	
Net fee and commission income	2,214	2,036	178	8.7
Profits (Losses) on trading	30	36	-6	-16.7
Income from insurance business	444	399	45	11.3
Other operating income (expenses)	21	25	-4	-16.0
Operating income	**5,726**	**5,648**	**78**	**1.4**
Personnel expenses	-1,581	-1,524	57	3.7
Other administrative expenses	-1,092	-1,123	-31	-2.8
Adjustments to property, equipment and intangible assets	-3	-5	-2	-40.0
Operating costs	**-2,676**	**-2,652**	**24**	**0.9**
Operating margin	**3,050**	**2,996**	**54**	**1.8**
Net provisions for risks and charges	-28	-27	1	3.7
Net adjustments to loans	-1,738	-2,091	-353	-16.9
Net impairment losses on other assets	-1	-2	-1	-50.0
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,283**	**876**	**407**	**46.5**
Taxes on income from continuing operations	-482	-358	124	34.6
Charges (net of tax) for integration and exit incentives	-17	-24	-7	-29.2
Effect of purchase price allocation (net of tax)	-35	-82	-47	-57.3
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**749**	**412**	**337**	**81.8**

(millions of euro)

	30.06.2014	31.12.2013	Changes amount	Changes %
Loans to customers	203,500	209,556	-6,056	-2.9
Direct deposits from banking business	185,030	193,799	-8,769	-4.5
Direct deposits from insurance business and technical reserves	83,842	75,062	8,780	11.7
Risk-weighted assets [(a)]	105,364			
Absorbed capital [(a)]	11,005			

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

[(a)] Values as at 30 June 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Reference should be made to the 2013 financial statements for the values as at 31 December 2013, which were determined using the methodology envisaged by the Basel 2 Capital Accord.

Banca dei Territori's operating income was 5,726 million euro in the first half of 2014, amounting to 67% of the Group's consolidated operating income, up 1.4% on the same period of the previous year. In further detail, there was decline in net interest income (-3.9%), the main causes of which included the lesser contribution from the hedging of demand deposits and lower volumes of loans to customers, despite higher customer dealing. By contrast, net fee and commission income increased (+8.7%), most markedly on asset management and bancassurance products and fees and commissions on placements. Other income components reported a decrease in profits on trading, dropping from 36 million euro to 30 million euro. Income from insurance business was 444 million euro, up 11.3%, attributable to the improvement in the net investment result. Operating costs, amounting to 2,676 million euro, remained essentially stable (+0.9%) compared to the same period of the previous year. The operating margin amounted to 3,050 million euro, up 1.8% compared to the first six months of 2013. Income before tax from continuing operations also increased (+46.5%), amounting to 1,283 million euro, driven by the reduction in adjustments to loans (-16.9%). The cost of credit of Banca dei Territori, calculated as the ratio of annualised adjustments to loans

and stock of loans to customers, amounted to 1.7% in the first half of 2014. In greater detail, adjustments during the period by the Network Banks with respect to Banca dei Territori amounted to 1,331 million euro (compared to loans of 145,931 million euro), broken down as follows: Intesa Sanpaolo 613 million euro, Banco di Napoli 118 million euro, Banca dell'Adriatico 71 million euro, CR Veneto 138 million euro, CR Venezia 30 million euro, CR Friuli Venezia Giulia 29 million euro, Banca di Trento e Bolzano 17 million euro, Carisbo 64 million euro, CR Romagna 42 million euro, the Banca CR Firenze Group 162 million euro, Banca di Credito Sardo 28 million euro, Banca Monte Parma 19 million euro.
Lastly, after allocation to the Division of charges for integration of 17 million euro and the economic effects of purchase price allocation for 35 million euro, net income amounted to 749 million euro, up 81.8%.
On a quarterly basis, the second quarter of 2014 saw an operating margin up 2.5% on the first quarter, due to lower operating costs (-2.8%), while revenues were stable. Income before tax from continuing operations showed an improvement (+8.6%) compared to the previous quarter, benefiting from lower adjustments to loans (-2.9%).
The balance sheet figures at the end of June 2014 showed loans to customers of 203,500 million euro, down 2.9% on the previous year-end essentially as a result of the decrease in loans to small and medium-sized businesses, which reduced their use of loans due to the negative economic context, as well as to factored loans. Direct deposits from banking business, amounting to 185,030 million euro, was down 4.5%, due to the downward trend in securities issued associated with the maturity of retail bonds, which more than offset the increase in amounts due to customers, especially to individuals and private banking customers that subscribed savings deposits. Direct deposits from insurance business, amounting to 83,842 million euro, recorded an increase (+11.7%), primarily due to growth in technical reserves, and, to a lesser extent, in the liabilities of the insurance segment designated at fair value.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve Households, Personal, Small Business, Private and Small and Medium Enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Marketing Department	Manages the Retail market, composed of the Households (individual customers with financial assets under 100,000 euro) and Personal (individual customers with financial assets between 100,000 euro and 1 million euro) segments, the Small Business market (businesses/companies with a turnover under 2.5 million euro and group loan facilities under 1 million euro) and the SME market (companies with group turnover between 2.5 and 350 million euro)
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro.
Product companies	Specialised in medium-term credit and leasing (Mediocredito Italiano), consumer credit (Intesa Sanpaolo Personal Finance), factoring (Mediofactoring), the management of electronic payments (Setefi) and trust services (Sirefid).
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Approximately 4,400 branches, including Retail and Business branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres that coordinate 28 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

Within the framework of the process of simplifying and integrating the Intesa Sanpaolo Group's product companies, effective 1 January 2014 Mediocredito Italiano incorporated the Group's leasing companies, Leasint and Centro Leasing, and the leasing segment of Neos Finance, creating a new integrated SME Finance hub.

It should be noted that factoring (Mediofactoring) and agribusiness (Agriventure) activities were merged into Mediocredito after the end of the half-year, effective from 1 July 2014.

Marketing Department – *Retail Market*

Investment	In the first half of 2014, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (Spending, Reserves, Investment and Pension) and the Recommended Portfolios. Major changes in the range of investment products, constructed considering both the market scenario and the rationale behind the Recommended Portfolios, related to the launch of: – two Italian registered flexible bond funds in the "Eurizon Cedola Attiva Più" line with maturity in May and July 2019, which aim to optimise return over a time period of five years within the risk level set for them and distribute a semi-annual coupon. – five Italian registered funds in the "Eurizon Gestione Attiva" ("Classica", "Dinamica" and "Opportunità") line with maturity in May and July 2019, which aim to maximise the return on investment based on the time period, through flexible management within the risk level set for each fund; – six new sub-funds of the Luxembourg fund "Investment Solutions By Epsilon", named "Valore Cedola x 5 02/2014", "Valore Cedola x 5 04/2014", "Equity Coupon 02/2014", "Equity Coupon 04/2014", "Soluzione Flessibile Protetta 02/2014" and "Soluzione Flessibile Protetta 04/2014" which over the recommended investment horizon of five years aim, in the case of the first two, to achieve a positive expected return through flexible investment in bonds, shares and currencies and to distribute an annual coupon; in the case of the third and fourth, to achieve a positive expected return through an approach focused on the equity component and to distribute an annual coupon; and, in the case of the last two, to offer a positive return with the protection of invested capital at maturity; – "Epsilon Flexible Forex Coupon Aprile 2019", Italian registered fund which, through dynamic investment in bond financial instruments and, to a minimum extent, equity financial instruments denominated in currencies other than the euro, aims to optimise returns over a predefined time period, observing a risk budget, and distribute a semi-annual coupon. – two Italian registered funds in the "Eurizon Cedola Attiva Top" line with maturity in May and July 2021, which aim to optimise returns over a time period of about seven years and distribute an annual coupon, through flexible investments, with equity exposure of at least 30%, in the European and US markets, hedging foreign exchange risk and selecting securities from companies generating significant, sustainable cash flows; – "Risparmio 2.0 – Edizione 2014", a class I policy offered by Intesa Sanpaolo Vita, with guarantee for the capital, dedicated to customers with insurance needs who are used to investing in asset management products, are not holders of Group's asset management products and are interested in the professional asset management; – "ISPL Prospettiva 2.0", an Intesa Sanpaolo Life unit-linked policy that offers customers with investment/insurance needs a high degree of personalisation and diversification through the choice of the investment solution best suited to their return objectives, in a manner consistent with their risk profiles, within the framework of a line of 21 different internal funds, distinguished by their quality of management, financial structure, investment styles and control of financial risks and sub-divided into four thematic areas (Delegated Management, Personalised Management, Co-Investment Management and Tactical Management); – Group bonds and equity protection certificates, the offering of which is updated monthly in accordance with the context and market developments.
Banca Estesa Project and Out-of-branch Offerings	With the aim of dedicating increasingly close attention to customer service and expectations, the Intesa Sanpaolo Group continued to develop the Banca Estesa project, in order to make services and advice available to customers during longer hours, not only via direct channels, but also at branches. A total of 535 of the Group's branches were involved in the extension of operations to the evening, Saturday and lunch break time brackets, adjusting business hours to modern lifestyles. The proposed new model will revolutionise the way customers access banking services, permitting merchants, professionals and, more generally, small-business customers and salaried employees to visit the bank according to a schedule more compatible with their entrepreneurial or professional activities. In parallel to the extension of branch business hours, the Bank continued to develop its Out-of-Branch Offerings. There are over 900 personal managers who, after a training process and qualification to act as financial advisors, are able to serve customers in their homes or workplaces, acting in real time. The pool is currently being expanded and will include additional managers and branch managers, until almost all advisors have been included.
Senior	As part of "Riconoscimento Senior" (the programme launched in 2013 with the aim of developing relationships with the Bank's senior customers by providing them with benefits regarding healthcare, social and welfare services and purchasing opportunities), during the half-year the Bank implemented "Riconoscimento Salute Senior", which provides access to dental services at subsidised rates from more than 900 centres in the Blue Assistance network.

Mortgages	A new pricing model differentiated by loan-to-value bracket was created for "Mutuo Domus" with the aim of adapting to the market evolution and the changed interest rate scenario. During the period, Intesa Sanpaolo also launched "Casa Insieme", an initiative aimed at revitalising the real-estate market that enhances the saleability of newly built properties financed by the Bank by bringing together buyers and sellers of new homes through measures focusing on financial services and communication. Through specific contractual arrangements, the Bank provides the construction companies amongst its customers with access to communication initiatives aimed at increasing the visibility of their projects (publication of participating construction sites on Immobiliare.it, Italy's number-one real-estate advertisement portal, with expenses paid by the Bank for six months, in addition to the supply of specific advertising material at both the construction sites and the Group's branches), commercial support from the Bank's branches, including the periodic presence of a branch manager at the site, and special economic conditions for those who purchase a home located in the participating construction sites. Thanks to "Casa Insieme", builders can cut the amount of time needed to sell their properties, reduce their entrepreneurial risk and free up lines of credit to be used for new real-estate initiatives, while individual customers can benefit from conditions more favourable than standard list prices, simplified criteria for access to credit and, in some cases, contributions from the builders (lower instalments and exemption from administrative expenses). The number of subsidised construction projects – initially concentrated in northern Italy, and in Lombardy and Piedmont in particular – is constantly increasing, resulting in the gradual spread of the initiative throughout the country, thanks to the new agreements periodically being reached by the Regional Governance Centres.
Loans	As part of their personal loan range, since the end of June all Group banks have been offering "PerTe Prestito In Tasca", a simple, flexible innovative financial solution devoted to those who have been customers for more than six months. "PerTe Prestito In Tasca" is an amount of 1,000-to-5,000 euro granted by Intesa Sanpaolo Personal Finance. This financing may be drawn-down as one or more loans of small-to-medium amounts, ranging from a minimum of 500 euro to the maximum approved credit limit, in order to meet the customer's needs without requiring disinvestment or the use of account cash balances. Once repayment of the loan has been completed, the amount repaid becomes available once more for further draw-downs, where desired. For each loan, the customer is free to decide the amount, choose the term from the available options and select the rate best suited to his or her needs, without having to provide any documentation or specific justification for the expenditure. The requested amount is available when it is needed, without further formalities or a new application process. Customers may apply for the financing in-branch as well as through the major remote channels: ATMs, Internet/mobile banking and smartphones (apps for Android and Apple).
Protection	April saw the launch of the new version of the policy ViaggiaConMe, which offers insurance plans allowing for discounts on premiums for motor liability insurance for customers who make limited use of their vehicles. This evolution follows the recent trends in the automotive market, which is showing an increasingly clear need for the optimisation of car expenses and a marked decrease in the annual average distances travelled by drivers. Customers may choose from the following plans: – unlimited distance plan: dedicated to drivers who travel more than 8,000 km a year or who do not wish to have limits on their annual travels; – 5,000 plan: dedicated to drivers who expect to travel at most 5,000 km a year; – 8,000 plan: dedicated to drivers who expect to travel at most 8,000 km a year. The policy continues to involve the presence of the device ViaggiaConMe Box, which is used to access to assistance services and, with the new distance-based plans, to obtain travel data and then formulate policy renewal offers based on actual vehicle use.

Marketing Department – *Small Business Market*

Loans	In response to the environmental emergencies that occurred during the half-year, the Intesa Sanpaolo Group supported again households and businesses, offering various payment suspension programmes for mortgages and other loans. In support of businesses and households in the Province of Belluno damaged in late January 2014 by an additional snowstorm (following that of December 2013), through Cassa di Risparmio del Veneto, the Intesa Sanpaolo Group renewed the 10 million euro credit line available to entrepreneurs, and those operating in the sectors of tourism, hospitality and commerce in particular, in the form of loans at favourable terms of up to five years, which may benefit from a grace period of up to 18 months. These instruments are in addition to normal operations, which include rapid, simplified procedures for obtaining advances on trade receivables and any insurance reimbursements, as well as loans. Cassa di Risparmio del Veneto made additional credit lines of 15 and 10 million euro available to businesses and households of Veneto that were damaged by the exceptional rainfall in early February and May. The bank also complied with the provisions of the law decree that declared a state of natural disaster in response to the aforementioned adverse meteorological events. Under those provisions, customers with their residences or registered offices/places of business in one of the municipalities indicated who had contracted mortgages or unsecured loans relating to damaged or destroyed buildings, or who conducted commercial and economic activity out of such buildings, were allowed to apply for a suspension of their loan payments (principal and interest or principal only) until year-end. Cassa di Risparmio del Friuli Venezia Giulia and Cassa di Risparmio di Venezia also allocated 10 million and 5 million euro, respectively, as well as arranged specific financing instruments of up to five years, at favourable terms, which may involve a grace period of up to 18 months. In January, measures were launched for the benefit of Tuscans who suffered damages in the October 2013 floods, for which a specific government order was issued, introducing the possibility for households and businesses affected by the floods to apply for suspension of their loans for a period of eight months. The Bank implemented the measure and informed customers of the relief programme through a specific notice posted in branches located in the affected area, as well as published on the websites of Group banks. A similar government order was issued in February providing relief to individuals and businesses with their residences or registered offices/places of business in the municipalities of the Province or Matera damaged by the flooding, allowing borrowers to apply for the suspension of their mortgage payments for six months. In response to the flooding that struck the Marche region in early May, Banca dell'Adriatico gave affected individuals and businesses the option of applying for suspension of principal payments on their loans for up to twelve months. A similar measure had been implemented by Intesa Sanpaolo for the flood that had struck Rome in late January.
Agreements	Thanks to a partnership agreement reached by Intesa Sanpaolo and Federazione Italiana Tabaccai and Banca ITB, starting in late June employers who need to pay for ancillary employment services to which the "Buoni Lavoro" ("Work Voucher") system is applicable may use the Intesa Sanpaolo Internet-banking system to purchase the required number of vouchers, quickly and simply, up to a maximum of 500 euro, with the cost debited to their accounts, and then print out the vouchers directly themselves. Through the INPS website, the vouchers, which have a value of 10 euro each, are then remotely associated with the tax code of the worker, who may redeem the vouchers for cash at the over 16,000 tobacconists in the Banca ITB network, spread widely throughout Italy. Further development of the initiative involves the extension by Intesa Sanpaolo of the online sales channel so as to include tablet and smartphone applications, as well as the Internet-banking service dedicated to businesses.
Electronic invoicing	Following the entry into force in early June of the obligation – introduced in accordance with the priorities of the Digital Agenda for Europe for the development of digital technologies – to adopt electronic invoicing of public administration (initially ministries, tax authorities and social-security agencies, with extension to other national entities and local administrations in the following year), Intesa Sanpaolo integrated the "Easy Fattura" electronic invoice management system already available to the Bank's customers, which allows companies to outsource the invoicing process, with the obligatory record of invoices sent to and received by the public administration. For small suppliers who issue annual invoices of limited amounts and need a simple product, a special commercial promotion was devised, allowing customers to send invoices to the public administration and store them in accordance with legal obligations at limited costs.

Marketing Department – *Business Market*

Agreements	Intesa Sanpaolo and FIPER, the Italian Federation of Producers of Renewable Energy (Federazione Italiana dei Produttori di Energia da fonti Rinnovabili) signed an agreement for the support and development of economic activities relating to the wood-energy sector (biomass and biogas district heating systems). The partnership, which for the moment only involves companies operating in the sector based in Lombardy, where a significant number of plants are located, but which is later to be extended to other regions, calls for specific financing instruments for companies that operate in the agriculture and renewable energy sector, customised to meet the needs of the various production activities of the FIPER member companies based in Lombardy, in addition to traditional products and services dedicated to businesses. Through Banca di Trento e Bolzano, the Intesa Sanpaolo Group and Cooperativa Artigiana di Garanzia of the Province of Trento signed an agreement for the development of member companies in the community that is to involve 8 million euro in new lines of credit to finance the activities and projects of local companies, under especially favourable economic conditions, thanks to the guarantee provided by the Cooperative drawing on its own assets. The Intesa Sanpaolo Group and Lombardy Energy Cluster (an association representing a network of over 90 companies based in the Lombardy region involved in the generation, transmission and distribution of energy) signed an agreement aimed at fostering the execution of research, innovation and internationalisation projects in the energy sector. Through this agreement, which is especially significant in that the Lombardy region is home to 50% of Italy's power plants and 40% of renewable energy companies, the Intesa Sanpaolo Group and the Lombardy Energy Cluster, which brings together the region's foremost business and scientific organisations, such as companies, research centres and universities, trade associations and the public administration, aim to provide a further boost to the energy sector by offering a combination of technological expertise, scientific skills, customised advisory services and commercial and financial support for operations on foreign markets and investment projects focusing on research and innovation. As part of the initiative "Investimenti innovativi nelle regioni Convergenza", a programme providing aid (partially repayable grants) aimed at enhancing the competitiveness of production systems and technological development in areas within the regions covered by the Obiettivo Convergenza project (Campania, Puglia, Calabria and Sicily), Banco di Napoli and Intesa Sanpaolo acceded to the Italian Banking Association-Ministry for Economic Development agreement governing the term deposits that must be established in order to receive the grants.
Loans	Through two distinct, innovative financing projects, Intesa Sanpaolo, in conjunction with the European Investment Bank (EIB), allocated 240 million euro to youth employment in SMEs, innovative start-ups and social projects. The programme is to involve: – a line of credit of 120 million euro for the creation of new jobs for young people ages 15 to 29 in SMEs and mid-caps and in support of the creation and development of innovative start-ups (operating for no more than 48 months and engaging in the development, production and marketing of innovative products or services with high technological value); – loans of 120 million euro to finance investments by small and medium enterprises in the social sector (healthcare, education and urban renewal). The Intesa Sanpaolo Group signed the agreement between the Italian Banking Association, Cassa Depositi e Prestiti and Ministry for Economic Development for the implementation of the Capital Goods Plafond (the "New Sabatini Law"). The measure involves subsidised loans funded by Cassa Depositi e Prestiti, with a contribution from the Ministry for Economic Development to cover part of the interest, and the possibility of benefiting from a guarantee from the SME Guarantee Fund under priority access conditions. The programme is operational within the Group through Mediocredito Italiano. Cassa di Risparmio del Friuli Venezia Giulia signed up to the new agreement with the region of Friuli Venezia Giulia for the management of subsidised loans drawing on the Rotating Economic Initiative Fund (Fondo di Rotazione per le iniziative economiche - FRIE). The programme provides aid (financing through public funds) aimed at supporting investments promoted by companies with operating units in the region. A new agreement was also signed with Sviluppo Lazio for the provision of financing (disbursed drawing on both public funds and the Bank's funds) intended to combat the business credit crunch, allowing companies to regain financial equilibrium and promote investments in their businesses.

Intesa Sanpaolo Private Banking

In the first half of 2014, **Intesa Sanpaolo Private Banking's** commercial operations developed according to consolidated guidelines. Implementation of the for-pay advisory services continued successfully, for both top-level customers (Private Advisory) as well as mid-level customers (Advisory). Over 400 new customers activated the service during the half-year, bringing the assets under paid advisory contracts up to 5 billion euro at the end of June. Measures aimed at developing asset management also continued, yielding excellent results in terms of net inflows to funds and portfolio management schemes (1.8 billion euro during the half-year). There was also a significant increase in the placement of policies (net inflows of approximately 1 billion euro since the beginning of the year), as well as of certificates and bonds. Assets managed showed growth during the first six months of the year, rising to 85 billion euro (+5 billion euro since the beginning of the year), as a result of the effective development by the network, the positive market effect and the "synergy" agreements in place with the Banca dei Territori Division. The commercial results and increase in assets, especially assets under management and advisory, allowed positive results to be achieved in terms of revenues, net income and ROE, marking the continuation of the growth trend witnessed in recent years. In June 2014, the Bank was recognised as the "Best Private Bank" and "Best Private Insurance Bank" in the fourth edition of the 2014 Le Fonti International Awards, which were held under the patronage of the European Commission. The second quarter saw the launch, as part of the Group's 2014-2017 Business Plan, of the project aimed at establishing the Private Banking Hub, the goal of which is to create one of the largest private-banking firms in Europe by combining Intesa Sanpaolo Private Banking, Fideuram Investimenti and Banca Fideuram.
Intesa Sanpaolo Private Banking earned net income of 110 million euro in the first six months of 2014, up 19.7% compared to the same period of 2013, mainly as a result of the good performance of revenues (+16.7%), driven by interest income (+19.8%) and net fee and commission income (+16.4%).

Product companies

In the first half of 2014, **Mediocredito Italiano** disbursed loans totalling 1,187 million euro, down 17.2% compared to the same period of the previous year. With 954 million euro of loans disbursed, Banca dei Territori accounts for 80% of total volumes, followed by the Corporate and Investment Banking Division, which represents 19% of volumes (226 million euro). Loans with dedicated funding (EIB, Abaco and Cassa Depositi e Prestiti) of 637 million euro, increased their weight to 54% from 30% in the same period of the previous year. Operations of the Specialised Desks, supported by constantly evolving analysis tools, contributed 22% (231 million euro) of total loan disbursements during the period, down compared to the same period of 2013. Loans relating to the Networks and Research area and Energy area were predominant (29% and 20%, respectively, of the total disbursed by the Specialised Desks).
Turning to the commercial performance of the leasing business, Mediocredito Italiano entered into 3,036 new contracts, for a total of 906 million euro (+2.3%), during the half-year. The contracts entered into by the Banca dei Territori Division amounted to 668 million euro, accounting for 74% of total volumes, whereas those entered into by the Corporate and Investment Banking Division came to 212 million euro, or 22% of total volumes. In the first half of 2014, the best-selling leasing product was the real-estate product, the percent weight of which rose from 39% in the first half of 2013 to 56%. The weight of the instrumental leasing product was substantially stable (31% compared to 33% in the first half of 2013), whereas the car leasing product remained unchanged (8%). There was a sharp decline in the weight of Energy leases due to the decrease in government incentives for the sector (5% compared to 20% on 30 June 2013).
The continued focus of the Mediocredito Italiano network on value creation was also confirmed during the first half of 2014.
Mediocredito's operating margin amounted to 237 million euro, up 4.5% compared to 227 million euro in the same period of the previous year, calculated net of the dividend of 11 million euro authorised by the shareholders' meeting of Intesa Lease Sec, recognised in the first six months of 2013. This trend may be attributed to the positive performance of revenues (+4%), which more than offset the increase in operating costs (+1.8%). After posting high adjustments to loans, the company reported a net loss of 75 million euro, compared to net loss of 72 million euro in the same period of the previous year (net of the aforementioned dividend).

Consumer credit activities are carried out through **Intesa Sanpaolo Personal Finance**. In the first six months of 2014, the new loans disbursed totalled 1,640 million euro, down 5.7% compared to the same period of the previous year (special-purpose loans +0.8%; car loans +47.1%; personal loans -3.9%; assignment of one-fifth of salary -26.9%). In terms of commercial initiatives, in the extra-captive channel the first direct marketing campaign for assignment of one-fifth of salary was launched with the aim of guiding customers with personal and special-purpose loans towards this product, and the initiative was also extended to individual customers, in addition to the pensioners and public employees who had previously been contacted. The prize competition, in which new subscribers are eligible to win a round-trip flight to a European destination, to be booked through Volagratis, is also related to the initiative, which generated 250,000 contacts. The prize is doubled for those who invite a friend to join the promotion. In addition, campaigns continued for special-purpose car and home improvement loans eligible for current tax relief, with the aim of acquiring private contacts, launching for them repeat-business initiatives and consolidating the strong levels of margin already achieved, in order to develop new business in the sectors indicated and increase market share. In Web-marketing activities, the Google keywords campaign focused on the assignment of one-fifth of salary, with the aim of contacting interested customers by phone. Special prize drawings were also launched for customers who updated their personal details. As regards the captive channel, in the first half of the year commercial contact initiatives continued for over one million customers, targeting the populations with the greatest propensity to take out loans and limited risk indices, through both push channels, such as calls from managers, and pull channels, such as messages on ATMs and the Group's website. Finally, in cooperation with the Banca dei Territori Division, new initiatives were launched for specific groups of target customers, such as seniors, pensioners and customers with rejected personal loans, so as to test performances and optimise contact and offering processes.
Intesa Sanpaolo Personal Finance's income before tax from continuing operations amounted to 32 million euro compared to 29 million euro in the first half of 2013 (+12%). This performance was due to a decline in revenues (-3.9%), largely as a result of lower fee and commission income on insurance brokerage by the extra-captive network, as well as to the lesser contribution of fee and commission income charged to customers during the account closure process, increased operating costs (+1.7%) and lower

adjustments to loans (-15.5%). The company ended the half-year with a net income of 20 million euro, compared to the net income of 12 million euro in the first six months of 2013.

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.
Almost all of the 13.9 million euro cards managed by Setefi as at 30 June 2014 are cards issued directly by the Parent Company and the Group banks (+8.6% compared to the first half of 2013). The number of POS at the end of June 2014 amounted to approximately 309,200. In the first half of 2014, the volume of transactions handled (transactions on Setefi POS and transactions of cards issued by Group banks on other POS) and the total amount transacted increased compared to the same period of 2013. The total number of transactions handled came to approximately 385 million euro, while the amount transacted stood at approximately 28 billion euro. Setefi's growth plans for 2014 regard the e-commerce, mobile POS and mobile payments sectors as targets for priority action, in addition to initiatives aimed at consolidating and implementing international expansion on the most attractive European markets, as well as the offering of electronic money services on the non-captive market (banks not belonging to the Group). Setefi implements constant modulation of its commercial offerings, characterised by high value added services with a strong technological component. The main initiatives undertaken during the half-year included the measures aimed at disseminating the Mobile POS product, which resulted in the installation of approximately 18,000 new Move and Pay Business devices (a Setefi solution that associates smartphones and/or tablets with a device that accepts payments by cards on both international circuits and the domestic PagoBancomat circuit via both contactless and NFC technology). In this context, the commercial agreement with Vodafone was further consolidated, along with Intesa Sanpaolo, through co-marketing initiatives. Within the framework of the implementation of integrated services for growth on the e-commerce market, mention should be made of the agreement reached with PayPal, which will foster the sale of products and services online. PayPal is in addition to the payment systems accepted by MonetaWeb, the Setefi platform that manages collections for businesses and professionals operating via the e-commerce channel. The company's other initiatives included development of its acquiring-couponing platform: Setefi provided merchants and Intesa Sanpaolo with access to a couponing platform within its MonetaWeb portal, enabling an exclusive service for coupon life cycle management through its POS network. Acquiring initiatives also continued in new countries (Setefi operates in Switzerland, Spain, France, Austria and Germany and is also authorised to operate in the United Kingdom, Greece, Portugal, the Netherlands and the Principality of Monaco), with the aim of allowing the acceptance of JCB cards. In addition, mention should be made of the offering of acquiring and card-processing outsourcing agreements to major non-captive customers. Finally, as regards activities aimed at the transfer by Intesa Sanpaolo to Setefi of the authorisation system for the acceptance of payments by Bancomat/Pagobancomat cards (via both ATMs and POS terminals), migrations to the bank's new "clone" machines were completed for the Group and Intesa Sanpaolo.
In the first half of 2014, Setefi recorded a significant increase in operating margin, which rose to 122 million euro (+11.2% compared to the same period of 2013) and in net income, amounting to 81 million euro (+10.9%), as a result of the increase in operations in terms of handling of credit cards issued, volumes transacted and number of POS installed.

In the first half of 2014, **Mediofactoring** reported a turnover of 25.9 billion euro, a 3.2% decrease on the same period of 2013, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 30.2%. Compared to 31 December 2013, outstanding receivables, equal to 13.9 billion euro, posted a decrease (-6.6%) and period-end loans amounted to 11.3 billion euro, down 5%. This performance is attributable to lower tensions on the financial markets in 2013, resulting in a greater opportunity to procure funding, specifically for customers of international scope. Average loan volumes came to 9.5 billion euro, down 0.2 billion euro compared to the first half of 2013 (-2%).
In terms of income statement figures, Mediofactoring's operating margin in the first half of 2014 was 146 million euro, down 3% on the same period of the previous year. This performance is attributable to the lower net fee and commission income associated with the decrease in turnover, on the one hand, and to the containment of operating costs, on the other. Income before tax from continuing operations was 131 million euro, an increase of 17.3%, primarily due to the lower adjustments to loans (-65%), while net income was 87 million euro (+18.4%).

SIREFID, which specialises in trust services for business leaders and private investors, held assets under administration of 7.6 billion euro as at 30 June 2014, equal to approximately 23,000 mandates. The merger of Intesa Sanpaolo Trust Company into SIREFID entered into effect on 30 June, resulting in the integration of classic and trustee fiduciary management services into a single company. The transaction will allow savings in terms of administrative expenses, as well as greater focus of the business.

Banca Prossima

In the first half of 2014, **Banca Prossima**, which operates in the non-profit sector with 65 local branches and 165 specialists distributed across the country, continued to acquire new customers for the Group. As at 30 June 2014, the bank had over 29,000 customers (more than 71% of which new to the Group). Financial assets amounted to 4.9 billion euro, of which 3.5 billion euro in indirect customer deposits and 1.4 billion euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 2 billion euro (of which 1.2 billion euro had been used). In the first six months of 2014 the company reported revenues of 25 million euro (+13.4% compared to the same period of 2013), achieving an operating margin of 8.3 million euro and net income of 1.2 million euro.
During the half-year, to consolidate and further strengthen Banca Prossima's leading role for the non-profit sector, commercial operations increasingly concentrated on acquiring new customers as well as developing existing customers. Loan disbursement activity was completed in connection with the placement of the first Intesa Sanpaolo "Serie Speciale Banca Prossima" bond, placed in late 2013 at a rate below the market rate for Group bonds of the same maturity. Through Banca Prossima, the funds raised through the placement become loans to non-profit organisations, and the lower yield on the bond corresponds to the interest savings on the loans granted. In June, Intesa Sanpaolo issued the second "Serie Speciale Banca Prossima" bond, placed by the network banks of the Banca dei Territori Division, Banca Prossima and Intesa Sanpaolo Private Banking under conditions similar

to those of the first issue. The lower yield received by investors is passed on in full to the non-profit organisations funded by Banca Prossima with the "Serie Speciale Banca Prossima" medium to long-term loans. Finally, innovative, distinctive solutions dedicated to the non-profit sector, such as the Terzo Valore crowd-lending portal through which 14 projects were published and completed during the half-year, continued to be offered.

Insurance and Pension companies

Intesa Sanpaolo Vita, the Intesa Sanpaolo Group's insurance company, offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, Intesa Sanpaolo Personal Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary.
The Intesa Sanpaolo Vita insurance group includes: **Intesa Sanpaolo Assicura**, which operates in the non-life business, and incorporated Bentos Assicurazioni at the end of December 2013; **Intesa Sanpaolo Life**, a company incorporated under Irish law, operating under the free provision of services in the life business; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company (the sale of which is currently being finalised); and Intesa Sanpaolo Smart Care, dedicated to the marketing and sale of hardware and software and the supply of electronic support services.
In the first half of 2014, Intesa Sanpaolo Vita reported income from insurance business of 444 million euro, up 11.3% compared to the same period of 2013, primarily due to the improvement in net investment result. At the end of June 2014 the portfolio of policies came to 79,345 million euro, up 8% from the beginning of the year. In the first half of 2014, gross life premiums underwritten for both insurance products and policies with investment content amounted to 10,272 million euro, compared to 5,990 million euro in the same period of the previous year. New life business amounted to 10,171 million euro (5,865 million euro in the first six months of 2013).

As at 30 June 2014 the assets managed by **Intesa Sanpaolo Previdenza** came to 2,033 million euro, of which 1,728 million euro consisted of open-ended pension funds established by the company (+6% compared to the end of December 2013) and 305 million euro of closed-end fund management mandates (up 3.3% from the beginning of the year). Net inflows for the half-year were positive for both types of funds (amounting to a total of 52 million euro). At the end of June 2014, Intesa Sanpaolo Previdenza had about 335,000 pension positions under management, of which 145,000 attributable to administration mandates granted by third parties. The first half of 2014 was characterised by an increase in placements of pension funds compared to the first half of 2013, primarily due to the activity of the Group's distribution networks: in the open-ended pension fund market, Intesa Sanpaolo Previdenza remains the leading operator in terms of participants and number-two in terms of assets under management. As part of the process of streamlining supplementary pension schemes, the company completed the merger by incorporation of the "CRF Previdenza" open-ended pension fund into the "Il Mio Domani" open-ended pension fund (the Group's target fund).
At the level of commercial offerings, subsidised pricing entered into effect for customers age 25 or younger who sign up for "Il Mio Domani" fund, and a range of specific training initiatives and support programmes continued to be offered on various subjects and for various targets, including IVASS courses and meetings with managers as part of the "Porte Aperte" programme. Finally, Sanpaolo Previdenza participated in National Welfare Day 2014, an event dedicated to pension and welfare issues, to which Intesa Sanpaolo is a main partner, through the workshop "Considerations for simple supplementary pension plans".

Corporate and Investment Banking

(millions of euro)

Income statement	30.06.2014	30.06.2013	Changes	
			amount	%
Net interest income	917	932	-15	-1.6
Dividends and profits (losses) on investments carried at equity	10	5	5	
Net fee and commission income	409	448	-39	-8.7
Profits (Losses) on trading	464	462	2	0.4
Income from insurance business	-	-	-	-
Other operating income (expenses)	-1	-1	-	-
Operating income	**1,799**	**1,846**	**-47**	**-2.5**
Personnel expenses	-153	-140	13	9.3
Other administrative expenses	-261	-248	13	5.2
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-415**	**-389**	**26**	**6.7**
Operating margin	**1,384**	**1,457**	**-73**	**-5.0**
Net provisions for risks and charges	-2	-2	-	-
Net adjustments to loans	-288	-217	71	32.7
Net impairment losses on other assets	-25	-50	-25	-50.0
Profits (Losses) on investments held to maturity and on other investments	52	-2	54	
Income (Loss) before tax from continuing operations	**1,121**	**1,186**	**-65**	**-5.5**
Taxes on income from continuing operations	-340	-387	-47	-12.1
Charges (net of tax) for integration and exit incentives	-1	-2	-1	-50.0
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)	**780**	**797**	**-17**	**-2.1**

(millions of euro)

	30.06.2014	31.12.2013	Changes	
			amount	%
Loans to customers	90,590	90,907	-317	-0.3
Direct deposits from banking business [a]	103,357	113,956	-10,599	-9.3
Risk-weighted assets [b]	91,609			
Absorbed capital [b]	7,329			

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

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

[b] Values as at 30 June 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Reference should be made to the 2013 financial statements for the values as at 31 December 2013, which were determined using the methodology envisaged by the Basel 2 Capital Accord.

In the first half of 2014, the Division recorded operating income of 1,799 million euro (representing 21% of the Group's consolidated total), down 2.5% compared to the same period of 2013.
In further detail, net interest income of 917 million euro declined (-1.6%) due to the lower contribution from customer dealing as a result of rising spreads and lower average loan volumes, only partly offset by the positive performance of the net investment result observed in the capital markets segment of Banca IMI. Net fee and commission income of 409 million euro was down 8.7%, chiefly due to the downtrend in investment banking, most markedly structured finance and, to a lesser extent, fee and commission income associated with commercial banking and transaction banking activities. Profits on trading of 464 million euro remained essentially stable (+0.4%) due to the positive performance of capital market activity, which offset the absence of the merchant banking transactions undertaken in the first half of the previous year and the lesser contribution from proprietary trading activity. Operating costs amounted to 415 million euro, up 6.7% compared to the same period of 2013, due to higher administrative and personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 1,384 million euro, recorded a 5% decrease. Income before tax from continuing operations of 1,121 million euro declined by 5.5% due to increased adjustments to loans, despite lesser impairment on investments and profits on investments as a result of the sale of the Pirelli & C. shares. The cost of credit of Corporate and Investment Banking, calculated as the ratio of annualised adjustments

to loans and stock of loans to customers, amounted to 0.6% during the first half of 2014. In greater detail, adjustments during the year by the Network Banks with respect to Corporate amounted to 162 million euro (compared to loans of 65,643 million euro), broken down as follows: Intesa Sanpaolo 145 million euro, Banco di Napoli 2 million euro, Carisbo 10 million euro, CR Veneto 2 million euro, CR Venezia 1 million euro, Banca dell'Adriatico 1 million euro and CR Romagna 1 million euro. Finally, net income came to 780 million euro, down 2.1% on the same period of 2013.

In quarterly terms, the second quarter of 2014 showed an increase in operating income (+3.2%) compared to the first, mainly attributable to the performance of net fee and commission income, which more than offset the reduction in profits on trading. The revenue performance, along with lower operating costs (-5%), resulted in an increase in operating margin (5.8%). Net income declined due to the significant increase in net adjustments to loans.

The Division's intermediated volumes decreased compared to the end of December 2013 (-5.3%). In detail, direct deposits from banking business, amounting to 103,357 million euro, decreased by 9.3%, mainly due to the decrease in repurchase agreement transactions and securities by Banca IMI and the decline in Italian and international corporate customers' deposits. Loans to customers, amounting to 90,590 million euro, decreased slight (-0.3%), resulting from the lesser use of cash by Italian and international corporate customers as well as by those of the Irish subsidiary, almost entirely offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group
Organisational structure	
Global Industries Department	The Department is responsible for managing relations with the 200 corporates (of which 50 are Italian and 150 international) with global reach, which operate in six key industries with high growth potential (oil and gas, power and utilities, automotive, infrastructures, telecom and media and luxury and consumer goods)
Corporate and Public Finance 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
International Department	The Department is responsible for managing relations with corporates with a foreign-based parent company that are not part of the Global Industries segment, as well as with international Public Finance customers. Through its network of international branches, representative offices and foreign subsidiaries focused on corporate banking, this Department provides specialist assistance in support of the internationalisation of Italian corporates and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction Department	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking Department	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	The scope of the Division includes the structured finance activity carried out by Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) activities performed by Banca IMI
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 49 branches dedicated to corporate customers and public customers. At the international level, it operates in 29 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

Global Industries, Corporate and Public Finance Departments

The first half of 2014 saw the completion of the integration of the Corporate Italia and Public Finance and Infrastructure Departments into the single Corporate and Public Finance Department with the aim of creating potential synergies between the private sector and public counterparties.

The period saw the continuation of innovation initiatives and projects with a transversal impact on the Global Industries Department and the Corporate and Public Finance Department, such as the Start-Up Initiative, the Technology Opportunity Proposal (T.O.P.) and collaboration with Singularity University. Through the Start-Up Initiative, the Group supports the development of Italian and international technology companies as sponsor and coordinates energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. Since its launch, 71 editions of the initiative have been held, in Italy, the United Kingdom, Germany, France and the United States, involving thousands of business owners and investors operating in various areas of technological innovation. The implementation of the T.O.P. project for customers (primarily Italian multinationals and international corporations) also continued by offering a dedicated service and opportunities for investment and/or industrial agreements with growing companies that meet needs for technological innovation demonstrated by customers. Lastly, in order to promote the development of a culture of innovation and change, partnership continued with Singularity University, one of the most advanced research centres for new technologies, established in Silicon Valley with the support of NASA and Google and which, thanks to the potential offered by technologies with exponential growth, aims to solve the big challenges awaiting humanity (water, food, climate change, sustainability, etc.). The partnership consists of an exchange of knowledge via the participation of a number of the Division's top managers in the executive programmes held in Silicon Valley, along with joint events organised in Italy.

During the half-year, the Global Industries Department undertook specific actions in support of the internationalisation project, which in 2014 will focus on developing products at an international level in order to foster the consolidation of the Group's position vis-à-vis Italian and internationally established banks. In collaboration and synergy with the International Subsidiary Banks Division and the International Department, planned visits to the corporate departments of the main international subsidiary banks and the international branches of the Parent Company also continued with the aim of disseminating the results achieved and guiding colleagues in reinforcing strategic segment-based dialogue with customers in order to extend offerings in countries in which the Group has a direct or indirect presence, and in particular where new branch openings have been finalised (Turkey and Brazil). This will permit further penetration of international markets, with improved interaction between the Bank's departments and a comprehensive coverage model with the aim of increasing the revenues generated in the countries concerned. Finally, promotion of the cross-selling of commercial banking products continued through commercial campaigns such as the opening of current accounts outside Italy, with a strategic focus on factoring products, trade export finance, structured export finance and transaction banking (Inbiz and Salesforce) and the offering of investment banking products.

The Corporate and Public Finance Department ensured its support for Italian companies by assisting them with the complex process of internationalisation, leveraging its international network. Support continued to be provided for companies' current commercial banking activity through the development of transaction banking systems, the promotion of cross-selling of specific products and dedicated marketing campaigns. At the same time, in collaboration with Banca IMI the Department assisted customers with extraordinary investment-banking and structured finance transactions.

International Department

The International Department directly covers 29 countries through 14 wholesale branches, 17 representative offices, 2 subsidiary banks and one advisory firm. In the first half of 2014, international development activities continued, further proof of the Group's growing commitment to supporting companies that operate, or intend to operate, on international markets. In particular, in addition to increasing the attention to and coverage of relationships with Italian and international customers and further enriching the content and qualify offered, international expansion projects continued in the form of investments in high-potential markets. Following the opening of the Warsaw branch and Sydney representative office in 2013, activities aimed at opening a new branch in Istanbul (where the Group is currently present with a representative office) were completed and the branch became operational in June. Activity aimed at incorporating a subsidiary with a Banco Multiplo license (a retail and investment bank also authorised to operate on the foreign-exchange market) in Sao Paolo, Brazil, also continued. The subsidiary is expected to commence operations by year-end, with the aim of improving local coverage, heretofore provided by a representative office. In the context of initiatives aimed at improving coverage in the Gulf area, where the Group is the sole Italian bank with a direct presence, the Group is currently in the process of opening a branch in Abu Dhabi in the United Arab Emirates, as the natural next step after the representative office opened in 2012, as well as a level-IV branch – equivalent to a representative office – in Doha, Qatar. Finally, in the APAC (Asia Pacific) area, the process of opening a representation office in Jakarta, Indonesia, was launched.
Completion of the various projects will contribute significantly to enhancing customer support in areas of strategic interest. Structured finance activities targeting international customers were also intensified over the same period. In further detail, the Group participated in the loan pool for the mass distribution sector, in support of large operators such as Carrefour, Metro and Auchan, in the refinancing transaction for Accor, a French player in the entertainment and free time sector, with the role of mandated lead arranger, and in support of the pharmaceutical giant Bayer, as arranger, with the participation of Banca IMI as co-manager in the hybrid bond issue. In addition, in the pharmaceutical sector, the International Department is focusing on financing for acquisitions, which are very numerous due to the concentration trend in this sector. Finally, in M&A business, Banca IMI acted as advisor to Octo Telematics, recently acquired by the Russian group Renova.
The Department is responsible for:
- **Société Européenne de Banque**, which recorded net income of 79 million euro in the first half of 2014, down (-4.8%) on the same period of 2013, primarily attributable to the decrease in revenues (-3.7%), due to the negative performance of net fee and commission income, accompanied by essentially stable operating costs (-0.9%);
- , which reported net income of 44 million euro, up 2.7% compared to the first six months of the previous year, mainly due to the rise in operating income (+19.6%) and cost savings (-24.4%).

Global Banking & Transaction Department

In the first half of 2014, the Foreign & Italian Banks segment maintained a highly selective approach to risk, taking on positions on highly regarded counterparties, low-risk assets or transactions backed by guarantees. This permitted assets to be reallocated to loans with strong profitability and a moderate risk profile. Initiatives aimed at marketing transaction services with banking customers in Italy and internationally continued, particularly in the cash context, as did the synergy with Banca IMI in cross-selling investment-banking products and services.
In the Asset Management & Insurance segment, activity focused on developing relationships with major institutional investors through the offering of investment opportunities and, selectively, financial assistance. This was the context for the finalisation of

the AnaCap-Consum.it (MPS Group) transactions and the transaction relating to the Creval Group's doubtful loans. As regards business with Italian asset managers, the Bank remained the market leader. The period saw the finalisation of several important financing and advisory transactions, such as the IPO by Anima SGR and the transactions with Hines and Sorgente SGR. The improvement in liquidity conditions also positively affected the near-banking sector, for which a selective approach is implemented in order to assess financing transactions, primarily relating to the consumer credit sector and, more specifically, the assignment of one fifth of salary. Market conditions fostered a recovery of the securitisation market both in terms of the most junior tranches of performing positions, an area in which the Group placed junior and mezzanine tranches of various ABSs with foreign funds, and of transactions involving doubtful positions, in which foreign funds specialised in this asset class began to show significant interest. Finally, there was a recovery in the placement of transactions tied to the real-estate sector (Cordea Savills SGR), driven by demand from investors.

The Trade Finance and Correspondent Banking segment showed a significant increase in its exposure due to commercial activities in China, a moderate increase in Turkey and stability in India. During the period, interesting investment opportunities were seized in Ethiopia, where commercial agreements are in the process of being reached, as well as in Brazil. Particular attention continues to be devoted to sub-Saharan Africa, where, following the initiatives undertaken in 2013 involving banks in Nigeria, Ghana, Ethiopia and Kenya, the half-year saw visits to major banks in Angola and Mozambique aimed at permitting effective support for the activities of customers with export business in those countries, in order to increase business and establish new correspondent banking arrangements. In the Structured Export Finance segment, three export finance transactions were finalised, relating to the construction of a refinery in Turkey, a petrochemical plant in Turkmenistan and an electrical power plant in Egypt. Two pre-export transactions (for Rosneft with BP and for Rusal) and three supply-chain financing transactions for corporate customers operating on the North American market were also completed. Finally, two export finance transactions targeting Angola and Panama are also in the advanced stages of negotiation. In addition, structured trade finance on emerging target markets also continued according to a selective approach. Commercial development is focused primarily on less mature markets such as East Asia and Africa, where there is attractive new transaction origination activity, whereas there are fewer business opportunities than in the past in Russia and adjacent countries (Ukraine and Belarus in particular) due to the recent political instability.

Activities in the Cash and Local Custody segment focused on transactional products and services in accordance with the guidelines for growth and the needs expressed by the markets and customers. In particular, commercial initiatives relating to Securities Services and Post-Trading services focused on acquiring three significant new customers and developing the marketing of the value proposition for Target2Securities, the Eurosystem's new securities settlement platform, to small and medium Italian banks and three large Italian and international banking groups. Following the introduction, effective from 1 February 2014, of the SEPA credit transfer and SEPA direct debit (replacing the Italian domestic credit transfer and direct debit) in countries participating in the Single Euro Payments Area (SEPA), meetings with customers intensified with the aim of providing support for the transition to SEPA products with the offering of tools for facilitation and a thorough focus on problem resolution. In addition, project activities during the half-year were aimed at reinforcing the trade offerings on the Inbiz portal, electronic-invoicing offerings and the launch of the pilot phase of the new foreign-exchange offerings (spot, forward and swap). An innovative commercial development tool named PriceLab was created and the new Billing service, which provides customers with easy, simplified management of fees and commissions for cash management products and services, was launched. The pilot phase was also launched for the new service CBILL, a multi-bank, multi-channel payment solution for online consultation and payment of bills issued by billers belonging to the CBI Consortium. For Financial Institution and Public Finance customers, commercial action continued with the aim of expanding the Bank's area of activity through dedicated offerings, subject to constant updates and improvements, which reflect customers' needs in terms of security and speed of execution. Liquidity Dashboard, the pilot phase of the liquidity portal, was launched. Its goal is to create a single dashboard providing managers and customers with real-time display of the customer's cash movements, and one of its main features is the ability to create treasury forecasts. Finally, a project was launched with the aim of creating a new channel for dialogue between the bank and its customers geared towards acquisition and automated, integrated management of trade transactions, set up through the Bolero platform.

Merchant Banking Department

As at 30 June 2014, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 1.4 billion euro, of which 0.8 billion euro was invested in companies and 0.6 billion euro in private equity funds.

During the half-year, the Department concluded the sale of approximately 7 million ordinary shares of Pirelli & C., representing the entire shareholding held by the Intesa Sanpaolo Group, on which it realised a capital gain of approximately 59 million euro on a consolidated basis. The Department also oversaw the acquisition of a stake in NAUS, the corporate vehicle through which an investment of 12.8 million euro was undertaken in RINA, resulting in an equity interest of 48.31%. The purpose of this investment project is to allow RINA, the parent company of the multinational group of the same name, a leader of the E-TIC sector in Italy and specialised in classification, certification, testing, inspection, and consulting engineering services in the naval sector, to support and expedite the process of growth and internationalisation upon which it has embarked in recent years, with the aim of becoming one of the top players in the sector at a global level, in view of a future stock market listing.

Private equity fund management, carried out by the subsidiary IMI Fondi Chiusi SGR, continued during the period with new investments concluded by venture and seed capital funds.

Structured Finance

During the first half of 2014, Banca IMI continued to maintain a selective approach in pursuing new business opportunities, in coordination with the competent relation business units of the Corporate and Investment Banking Division, Banca dei Territori Division and International Subsidiary Banks Division.

In the Energy & Industry Specialized Lending segment, the Bank promoted and arranged credit facilities, with finalisation expected later in 2014. Among these, mention should be made of the loan to a leading Italian telephone service provider, the structuring of two transactions in regulated industries and an important transaction in the renewable energy sector. In the Public & Social

Infrastructure segment, Banca IMI launched or continued arranging activity for loans in the urban transport, healthcare and motorway sectors, in addition to finalising the financing for the Firenze tramway network.
In the Leveraged & Acquisition Finance segment, the volume of transaction origination activity remained high, and a financing transaction was finalised for Asset Management Holding with the aim of refinancing the company's debt in view of its stock market listing. In addition, three vendor loans were structured for three newly incorporated companies owned by Fondo Strategico Italiano, F2i and Fondo Orizzonte in support of the acquisition of full ownership of SIA, a company operating in the payment, networking and credit card processing sector, of which the Intesa Sanpaolo Group sold a 32.92% interest (1.39% held by Banca IMI).
In the real estate segment, intense origination activity continued with the aim of structuring credit facilities according to an asset-light approach for the Bank in support of investments in the sector of reference by offering a full range of dedicated financial products and providing specialised advice for the real estate segment, both in Italy and internationally (primarily in the United States). In addition, attention should also be drawn to the structured financing disbursed in late 2013 to Tribeca White Street LLC (Sorgente Group) for the acquisition and development of a property located in Manhattan, the signing of a loan agreement with Cordea Savills SGR in support of the acquisition by the real-estate fund C1 of a set of seven properties leased to the State Property Agency and the signing of a mandate to organise a loan intended to refinance the debt on eight income-generating properties owned by Beni Stabili SIIQ.
In financial advisory activity, a voluntary takeover bid was finalised for the real-estate fund Atlantic 1, listed on the MIV segment of Borsa Italiana and managed by IDeA FIMIT SGR, promoted by Oceano Immobiliare, a Luxembourg company controlled by The Blackstone Group. Advisory contracts were acquired to provide assistance to a leading international operator in the hotel sector concerning a potential industrial integration transaction with an Italian hotel chain, to a real-estate fund listed on the MIV segment of Borsa Italiana concerning a debt refinancing project and, finally, to the Parent Company, Intesa Sanpaolo, concerning the process of developing a part of its non-operating real-estate assets.
Corporate Loan Structuring activity saw the structuring of the following transactions: a loan for Valvitalia in conjunction with its acquisition of an interest in Fondo Strategico Italiano; a loan for the acquisition by 21 Investimenti of a majority interest in Nadella; a revolving credit facility in support of the ordinary financial needs of Fincantieri, Vimpelcom, Prysmian and Italcementi; new medium-/long-term loans for Granarolo and Aquafil; a line of credit for new acquisitions for KOS; and a loan for the Maggiore Group.
In the Loan Agency segment, Banca IMI confirmed its ability to compete on the Italian market with the major international players in its impartial handling of representative tasks requested by both its financial counterparties and corporate customers. New contracts were signed with primary Group customers, including: RCS Mediagroup, Farpower, Eolica Petralia, HFV Pinciana, Energia Alternativa, Garbagnate, Arexpo, Acquedotto Pugliese, Comifar, Salini, Farma Factoring, Carlyle Cerep III, Tangenziale Esterna, Granarolo, SGM, FRI, Comifin, Torre SGR Refund, Telco, Cordea Savills SGR, F2I Reti Logiche, Sia Investimenti, Assiteca, Brioschi, Linear and Condotte.
At the international level, in the International Structured Finance sector a transaction was finalised for ATLL Concessionaria de la Generalitat de Catalunya, a company controlled by the Acciona group that distributes water in southern Catalonia and the Barcelona metropolitan area, aimed at refinancing a bridge loan used to obtain the loan. Banca IMI was also responsible for the transaction of Numericable within the context of the acquisition of SFR - Vivendi’s Telecom business unit – for the transaction of Abertis Telecom Terrestre - Spanish leader in the television signal broadcasting sector - and for the transaction of Jacobs Douwe Egberts, a new company formed through the merger of D.E Master Blenders 1753 with the division of Mondelez International Inc. operating in the coffee sector. In addition, in the Asia Pacific area, the bank acted as mandated lead arranger and/or bookrunner in the Infrastructure PPP Financing transaction in Australia and in the financing transaction regarding a leading mining company for the development of a mining project (copper and gold) in Mongolia on a global scale. In the Americas area, the Group is pursuing attractive financing initiatives, primarily in the Infrastructure and Energy sectors.
Finally, Banca IMI was active in syndicated loans in Italy, alternatively as global coordinator, bookrunner and mandated lead arranger in the Wind, Italcementi, SGM Distribuzione and Valvitalia transactions and, at the international level, as bookrunner or mandated lead arranger in the Carnival, Metro AG, iberdrola, GDF, RWE, SES SA, Chrysler Group LLC, Telefonica SA, Heidelberg Cement, LMVH, Sociedad Minera Cerro Verde, CEPSA and Sabine Pass Liquefaction LLC transactions.

Proprietary Trading

In the first half of 2014, Proprietary Trading made a positive contribution to the income statement, in terms of revenues, albeit to a lesser extent than in the same period of 2013.
In detail, structured credit products contributed positively, mainly as a result of the European and U.S. ABS/CDO positions, due to the gains realised on the partial disposal of the trading portfolio and the reassessment of the existing portfolio. At 30 June 2014, the risk exposure on structured credit products, funded and unfunded ABSs/CDOs came to 2.2 billion euro, up slightly from 2 billion at 31 December 2013, due to the combined effect of a reduction of risk positions classified as part of the loan portfolio, largely as a result of sales, and the increase in the exposure associated with the trading portfolio, essentially owing to the purchase of ABSs by Banca IMI. The exposure associated with structured packages, 28 million euro, also increased slightly compared to the beginning of the year (26 million euro).
The Hedge Fund portfolio contributed positively to trading revenues in the first half of 2014. The strategy primarily aimed at benefiting from the occurrence of specific corporate events largely independent of the general market trend. The segment also benefited from net revaluations of outstanding positions as at the end of June, the gains realised on the trading of fund units and other income attributable to gains on foreign exchange transactions. At 30 June 2014, the exposure of the Hedge Fund portfolio came to 739 million euro, down slightly from 744 million euro at the end of 2013. In the analysis of changes in the portfolio, attention should be drawn not only to the positive impact of the net revaluation of outstanding units, but also the effect of the distributions undertaken in the first half of the year and the change in the dollar exchange rate, which affected the value of the positions denominated in that currency.

Investment Banking, Capital Market and primary market

In the first half of 2014, Banca IMI acted as bookrunner for 44 transactions, 27 of which related to Italian issuers, ranking it in the top position in Italy both by value and number of transactions, with a market share by value of over 19%. The Bank also led Italy in the Corporate and High Yield segments, coming in first place both by value and number of transactions (12 and five, respectively).

In the financial institutions segment, it acted as bookrunner for the six public transactions by Intesa Sanpaolo (three senior unsecured bonds, two bonds in dollars and, lastly, a bond, a covered bond and a subordinated bond in CNH – offshore Chinese yuan), for the eurobonds issued by Veneto Banca, Banca Popolare di Vicenza, Banco Espirito Santo and Banca Monte dei Paschi di Siena, and for the covered bonds issued by Commerzbank and UBS. The bank also acted as joint lead manager for senior unsecured issues by JP Morgan, BPCE, Crédit Agricole and Goldman Sachs, as well as for the subordinated bonds issued by Royal Bank of Scotland, Société Générale, UBS and Credit Suisse, in addition to acting as global coordinator and bookrunner for the subordinated bond issued by Poste Vita.

In the ABS segment, the bank stood out for its role as sole manager in the placement of the senior tranche of the Alba 5 SPV securitisation by Alba Leasing, acted as re-offer agent in the placement by Veneto Banca of the senior tranche of the Claris ABS 2011 securitisation and in the placement by Credito Valtellinese of the senior tranche of the Quadrivio RMBS 2001 transaction, in addition to acting as sole arranger, lead manager and bookrunner in the placement by Consel (Banca Sella Group) of the senior tranche of the Monviso 2014 ABS. In the Liability Management segment, it acted as dealer manager in the tender offers by Barclays Bank, Credit Suisse and Hera for senior bonds, and it also acted as dealer manager and bookrunner in the exchange offer by Piaggio for an outstanding bond with maturity in December 2016, exchanged for a new bond maturing in 2021.

In business with its corporate customers, the Bank acted as bookrunner for important issuers, originating approximately 13 billion euro of medium- and long-term bonds for RCI Banque, Air Liquide, America Movil, Unibail-Rodamco, GDF Suez, Kedrion, Fiat, Rallye, Snam, CNH Industrial, HeidelbergCement, FCE Bank, Sias, Luxottica Group, ENI, FGA Capital, Finmeccanica and Autoroutes du Sud de la France. Particularly noteworthy are the hybrid bonds issued by Accor, Enel, Hera and EDF in two tranches. Banca IMI was also in charge of the placement in two tranches of the public subscription offer for the bond issued by General Electric Capital Corporation intended for the Italian retail public.

The Bank maintained its leading position in business with issuers in the Sovereign, Supranational & Agencies sector, acting as lead manager and joint bookrunner in the placement of the BTPei of the Italian Republic indexed to inflation in the Eurozone. The Bank also successfully placed the bond issued by Cassa Depositi e Prestiti and served as co-lead manager in five issues by the European Financial Stability Facility (EFSF).

In the equity capital market segment, in the first half of 2014 Banca IMI maintained its customary coverage of the domestic market, participating in the IPO of Anima, the placement of convertible bonds issued by Maire Tecnimont, Sogefi, Safilo and STMicroelectronics, as well as in the capital increases by Banco Popolare, Credito Valtellinese and Banca Popolare di Sondrio. In accelerated bookbuilding business, Banca IMI acted as joint bookrunner in the transaction undertaken by Intesa Sanpaolo involving the sale of approximately 1.5% of the share capital of Pirelli & C. (representing the entire shareholding held by Intesa Sanpaolo in Pirelli), with sales proceeds of 89 million euro, as well as in the transactions undertaken by D'Amico International, Salini Impregilo and Salini Costruttori, Fondazione Carige and Arnoldo Mondadori Editore.

At an international level, it acted as co-lead manager and joint bookrunner in the share capital increases by Deutsche Bank, Raiffeisen Bank International, Alpha Bank, Peugeot, Banco Espirito Santo and Coface, and it also confirmed its leadership in the takeover bid/delisting segment, overseeing the takeover bid launched by Blackstone for shares of the closed-end listed real-estate fund Atlantic 1 as the intermediary responsible for coordinating subscriptions. On the AIM market, Banca IMI led the IPO for the ordinary shares of Triboo Media. At the end of the half-year, Banca IMI was specialist or corporate broker for 44 companies listed on the Italian market.

In M&A and Advisory business, Banca IMI achieved positive results thanks to the significant roles it played in several of the main transactions of the period in Italy, in which it provided support to Versace with the sale of the company’s 20% interest to the Blackstone fund, to the Pirelli Group with the sale of its steel cord business unit to Bekaert and to Camfin with the transaction that allowed the acquisition of an interest in Pirelli by the Russian group Rosneft and disinvestment from the Clessidra fund. In addition to the above, in the energy and utility sector, the bank supported Italgas with the transaction involving the de-merger of AES Torino and Enel with the sale of its remaining 14.8% interest in Enel Rete Gas to F2i Reti Italia; in the industrial sector, it assisted Tamini Trasformatori with the sale of its capital to Terna, Valvitalia with the transaction that resulted in an acquisition of a 49.5% interest in the company by Fondo Strategico Italiano, the SIT Group with the reorganisation of its ownership structure and the Synergo fund with the sale of 13.2% of IP Cleaning to Ambienta SGR. In the food and beverage sector it assisted Ebro Foods with the acquisition of 52% of Pastificio Lucio Garofalo and Generale Conserve with the acquisition of the De Rica business unit from Conserve Italia. Banca IMI also provided its advisory services to Gruppo Editoriale l’Espresso concerning the strategic combination of Rete A with Telecom Italia Media Broadcasting, to Giochi Preziosi regarding the sale of Giocoplast Natale and the Como Gioco business unit and to the Parent Company in the transaction involving the sale of 44.5% of NH Italia to the NH Hoteles Group. In business with Financial Institutions customers, the bank acted as financial advisor to Fondazione Carige in the sale of a 27.5% interest in Banca Carige, to Banco di Desio e della Brianza in the acquisition of approximately 70% of Banca Popolare di Spoleto through a reserved capital increase and to Fondazione Cassa di Risparmio di Lucca in the merger by incorporation of Credito Bergamasco subsidiary into Banco Popolare.

International Subsidiary Banks

(millions of euro)

Income statement	30.06.2014	30.06.2013	Changes	
			amount	%
Net interest income	742	764	-22	-2.9
Dividends and profits (losses) on investments carried at equity	26	16	10	62.5
Net fee and commission income	262	258	4	1.6
Profits (Losses) on trading	67	43	24	55.8
Income from insurance business	-	-	-	-
Other operating income (expenses)	-52	-37	15	40.5
Operating income	**1,045**	**1,044**	**1**	**0.1**
Personnel expenses	-270	-277	-7	-2.5
Other administrative expenses	-202	-225	-23	-10.2
Adjustments to property, equipment and intangible assets	-53	-56	-3	-5.4
Operating costs	**-525**	**-558**	**-33**	**-5.9**
Operating margin	**520**	**486**	**34**	**7.0**
Net provisions for risks and charges	-68	-	68	-
Net adjustments to loans	-239	-310	-71	-22.9
Net impairment losses on other assets	3	-52	55	
Profits (Losses) on investments held to maturity and on other investments	2	-3	5	
Income (Loss) before tax from continuing operations	**218**	**121**	**97**	**80.2**
Taxes on income from continuing operations	-86	-84	2	2.4
Charges (net of tax) for integration and exit incentives	-2	-	2	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**130**	**37**	**93**	

(millions of euro)

	30.06.2014	31.12.2013	Changes	
			amount	%
Loans to customers	26,601	27,015	-414	-1.5
Direct deposits from banking business	30,365	30,182	183	0.6
Risk-weighted assets [(a)]	27,860			
Absorbed capital [(a)]	2,229			

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

[(a)] Values as at 30 June 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Reference should be made to the 2013 financial statements for the values as at 31 December 2013, which were determined using the methodology envisaged by the Basel 2 Capital Accord.

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 subsidiary Pravex Bank, for which a sales agreement was signed at the beginning of the year.

In the first half of 2014, the Division's operating income came to 1,045 million euro, in line with the same period of the previous year (+0.1%). A detailed analysis shows that net interest income came to 742 million euro, a decrease compared to 764 million euro in the first six months of 2013 (-2.9%), mainly due to the trends reported by Banca Intesa – Russia (-14 million euro), Bank of Alexandria (-11 million euro) and Banca Intesa Beograd (-3 million euro), only partly absorbed by the increase recorded by VUB Banka (+9 million euro). Net fee and commission income, amounting to 262 million euro, grew slightly (+1.6%). Profits on trading, amounting to 67 million euro, increased by 55.8% due to contributions from CIB Bank (+9 million euro), Bank of Alexandria (+8 million euro) and Privredna Banka Zagreb (+6 million euro), only partly offset by those of Intesa Sanpaolo Bank Romania (-3 million euro) and Intesa Sanpaolo Bank Albania (-2 million euro).

Operating costs, amounting to 525 million euro, were down compared to the first half of 2013 (-5.9%). As a result of the above revenue and cost trends, the operating margin came to 520 million euro, up 7%. Income before tax from continuing operations, amounting to 218 million euro, was up from 121 million euro in the same period of the previous year (+80.2%), benefiting from the lower net adjustments to loans and recoveries on other assets, which more than offset the significant increase in provisions for risks and charges recognised during the period by the CIB Bank group in accordance with provisions governing loans in foreign currencies approved by the Hungarian parliament. The Division ended the first half of 2014 with a net income of 130 million euro, compared to the net income of 37 million euro in the first six months of 2013.
On a quarterly basis, the second quarter of 2014 yielded an operating margin up 8.2% on the first quarter, due to higher operating income (+5.3%), only partially offset by higher operating costs (+2.5%). On the other hand, income before tax from continuing operations declined (-24.6%) compared to the previous quarter, due to the aforementioned increase in provisions for risks and charges. Net income came to 45 million euro for the quarter.
The Division's intermediated volumes decreased slightly compared to the end of December 2013 (-0.4%), owing to the decrease in loans to customers (-1.5%). By contrast, direct deposits from banking business increased slightly (+0.6%), mainly due to the securities issued component.

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
Local presence	
South-Eastern Europe	Albania, Bosnia-Herzegovina, Croatia, Romania and Serbi
Central-Eastern Europe	Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Egypt, the Russian Federation and Ukraine
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,416 branches in 12 countries (including branches of the Ukrainian subsidiary Pravex Bank in the process of being sold)

South-Eastern Europe

In the first half of 2014, the operating income of the **Privredna Banka Zagreb Group** amounted to 211 million euro (+3.2% compared to the same period of the previous year), due to the increase in net fee and commission income and profits on trading. Operating costs, amounting to 96 million euro, remained essentially stable (-0.4%) compared to the same period of 2013. The operating margin came to 116 million euro, up 6.3% on the first six months of 2013. Income before tax from continuing operations, amounting to 77 million euro, showed an increase of 4.1%. Lastly, net income came to 60 million euro (+5.4%).

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 70 million euro, down 6% compared to the first six months of 2013. Operating income decreased by 3.5%, mainly due to the performance of net interest income. Operating costs largely remained stable (+0.7%). Income before tax from continuing operations amounted to 40 million euro, compared to 48 million euro in the same period of the previous year (-18.1%), while net income stood at 34 million euro (-17.8%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended the first half of 2014 with an operating margin of 8.1 million euro, up 16.5% on the same period of 2013. This performance is attributable to the increase in net interest income and net fee and commission income, on the one hand, and the reduction of operating costs, on the other. Income before tax from continuing operations, amounting to 5.2 million euro, increased by 24.7%, while net income amounted to 4.7 million euro (+25%).

Intesa Sanpaolo Bank Albania reported an operating margin of 13 million euro, down on the first six months of 2013 (-15.1%), due to an increase in revenues, while operating costs remained essentially stable. Income before tax from continuing operations amounted to 11 million euro, up 41.2% compared to the first half of the previous year, benefiting from the reduction in adjustments to loans. Net income performed similarly (+39.7%).

The companies operating in Romania (**Intesa Sanpaolo Bank Romania** and ISP Leasing Romania) recorded a total operating margin of 7.9 million euro, down 16.5% on the same period of the previous year. This performance was due to a decrease in operating income (-9.3%), primarily ascribable to lower profits on trading, only partially offset by a decline in operating costs (-4.8%), attributable to all cost captions. The companies reported a net income of 1.1 million euro, compared to a net income of 0.2 million euro in the first half of 2013, essentially due to lower adjustments to loans (-26.5%).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 44 million euro, up 10.4% on the first half of 2013 due to the favourable performance of all the main income components. Operating costs largely remained stable (+0.9%). Net income amounted to 5.6 million euro, down compared to the same period of the previous year (-10.6%), primarily due to higher net impairment losses on other assets.

The **VUB Banka** Group achieved an operating margin of 136 million euro, stable compared to the same period of 2013, due to an increase in operating income (+1.8%), mainly attributable to net interest income, and to an increase in operating costs (+3.9%). Income before tax from continuing operations, amounting to 97 million euro, increased 2.6% compared to the first six months of the previous year, benefiting from the reduction in adjustments to loans, while net income amounted to 76 million euro (+8.2%).

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 legislative measures affecting loans in foreign currencies approved by the Hungarian parliament, severely affected the performance of this subsidiary bank. The **CIB Bank Group** showed operating income of 136 million euro, up 1.9% on the first half of 2013. This performance was primarily attributable to the increase in net fee and commission income and the greater contribution from profits on trading. Operating costs decreased 21%, with savings spread through all items. After posting high adjustments to loans, albeit down compared to the first six months of 2013, as well as the aforementioned provisions for risks and charges, the company achieved a net loss of 110 million euro, compared to a net loss of 195 million euro recognised in the same period of the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia reported net income of 0.6 million euro, compared to 5.6 million euro in the same period of 2013. Operating income decreased (-21.3%), mainly due to the decline in net interest income (-24.1%). Operating costs were down 15.7%. Net adjustments to loans amounted to 11 million euro, down compared to the first six months of the previous year (-11.3%).

Bank of Alexandria reported an operating margin of 73 million euro, up 2.1% compared to the same period of 2013. Operating income, amounting to 141 million euro, remained essentially stable on the same period of 2013. Operating costs decreased (-3.4%), largely as a result of the decline in personnel expenses. Following net adjustments to loans of 14 million euro, down 15.5% on the first six months of the previous year, net income amounted to 36 million euro, down 6.8% on the first half of 2013.

Other companies

The operating income reported by **ISP Card** came to 17 million euro, in line with the same period of the previous year. Operating costs showed a decrease in all cost captions, amounting to 15 million (-7.6%). This resulted in net income of 1.9 million euro, compared to 1 million euro in the first half of 2013.

Eurizon Capital

(millions of euro)

Income statement	30.06.2014	30.06.2013	Changes	
			amount	%
Net interest income	1	1	-	-
Dividends and profits (losses) on investments carried at equity	7	8	-1	-12.5
Net fee and commission income	222	154	68	44.2
Profits (Losses) on trading	6	1	5	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	-	-	-
Operating income	**236**	**164**	**72**	**43.9**
Personnel expenses	-28	-23	5	21.7
Other administrative expenses	-34	-28	6	21.4
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-62**	**-51**	**11**	**21.6**
Operating margin	**174**	**113**	**61**	**54.0**
Net provisions for risks and charges	2	3	-1	-33.3
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	**176**	**116**	**60**	**51.7**
Taxes on income from continuing operations	-45	-26	19	73.1
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-19	-18	1	5.6
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-3	-2	1	50.0
Net income (loss)	**109**	**70**	**39**	**55.7**

(millions of euro)

	30.06.2014	31.12.2013	Changes	
			amount	%
Assets under management	182,806	163,838	18,968	11.6
Risk-weighted assets [(a)]	577			
Absorbed capital [(a)]	55			

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

[(a)] Values as at 30 June 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Reference should be made to the 2013 financial statements for the values as at 31 December 2013, which were determined using the methodology envisaged by the Basel 2 Capital Accord.

Overall, total assets managed by Eurizon Capital at the end of June 2014 came to 182.8 billion euro (net of duplications), up 11.6% since the beginning of the year as a result of net inflows and positive financial market performance. In the first half of 2014, net inflows came to 12 billion euro, due to the strong performance of mutual funds (primarily fixed-term funds established in both Luxembourg and Italy), retail portfolio management schemes (principally due to the contributions of the "Sistema Valore" and "Strategia Valore" lines) and captive insurance products, almost entirely consisting of line I insurance contracts, the category to which traditional life policies are classified. Eurizon Capital's share of assets under management was 14.7% as at 30 June 2014 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio), from 14.5% at the end of December 2013.

Operating income for the first half of 2014, amounting to 236 million euro, grew by 43.9% compared to the same period of the previous year, benefiting from the favourable performance of net fee and commission income (+44.2%). This performance is mainly attributable to the increase in average assets under management, which considerably exceeded the level of the first six months of 2013, as well as to the entry and overperformance commissions received. Operating costs increased (+21.6%) due to administrative and personnel expenses. As a result of the above revenue and cost trends, the operating margin came to 174 million euro, up 54% compared to the same period in 2013. Eurizon Capital closed the first half of 2014 with net income of 109 million euro (+55.7%).

On a quarterly basis, the second quarter of 2014 showed an increase in operating margin of 57.1% compared to the first quarter due to higher operating income (+47.2%) and, particularly, net fee and commission income, which included high overperformance commissions collected primarily in relation to mutual funds. This trend was reflected in the net income, up 61.4% on the previous quarter.

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

The key events regarding products placed and managed by Group companies in the first half of 2014 are outlined below.

During the meeting of the Board of Directors of Eurizon Capital SGR of 30 April 2014, a notice was presented concerning the guidelines for the Intesa Sanpaolo 2014 – 2017 Business Plan, which calls for the set-up and development of an Asset Management Hub through the integration of Eurizon Capital and Fideuram Asset Management Ireland.

With regard to product initiatives, the period witnessed the continuation of the placement of the Italian mutual funds range with placement windows named “Eurizon Gestione Attiva”, “Eurizon Cedola Attiva” and “Eurizon Guida Attiva” (distributed by third-party distributors, and in particular by the Cariparma Group), as well as the fund established by Epsilon named “Epsilon Flexible Forex Coupon”.
With regard to Luxembourg mutual funds, as part of the joint venture established within Epsilon by Eurizon Capital and Banca IMI, the placement of the range of capital protected products continued within the “Investment Solution by Epsilon” umbrella fund to be managed by Epsilon. In further detail, in the first half of 2014 new windows were opened in the "Valore Cedola x 5", “Soluzione Flessibile Protetta”, “Global Coupon” and “Equity Coupon” sub-fund families.

Banca Fideuram

(millions of euro)

Income statement	30.06.2014	30.06.2013	Changes	
			amount	%
Net interest income	71	63	8	12.7
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	360	304	56	18.4
Profits (Losses) on trading	12	7	5	71.4
Income from insurance business	55	45	10	22.2
Other operating income (expenses)	-2	-1	1	
Operating income	**496**	**418**	**78**	**18.7**
Personnel expenses	-67	-61	6	9.8
Other administrative expenses	-84	-84	-	-
Adjustments to property, equipment and intangible assets	-8	-8	-	-
Operating costs	**-159**	**-153**	**6**	**3.9**
Operating margin	**337**	**265**	**72**	**27.2**
Net provisions for risks and charges	-39	-34	5	14.7
Net adjustments to loans	-	1	-1	
Net impairment losses on other assets	1	-6	7	
Profits (Losses) on investments held to maturity and on other investments	-	1	-1	
Income (Loss) before tax from continuing operations	**299**	**227**	**72**	**31.7**
Taxes on income from continuing operations	-83	-49	34	69.4
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-47	-44	3	6.8
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**169**	**134**	**35**	**26.1**

(millions of euro)

	30.06.2014	31.12.2013	Changes	
			amount	%
Assets under management	69,816	66,096	3,720	5.6
Direct deposits from banking business	7,656	7,256	400	5.5
Direct deposits from insurance business and technical reserves	20,853	18,431	2,422	13.1
Risk-weighted assets [(a)]	6,259			
Absorbed capital [(a)]	885			

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

[(a)] Values as at 30 June 2014 are determined using the methodology envisaged by the Basel 3 Capital Accord. Reference should be made to the 2013 financial statements for the values as at 31 December 2013, which were determined using the methodology envisaged by the Basel 2 Capital Accord.

Assets under management of the Banca Fideuram Group at the end of June 2014 amounted to 87.8 billion euro (of which 69.8 billion euro in assets under management and 18 billion euro in assets under administration), up 4.9% since the beginning of the year. This trend is attributable to the positive performance in terms of net inflows and the positive market performance of the assets.
In detail, assets under management, which represent more than three quarters of the aggregate, were up 5.6% compared to the balance at the end of 2013, thanks to the positive development of the life insurance and asset management segment. Assets under administration also increased compared to the volume as at 31 December 2013 (+2.3%). In the first six months of 2014, the Banca Fideuram Group's distribution networks achieved net inflows of 1.1 billion euro, a decline of 546 million euro compared to the same period of the previous year (-33.2%). An analysis by aggregates shows that inflows to assets under management, amounting to 1.4 billion euro, were down by 2.5 billion euro compared to the same period of the previous year, attributable to all segments, with the exception of portfolio management. On the other hand, net outflows from assets under administration, amounting to 330 million euro, showed a corresponding improvement of 1.9 billion euro on the net outflows of 2.2 billion euro reported in the first six months of 2013, almost entirely attributable to securities.

Direct deposits from banking business amounted to 7,656 million euro, up 5.5% compared to the beginning of the year, primarily as a result of repurchase agreements and term deposits of ordinary customers.
Direct deposits from insurance business, amounting to 20,853 million euro, increased 13.1%, attributable to the positive performance of financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.
The number of private bankers came to 5,067 as at 30 June 2014, down slightly compared to the end of 2013 (5,104).
The operating margin for the first half of 2014 stood at 337 million euro, up 27.2% compared to the same period of 2013, driven by the development of operating income (+18.7%), along with a modest rise in operating costs (+3.9%).
The performance of revenues is attributable to all components, and markedly to net fee and commission income of 360 million euro, up 18.4%. In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, rose compared to the same period of the previous year, owing to the growth in average assets under management. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents more than 8% of net fee and commission income, increased primarily due to the greater volume of securities placed and orders received and transmitted. On the other hand, performance commissions, almost all of which are recognised on an annual basis, declined. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported a decrease due to lesser incentives to the network of private bankers as a consequence of a decreased contribution in terms of net inflows to assets under management. Net interest income also increased (+12.7%), benefiting from a higher average return on assets than in the same period of 2013, thanks to a higher average return on assets compared to the same period of 2013, also because of the reinvestment of part of Group's liquidity in bonds, in addition to the contribution from higher volumes of collateralised loans to customers. Among other income components, there was an increase in income from insurance business attributable to Fideuram Vita, which rose from 45 million euro to 55 million euro (+22.2%). This performance may be attributed to the improved net investment result on the portfolio of investments underlying separate management accounts and free capital, as well as the effects of financial market performance on measurement. Net provisions for risks and charges increased 14.7% due to the contractual indemnities owed to private bankers. Income before tax from continuing operations amounted to 299 million euro, up 31.7%. Lastly, following the attribution of the effect of the purchase price allocation on the income statement (47 million euro), Banca Fideuram closed the first half of 2014 with net income of 169 million euro, up 26.1% compared to the first six months of the previous year.

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advise on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	96 branches in Italy with 5,067 private bankers

In the first half of 2014, numerous product development measures were implemented, all with the aim of meeting customers' medium- and long-term needs through solutions that may be adapted to suit the constantly changing market scenario and are consistent with the Banca Fideuram Group's business model, which has always focused on advice.

Bank's funds saw the addition of a new bond sub-fund of Fonditalia (FOI) focusing on the high-yield segment (FOI High Yield Short Duration), developed in partnership with JP Morgan Asset Management, as well as a new balanced sub-fund of Fideuram Master Selection (FMS), which takes the form of a multi-asset and multi-manger fund of funds (FMS Balanced), rounding out the line of funds of funds previously included in the range.
Within the scope of Fideuram Multibrand (third-party funds distributed à la carte), the ongoing development of the existing range continued, primarily consisting of the addition of new sub-funds to existing UCIs and new classes to those already placed.

As regards portfolio management services, a new management line of the "Active Beta" family was added to Fideuram Omnia with the aim of offering increasingly complete investment solutions. The "Active Beta Balanced" line is intended as a balanced line investing in international financial markets through the use of UCIs offered by the foremost management companies, through an approach aimed at combining various management styles. Also as part of Fideuram Omnia, the list of financial instruments in the "Eligo Fondi" line was extended and updated. The line allows customers to play an active role in building their portfolios by choosing individual funds and ETFs as part of multi-line portfolio management service.

Turning to insurance products, the class III policy "Fideuram Vita Insieme" was further improved from the standpoint of services by increasing the flexibility of its draw-down plan and introducing a new guided re-allocation option that allows customers to re-calibrate their portfolios periodically on the basis of the market outlook provided by Fideuram Investimenti. In addition, in the private products segment, investment opportunities were further expanded through the introduction of seven new investment firms dedicated to this product type. Class I products saw the launch of "Fideuram Vita Garanzia e Valore Flex", which allows for the protection of invested capital, along with the benefits of a guaranteed minimum annual return, without having to forfeit the potential offered by financial markets. The new policy offers a choice of whether to re-invest the annual revaluation of insured capital or receive it in the form of recurring coupons.

In pension products, the Fideuram Pension Fund was revised. The main changes to the fund included the introduction of multi-fund management, the option to make contributions through the coupons paid as part of the draw-down plans for products in the "Fideuram Vita Insieme" family and the possibility of operating through the Fideuram Mobile Solution platform.

Initiatives in the area of assets under administration involved both the offering of investments in securities and the offering of banking products. In the area of securities investments, Banca Fideuram and Sanpaolo Invest participated in a number of issues by the Intesa Sanpaolo Group. In detail, twelve placements were made on the primary market through fixed-rate and blended-rate senior bonds with minimum and maximum duration of five and six years. Banca Fideuram also participated in the placement of BTP Italia issues launched by the Ministry for the Economy and Finance through the traditional channel as well as directly through Fideuram Online, in addition to taking part in the consortium for the initial public offering of various companies' ordinary shares. As regards the offering of banking products, initiatives continued with the aim of promoting the use of banking services and the acquisition of new customers. During the half-year, campaigns continued to be held to promote the "Fideuram Plus" current accounts, which offer a promotional annual gross interest rate during a specific time window for up to a certain level of the balance, provided that certain conditions have been met. The range of lending products rounded out the services offered to customers.

During 2014, the Group has continued to focus on its Sei advanced advisory service as a distinctive factor of its service model, with the particular aim of improving the analysis of Private customers' needs in areas such as asset protection and generational transfer. At the end of June 2014, more than 57,000 customers were receiving the Sei advanced advisory service, for approximately 23.6 billion euro in assets under administration (+1.9 billion euro compared to the end of 2013).

Corporate Centre

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

The Corporate Centre Departments generated operating loss of 737 million euro in the first half of 2014, compared to operating loss of 938 million euro for the same period of the previous year. This performance was mainly due to the improvement in terms of net interest, which, though still negative, benefited from a gradual reduction in the cost of liquidity. This phenomenon was partly mitigated by the significant deterioration of profits on trading. The revenue performance was reflected in all of the main income statement items and the net loss, which came to 1,217 million euro (compared to 1,028 million euro reported in the same period of 2013), impacted by greater income taxes due to the increased taxation on the higher value of the stake in the Bank of Italy.

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. In the first half of 2014, Intesa Sanpaolo confirmed its role of "critical participant" as a system-wide bank, keeping its payment volumes on the Eurosystem Target2 platform steady. The terms of direct access to the Target2Securities platform, to be achieved during the first migration window planned for June 2015, were formally submitted to both the ECB and Monte Titoli. In the three project areas (Business, IT and Operations), the half-year saw the completion of the functional analysis of business requirements and identification of the best application solution for liquidity management. Regarding collateralised markets, the operating procedures for the launch of the Eurosystem project were defined, relating to the cross-border use of the Triparty platform for management and movement of the securities used as collateral in credit transactions in the Eurosystem for holders of a pool account with the Bank of Italy.

Money markets reflected the reduction of the European Central Bank’s official refinancing rate to 0.15%, while very short-term rates entered negative territory for the first time, reaching -0.10%. During the same period, the ECB also introduced a new type of 4-year T-LTRO auctions, intended for non-financial customers, with the aim of supporting loans to the real economy by the banking system. The stabilisation of the system liquidity levels following the rate cut allowed for a significant decline in government bond yields and an improvement in the outlook for markets in non-core European countries. Intesa Sanpaolo benefited from this situation by reducing the Group’s short-term funding costs. The significant transaction volumes on the repurchase agreement segment allowed the Group’s needs to be met without systematic recourse to refinancing from the Central Bank, which was instead primarily used in conjunction with seasonal factors in terms of funding needs and market conditions.

The strong optimism on the market concerning credit risk and, in particular, the peripheral government bonds characterised the first half of the year in the securities portfolio segment and fostered a slight overall reduction of the portfolio. The global risk level of assets and impacts on the income statement were kept under control through exploitation of the shape of the curve: Italian government bonds with shorter maturities were replaced with longer positions, while investments were diversified into core and semi-core European government bonds. A similar strategy was adopted in the covered bond sector, where the focus was primarily on Italian and European semi-core issuers, with short-term positions replaced with securities with longer maturities and more attractive spreads. In addition, with the aim of achieving greater diversification, the portfolio was expanded through the purchase of assets issued by supranational entities and core European agencies. There was an increase in the volume of repurchase agreement transactions in the first half of the year. The underlying collateral continued to consist largely of Italian government bonds, followed the government bonds of core European countries.

Medium-/long-term funding recorded a slowdown in fund-raising activity through the instruments typical of the segment compared to the second half of 2013.
In the domestic market, in the first six months of 2014 the total amount of Group securities placed through its own and third-party networks came to 4.6 billion euro. Among the securities placed, there was a prevalence of structured financial instruments (primarily represented by index-linked structures) at 78%, while the share of plain-vanilla instruments amounted to 22%. A breakdown by average maturity shows that 2-, 3- and 4-year maturities were equal to 47.6%, whilst 51.7% was represented by securities with 5- and 6-year maturities and 0.7% by maturities of 7 to 10 years.
On international markets, unsecured institutional funding transactions were completed for a total of approximately 8.95 billion euro through the issue of senior and subordinated bonds placed on the Euromarket, the U.S. market and the Asian market. In particular, during the half-year the Group placed 2.5 billion dollars (equivalent to 1.8 billion euro) on the U.S. market through a double tranche of 3- and 10-year bonds, as well as 750 million euro 8-year bonds intended primarily for European investors. In addition, in February Intesa Sanpaolo Bank Ireland placed its first senior notes denominated in Renminbi, in the amount of 650 million CNY (equivalent to 78 million euro), with a maturity of five years, guaranteed by the Parent Company. As regards other unsecured institutional funding transactions, the New York branch obtained approximately 2.46 billion dollars of funding with 13-month and 2-year maturities (equivalent to approximately 1.8 billion euro) through the issues of certificates of deposit. In transactions with European investors, two bonds of 1 billion euro each were issued: a 5-year floating-rate bond and a 7-year fixed-rate bond. At the end of the half-year, a subordinated Tier 2 bond with a duration of ten years was placed on the U.S. market for a total of 2 billion dollars, equivalent to approximately 1.5 billion euro.
On the institutional market, a new fixed-rate covered bond of a total amount of 1.25 billion euro and a duration of 12 years was placed as part of the covered bond issue programme guaranteed by ISP CB Ipotecario. In the context of the ISP CB Pubblico covered bond issue programme, the sixth series of 2.4 billion euro was redeemed in advance and a ninth series of 2-year floating-rate bonds was issued concurrently, for a total of 1 billion euro, subscribed by the Parent Company. In connection with the ISP OBG multi-originator covered bond issue programme, four series of bonds of a total of 19.1 billion euro were redeemed in advance and replaced with twelve floating-rate bonds of equal total value with maturities of two to seven years. All of the securities issued are listed on the Luxembourg Stock Exchange with A2 ratings from Moody’s. The ISP OBG multi-originator

covered bond programme is also collateralised by mortgages originated by Cassa di Risparmio in Bologna, which was included in the programme as an additional transferor contributing an initial amount of 1.2 billion euro.

In the area of operating ACM and credit portfolio management, through the procedure named A.Ba.Co. (Collateralised Bank Assets), bank loans disbursed to non-financial companies can be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators". In the first six months of 2014, there was a decrease in allocated assets of approximately 2.3 billion euro. At the end of June 2014, the gross outstanding amount lodged as pledge by the Group was 6.3 billion euro.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2014	6,797	1,481	287	8,565
30.06.2013	6,434	1,472	276	8,182
% change [(a)]	5.6	0.6	4.0	4.7
Loans to customers				
30.06.2014	290,233	33,921	8,057	332,211
31.12.2013	300,990	35,894	6,905	343,789
% change [(b)]	-3.6	-5.5	16.7	-3.4
Direct deposits from banking business				
30.06.2014	319,144	46,682	9,949	375,775
31.12.2013	318,923	46,528	6,615	372,066
% change [(b)]	0.1	0.3	50.4	1.0

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 30.06.2014 and 30.06.2013

[(b)] The change expresses the ratio between 30.06.2014 and 31.12.2013.

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 79% of revenues, 87% 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 and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).

As regards the performance of operations in the first half of 2014, overall bank funding volumes were essentially stable in Italy and in other European countries and up in other countries. The decrease in loans to customers at an overall level was the result of a contraction in Italy and other European countries compared to an increase in the Rest of the World. The increase in operating income was greater in Italy than in the Rest of the World and Europe.

Risk management

BASIC PRINCIPLES

As described in greater detail in the annual financial statements, the Intesa Sanpaolo Group's risk acceptance policies are defined by the Parent Company's Supervisory Board and Management Board. The Supervisory Board performs its activities through specific committees set up from among its members, including the Control Committee. The Management Board draws on the activities conducted by managerial committees, particularly the Group Risk Governance Committee. Both corporate bodies receive support from the Chief Risk Officer who reports directly to the Chief Executive Officer. The Chief Risk Officer is responsible for proposing the Risk Appetite Framework, setting the Group's risk management and compliance guidelines and policies in accordance with company strategies and objectives and coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments. The Chief Risk Officer ensures management of the Group's overall risk profile by establishing methods and monitoring exposure to the various types of risk and reporting the situation periodically to the corporate bodies.
The 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. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the subsidiaries' Management Bodies.
The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. 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. The assessment of capital is included in business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord. 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.

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.
Therefore, 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, reviewed and updated to adjust the internal regulations to 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 taking into account 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 Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

	Corporate		SME Retail	Mortgage
	FIRB	AIRB LGD	IRB LGD	IRB LGD
Intesa Sanpaolo	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banco di Napoli				
Cassa di Risparmio del Veneto				
Cassa di Risparmio di Bologna				
Cassa di Risparmio di Venezia				
Cassa di Risparmio del Friuli Venezia Giulia				
Cassa dei Risparmi di Forlì e della Romagna				
Banca dell'Adriatico				
Banca di Trento e Bolzano				
Banca di Credito Sardo				
Mediocredito Italiano				n.a.
Mediofactoring		Jun - 2012	*	n.a.
Gruppo Cassa di Risparmio di Firenze	Dec - 2009	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di risparmio dell'Umbria	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Cassa di Risparmio della Provincia di Viterbo	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Cassa di Risparmio di Rieti	n.a.	Dec - 2010	Dec - 2012	Dec - 2011
Banca Monte Parma	n.a.	Dec - 2013	Mar - 2014	Dec - 2013
Banca Prossima	n.a.	Dec - 2013	Dec - 2013	n.a.
Banca IMI	n.a.	Jun - 2012	n.a.	n.a.
Intesa Sanpaolo Bank Ireland	Mar - 2010	Dec - 2011	n.a.	n.a.
Vseobecna Uverova Banka	Dec - 2010	Jun - 2014	Jun - 2014	Jun - 2012

(*) Banks included in the roll-out plan which have not yet obtained authorisation from the Supervisory Authority.

It should be noted, in particular, that effective from the report as at 30 June 2014, the Slovakian subsidiary VUB received authorisation from the Bank of Italy for transition to the AIRB approach for the Corporate segment and the IRB approach for the SME Retail segment.

Dedicated rating approaches have been developed for the Banks and Public Entities Portfolio according to the type of counterparty to be assessed. This was the subject of a pre-validation inspection by the Supervisory Authority conducted in December 2013 as part of the process leading up to the application for authorisation to be submitted in the first half of 2015.
The Group is also proceeding with 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.

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.

With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities. For additional details see the section on operational risks.

In April 2014 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.

As mentioned, 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 (group.intesasanpaolo.com) on a quarterly basis.

CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:

- achieving the goal of sustainable growth consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing and improving the quality of its lending operations;
- diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, 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 and mitigating potentially associated losses;
- given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
- constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
In particular, with respect to loans to customers, risk is measured using internal rating models which change according to the counterparty's operating segment.

Credit quality

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
The overall non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. They allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and for credit risk control.
Within the Group, in accordance with pre-set rules, positions which are attributed a persistent high-risk rating are intercepted (manually or automatically) and classified to the following categories based on their risk profile: doubtful loans, exposures to borrowers in default or in similar situations; substandard loans, exposures to borrowers in temporary difficulty, deemed likely to be settled in a reasonable period of time and exposures which satisfy the conditions objectively set by the Supervisory Authority ("objective substandard loans"), although they do not meet the requirements to be classified under doubtful loans; restructured loans, positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or pool of banks) agrees to modify the original contractual terms giving rise to a loss. Lastly, non-performing loans also include past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy.

(millions of euro)

	30.06.2014			31.12.2013			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	36,324	-22,923	13,401	34,403	-21,504	12,899	502
Substandard loans	19,044	-4,476	14,568	17,979	-4,164	13,815	753
Restructured loans	2,962	-471	2,491	2,728	-413	2,315	176
Past due loans	1,957	-237	1,720	2,232	-274	1,958	-238
Non-performing loans	**60,287**	**-28,107**	**32,180**	**57,342**	**-26,355**	**30,987**	**1,193**
Performing loans	288,215	-2,421	285,794	300,341	-2,402	297,939	-12,145
Performing loans represented by securities	14,543	-306	14,237	15,207	-344	14,863	-626
Loans to customers	**363,045**	**-30,834**	**332,211**	**372,890**	**-29,101**	**343,789**	**-11,578**

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

The table above shows an increase for the first half of 2014 of non-performing loans, net of adjustments, by 1,193 million euro (+3.9%), compared to the end of the previous year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 9% to 9.7%. Coverage of non-performing loans came to approximately 46.6%, higher than the level at the end of 2013 (46%), however deemed adequate to meet the expected losses, also considering the guarantees securing the positions.
In particular, as at 30 June 2014, doubtful loans, net of adjustments, reached 13.4 billion euro, up 3.9% since the beginning of the year. The incidence on total loans was 4%, with a coverage ratio of 63.1%.
Compared to 31 December 2013, substandard loans increased 5.5% to 14.6 billion euro. Substandard loans as a proportion of total loans to customers increased from 4% to 4.4% in the first six months of the year, and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 23.5%, slightly above the figure at the end of the prior year.
Restructured loans stood at 2,491 million euro, up compared to the beginning of the year (+7.6%), with a coverage ratio of 15.9%, up from 15.1% in the previous year.
Past due loans recorded a decrease of 238 million euro (-12.2%) to 1,720 million euro from 1,958 million euro for the previous year. This type of non-performing loans accounted for 0.5% of the total. The coverage ratio came to 12.1%, in line with the figure as at the end of 2013.
Performing exposures decreased, from 297.9 billion euro in the previous year to 285.8 billion euro. In this context, the cumulated collective adjustments on these loans totalled 0.8% of the gross exposure to customers, a value that is essentially in line with the figure recorded at the end of the previous year.

MARKET RISKS

TRADING BOOK

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.

Other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 2% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates and foreign exchange rates relating to linear pay-offs.

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.

Effective from the report as at 30 September 2012, both banks have received authorisation from the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks.

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 (the full look-through approach).

The risk profiles validated 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 requirement for stressed VaR is included when determining capital absorption effective from 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":

– the period must represent a stress scenario for the portfolio;
– the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
– the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.

As at the date of preparation of this document, the period relevant to the measurement of stressed VaR had been set as 1 January to 31 December 2011 for Intesa Sanpaolo and at 1 July 2011 to 30 June 2012 for Banca IMI.

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, with a 99% confidence level and 1-day holding period.

The following paragraphs provide 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.

In the second quarter of 2014, market risks generated by Intesa Sanpaolo and Banca IMI decreased slightly with respect to the averages for the first quarter of 2014. The average VaR for the period totalled 44.7 million euro.

Daily VaR of the trading book for Intesa Sanpaolo and Banca IMI[a]

(millions of euro)

	2014				2013			
	average 2nd quarter	minimum 2nd quarter	maximum 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	9.6	7.9	12.0	9.4	10.5	8.2	11.7	14.1
Banca IMI	35.0	23.8	45.7	37.0	38.6	39.3	50.8	59.0
Total	**44.7**	**32.0**	**55.5**	**46.5**	**49.2**	**47.6**	**62.5**	**73.2**

[a] Each line in the table sets out past estimates of daily VaR calculated on the quartely historical time-series respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for the two companies are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

During the first six months of 2014, market risks generated by Intesa Sanpaolo and Banca IMI markedly decreased with respect to the values for 2013.

(millions of euro)

	2014			2013		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Intesa Sanpaolo	9.5	7.9	12.0	14.1	11.5	18.1
Banca IMI	36.0	23.8	45.7	59.0	46.0	74.2
Total	**45.6**	**32.0**	**55.5**	**73.2**	**60.2**	**88.5**

[a] Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the first six months of the year respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for the two companies are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

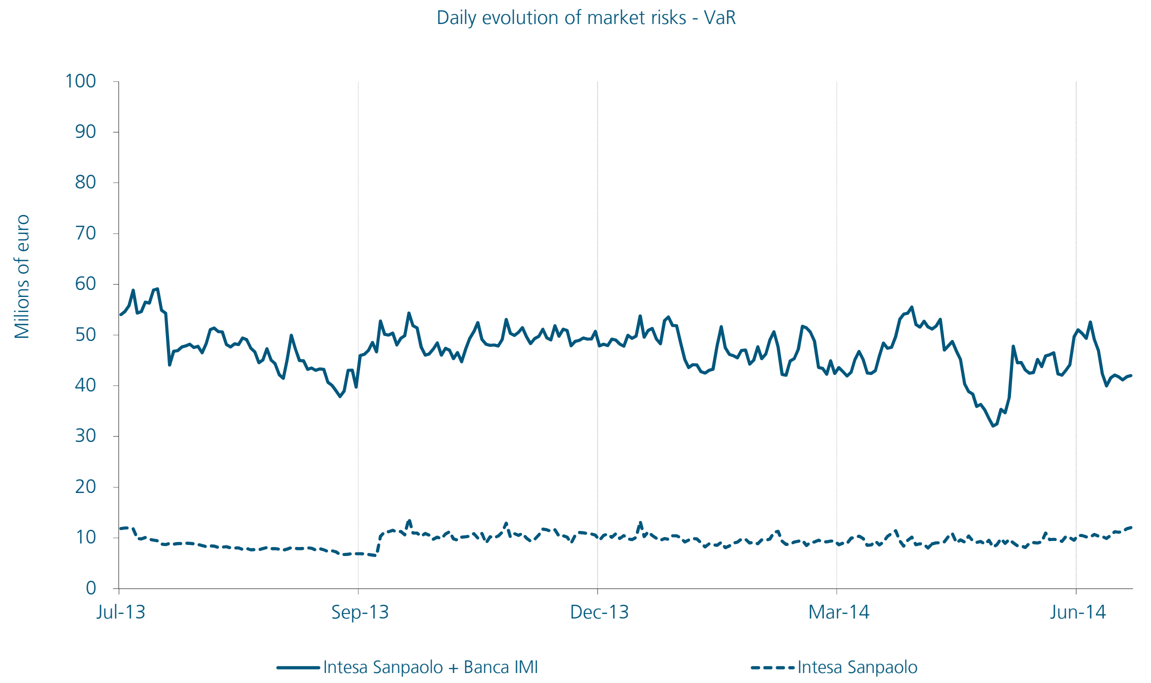
For Intesa Sanpaolo the breakdown of risk profile in the second quarter of 2014 with regard to the various factors shows the prevalence of the risk generated by hedge funds, which accounted for 35% of total VaR; for Banca IMI credit spread risk was the most significant, representing 63% of total VaR.

Contribution of risk factors to total VaR[a]

2nd quarter 2014	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	28%	35%	8%	21%	7%	1%	0%
Banca IMI	6%	0%	12%	63%	1%	15%	3%
Total	**13%**	**10%**	**11%**	**50%**	**3%**	**11%**	**2%**

[a] Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the second quarter of 2014, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

The evolution of VaR in the last twelve months is set out below. Risk measures declined slightly on average in the first half of 2014: in further detail, there was a decline in the average in the second quarter primarily for Banca IMI. The Group's risk performance is explained by the operations of Banca IMI, which following the peak in early April showed a gradual reduction through mid-May of exposure to Italian and Spanish government bonds (assumed within the approved limits of the Risk Appetite Framework). In May, risk measures reflected a new scenario of volatility affecting Italy risk, which resulted in an increase in VaR. In June, risk measures declined once again due to both the reduction in Italian and Spanish government bonds and the elimination from the historical simulation used to calculate VaR of scenarios concerning the June 2012 period:



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, foreign exchange rates and commodity prices at the end of June is summarised as follows:

- on stock market positions, a bullish scenario, that is a 5% increase in stock prices with a simultaneous 10% decrease in volatility would have led to a 17 million euro gain or to a -16 million euro loss in the opposite scenario;
- on interest rate exposures, a parallel +70 basis point shift (average) would have led to a 58 million euro loss, whereas a parallel shift in the euro curve with near zero rates would have led to potential gains of 174 million euro;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 170 million euro loss;
- on foreign exchange exposures, an increase of the euro against the other currencies would have led to a loss of approximately 9 million euro;
- finally, on commodities exposures, a 50% increase in the prices of the underlying would have led to a 28 million euro loss.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+70bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-16	17	-58	174	156	-170	15	-9	28	-28

Backtesting

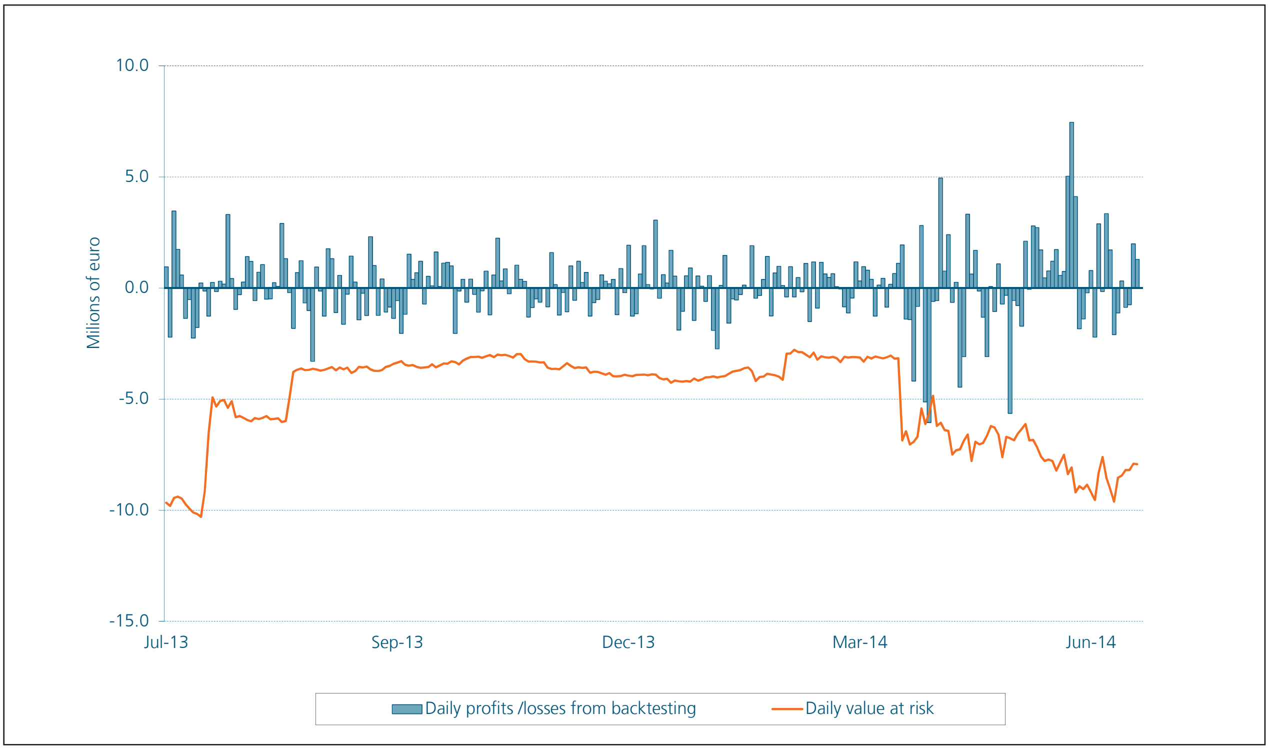
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- 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 valuation 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.

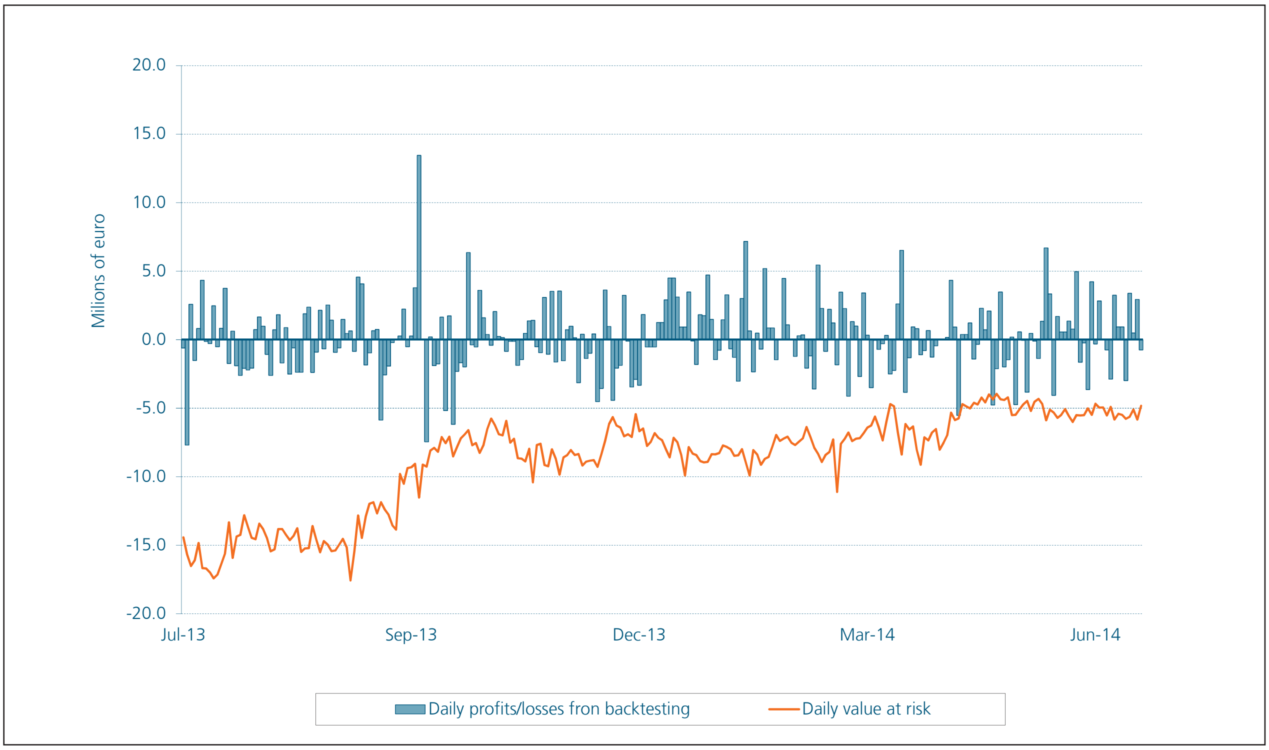
Backtesting in Intesa Sanpaolo

There was a single exception to theoretical backtesting during the last year. The loss is to be attributed to the performance of stock prices in April 2014.



Backtesting in Banca IMI

Banca IMI's backtesting exception refers to the actual P&L data. The loss is to be attributed to the fluctuation of Italian stock prices since early May 2014.



BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the other main Group companies involved in retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.

The following methods are used to measure financial risks of the Group's banking book:

- Value at Risk (VaR);
- Sensitivity Analysis.

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).

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 customer demand loans and deposits. Furthermore, interest margin sensitivity is 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.

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 or liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Group is exposed to this risk from the date on which the rate is set and the interest payment date.

Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges).

The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.

In the first six months of 2014, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 130 million euro settling at 172 million euro at the end of June, almost entirely concentrated on the euro currency; this figure compares with 206 million euro at the end of 2013.

Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 212 million euro at the end of June 2014 (264 million euro at the end of 2013).

Interest rate risk, measured in terms of VaR, averaged 23 million euro during the first six months of 2014 (40 million euro at the end of 2013), with a maximum value of 28 million euro and a minimum value of 14 million euro; the latter figure coincides with the value at the end of June. Price risk generated by minority stakes in listed companies, mostly held in the AFS (available for sale) category and measured in terms of VaR, recorded an average level of 36 million euro in the first six months of 2014 (33 million euro at the end of 2013), with a minimum value of 30 million euro and a maximum value of 59 million euro, confirmed in the final figures at the end of June.

Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to 10 million euro at the end of June 2014.

LIQUIDITY RISK

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.
To reflect the new Basel 3 liquidity requirements, which in June 2013 were adopted by the European Union with the publication of Directive 2013/36/EU and Regulation 575/2013 (known as CRD IV and CRR), in December 2013 the Corporate Bodies of Intesa Sanpaolo updated the Liquidity Policy by replacing, starting from January 2014, the previous internal indicators with the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio) metrics. These Guidelines illustrate the tasks of the various company 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 and the Planning, Strategic ALM and Capital Management Department, responsible for liquidity management, and the Risk Management Department, directly responsible for measuring liquidity risk on a consolidated basis.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.

The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows with certain or estimated maturities included in 12 months' time horizon, in order to face to 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).
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 LCR requirement will gradually come into force, starting with a percentage of 60% from January 2015.
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. 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 Risk Management Department.

In the first six months of 2014 the Group's liquidity position remained largely within the limits provided for in the Group's Liquidity Policy in force: both regulatory indicators envisaged by Basel 3 (LCR and NSFR) were met, already reaching a level above the limits under normal conditions. As at 30 June 2014, the liquidity reserves eligible with the various Central Banks came to 107 billion euro (124 billion euro at the end of December 2013), of which 82 billion euro, net of haircut, was available spot (88 billion euro at the end of December 2013) and remained unused.
Also the stress tests, when considering the high availability of 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.

INFORMATION ON FINANCIAL PRODUCTS

In line with the requests for utmost transparency made by supranational and national Supervisory Authorities, the following information is provided on the fair value measurement methods adopted, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged finance transactions, hedge fund investments and transactions in derivatives with customers.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

General principles

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. These criteria are unchanged with respect to those adopted for the previous year financial statements, details of which can be found in the Annual Report 2013.
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, bonds quoted on the EuroMTS circuit, those for which it is possible to continuously derive from the main contribution international platforms at least three bid and ask prices, and those for which prices are provided by the Markit platform, with at least three bid and ask prices for bonds and convertibles and at least five bid and ask prices for European ABSs, harmonised mutual funds contributed, spot exchange rates, and derivatives for which quotations are available on an active market (for example, futures and exchange traded options). Finally, level 1 instruments also include hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, and the check list, which is the summary document of significant information on underlying assets of the fund, does not highlight any critical points in terms of liquidity risk or counterparty risk.
For level 1 financial instruments, the current bid price is used for financial assets and the current asking price for financial liabilities, struck on the 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 quotations on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an 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 – in whole or in part but primarily – inputs not identified from parameters observed on the market, for which estimates and assumptions made by the valuator are used (level 3).

In the case of level 2 inputs, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from 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 pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- ABSs for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters which may be presumed from the market;
- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers;
- loans measured through the discounting of future cash flows.

The calculation of the fair value of certain types of financial instruments is based on valuation models which consider parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator (level 3). In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:
- the development of future cash-flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured under the Mark-to-Model Approach:
- debt securities for which at least one significant input for the purposes of calculating fair value is not observable on the market;
- debt securities and complex credit derivatives (CDOs and some ABSs) 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;
- some OTC interest-rate derivatives relating to correlations between CMS (Constant Maturity Swap) rates;
- some commodities options;
- derivatives with counterparties in default;
- some derivatives for which the bCVA is calculated through the use of historical PD with a significant impact on the transaction’s total fair value.

Regarding the valuation techniques used for financial instruments (securities, derivatives, structured products, hedge funds) classified within levels 2 and 3 of the fair value hierarchy, no changes are recorded compared to the description in the Annual Report 2013.
In particular, in valuing the derivative contracts, the Group considers the (own and counterparty) non-performance risk which is calculated through the bilateral Credit Value Adjustment method. Valuation of the “credit risk free” component of OTC derivatives determines the initial choice of the level of the fair value hierarchy, according to the level of observability of market parameters. Calculation of the component linked to the insolvency risk of the counterparty/issuer, with unobservable parameters such as historical PD, may involve reclassification to level 3 of the fair value hierarchy.

With regard to the attribution of fair value hierarchy levels, it is also underlined that, for the hedge funds managed through the Managed Account Fund (MAF) platform, 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 the prevalence, in terms of percentage of NAV, of the weight of assets priced according to the various levels.

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group’s Fair Value Policy, prepared by the Risk Management Department and also applied to the Parent Company and to all consolidated subsidiaries. The first part of the document, “General principles”, once a favourable opinion has been given by the Group Financial Risks Committee and the Managing Director and CEO, is approved and revised at least on an annual basis by the Management Board, and specific notice thereof is given to the Control Committee and the Financial Statements Committee. The second part, “Detailed methods”, is reviewed, approved and revised at least on an annual basis by the Group Financial Risks Committee, which is specifically delegated to do so by the Administrative Bodies, and which also reviews material changes and updates, proposal of which falls to the Risk Management Central Department.

The valuation process for financial instruments (as described in the "Fair Value Policy") 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;
- certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement;
- monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

Fair value hierarchy

Accounting portfolios: fair value by level

The table below shows financial assets and liabilities designated at fair value through profit and loss broken down by fair value hierarchy levels.

(millions of euro)

Assets / liabilities at fair value	30.06.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	18,643	32,734	694	16,938	31,309	753
2. Financial assets designated at fair value through profit or loss	35,691	2,424	344	32,374	3,004	383
3. Financial assets available for sale	108,330	4,942	5,078	105,489	4,196	5,608
4. Hedging derivatives	-	8,539	1	-	7,533	1
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**162,664**	**48,639**	**6,117**	**154,801**	**46,042**	**6,745**
1. Financial liabilities held for trading	4,678	36,257	248	7,063	31,756	400
2. Financial liabilities designated at fair value through profit or loss	-	33,441	-	-	30,733	-
3. Hedging derivatives	-	8,833	13	-	7,577	13
Total	**4,678**	**78,531**	**261**	**7,063**	**70,066**	**413**

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

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 the first half of 2014:

- from level 1 to level 2:
  - financial assets held for trading for 127 million euro (book value as at 30 June 2014);
  - financial assets designated at fair value through profit and loss for 13 million euro (book value as at 30 June 2014);
  - financial assets available for sale for 150 million euro (book value as at 30 June 2014);
  - financial liabilities held for trading for 1,471 million euro (book value as at 30 June 2014).
- from level 2 to level 1:
  - financial assets held for trading for 342 million euro (book value as at 30 June 2014);
  - financial assets designated at fair value through profit and loss for 33 million euro (book value as at 30 June 2014);
  - financial assets available for sale for 62 million euro (book value as at 30 June 2014);
  - financial liabilities held for trading for 123 million euro (book value as at 30 June 2014).

Transfers between fair values levels derive from the empirical observation of phenomena inherent in the instrument in question or its market.

The transfer from level 1 to level 2 is due to an adequate number of contributors no longer being present, namely to the limited number of investors holding the existing float. This cases often occur when approaching maturity of the instruments. Conversely, securities that have limited liquidity and number of negotiations upon issue – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

The caption "3. Financial assets available for sale" – level 3 – includes 3,182 million euro referring to the new stakes issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law no. 5 of 29 January 2014, following the amendments to the Articles of Association approved by the Shareholders' Meeting of the Bank of Italy on 23 December 2013.

As required by IFRS 13, the following table provides the fair value of financial assets and liabilities measured at amortised cost.

Half-yearly changes in financial assets designated 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	**753**	**383**	**5,608**	**1**	**-**	**-**
2. Increases	**4,376**	**28**	**205**	**-**	**-**	**-**
2.1 Purchases	4,214	-	67	-	-	-
2.2 Gains recognised in:	75	28	49	-	-	-
2.2.1 Income statement	*75*	*28*	*15*	-	-	-
- of which capital gains	*69*	*22*	-	-	-	-
2.2.2 Shareholders' equity	*X*	*X*	*34*	-	-	-
2.3 Transfers from other levels	74	-	16	-	-	-
2.4 Other increases	13	-	73	-	-	-
3. Decreases	**-4,435**	**-67**	**-735**	**-**	**-**	**-**
3.1 Sales	-4,224	-65	-139	-	-	-
3.2 Reimbursements	-32	-	-39	-	-	-
3.3 Losses recognized in:	-81	-	-67	-	-	-
3.3.1 Income statement	*-81*	-	*-51*	-	-	-
- of which capital losses	*-76*	-	*-51*	-	-	-
3.3.2 Shareholders' equity	*X*	*X*	*-16*	-	-	-
3.4 Transfers to other levels	-86	-	-459	-	-	-
3.5 Other decreases	-12	-2	-31	-	-	-
4. Final amount	**694**	**344**	**5,078**	**1**	**-**	**-**

"Transfers from other levels" of "Financial assets held for trading" are mainly due to derivative contracts with a positive fair value.

Half-yearly changes in financial liabilities designated 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	**400**	**-**	**13**
2. Increases	**37**	**-**	**3**
2.1 Issues	3	-	-
2.2 Losses recognised in:	32	-	3
2.2.1 Income statement	*32*	*-*	*3*
- of which capital losses	*32*	*-*	*3*
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Transfers from other levels	2	-	-
2.4 Other increases	-	-	-
3. Decreases	**-189**	**-**	**-3**
3.1 Reimbursements	-70	-	-
3.2 Repurchases	-24	-	-
3.3 Gains recognised in:	-65	-	-3
3.3.1 Income statement	*-65*	*-*	*-3*
- of which capital gains	*-41*	*-*	*-3*
3.3.2 Shareholders' equity	*X*	*X*	-
3.4 Transfers to other levels	-30	-	-
3.5 Other decreases	-	-	-
4. Final amount	**248**	**-**	**13**

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

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	30.06.2014		31.12.2013	
	Book value	Level 1	Book value	Level 1
1. Investments held to maturity	1,455	1,488	2,051	2,050
2. Due from banks	30,882	30,349	26,448	26,345
3. Loans to customers	332,211	344,122	343,789	350,369
Total	**364,548**	**375,959**	**372,288**	**378,764**
1. Due to banks	34,557	34,085	52,244	51,741
2. Due to customers	233,343	233,811	228,777	228,783
3. Securities issued	136,832	138,936	138,197	139,059
Totale	**404,732**	**406,832**	**419,218**	**419,583**

Sensitivity analysis for financial assets and liabilities measured at level 3

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

(thousands of Euro)

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	-55	1 bp
Held for trading and available for sale securities	Volatilità	6	1%
Held for trading and available for sale securities	Correlazione	-118	1%
Held for trading and available for sale securities	Recovery rate	-141	1%
OTC Derivatives - Interest rate	Correlation for spread options between swap rates (7 and 15 yrs)	-35	0.10
OTC Derivatives - Commodity	Volatility for the underlying Power Italia (PW IT Terna)	2	1%
OTC Derivatives - Equity	Correlation between underlying equity baskets	75	0.10

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[3] 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 collateral 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).

Information on the "Day-one-profit/loss"

Under IAS 39, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.

The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is always intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins. Commercial margins are taken to the income statement when the financial instrument is initially measured.

Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (Subsequent or Day-One-Profit - DOP).

This difference shall be recognised in the income statement only when it arises from changes of the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.

When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of “on the book” transactions falling under the Bank's investing activities, the Day-One-Profits earned on level 3 transactions (including in the above “on the book” management) are taken to the income statement when the Group entity (the investment bank) carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

The above regulation applies only to those instruments which fall in one of the classes which can be recognised at fair value through profit and loss (Fair value Option and Trading book). Indeed, only for the latter, the difference between the transaction price and the fair value would be taken to the income statement upon initial recognition.

The following table shows the amount deferred in the balance sheet, indicating the portion taken to the income statement.

(millions of euro)

1. Initial amount	**17**
2. Increases	**-**
2.1 New transactions	-
3. Decreases	**-6**
3.1 Releases to the income statement	-6
4. Final amount	**11**

[3] This amount is shown net of the adjustments to valuations relating to the main input parameters which were already considered to determine the fair value of financial instruments (see paragraph “Fair value measurement” above).

STRUCTURED CREDIT PRODUCTS

The risk exposure to structured credit products amounted to 2,231 million euro as at 30 June 2014 with respect to funded and unfunded ABSs/CDOs, compared to 2,033 million euro as at 31 December 2013, in addition to an exposure of 28 million euro with respect to structured packages, essentially in line with the 26 million euro observed as at 31 December 2013.
The rise in the exposure (from 1,068 million euro in December 2013 to 1,393 million euro in June 2014) classified in the trading portfolio is largely attributable to higher investments in ABSs by the subsidiary Banca IMI, part of which was classified to the available-for-sale portfolio.
With regard to the exposure represented by securities classified under the loan portfolio, on the other hand, a significant decrease was recorded (from 965 million euro in December 2013 to 838 million euro in June 2014), almost entirely attributable to the Parent Company loan portfolio and for the most part due to sales.

From an income statement perspective, structured credit products generated a net income of 26 million euro as at 30 June 2014 compared to 67 million euro at the end of 2013 and 61 million euro as at 30 June 2013.
The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of 24 million euro. The profit on this segment was a result of the effects of:
- unfunded Super CDO positions for +2 million euro;
- European and US funded ABSs/CDOs (+23 million euro), entirely attributable to the subsidiary Banca IMI. The impact is the sum of the 10 million euro of profits realised on the partial disposal of the trading book and 13 million euro from revaluation of outstanding positions;
- the negative contribution of the subprime exposure for 1 million euro;
- unfunded Multisector CDO positions for 2 million euro;
- other unfunded positions for -2 million euro.

The securities reclassified to the loan portfolio had a positive impact of 1 million euro on the income statement as at 30 June 2014. This result is the combination of the 5 million euro in profits realised on the sale of positions and 4 million euro in impairment losses on a security included in the portfolio.
The "Monoline risk" and "Non-monoline packages" made a contribution of +1 million euro to "Profits (Losses) on trading – caption 80" as at 30 June 2014, compared to the positive result of 40 million euro recorded as at 31 December 2013. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

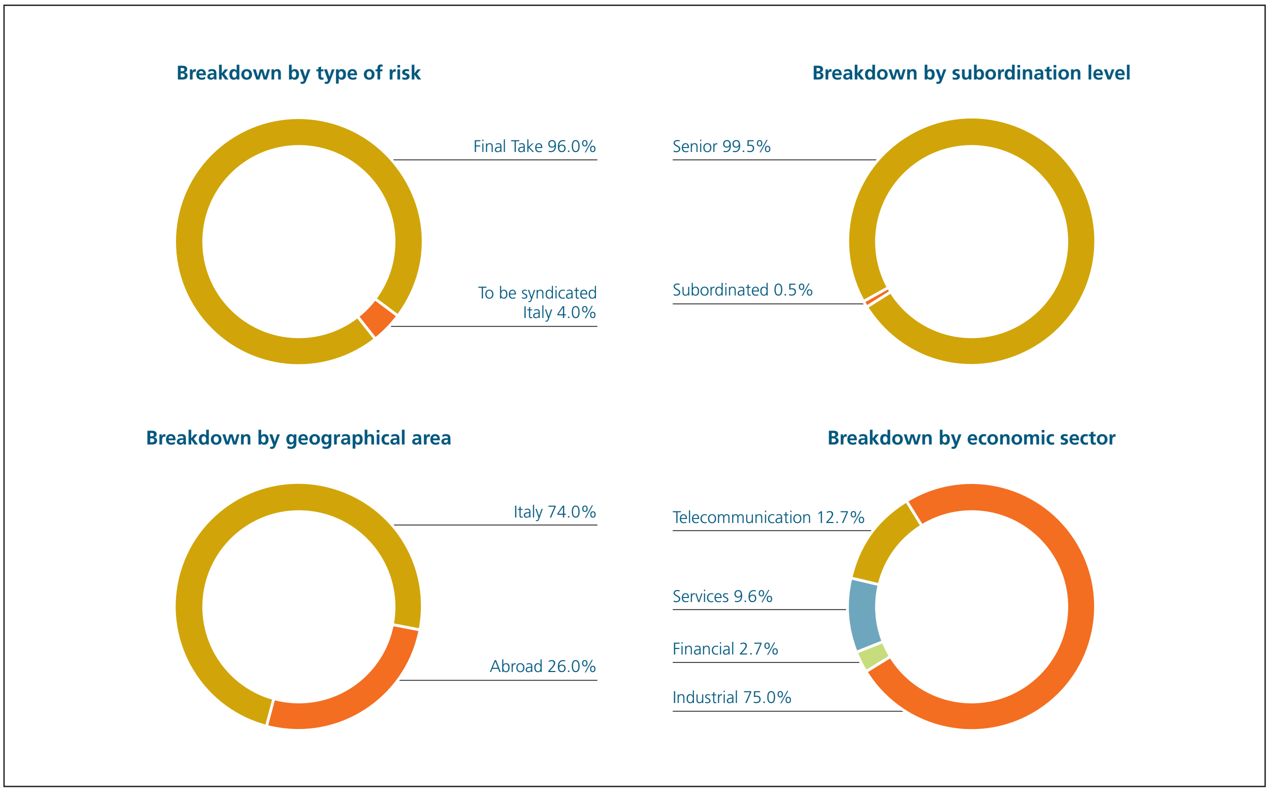
For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds (CBs), developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above.
For consolidation purposes, note that the implementation of the new standard IFRS 10 caused the deconsolidation of insurance SPEs (UCIs underlying insurance policies), the risk of which is borne by the insured parties rather than by the Group company.
No amendments to the criteria are reported for the other SPE categories compared to the information already provided in the 2013 financial statements.

For information concerning the categories of SPEs subject to disclosure, reference should be made to the 2013 financial statements. Significant changes concerned the two segments below:
- a reduction of about 400 million euro in the securities issued by the funding SPE Intesa Funding LLC;
- in the insurance business, note the already mentioned deconsolidation of insurance SPEs, consequently to the new standard IFRS 10 coming into force;
- as part of the covered bonds issue programme of the vehicle ISP CB Ipotecario S.r.l., a new fixed-rate issue was placed on the institutional market for a nominal value of 1.25 billion euro with 12-year maturity;
- as part of the issue programme guaranteed by ISP CB Pubblico S.r.l., the sixth series was closed in advance for a total amount of 2.4 billion euro. At the same time, Intesa Sanpaolo issued series 9 for the nominal amount of 1 billion euro with floating-rate and two-year maturity. The securities, fully subscribed by the issuer to perform Eurosystem refinancing transactions, are listed on the Luxemburg Stock Exchange and rated A2 by Moody's;
- as part of the Multioriginator covered bond issue programme of the vehicle ISP OBG S.r.l., the first four series of bonds issued were redeemed in advance for a total of 19 billion euro in order to achieve closer matches between the maturities of the cover pool and the bonds issued. The issues in question were replaced with new floating-rate bonds with maturities of two to seven years. The total nominal amount of the covered bonds issued by Intesa Sanpaolo remained unchanged.

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 30 June 2014, 114 transactions for a total amount granted of 3,299 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 30 June 2014 totalled 739 million euro, compared to 744 million euro recorded in December 2013. In the analysis of changes in the portfolio, attention should be drawn not only to the positive impact of the net valuation of outstanding units, but also the effect of the distributions undertaken in the first half of the year and the change in the dollar exchange rate, which affected the value of the positions denominated in that currency.
As at the same date, the overall result of the investments in this segment was positive for 16 million euro, compared to 25 million euro of the "Profits (Losses) on trading – caption 80" as at 30 June 2013.
The 16 million euro of net profit, recognised as at 30 June 2014 under "Profits (Losses) on trading – caption 80", included:
– 13 million euro from net valuations of positions outstanding as at the end of June 2014;
– 2 million euro representing net profit realised from the trading of fund quotas;
– 1 million euro consisting of other income attributable to profits on foreign exchange transactions.

Net capital gains on the final residual amount (12 million euro) were spread across 27 positions, 14 of which with capital gains (26 million euro) and 13 with capital losses (13 million euro).
In the second quarter of 2014, the overall portfolio management strategy did not undergo significant change, but rather continued to focus primarily on benefiting from the occurrence of specific corporate events largely independent of the general market trend.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 June 2014, 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 6,738 million euro (5,542 million euro as at 31 December 2013). The notional value of such derivatives totalled 53,767 million euro (54,087 million euro as at 31 December 2013). Of these, the notional value of plain vanilla contracts was 47,907 million euro (51,817 million euro as at 31 December 2013), and of structured contracts was 5,860 million euro (4,475 million euro as at 31 December 2013).
Please note that the positive fair value of structured contracts outstanding with the 10 customers with the highest exposures was 454 million euro (363 million euro as at 31 December 2013). The same indicator, referred to the total contracts with a positive fair value, was 4,580 million euro.
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 672 million euro as at 30 June 2014 (606 million euro as at 31 December 2013).
The notional value of such derivatives totalled 20,810 million euro (17,627 million euro as at 31 December 2013). Of these, the notional value of plain vanilla contracts was 19,452 million euro (17,787 million euro as at 31 December 2013), and of structured contracts was 1,358 million euro (1,030 million euro as at 31 December 2013).

The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 30 June 2014, this led to a negative effect of 39 million euro being recorded under "Profits (Losses) on trading" in the income statement.
As regards the means of calculation of the aforesaid Bilateral Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see the specific paragraphs in this chapter.
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.

OPERATIONAL RISKS

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
With regard to Operational Risk, the Group has adopted the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes:

- effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
- effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
- effective from 31 December 2011, for a third set including Banca Infrastrutture Innovazione e Sviluppo. The full demerger of the Bank in favour of the Parent Company Intesa Sanpaolo and Leasint was completed in December 2012;
- effective from 30 June 2013, for a fourth scope including several companies of the Banca Fideuram group (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland and Sanpaolo Invest) and two international subsidiaries of VUB Banka (VUB Leasing and Consumer Finance Holding).

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced Measurement approaches starting from the end of 2014, based on the roll-out plan presented to the Management and Supervisory Authorities.

The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
In addition, tasks assigned to the technical managerial committee responsible for operational risks include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has a centralised function within the Risk Management Department for management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current requirements, the individual Organisational Units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these business units to be responsible for Operational Risk Management (structured collection of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).

The Integrated self-assessment process, conducted on an annual basis, allows the Group to:

- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
- create significant synergies with the specialised functions of the Personnel and Organisation Department that supervise the planning of operational processes and business continuity issues and with control functions (Compliance, Administrative and Financial Governance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the diffusion of a business culture focused on the ongoing control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (by the Operational Riskdata eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company's business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly severe operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various organisational units.

Operational risks are monitored by an integrated reporting system, which provides Management with support information for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in this process.

In addition the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. At the end of June, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to applicable regulations the Group stipulated an 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.

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,770 million euro as at 30 June 2014, down compared to 31 December 2013 (1,819 million euro).

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges when there are legal obligations for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
During the first six months of 2014, no new significant legal procedures were commenced and there were no important developments with respect to those underway. The reader is therefore referred to the Notes to the 2013 financial statements for a thorough description of material legal proceedings and lawsuits. The following is an account of significant developments during the half-year.

Dispute relating to the acquisition of Bank of Alexandria - In 2006 Sanpaolo IMI acquired from the Egyptian government an 80% investment in Bank of Alexandria, as part of the government privatisation programme launched in the 1990's. In 2011, two proceedings were initiated before the Administrative Court of Cairo, by two private entities against several members of the previous government, aimed at the cancellation of the administrative measure for privatisation and the resulting deed of purchase and sale, based on alleged irregularities in the administrative process and the alleged unfairness of the share transfer price. Bank of Alexandria has intervened in both proceedings to fight the lawsuits, claiming the lack of jurisdiction of the administrative judge in the pre-trial proceedings and the groundlessness of the opponents' claims on the merits. Concerning the latter aspect, it has been inferred, with the support of suitable documentation, that the privatisation procedure was conducted correctly and - contrary to the opponents' allegations - in the form of public auction, with the participation of numerous international banks, as a result of which Intesa Sanpaolo was judged as the best bidder. The two proceedings, which are going forward at the same time and have been subject to numerous postponements and slowdowns, are currently in the preliminary investigation phase. As things stand, and in consideration of the current phase of the proceedings, there are no critical issues in view with regard to the problems which are the focus of the disputes. Law 32/2014 was enacted on 24 April 2014. The statute clarifies the subjective requirements for appealing previous privatisations by limiting standing to sue to the original contracting parties only. The counsel to the defence believe that the statute is also applicable to the ongoing proceedings to which Bank of Alexandria is a party. Moreover, the statute was recently reviewed by Egypt's Constitutional Court due to contentions of unconstitutionality that arose in other proceedings to which Bank of Alexandria is not a party. Both lawsuits are constantly monitored by the Parent Company, also in terms of possible developments of the reference scenario.

***Altroconsumo** class action* – In 2010, Altroconsumo, representing three account holders, brought a class-action suit seeking a finding of the unlawfulness of overdraft charges and the fee for overdrawing accounts without credit facilities, the latter of which had been adopted in 2009 as part of adjustments of contracts to the new rules imposed by lawmakers regarding bank fees. The suit also sought a finding that the "threshold rate" set out in the law on usury had been exceeded. By order of 28 April 2010, the Court of Turin declared the suit inadmissible. Following the complaint filed by the plaintiffs, the Torino Court of Appeal, by order of 16 September 2011, overturned the previous order, restricting the scope of the suit solely to account overdraft charges applied effective 16 August 2009. A total of 104 applications to join the suit were then filed within the terms set by the Court. The suit was resolved by the judgment filed on 10 April 2014, in which 101 of the 104 applications were found to be inadmissible due to formal irregularities of presentation or failure to meet consumer requirements by some of the applicants. On the merits, having rejected the claims regarding usury, the judgment finds that the account overdraft charge is 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 account holder, given that no banking service requiring compensation has been provided in such cases. The decision will be appealed because it is founded upon an untenable interpretation of the statute concerned. At the level of the income statement, the judgment is of negligible significance: the few account holders admitted to the suit may lay claim to a total refund of approximately 1,200 euro. 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.

Interporto Sud Europa (ISE) lawsuit against Banco di Napoli - By write of summons served on 28 December 2013, Interporto Sud Europa (ISE) summoned Banco di Napoli and another bank before the Court of Santa Maria Capua Vetere, calling for them to be jointly ordered to compensate for damages, quantified at 186 million euro.
In further detail, the plaintiff claimed that it decided to assume the debt arising from the first tranche of a pool loan disbursed to Comes S.r.l. (a total of 70 million euro for the construction of the shopping centre in Marcianise) on the understanding that the two banks concerned would then have disbursed an additional loan of 35 million euro for which ISE had applied directly (while reducing the original loan from 70 million to 35 million euro).
However, that loan was not in fact disbursed, and this situation allegedly resulted in a serious lack of liquidity for ISE, which, among other effects, purportedly prevented it from selling said shopping centre to third parties at a price regarded as expedient.
However, during the internal assessment process, various factual elements were brought to light, justifying the two banks' decision not to provide the loan.
The hearing, initially scheduled for 15 July 2014, has been postponed until 22 September.

Arbitration proceedings initiated by Acotel Group S.p.A. - In its document initiating arbitration proceedings served on 4 November 2013, Acotel Group S.p.A. seeks an award ordering ISP to provide compensation for damages, quantified at a total of 150 million euro, caused by alleged breach of a complex cooperation agreement, which took the concrete form of various contracts aimed at developing and selling an innovative telephone SIM card known as SIM Noverca to bank customers. Acotel assumes that the failure of the commercial initiative and the resulting damages were the result solely of breach of contract by ISP due to the lack of interest shown in the promotion and distribution of the product amongst its customers, which culminated in the cancellation and termination of the commercial agreements. The Bank defended itself by raising a large number of objections of a procedural natural (such as the lack of jurisdiction of the arbitrator due to the termination and/or novation of the Master Agreement that contained the arbitration clause, the lack of standing to sue due to the fact that the party to the commercial agreements was not Acotel Group but rather its subsidiary Noverca Italia and the lack of interest in taking action due to the fact that cancellation of the commercial contract was the consequence of lawful exercise of an expressly established prerogative). On the merits, ISP argued that the reasons for the transaction's lack of success may be found to lie in the technological inadequacy of the SIM card, which was rapidly rendered obsolete by the development of other, more attractive propositions on the market and the low level of competitiveness of the rate scheme, both of which were problems that Noverca was unable to overcome. Due to the lack of interest in proceeding with the arbitration shown by Acotel (which reserved the right to take action in the ordinary courts) and its consequent inactivity, the Chamber of Arbitration of Milan declared the proceedings closed by decision of 10 June 2014. At present, Acotel has yet to take action in the ordinary courts.

POTROŠAČ litigation against PBZ relating to loans denominated in CHF. In the context of historically low interest rates on assets denominated in Swiss francs (CHF), starting from 2004, numerous Croatian banks have disbursed retail loans in Swiss francs. This practice was immediately appreciated by customers. Therefore, in order to avoid erosion of market share, PBZ also began to offer similar products in February 2005.
Though it was following market trends, PBZ implemented procedures significantly different than those of other banks. In particular, in informing its customers of exchange rate risk, PBZ included specific clauses in its loan contracts which notified customers of the possibility that the amount of their instalments could change due to the volatility of exchange rates.
In addition to foreign currency, a fundamental characteristic of this loan portfolio is the presence of so-called "administered interest rate", which means that interest rates could be changed at the discretion of the Bank, without a clearly identified underlying index. This type of interest rate was the most common type in the Croation banking sector along with fixed interest rates. Only with the introduction of the new law on consumer credit administered interest rates were banned for all new loans starting from January 2013. PBZ correctly complied with these law provisions by introducing index-linked interest rates.
By writ of summons served on 23 April 2012, PBZ was sued, along with seven major Croatian banks (subsidiaries of non-Croation groups) by a consumer association (Potroša**č**). Extremely in brief, the association called for the banks to be sentenced for:
– not having appropriately informed customers of the risks of an exposure in a foreign currency such as the Swiss franc;
– not having clearly set out in the contracts the rules for determining the interest rate, which the bank could unilaterally change.
On 4 July 2013, in the first instance, the Commercial Court of Zagreb had substantially accepted the requests of the consumers association, ordering the banks to transform their receivables into Kuna at the exchange rate at the disbursement date and to a fixed interest rate equal to the interest rate applicable to loan contracts on the date of their subscription.
The execution of the first instance ruling had been suspended pending the judgment on the appeal.
On 16 July 2014, the High Commercial Court of the Republic of Croatia rendered its judgment of the second instance. This judgment is currently being reviewed by the Croatian subsidiary's legal counsel with the aim of assessing all of its implications.
In effect, the judgment modifies the decision of the first instance, upholding the legal applicability of the foreign exchange rate clause that effectively ties the repayment of principal and interest (made in the local currency, the Croatian kuna) to the reference currency (in the case at hand, Swiss francs). This releases the bank from the primary risk, which involved the presumed need to recalculate the exposures and payments using the exchange rate as at the date of disbursement.
The judgment also agrees that the banks were not entitled to modify the interest rates applied on the basis of their internal decisions alone. At the same time, the judgment does not require that the rates be restored to their original values.
An additional important element brought to light by the judgment is the fact that recourse to class action is excluded. Essentially, in order to obtain compensation, customers will need to sue the bank individually and not on a collective basis.
In the cases previously taken to the courts, the various local judges have always ruled in the banks' favour.
PBZ is also considering the possibility of appealing the decision before the Supreme Court of the Republic of Croatia.

Istituto per il Credito Sportivo – Istituto per il Credito Sportivo is a public entity with both private (banks and insurance companies) and public owners. The Institute has been in extraordinary administration since 28 December 2011 owing to governance issues.
The appointed administrators, considering it to be a part of their duties, have sought to re-open the question of the origin of and title to the funds for specific purposes allocated in 2004-2005. This process of reconstruction resulted in the approval (in 2005) by Ministerial Decree of new Articles of Association for ICS, clarifying the principles for allocating and assigning the resources generated by operations to capital.
Upon the administrators' initiative, in 2012 the Prime Minister's Office opened proceedings for the cancellation of the ICS Articles of Association of 2005 and of the related approval decree.
On 12 March 2013 the Prime Minister's Office announced adoption by the "Ministry for Regional Affairs, Tourism and Sport" and the "Ministry for Cultural Heritage and Activities", in concert with the "Ministry for the Economy and Finance", of the Interministerial Decree of 6 March 2013 declaring cancellation of the ICS Articles of Association of 2005. Along with the Institute's other private owners, the Bank appealed the Decree authorising cancellation before the Regional Administrative Court of Lazio. However, the application was denied, and this decision was then in turn appealed by the applicants.
On 16 April 2013, the administrators gave notice that they had initiated the procedure for automatic cancellation of the resolutions authorising distribution of dividends from 2005 to 2010, as well as the determination of a new allocation. The September 2013 decision was then also appealed by the private owners before the Regional Administrative Court of Lazio, which, however, recently found that it lacked jurisdiction.
On 19 April 2014, ICS' new Articles of Association (2014 Articles of Association) were published in Italy's Official Journal. This new

version includes the results of the recalculation of ownership stakes performed by the Ministry of the Economy and Finance on a presumptive basis and according to a technically objectionable methodological approach. The interests held by the private stakeholders have been reduced from the previous 73% to the current approximately 11%.
Naturally, the private owners lodged an additional appeal against this decision before the Regional Administrative Court of Lazio: the judges did not approve the application for a stay, but rather solicited the parties to apply for a hearing on the merits in short order.
Considering that the 2014 Articles of Association, despite being subject to appeal, currently remain in effect, a negative impact of 37 million euro has been recognised as a result of the Bank's changed equity interest in the Institute.
On the basis of opinions from qualified experts, the Bank currently does not believe that it is necessary to provision for the risks associated with the civil suit seeking restitution of the 2005-2010 dividends.

Tax litigation

With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2013 consolidated financial statements.
In regard to developments during the period ended 30 June 2014, the Torino office of the Italian Revenue Agency issued an assessment notice to Intesa Sanpaolo for the year 2009 concerning a series of transactions, subject to audit with respect to the 2007-2011 period, implemented for recapitalisation purposes by issuing innovative equity instruments (preference shares) through international subsidiaries (LLCs based in Delaware, USA). The allegation formulated in the assessment notice, which is to be regarded as unfounded, is that the subordinated deposits in place between the international subsidiaries and the Parent Company can be reclassified as loans, subject to 12.50% final withholding tax pursuant to the last paragraph of art. 26 of Italian Presidential Decree no. 600/1973. The claim put forth in the above assessment notice, which is currently under appeal, amounts to approximately 38 million euro in withholdings, penalties and interest.
With respect to the other Group companies, it bears noting that Setefi reached an administrative settlement of the assessment notices associated with the allegation – also involving other banking groups – regarding the reorganisation transaction by the VISA Group undertaken in July 2004, which gave rise to VISA Europe Ltd., according to which that transaction purportedly entailed the contribution to the latter of intangible assets yielding an unreported capital gain on which taxes were not paid. Although significant arguments could be made against the allegations, the result may nonetheless be regarded as particularly advantageous and financially expedient, considering the risks and expense of a tax dispute involving especially complex technical subject matter entailing problems of international tax law for which there is a lack of specific case-law precedents. Moreover, the other banks affected by the same allegations have also adhered to the settlement to the extent of their respective involvement.

INSURANCE RISKS

Life business

The typical risks of the life insurance portfolio 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).
Actuarial and demographic risks are controlled 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 as well as overall verifications, by comparing results with the estimates produced on a monthly basis.
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.

Non-life business

The risks of the non-life insurance portfolio are essentially premium risk and reserve risk.
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.

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Framework Resolution is the main control and monitoring instrument for market and credit risks.
The Resolution defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks, in turn measured in terms of sensitivity to variations in risk factors and Value at Risk (VaR).

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life and Fideuram Vita) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
As at 30 June 2014, the investment portfolios of Group companies, recorded at book value, amounted to 122,498 million euro. Of these, the part of 66,708 million euro relates to 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. The other component, whose risk is borne solely by the policyholders, consists of investments related to Index-linked policies, Unit-linked policies and pension funds and amounted to 55,790 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.
In terms of breakdown by asset class, net of derivative financial instruments, 93.3% of assets, i.e. approximately 62,649 million euro, were bonds, whereas assets subject to equity risk represented 1.2% of the total and amounted to 808 million euro. The remainder (3,665 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (5.1%).
The carrying value of derivatives came to approximately -414 million euro, almost entirely relating to effective management derivatives[4]. The hedging derivatives amounted to a total of approximately -7 million euro.

At the end of the first six months of 2014, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,389 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 71 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.7 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.7 years. The related portfolios of assets have a modified duration of around 5.0 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 3,349 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 3 million euro rise which partly offsets the corresponding loss on the bonds.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 5.0% of total investments and A bonds approximately 3.8%. Low investment grade securities (BBB) were approximately 82.2% of the total and the portion of speculative grade or unrated was minimal (approximately 2.3%).
A considerable portion of the BBB area is made up of securities issued by the Republic of Italy.
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks approximately made up 75.2% of the total investments, while financial companies (mostly banks) contributed almost 13.5% of exposure and industrial securities made up approximately 4.6%.

[4] ISVAP Regulation 36 of 31 January 2011 on investments defines "effective management derivatives" as all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

At the end of the second quarter of 2014, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 3,459 million euro, with 2,953 million euro due to government issuers and 506 million euro to corporate issuers (financial institutions and industrial companies).

Shareholder base, transactions with related parties and other information

Shareholder base

According to records in the Shareholders' Register and the most recent available information, as at 1 July 2014 shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (Art. 120 of the Consolidated Law on Finance "TUF") – are as follows.

Shareholder	Ordinary shares (*)	% held on ordinary share
Compagnia di San Paolo	1,506,372,075	9.708%
Blackrock Inc (1)	775,978,889	5.001%
Fondazione Cariplo	767,029,267	4.943%
Fondazione C.R. di Padova e Rovigo	659,451,562	4.250%
Ente C.R. Firenze	514,655,221	3.317%
Fondazione C.R. in Bologna	313,656,442	2.021%

(*) Held directly or indirectly.

(1) Held as assets under management.

Transactions with related parties

Procedural features

As of 31 December 2012, the Group has applied the "Regulations on the management of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", approved in June 2012 by the Management Board and Supervisory Board, upon favourable opinion by the Control Committee.
These Regulations take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, as well as the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008.

The Regulations apply to the entire Intesa Sanpaolo Group and govern the dealings with Related Parties of Intesa Sanpaolo and Associated Entities of the Intesa Sanpaolo Group with respect to the following aspects:
- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to Associated Entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention for the management of the personal interests of officers, employees and company staff, including other than Associated Entities.

Pursuant to the mentioned Regulations, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Officers and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each significant intermediary monitored with regulatory capital greater than 2% of the consolidated shareholders' equity. The following are considered to be Associated Entities for each significant bank or intermediary monitored by the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) company officers and their relative close family members up to the second degree and significant shareholdings.
As a form of self-regulation, the Bank has extended the regulations in terms of transactions with related parties, as well as those on activities involving risk and conflicts of interest with respect to Associated Entities, to shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital of over 2%, calculated only based on shares owned or under management. This approach allows closer monitoring of transactions with the main shareholders - by subjecting

them to the same requirements for assessment, approval and subsequent disclosure to the Corporate bodies and the market as for transactions with related parties and Associated Entities - and by keeping the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.

The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full and partial exemptions from the application of the regulations is also envisaged.
With regard to decision-making, the procedure distinguishes between:
– transactions involving smaller amounts: with a value of less than or equal to 250,000 euro for individuals and 1 million euro for entities (excluded from application of the regulations);
– less significant transactions: with a value higher than the small-amount thresholds (250,000 euro for individuals and 1 million euro for entities) but lower or equal to the most significant thresholds indicated below;
– more significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2 billion euro for Intesa Sanpaolo);
– strategic transactions pursuant to the Articles of Association;
– transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Related Party Transactions Committee, which has been established within the Supervisory Board and is composed of three effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Related Party Transactions Committee can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Regulations – undertaken by the Parent Company with one of its Related Parties or Associated Entities are subject to approval by the Management Board upon recommendation by the Related Party Transactions Committee, and, for strategic transactions, authorisation of the Supervisory Board is also required.
The Regulations envisage specific controls in cases where the Management Board approves a more or less significant transaction and the Supervisory Board authorises a strategic transaction, despite the negative opinion of the independent Committee.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Regulations also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Bank funding transactions carried out at market or standard conditions and intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and do not present market or standard conditions). For ordinary intragroup transactions at market conditions, reporting is on an aggregate annual basis.

Lastly, each Italian subsidiary bank, as direct recipient of the Bank of Italy's supervisory regulations, in addition to having adopted the "Group regulations on the management of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", has adopted an additional set of specific rules and procedures.
Transactions undertaken by Italian subsidiary banks with Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

For the sake of completeness, it should be noted that the Italian banks of the Intesa Sanpaolo Group must apply Article 136 of the Consolidated Law on Banking, that requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body and favourable vote of members of the control body) in order to allow the bank officers to contract obligations, directly or indirectly, with the bank of which they act as officers.
In Intesa Sanpaolo, the special decision-making procedure set forth in Article 136 of the aforementioned law – even regarding Related Parties or Associated Entities – requires a prior resolution adopted unanimously by the Management Board, with the unanimous approval of the members of the Supervisory Board. Without the approval of all the members of the control body, actuation of the transaction in question is strictly prohibited.

Furthermore, the requirements envisaged by the Italian Civil Code regarding the personal interests of Directors are confirmed, insofar as Article 2391 requires each Board Member to report every instance of interest possessed, in his/her own name or through third parties, that may be significant in carrying out his/her function, with reference to a specific transaction. In accordance with the above-mentioned 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.

Information on transactions with related parties

The transactions entered into with related parties in the first half of 2014 fall within the scope of the Group's ordinary activities and were entered into at market conditions, based on valuations of mutual economic interest, in line with the internal procedures mentioned above.

Transactions with intragroup related parties are not included in this report since they are netted at consolidated level.

Receivable and payable balances with related parties as at 30 June 2014 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.

	30.06.2014	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	4,290	0.7
Total other assets	45	0.2
Total financial liabilities	1,263	0.4
Total other liabilities	339	0.1

Equity investments in companies subject to significant influence or joint control (carried at equity), amounting to 2,128 million euro, are to be added to the foregoing balance sheet aggregates.

	30.06.2014	
	Amount (millions of euro)	**Impact** (%)
Total interest income	77	0.9
Total interest expense	-6	0.2
Total fee and commission income	36	0.9
Total fee and commission expense	-14	1.8
Total operating costs	-86	2.0

The figures in the foregoing tables include outstanding positions with respect to shareholders and the relative corporate groups that hold an interest in the Bank's capital with voting rights in excess of 2%, included among related parties on a self-regulation basis. The following table gives a breakdown of balance sheet positions in relation to shareholders.

In the first half of 2014, there were no provisions for non-performing loans related to balances with related parties and no losses were registered in the period in connection with uncollectible or non-performing loans or debt instruments due from related parties, with the exception of 190 million euro related to associates and companies subject to joint control.

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of intragroup operations, 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.

The table does not, however, show the impact of related party transactions on the Group's cash flows, as this was not significant.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given/ received and commitments
Subsidiaries not consolidated on a line-by-line basis	-	-	-	-	-	8	2	-	131	-	2	1
Companies subject to joint control and their subsidiaries	15	-	2	-	-	184	23	-	258	-	1	314
Associates and their subsidiaries	425	1	442	-	13	3,164	16	8	431	205	35	3,305
Managers, Key Managers and their related parties	-	-	-	-	-	10	-	-	11	-	-	17
Pension funds	-	-	-	-	-	-	3	-	126	-	301	-
Total	**440**	**1**	**444**	**-**	**13**	**3,366**	**44**	**8**	**957**	**205**	**339**	**3,637**
Shareholders (*)	2	-	-	-	-	24	1	-	93	-	-	248

(*) 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 – in accordance with the version of IAS 24 in effect are Bank of Qingdao Co. Ltd., NH Hotel Group S.A., Autostrade Lombarde S.p.A., Lauro Sessantuno S.p.A., Penghua Fund Management Co. Ltd., Risanamento S.p.A., A4 Holding S.p.A., Cassa di Risparmio di Fermo, Autostrada Pedemontana Lombarda, LKS 2 S.A., Tangenziali Esterne di Milano S.p.A., GCL Holdings L.P. S.a.r.l., IREN S.p.A., Termomeccanica S.p.A., Mater-BI S.p.A., Mir Capital Sca Sicar and Telco S.p.A..

The joint ventures of the period include Re Consult Infrastrutture S.p.A. and Allfunds Bank SA.

More significant transactions

During the first half of 2014 the Group did not carry out any transactions that qualified as non-ordinary "more significant transactions" and/or at non-market or non-standard conditions that would have resulted – in accordance with the Group Regulations on the management of transactions with related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group – in an obligation to publish a market disclosure document.

Other significant transactions

Relations between the Intesa Sanpaolo Group, Bank Managers, their close family members and entities controlled by them 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.

With respect to transactions with Shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), ordinary lending transactions were undertaken.

In further detail, some less significant transactions concluded during the first half of 2014 by the Parent Company or subsidiaries with related parties are reported below.
In the period, the Group granted credit facilities to the Group's Shareholders and Pension Funds, at market conditions, in order to support ordinary operations.
The most significant lending transactions undertaken with related parties during the period included grants or renewals for Assicurazioni Generali, Banca CR Firenze, Pirelli Tyre Co Ltd, Upa Servizi S.p.A., Società Produttori Sementi S.p.A., Fondo di Previdenza Personale delle Cassa di Risparmio di Firenze, Alitalia Compagnia Aerea Italiana S.p.A., Italconsult S.p.A., Euromilano S.p.A., Cascina Merlata S.p.A., Intermarine S.p.A., Mater-Biotech S.p.A., Be Solutions S.p.A. Solve, Realize & Control, Museo della Città di Bologna S.r.l., Limacorporate S.p.A, Be Consulting S.p.A., Manucor S.p.A. and other minor companies. The transactions in question were carried out at market interest rates.

With particular regard to loan grants, a total of 180 million euro of credit facilities were renewed for the subsidiary Euromilano, involving:

- the extension from 31 March 2014 to 30 September 2014 of the pool loan, of which the Group's share is 25 million euro; and
- the approval of the resolution authorising subscription for equity instruments of 60 million euro issued by the company, with the concurrent reduction and/or cancellation of a like amount of outstanding mortgage loans and real estate mortgages.

In addition, following the merger of Cascina Merlata into its parent company Euromilano S.p.A., guarantees and credit facilities were reviewed, with the transfer of outstanding credit facilities to the surviving company.
Furthermore, in addition to confirmation of the commitment to invest the residual amount (5 million euro) of the facility approved in 2013, a new investment of up to 10 million euro in a company in which Euromilano has an indirect interest was approved.

The financing transaction regarding the subsidiary Manucor S.p.A. involves:

- the conversion of part of Intesa Sanpaolo's medium-/long-term loan into 15 million euro of new participatory debt financial instruments issued by the company;
- the rescheduling with partial transformation of the medium-/long-term exposures of a residual amount of 46 million euro, 15 million euro of which was transformed into a mandatory convertible loan;
- the renegotiation of the repayment plan (waterfall) in relation to the expected equity value.

In the case of R.C.N. Finanziaria S.p.A., the convertible shareholders' loan of 6 million euro was renewed on 15 January 2014. It should be remembered that there is also a second outstanding convertible shareholders' loan of 7 million euro.

In October 2013, Intesa Sanpaolo's Management Board approved a detailed action plan in favour of Alitalia: first, to subscribe to the increase in the share capital of the company for an amount of 26 million euro (proportionate to Intesa Sanpaolo's stake in Alitalia); second, to guarantee the underwriting of up to 50 million euro of any unsubscribed shares subject to certain conditions, which later occurred; and, third, to grant an advance of up to 50 million euro under the aforementioned underwriting commitment. The increase in the share capital was completed in December 2013, and totalled 300 million euro, with the entry of new shareholders (Poste Italiane, Unicredit, Percassi Group). Intesa Sanpaolo's commitment to the capital increase was 76 million euro.
Furthermore, in February 2013, Intesa Sanpaolo had subscribed for a portion (approximately 16 million euro) in the subordinated convertible bond loan approved by the Shareholders' Meeting of Alitalia for a maximum amount of 150 million euro and subscribed by the shareholders as to 95 million euro. As at 31 December 2013, the first expiry date for exercising the conversion option, Intesa Sanpaolo decided not to exercise this right.
Following the subscription to the capital increase and conversion of the bond loan (not converted by Intesa Sanpaolo), the interest held by Intesa Sanpaolo comes to 20.59% (19.21% directly and 1.38% through Ottobre 2008).
As part of the same financing transaction, on 3 December 2013 the Management Board approved the extension of short-term credit facilities, commitments and derivatives commitments of approximately 250 million euro through 30 June 2015, whereas on 28 January 2014 it then approved a loan of 70 million euro as part of a pool transaction of a total of 165 million euro. This financing transaction, including equity and debt, was aimed at allowing a new industrial investor to be identified. Since last spring, Intesa Sanpaolo has been engaged in negotiations in view of a partnership and merger agreement between Alitalia and Etihad Airways. To that end, subject to the successful completion of the ongoing negotiations, Intesa Sanpaolo has indicated its willingness to support the transaction by granting new lines of credit and guaranteeing its participation, to the extent of its involvement, with an equity commitment of a maximum of 300 million euro.

In the case of Autostrade Lombarde S.p.A., the Parent Company granted a shareholders' loan of 6 million euro, in a transaction that had already been authorised by the Management Board in October 2013. The resolution in question also extended to the request from the subsidiary to disburse an additional shareholders' loan of 1.5 million euro, drawing on Intesa Sanpaolo's commitment to grant financial support of up to 15 million euro. The Parent Company's residual commitment comes to approximately 7 million euro, of which 4 million euro (maturing in June 2022) consists of commitments to capitalise and provide shareholders' loans to Autostrade Lombarde to cover the obligations assumed by Autostrade Lombarde S.p.A. towards its subsidiary Tangenziale Esterna S.p.A..

In the case of Tangenziali Esterne di Milano S.p.A., in April the sum of 25 million euro was paid in connection with the remainder of the capital increase (75%) subscribed on 22 November 2013, for a total of approximately 33 million euro.

In the case of the subsidiary Nuovo Trasporti Viaggiatori S.p.A., on 17 June the Management Board authorised:
- subscription to the standstill agreement for the company until 31 December 2014. The agreement refers to the principal, interest and fees provided for in the loan and lease agreements;
- classification of the latter's positions with several Group companies as substandard;
- subscription to a new equity commitment of a total of 10 million euro, in proportion to the equity investment held, up to a maximum of approximately 2 million euro;
- the restoration of the main provisions of the shareholders' agreements that expired in 2013 for a period consistent with the term of the financing transaction; and
- the transfer of the equity investment in the company from IMI Investimenti to the Parent Company. This transfer took place on 24 July.

As regards extraordinary corporate transactions, following the approval obtained at the shareholders' meeting of NH Hotel Group S.A. (formerly NH Hoteles S.A.) on 26 June 2014 regarding the capital increase reserved for Intesa Sanpaolo, the Parent Company executed the capital increase by contributing its entire shareholding owned in NH Italia S.p.A., representing 44.5% of the latter's share capital, to NH.
As a result of the execution of the capital increase, Intesa Sanpaolo now holds, directly and indirectly, a shareholding equal to approximately 16% of NH's share capital.
Intesa Sanpaolo's consolidated net income has recorded a positive contribution of 47 million euro from the transaction.

With a view to simplifying the equity investment portfolio, on 18 June the deed was signed for the merger by incorporation of Agriventure S.p.A. into Mediocredito Italiano S.p.A.. The merger took effect on 1 July. In accordance with the Business Plan's objectives, the new merger reinforces the leading role in specialised credit and advice services and proposes an integrated range of medium-/long-term lending, leasing, factoring and agribusiness, thereby expanding the SME Finance Hub, the Group's business support centre.

Supply contracts and other transactions of a commercial nature included those between SETEFI and NH Italia concerning payment services and between ISGS and Telecom Italia regarding the renewal of telephone services.

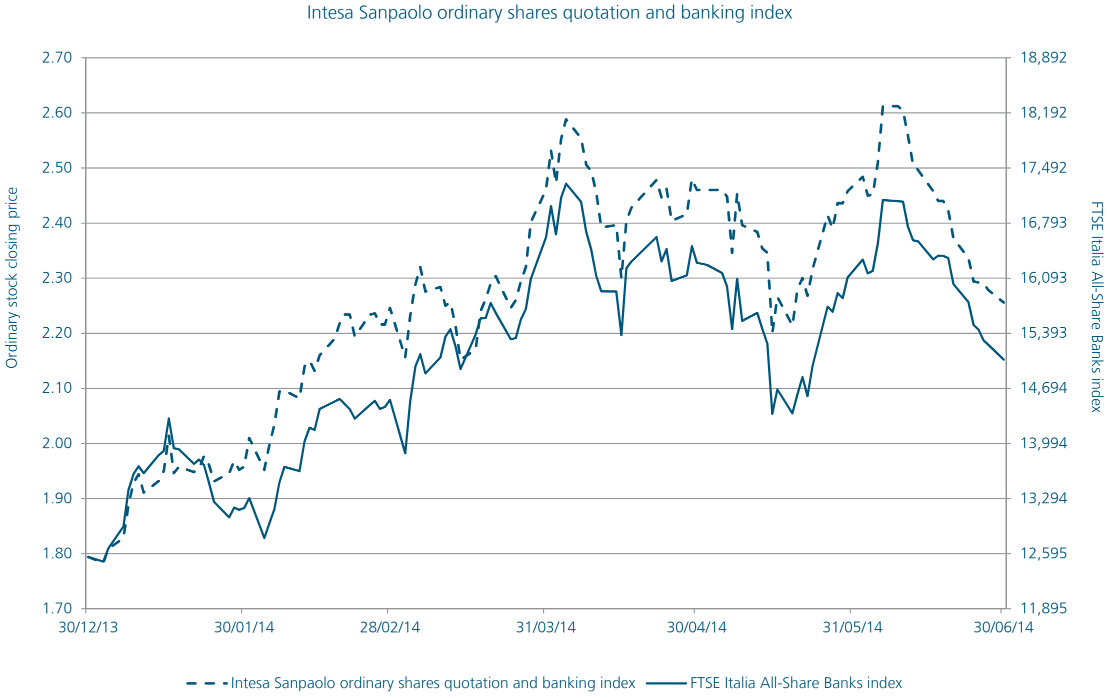
Other significant information

In the case of the subsidiary Risanamento, an event triggering early conversion of the Risanamento mandatory convertible bond occurred on 12 May 2014. The conversion of the bond into shares for 96 million euro brought the Parent Company's interest to 48.877%.
In terms of investments carried at equity, approximately 11 million euro in adjustments were recorded for Trasporto Viaggiatori S.p.A., 8 million euro for Euromilano S.p.A., 4 million euro for ISM Investimenti and 2 million euro for Leonardo Technology S.p.A.
For pension funds benefiting the Group's employees in which Intesa Sanpaolo is co-obliged by virtue of guarantees given, payments were made during the period for the settlement of the technical imbalance of the Complementary Pension Fund for employees of Banco di Napoli - Section A, already recognised in the 2013 financial statements. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

Stock price performance

After a first quarter characterised by an increased appetite for risk amongst investors, which allowed indices to reach their period peaks in early April, in the April-May period the markets were affected by renewed geopolitical risk (following the crisis in Ukraine and the tensions in the Middle East), uncertainties relating to the results of the elections for the European Parliament and conflicting signals regarding the economic recovery. Nonetheless, the half-year closed with a positive performance compared to the end of the previous year, owing in part to the measures announced in early June by the ECB, which extended its accommodating monetary policy, most probably until the end of 2016. In the first half of 2014, the European banking index was up 3.6%, essentially in line with the Eurostoxx 50 (3.8%).
During the first three months of the year, the Italian banking sector index benefited from a significant reduction of sovereign risk, as well as the first signs of an economic recovery, reaching a high for the period in early April (+37.9% compared to the end of the previous year). The second quarter was then characterised by the launch of a number of recapitalisation transactions, which partly absorbed the liquidity available on the market. The Italian banking index closed the first half of 2014 up by 20% compared to the end of the previous year, outperforming the European banking index by 16.4%.
In the first half of 2014, the performance of Intesa Sanpaolo ordinary shares mirrored that of banking sector indices, with a strong upward trend in the first quarter, fluctuation in April, a downward trend in the first half of May, a recovery in the first ten days of June, when the peak was reached, and then a decline that brought the shares to close the half-year down compared to the end of March but up by 25.8% compared to the end of 2013. The price of Intesa Sanpaolo savings shares increased by 32.7% at the end of June 2014 compared to the end of 2013. The discount with respect to ordinary shares decreased to approximately 14% at the end of June 2014 from 18% at the end of 2013.

Intesa Sanpaolo's capitalisation rose to 36.8 billion euro at the end of June 2014, from 29.2 billion euro at the end of 2013.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares carrying different rights for the allocation of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share. Net income attributable to both ordinary and savings shares was determined considering the most recent dividends attributed to each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, to the same extent to all 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 is calculated considering the effect of any future issues of ordinary shares.

	30.06.2014		30.06.2013	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,481,944,993	932,490,561	15,484,438,410	932,031,535
Income attributable to the various categories of shares *(millions of euro)*	679	41	389	34
Basic EPS (*euro*)	0.04	0.04	0.03	0.04
Diluted EPS (*euro*)	0.04	0.04	0.03	0.04
Basic EPS annualised (*) (*euro*)	0.09	0.09	0.05	0.07
Diluted EPS annualised (*) (*euro*)	0.09	0.09	0.05	0.07

(*) Income is not indicative of the forecast net income for the year, since it is obtained by annualising the net income for the period.

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 significantly affected by the external factors that influence stock prices. Even for the Intesa Sanpaolo Group, the performance of the index – as at 30 June 2014 indicated in relation to both average figures and year-end figures – was significantly impacted by market trends.

(millions of euro)

	30.06.2014	1st half 2014	2013	2012	2011	2010
Market capitalisation	36,798	36,923	24,026	20,066	27,006	31,209
Shareholders' equity	44,258	44,387	46,918	48,327	50,287	53,107
Price / book value	**0.83**	**0.83**	**0.51**	**0.42**	**0.54**	**0.59**

Ratings

On 18 February 2014 Moody's confirmed the long and short-term ratings of Intesa Sanpaolo at "Baa2/P-2" and improved the outlook on the long-term rating from negative to stable, following a similar change in Italy's rating on 14 February 2014. On 8 April 2014, the agency confirmed its long- and short-term ratings at "Baa2/P-2" and the bank's individual rating at "D+/baa3" while improving its outlook on the individual rating from negative to "stable". Moody's ratings for the bank all have a stable outlook. On 29 May 2014, Moody's once again confirmed its long-term rating at "Baa2" with a stable outlook for Intesa Sanpaolo.

On 13 May 2014, Fitch confirmed Intesa Sanpaolo's long- and short-term ratings of the bank at "BBB+/F2", with an improvement in outlook from negative to stable. The agency also confirmed its viability rating at "bbb+". The decision followed the improvement of its outlook for Italy from negative to stable on 25 April 2014.

On 17 June 2014, S&P confirmed its long- and short-term ratings at "BBB/A-2" and negative outlook for Intesa Sanpaolo, following a similar decision for the rating of the Republic of Italy on 6 June.

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

(*) Stable trend.

(**) Stable outlook

Forecast for the year

The moderate expansion of the global economy should also continue throughout the rest of 2014, with a greater convergence of the growth rates of advanced economies and the absence of inflationary pressure. Growth is forecast to strengthen in the Eurozone. Italy will be positively affected, albeit with expansion rates that will remain modest.
Monetary policies will continue to be highly expansive during the second half of the year as well. The United States will gradually taper off its quantitative stimulus programme by October, but official rates will not be changed for the entire year. However, the European Central Bank may decide to introduce new stimulus measures during the final months of the year if performance of the economy is disappointing and if inflation continues to show negative trends. Medium and long-term interest rates are expected to resume the gradual upward trend which began in 2013, in view of the upcoming hike in official US rates. Expectations indicate that this could strengthen the US dollar on the currency markets.
Based on the trend of cyclical indicators, specifically in the BRICS group, and taking into consideration the economic policies adopted in various countries to offset the first-quarter slowdown, growth in the emerging countries is expected to resume during the second half of the year, although at a lower overall rate for 2014 compared to forecasts at the end of 2013.
In countries where the Group operates through subsidiaries, good performance of the real economy is expected in the CEE area, specifically Hungary, Slovakia and Slovenia. On the other hand, a stabilisation period is expected in the SEE countries, with Croatia's GDP still down during the year. The floods last spring will result in a drop in GDP in Serbia as well, with a sharp slowdown in Bosnia. In countries of the CIS area, the geopolitical tensions give rise to expectations of stagnation in Russia and a new recession in Ukraine.
In Egypt, stabilisation of the internal political scenario is expected to lead to a gradual recovery of the economy, which should accelerate once again compared to the modest percentage in 2013 (1.6%).
As regards the Italian banking system, the second half of 2014 will see continued weakness in the credit market, squeezed by lack of demand and prudent supply, given the high percentage of non-performing loans and the in-depth assessment of banks launched by the ECB. Fundamental factors indicate that the growth of lending will occur several quarters after the economy recovers. New, targeted, long-term refinancing transactions could contribute to further improvement of the supply conditions on the credit market.
In terms of funding, a very moderate growth is forecast for deposits, whilst the overall performance will feel the effect of households' portfolio reallocation process in favour of asset management. In a scenario characterised by prudent credit access conditions, improving but still characterised by a strong focus, rates on loans are expected to remain unyielding, while the gradual easing of the cost of funding may continue.

In 2014, the Intesa Sanpaolo Group will continue to prioritise the delivery of sustainable results. Attention will be strongly focused on actions aimed at strengthening the capital base and constantly improving the profile of risk and liquidity, as well as on profitability targets.
The Group's efficiency, productivity and asset quality will be addressed constantly. Repricing actions are also planned for 2014 and will make it possible to partially limit the impact of an expected negative environment on market rates.

The Management Board

Milan, 1 August 2014

Certification of the half-yearly condensed consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina (as Managing Director and CEO) and Ernesto Riva (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   - the adequacy in relation to the Company's features and
   - the actual application

   of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements, in the first half of 2014.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements as at 30 June 2014 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[5].

3. The undersigned also certify that:

   3.1 The half-yearly condensed consolidated financial statements as at 30 June 2014:
   - 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 half-yearly report on operations contains indications of the most significant events in the first six months of the year and their impact on the half-yearly condensed consolidated financial statements, together with a description of the main risks and uncertainties faced in the remaining six months of the year as well as information on significant related party transactions.

1 August 2014

Carlo Messina
Managing Director and CEO

Ernesto Riva
Manager responsible for preparing
the Company's financial reports

[5] 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

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(Translation from the Italian original which remains the definitive version)

Auditors' report on review of condensed interim consolidated financial statements

To the shareholders of
Intesa Sanpaolo S.p.A.

1 We have reviewed the condensed interim consolidated financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2014, comprising the consolidated balance sheet, consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated equity, consolidated statement of cash flows and explanatory notes thereto. The parent's management board is responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information about the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with bank management and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements present the corresponding prior year annual and condensed interim consolidated financial statements figures for comparative purposes. As disclosed in the explanatory notes to the condensed interim consolidated financial statements, the parent's management board restated some of the corresponding figures included in the prior year annual and condensed interim consolidated financial statements. We audited such consolidated financial statements and reviewed such condensed interim financial statements and issued our reports thereon on 3 April 2014 and 8 August 2013, respectively. We have examined the methods used to restate the prior year corresponding figures and related disclosures set out in the explanatory notes for the purposes of preparing this report.

KPMG

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2014 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 7 August 2014

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments

Reconciliation between consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2013 and adjusted consolidated balance sheet as at 31 December 2013

(millions of euro)

Assets		31.12.2013 Published (*)	Effects of IAS 10 application	31.12.2013 Adjusted
10.	Cash and cash equivalents	6,525	-	6,525
20.	Financial assets held for trading	49,013	-13	49,000
30.	Financial assets designated at fair value through profit and loss	37,655	-1,894	35,761
40.	Financial assets available for sale	115,302	-	115,302
50.	Investments held to maturity	2,051	-	2,051
60.	Due from banks	26,673	-192	26,481
70.	Loans to customers	343,991	32	344,023
80.	Hedging derivatives	7,534	-	7,534
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	-	69
100.	Investments in associates and companies subject to joint control	1,991	-	1,991
110.	Technical insurance reserves reassured with third parties	14	-	14
120.	Property and equipment	5,056	-	5,056
130.	Intangible assets	7,471	-	7,471
	of which			
	- goodwill	3,899	-	*3,899*
140.	Tax assets	14,921	-	14,921
	a) current	3,942	-	*3,942*
	b) deferred	10,979	-	*10,979*
	- of which convertible into tax credit (Law no. 214/2011)	8,644	-	*8,644*
150.	Non-current assets held for sale and discontinued operations	108	-	108
160.	Other assets	7,909	-37	7,872
Total Assets		**626,283**	**-2,104**	**624,179**

(*) Figures originally published in the Annual Report 2013

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2013 Published (*)	Effects of IAS 10 application	31.12.2013 Adjusted
10.	Due to banks	52,244	-	52,244
20.	Due to customers	228,890	167	229,057
30.	Securities issued	138,051	146	138,197
40.	Financial liabilities held for trading	39,268	-49	39,219
50.	Financial liabilities designated at fair value through profit and loss	30,733	-	30,733
60.	Hedging derivatives	7,590	-	7,590
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,048	-	1,048
80.	Tax liabilities	2,236	-	2,236
	a) current	*897*	-	*897*
	b) deferred	*1,339*	-	*1,339*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100.	Other liabilities	14,690	-2,373	12,317
110.	Employee termination indemnities	1,341	-	1,341
120.	Allowances for risks and charges	2,898	-	2,898
	a) post employment benefits	*738*	-	*738*
	b) other allowances	*2,160*	-	*2,160*
130.	Technical reserves	62,236	-	62,236
140.	Valuation reserves	-1,074	-	-1,074
150.	Reimbursable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	10,721	-	10,721
180.	Share premium reserve	30,934	-	30,934
190.	Share capital	8,546	-	8,546
200.	Treasury shares (-)	-62	5	-57
210.	Minority interests (+/-)	543	-	543
220.	Net income (loss)	-4,550	-	-4,550
Total Liabilities and Shareholders' Equity		**626,283**	**-2,104**	**624,179**

(*) Figures originally published in the Annual Report 2013

Reconciliation between published consolidated income statement as at 30 June 2013 and adjusted consolidated income statement as at 30 June 2013

(millions of euro)

	First half 2013 Published (*)	Effects of IFRS 5 application Sale of Pravex Bank (a)	Effects of IAS 10 application	First half 2013 Adjusted
10. Interest and similar income	8,838	-17	-152	8,669
20. Interest and similar expense	-3,905	16	-5	-3,894
30. Interest margin	**4,933**	**-1**	**-157**	**4,775**
40. Fee and commission income	3,597	-9	52	3,640
50. Fee and commission expense	-763	1	2	-760
60. Net fee and commission income	**2,834**	**-8**	**54**	**2,880**
70. Dividend and similar income	161	-	-22	139
80. Profits (Losses) on trading	444	-1	-1	442
90. Fair value adjustments in hedge accounting	-34	-	-	-34
100. Profits (Losses) on disposal or repurchase of	397	-	-	397
a) loans	*-3*	-	-	*-3*
b) financial assets available for sale	*476*	-	-	*476*
c) investments held to maturity	-	-	-	-
d) financial liabilities	*-76*	-	-	*-76*
110. Profits (Losses) on financial assets and liabilities designated at fair value	157	-	168	325
120. Net interest and other banking income	**8,892**	**-10**	**42**	**8,924**
130. Net losses / recoveries on impairment	-2,522	6	-	-2,516
a) loans	*-2,359*	*6*	-	*-2,353*
b) financial assets available for sale	*-177*	-	-	*-177*
c) investments held to maturity	-	-	-	-
d) other financial activities	*14*	-	-	*14*
140. Net income from banking activities	**6,370**	**-4**	**42**	**6,408**
150. Net insurance premiums	4,849	-	-	4,849
160. Other net insurance income (expense)	-5,646	-	-45	-5,691
170. Net income from banking and insurance activities	**5,573**	**-4**	**-3**	**5,566**
180. Administrative expenses	-4,162	21	3	-4,138
a) personnel expenses	*-2,490*	*13*	-	*-2,477*
b) other administrative expenses	*-1,672*	*8*	*3*	*-1,661*
190. Net provisions for risks and charges	-67	-	-	-67
200. Net adjustments to / recoveries on property and equipment	-224	2	-	-222
210. Net adjustments to / recoveries on intangible assets	-363	2	-	-361
220. Other operating expenses (income)	308	-	-	308
230. Operating expenses	**-4,508**	**25**	**3**	**-4,480**
240. Profits (Losses) on investments in associates and companies subject to joint cc	-73	-	-	-73
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
260. Goodwill impairment	-	-	-	-
270. Profits (Losses) on disposal of investments	5	-	-	5
280. Income (Loss) before tax from continuing operations	**997**	**21**	**-**	**1,018**
290. Taxes on income from continuing operations	-560	3	-	-557
300. Income (Loss) after tax from continuing operations	**437**	**24**	**-**	**461**
310. Income (Loss) after tax from discontinued operations	-	-24	-	-24
320. Net income (loss)	**437**	**-**	**-**	**437**
330. Minority interests	-15	-	-	-15
340. Parent Company's net income (loss)	**422**	**-**	**-**	**422**

(*) Figures originally published in the Half-yearly report as at 30 June 2013

(a) Economic results for the first half of 2013 of the Ukrainian subsidiary Pravex Bank, the Parent Company's sale of which will be finalised in the second half of 2014.

Reconciliation between adjusted consolidated financial statements and restated consolidated financial statements

Reconciliation between adjusted consolidated balance sheet as at 31 December 2013 and restated consolidated balance sheet as at 31 December 2013

(millions of euro)

Assets		31.12.2013 Adjusted	Discontinued operations (a)	31.12.2013 Restated
10.	Cash and cash equivalents	6,525	-62	6,463
20.	Financial assets held for trading	49,000	-	49,000
30.	Financial assets designated at fair value through profit and loss	35,761	-	35,761
40.	Financial assets available for sale	115,302	-9	115,293
50.	Investments held to maturity	2,051	-	2,051
60.	Due from banks	26,481	-33	26,448
70.	Loans to customers	344,023	-234	343,789
80.	Hedging derivatives	7,534	-	7,534
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	-	69
100.	Investments in associates and companies subject to joint control	1,991	-82	1,909
110.	Technical insurance reserves reassured with third parties	14	-	14
120.	Property and equipment	5,056	-29	5,027
130.	Intangible assets	7,471	-20	7,451
	of which			
	- goodwill	*3,899*	-	*3,899*
140.	Tax assets	14,921	-	14,921
	a) current	*3,942*	-	*3,942*
	b) deferred	*10,979*	-	*10,979*
	- of which convertible into tax credit (Law no. 214/2011)	*8,644*	-	*8,644*
150.	Non-current assets held for sale and discontinued operations	108	475	583
160.	Other assets	7,872	-6	7,866
Total Assets		**624,179**	**-**	**624,179**

[a] Restatement of discontinued operations, in accordance with reclassifications made in the Income Statement under IFRS 5 instructions. The item refers mainly to the Parent Company's sale of the Ukrainian subsidiary Pravex Bank, to be finalised in the second half of 2014, and of the associate Laurosessantuno.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2013 Adjusted	Discontinued operations (a)	31.12.2013 Restated
10.	Due to banks	52,244	-	52,244
20.	Due to customers	229,057	-280	228,777
30.	Securities issued	138,197	-	138,197
40.	Financial liabilities held for trading	39,219	-	39,219
50.	Financial liabilities designated at fair value through profit and loss	30,733	-	30,733
60.	Hedging derivatives	7,590	-	7,590
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,048	-	1,048
80.	Tax liabilities	2,236	-	2,236
	a) current	*897*	-	*897*
	b) deferred	*1,339*	-	*1,339*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	292	292
100.	Other liabilities	12,317	-12	12,305
110.	Employee termination indemnities	1,341	-	1,341
120.	Allowances for risks and charges	2,898	-	2,898
	a) post employment benefits	*738*	-	*738*
	b) other allowances	*2,160*	-	*2,160*
130.	Technical reserves	62,236	-	62,236
140.	Valuation reserves	-1,074	-	-1,074
150.	Redeemable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	10,721	-	10,721
180.	Share premium reserve	30,934	-	30,934
190.	Share capital	8,546	-	8,546
200.	Treasury shares (-)	-57	-	-57
210.	Minority interests (+/-)	543	-	543
220.	Net income (loss)	-4,550	-	-4,550
Total Liabilities and Shareholders' Equity		**624,179**	**-**	**624,179**

[a] Restatement of discontinued operations, in accordance with reclassifications made in the Income Statement under IFRS 5 instructions. The item refers mainly to the Parent Company's sale of the Ukrainian subsidiary Pravex Bank, to be finalised in the second half of 2014.

Reconciliation between adjusted consolidated income statement as at 30 June 2013 and restated consolidated income statement as at 30 June 2013

The adjusted consolidated income statement as at 30 June 2013 did not require restatement.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		30.06.2014	31.12.2013 restated	Changes amount	Changes %
10.	Cash and cash equivalents	7,347	6,463	884	13.7
20.	Financial assets held for trading	52,071	49,000	3,071	6.3
30.	Financial assets designated at fair value through profit and loss	38,459	35,761	2,698	7.5
40.	Financial assets available for sale	118,350	115,293	3,057	2.7
50.	Investments held to maturity	1,455	2,051	-596	-29.1
60.	Due from banks	30,882	26,448	4,434	16.8
70.	Loans to customers	332,211	343,789	-11,578	-3.4
80.	Hedging derivatives	8,541	7,534	1,007	13.4
90.	Fair value change of financial assets in hedged portfolios (+/-)	63	69	-6	-8.7
100.	Investments in associates and companies subject to joint control	2,128	1,909	219	11.5
110.	Technical insurance reserves reassured with third parties	25	14	11	78.6
120.	Property and equipment	4,910	5,027	-117	-2.3
130.	Intangible assets	7,290	7,451	-161	-2.2
	of which				
	- goodwill	*3,899*	*3,899*	-	-
140.	Tax assets	14,973	14,921	52	0.3
	a) current	*4,393*	*3,942*	*451*	*11.4*
	b) deferred	*10,580*	*10,979*	*-399*	*-3.6*
	- of which convertible into tax credit (Law no. 214/2011)	*8,157*	*8,644*	*-487*	*-5.6*
150.	Non-current assets held for sale and discontinued operations	369	583	-214	-36.7
160.	Other assets	9,231	7,866	1,365	17.4
Total Assets		**628,305**	**624,179**	**4,126**	**0.7**

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2014	31.12.2013	Changes	
			restated	amount	%
10.	Due to banks	34,557	52,244	-17,687	-33.9
20.	Due to customers	233,343	228,777	4,566	2.0
30.	Securities issued	136,832	138,197	-1,365	-1.0
40.	Financial liabilities held for trading	41,183	39,219	1,964	5.0
50.	Financial liabilities designated at fair value through profit and loss	33,441	30,733	2,708	8.8
60.	Hedging derivatives	8,846	7,590	1,256	16.5
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,344	1,048	296	28.2
80.	Tax liabilities	2,593	2,236	357	16.0
	a) current	*1,052*	*897*	*155*	*17.3*
	b) deferred	*1,541*	*1,339*	*202*	*15.1*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	203	292	-89	-30.5
100.	Other liabilities	15,802	12,305	3,497	28.4
110.	Employee termination indemnities	1,448	1,341	107	8.0
120.	Allowances for risks and charges	3,246	2,898	348	12.0
	a) post employment benefits	*917*	*738*	*179*	*24.3*
	b) other allowances	*2,329*	*2,160*	*169*	*7.8*
130.	Technical reserves	70,694	62,236	8,458	13.6
140.	Valuation reserves	-1,241	-1,074	167	15.5
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,261	10,721	-1,460	-13.6
180.	Share premium reserve	27,020	30,934	-3,914	-12.7
190.	Share capital	8,549	8,546	3	0.0
200.	Treasury shares (-)	-51	-57	-6	-10.5
210.	Minority interests (+/-)	515	543	-28	-5.2
220.	Net income (loss)	720	-4,550	5,270	
Total Liabilities and Shareholders' Equity		**628,305**	**624,179**	**4,126**	**0.7**

Restated consolidated income statement

The consolidated income statement did not require restatement.

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the consolidated balance sheet - Assets	30.06.2014	31.12.2013 restated
Financial assets held for trading		52,071	49,000
	Caption 20 - Financial assets held for trading	*52,071*	*49,000*
Financial assets designated at fair value through profit and loss		38,459	35,761
	Caption 30 - Financial assets designated at fair value through profit and loss	*38,459*	*35,761*
Financial assets available for sale		118,350	115,293
	Caption 40 - Financial assets available for sale	*118,350*	*115,293*
Investments held to maturity		1,455	2,051
	Caption 50 - Investments held to maturity	*1,455*	*2,051*
Due from banks		30,882	26,448
	Caption 60 - Due from banks	*30,882*	*26,448*
Loans to customers		332,211	343,789
	Caption 70 - Loans to customers	*332,211*	*343,789*
Investments in associates and companies subject to joint control		2,128	1,909
	Caption 100 - Investments in associates and companies subject to joint control	*2,128*	*1,909*
Property, equipment and intangible assets		12,200	12,478
	Caption 120 - Property and equipment	*4,910*	*5,027*
	+ Caption 130 - Intangible assets	*7,290*	*7,451*
Tax assets		14,973	14,921
	Caption 140 - Tax assets	*14,973*	*14,921*
Non-current assets held for sale and discontinued operations		369	583
	Caption 150 - Non-current assets held for sale and discontinued operations	*369*	*583*
Other assets		25,207	21,946
	Caption 10 - Cash and cash equivalents	*7,347*	*6,463*
	+ Caption 160 - Other assets	*9,231*	*7,866*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*25*	*14*
	+ Caption 80 - Hedging derivatives	*8,541*	*7,534*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*63*	*69*
Total Assets	**Total Assets**	**628,305**	**624,179**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	30.06.2014	31.12.2013 restated
Due to banks		34,557	52,244
	Caption 10 - Due to banks	*34,557*	*52,244*
Due to customers and securities issued		370,175	366,974
	Caption 20 - Due to customers	*233,343*	*228,777*
	+ Caption 30 - Securities issued	*136,832*	*138,197*
Financial liabilities held for trading		41,183	39,219
	Caption 40 - Financial liabilities held for trading	*41,183*	*39,219*
Financial liabilities designated at fair value through profit and loss		33,441	30,733
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*33,441*	*30,733*
Tax liabilities		2,593	2,236
	Caption 80 - Tax liabilities	*2,593*	*2,236*
Liabilities associated with non-current assets held for sale and discontinued operations		203	292
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*203*	*292*
Other liabilities		25,992	20,943
	Caption 100 - Other liabilities	*15,802*	*12,305*
	+ Caption 60 - Hedging derivatives	*8,846*	*7,590*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,344*	*1,048*
Technical reserves		70,694	62,236
	Caption 130 - Technical reserves	*70,694*	*62,236*
Allowances for specific purpose		4,694	4,239
	Caption 110 - Employee termination indemnities	*1,448*	*1,341*
	Caption 120 - Allowances for risks and charges	*3,246*	*2,898*
Share capital		8,549	8,546
	Caption 190 - Share capital	*8,549*	*8,546*
Reserves (net of treasury shares)		36,230	41,598
	Caption 170 - Reserves	*9,261*	*10,721*
	Caption 180 - Share premium reserve	*27,020*	*30,934*
	– Caption 200 - Treasury shares	*-51*	*-57*
Valuation reserves		-1,241	-1,074
	Caption 140 - Valuation reserves	*-1,241*	*-1,074*
Minority interests		515	543
	Caption 210 - Minority interests	*515*	*543*
Net income (loss)		720	-4,550
	Caption 220 - Net income (loss)	*720*	*-4,550*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**628,305**	**624,179**

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	First half 2014	First half 2013 restated
Net interest income		4,204	4,052
	Caption 30 - Interest margin	*4,926*	*4,775*
	- *Caption 30 (partial) - Contribution of insurance business*	*-1,029*	*-947*
	- *Caption 30 (partial) - Interest margin (Effect of purchase price allocation)*	*6*	*14*
	+ *Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest*	*94*	*41*
	+ *Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)*	*244*	*207*
	+ *Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)*	*-35*	*-35*
	+ *Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)*	*-2*	*-3*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		11	-41
	Caption 70 - Dividend and similar income	*238*	*139*
	- *Caption 70 (partial) - Contribution of insurance business*	*-41*	*-35*
	- *Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading*	*-197*	*-74*
	+ *Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)*	*11*	*-71*
Net fee and commission income		3,311	3,033
	Caption 60 - Net fee and commission income	*3,141*	*2,880*
	- *Caption 60 (partial) - Contribution of insurance business*	*176*	*159*
	+ *Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)*	*-6*	*-6*
Profits (Losses) on trading		560	690
	Caption 80 - Profits (Losses) on trading	*228*	*442*
	+ *Caption 90 - Fair value adjustments in hedge accounting*	*-51*	*-34*
	+ *Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale*	*622*	*476*
	+ *Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities*	*-202*	*-76*
	+ *Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value*	*472*	*325*
	+ *Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading*	*197*	*74*
	- *Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest*	*-94*	*-41*
	- *Caption 80 (partial) - Contribution of insurance business*	*-612*	*-476*
Income from insurance business		499	445
	Caption 150 - Net insurance premiums	*8,487*	*4,849*
	+ *Caption 160 - Other net insurance income (expense)*	*-9,493*	*-5,691*
	+ *Caption 30 (partial) - Contribution of insurance business*	*1,029*	*947*
	+ *Caption 60 (partial) - Contribution of insurance business*	*-176*	*-159*
	+ *Caption 70 (partial) - Contribution of insurance business*	*41*	*35*
	+ *Caption 80 (partial) - Contribution of insurance business*	*612*	*476*
	- *Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS*	*-1*	*-12*
Other operating income (expenses)		-20	3
	Caption 220 - Other operating income (expenses)	*336*	*308*
	- *Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)*	*-5*	*-6*
	- *Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)*	*-343*	*-299*
	- *Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)*	*-8*	*-*
Operating income		**8,565**	**8,182**
Personnel expenses		-2,488	-2,409
	Caption 180 a) - Personnel expenses	*-2,541*	*-2,477*
	- *Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)*	*18*	*33*
	- *Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)*	*35*	*35*
Administrative expenses		-1,316	-1,340
	Caption 180 b) - Other administrative expenses	*-1,681*	*-1,661*
	- *Caption 180 b) (partial) - Other administrative expenses (Charges for integration)*	*11*	*10*
	- *Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)*	*6*	*6*
	+ *Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)*	*343*	*299*
	+ *Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)*	*5*	*6*
Adjustments to property, equipment and intangible assets		-327	-332
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-163*	*-222*
	+ *Caption 210 - Net adjustments to/recoveries on intangible assets*	*-297*	*-361*
	- *Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)*	*-*	*1*
	- *Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)*	*1*	*50*
	- *Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)*	*-8*	*-10*
	- *Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)*	*140*	*210*
Operating costs		**-4,131**	**-4,081**
Operating margin		**4,434**	**4,101**

(millions of euro)

Captions of the reclassified consolidated income statement		Captions of the consolidated income statement	First half 2014	First half 2013 restated
Operating margin			**4,434**	**4,101**
Net provisions for risks and charges			-236	-64
		Caption 190 - Net provisions for risks and charges	*-238*	*-67*
	-	*Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)*	*2*	*3*
Net adjustments to loans			-2,256	-2,548
		Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*40*	*-3*
	+	*Caption 130 a) - Net losses/recoveries on impairment of loans*	*-2,045*	*-2,353*
	-	*Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)*	*-244*	*-207*
	+	*Caption 130 d) - Net losses/recoveries on impairment of other financial activities*	*-7*	*14*
	-	*Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)*	*-*	*1*
Net impairment losses on other assets			-79	-215
	+	*Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale*	*-87*	*-177*
	+	*Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS*	*1*	*12*
	+	*Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)*	*-1*	*-50*
	+	*Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)*	*8*	*-*
Profits (Losses) on investments held to maturity and on other investments			310	2
		Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-*
	+	*Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control*	*292*	*-73*
	-	*Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)*	*-11*	*71*
	+	*Caption 270 - Profits (Losses) on disposal of investments*	*29*	*5*
	-	*Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)*	*-*	*-1*
Income (Loss) before tax from continuing operations			**2,173**	**1,276**
Taxes on income from continuing operations			-1,276	-635
		Caption 290 - Taxes on income from continuing operations	*-1,228*	*-557*
	-	*Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)*	*-9*	*-11*
	-	*Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)*	*-39*	*-67*
Charges (net of tax) for integration and exit incentives			-20	-33
	+	*Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)*	*-18*	*-33*
	+	*Caption 180 b) (partial) - Other administrative expenses (Charges for integration)*	*-11*	*-10*
	+	*Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)*	*-*	*-1*
	+	*Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)*	*9*	*11*
Effect of purchase price allocation (net of tax)			-99	-147
	+	*Caption 30 (partial) - Interest margin (Effect of purchase price allocation)*	*-6*	*-14*
	+	*Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)*	*8*	*10*
	+	*Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)*	*-140*	*-210*
	+	*Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)*	*-*	*-1*
	+	*Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)*	*-*	*1*
	+	*Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)*	*39*	*67*
Impairment (net of tax) of goodwill and other intangible assets			-	-
		Caption 260 - Goodwill impairment		
Income (Loss) after tax from discontinued operations			-22	-24
		Caption 310 - Income (Loss) after tax from discontinued operations	*-22*	*-24*
Minority interests			-36	-15
		Caption 330 - Minority interests	*-36*	*-15*
Net income (loss)		**Caption 340 - Parent Company's net income (loss)**	**720**	**422**

Glossary

GLOSSARY

The definition of certain technical terms is provided below, in the meaning adopted in the "Report" and with exclusion of the terms today widely used in the Italian language or which are used in a context that already clarifies their meaning

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

ABS (receivables)
ABS whose collateral is made up of receivables.

Acquisition finance
Leveraged buy-out financing.

Additional return
Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

AIRB (Advanced Internal Ratings-Based) Approach
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. With the Advanced Approach, banks use their own internal estimates for all inputs (PD, LGD, EAD and Maturity) used for credit risk assessment, whereas for Foundation IRB they only estimate PD.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

ALT- A - Alternative A Loan
Residential mortgages generally of "prime" category, but which, due to various factors such as LTV ratio, documentation provided, borrower's income/employment situation, type of property etc., cannot be classified as standard contracts usable in subscription programmes.
Incomplete documentation is the main reason for a loan being classified as "Alt-A".

ALT-A Agency
Securities whose collateral consists of Alt-A mortgages, guaranteed by specialised Government Agencies.

Alternative investment
Alternative investments comprise a wide range of investment products, including *private equity* and *hedge funds* (see definitions below).

Amortised cost
Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

AP – Attachment Point
Level above which a protection seller will cover the losses of a protection buyer. It is typically used in synthetic CDOs.

Arrangement fee
A fee paid for professional advice and assistance provided in the loan structuring and arranging stage.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (*mandated lead arranger, joint lead arranger, sole arranger etc.*) – coordinates the organisational aspects of the transaction.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset management
The various activities relating to the management and administration of different customer assets.

Audit
In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (*internal audit*) and independent audit firms (*external audit*).

β
The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

Back office
The unit of a bank or financial company that processes all the transactions performed by the operational units (*front office*).

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to "proprietary" trading.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
The difference between the buying and selling price of a given financial instrument or set of financial instruments.

Bookrunner
See *Lead manager* and *Joint lead manager*.

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is used in accounting principles 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.

Budget
Forecast of cost and revenue performance of a company over a period of time.

Business combinations
In accordance with international accounting standard IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, CAGR is calculated as follows: (Ending value/Starting value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the "opportunity cost" i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
Equity Tranche (B): The riskiest portion of the portfolio, it is also known as "first loss" and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
Mezzanine Tranche (B): The tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.
Senior/Super-senior Tranche (B): The tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

Captive
Term generically referring to "networks" or companies that operate in the exclusive interest of their parent company or group.

Carry trade
The carry trade is a financial transaction in which funds are procured in a country with a low cost of money and then invested in a country with high interest rates to take advantage of the difference in returns.

Cash flow hedge
Coverage against exposure to variability in cash flows associated with a particular risk.

Cash management
A banking service that in addition to informing companies on the status of their relations with the bank, is an operational tool enabling companies to transfer funds, thus leading to more efficient treasury management.

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Categories of financial instruments provided for by IAS 39
Financial assets "held-for-trading", which includes the following: any asset acquired for the purpose of selling it in the near term or part of portfolios of instruments managed jointly for the purpose of short-term profit-taking, and assets that the entity decides in any case to measure at fair value, with fair value changes recognized in profit and loss; *financial assets "held-to-maturity",* non-derivative assets with fixed term and fixed or determinable payments, that an entity intends and is able to hold to maturity; "*Loans and receivables",* non-derivative financial assets with fixed or determinable payments not quoted in an active market; *financial assets "available-for-sale",* specifically designated as such, or, to a lesser extent, others not falling under the previous categories.

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).

In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.
For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract.
Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
Debt instruments backed by mortgages on commercial real estate.

CMBX index
The same as the ABX index, the only difference being that the reference entities are CMBSs.

CMO - Collateralised Mortgage Obligation
Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

Commercial paper
Short-term notes issued in order to collect funds from third party underwriters as an alternative to other forms of indebtedness.

Consumer ABS
ABS whose collateral is made up of consumer credits.

Core Business
Main area of business on which company's strategies and policies are focused.

Core deposits
"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which it pays less than the market interest rate.

Corporate
Customer segment consisting of medium- and large-sized companies (*mid-corporate, large corporate*).

Cost/income ratio
Economic indicator consisting of the ratio of operating costs to net operating income.

Covenant
A covenant is a clause, expressly agreed upon during the contractual phase, under which a lender is entitled to renegotiate and revoke a loan upon the occurrence of the events set out in the clause, linking the debtor's financial performance to events that trigger termination/amendment of contractual conditions (maturity, rates, etc.).

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.

CPPI (Constant Proportion Insurance Portfolio)
A technique consisting of forming a portfolio of two assets, one without risk that offers a certain rate of return (risk-free) and one with risk that offers a generally higher return. The purpose of the re-balancing procedure is to prevent the value of the portfolio from falling below a predetermined level (floor), which rises at the risk-free rate over time and coincides with the capital to be guaranteed at maturity.

CR01
Referred to a credit portfolio, it indicates the change in portfolio value that would occur for a 1-basis-point increase in credit spreads.

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts for the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market, mainly by means of instruments other than cash, to acquire credit exposures of varying maturities and intensities, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

Credit enhancement
Techniques and instruments used by issuers to improve the credit rating of their issues (providing sureties, cash credit lines, etc.).

Credit risk
The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

Credit Risk Adjustment (CRA)
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used

in determining the fair value of unlisted derivative financial instruments.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

Credit/emerging markets (Funds)
Funds that invest in securities with credit risk exposure, since they are issued by financial or corporate entities, which may be located in emerging countries.

Credit-linked notes
Similar to bonds issued by a protection buyer or a special purpose vehicle whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a default event.

CreditVaR
Value that indicates an unexpected loss with respect to a credit portfolio at a specified confidence interval and a specified time horizon. CreditVaR is estimated through loss distribution and represents the difference between the average value of the distribution and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank's risk propensity.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services.

CRP (Country Risk Premium)
Expresses the component of the cost of capital aimed specifically at providing compensation for the risk implicit in a given country (namely the risk associated with financial, political and monetary instability).

Cumulative loss
Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Default
Declared inability to honour one's debts and/or make the relevant interest payments.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
(a) deductible temporary differences;
(b) the carry forward of unused tax losses; and
(c) the carry forward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base.
There are two types of temporary difference:
(d) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled; or
(e) deductible temporary difference: a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Delinquency
Failure to make loan payments at a certain date, normally provided at 30, 60 and 90 days.

Delta
Value that expresses the sensitivity of the price of the underlying asset for an option. Delta is positive for call options because the price of the option rises along with the price of the underlying asset. Delta is negative for put options because a rise in the price of the underlying asset yields a decrease in the price of the option.

Delta-Gamma-Vega (DGV VaR)
Parametric model for calculation of the VaR, able to assess both linear and non-linear risk factors.

Desk
It usually designates an operating unit dedicated to a particular activity.

Directional (Funds)
Funds that invest in financial instruments that profit from directional market movements, also through macroeconomic forecasting.

Domestic Currency Swap
Contract settled in euro, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the difference between the forward and the spot exchange rates is settled in euro.

Duration
An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a bond.

Dynamics of funding
Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time current accounts and time deposits, certificates of deposit), repo agreements and bonds (including subordinated loans). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

EAD – Exposure At Default
Relating to positions on or off balance sheet, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach are entitled to estimate EAD. The others are required to make reference to statutory estimates.

EDF – Expected Default Frequency
Frequency of default, normally based on a sample internal or external to the bank, which represents the average risk level associable with a counterparty.

Effective interest rate
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.

Embedded derivatives
Embedded derivatives are clauses (contractual terms) included in a financial instrument that generate the same effects as an independent derivative.

Embedded value
A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

Eonia (Euro overnight index average)
Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the euro area.

Equity hedge / long-short (Funds)
Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivatives contracts involving securities or market indices.

Equity origination
Increase of a company's risk capital achieved by floating a new issue of stock.

ERP (equity risk premium)
Risk premium demanded by investors in the market in question. ISP uses the risk premium calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2009) by New York University - Stern School of Business.

EVA (Economic Value Added)
An indicator that provides a snapshot of the amount of value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

Event-driven (Funds)
Funds that invest in opportunities arising out of significant events regarding the corporate sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory
Statistical methodologies that deal with extreme hypothetical deviations from median of probability distributions of specific events.

Exotics (derivatives)
Non-standard instruments unlisted on the regular markets, whose price is based on mathematical models.

Expected loss
Amount of losses on loans or receivables that an entity could sustain over a holding period of one year. Given a portfolio of loans and receivables, the expected loss represents the average value of the distribution of losses.

Facility (fee)
Fee calculated with reference to the disbursed amount of a loan.

Factoring
Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item, attributable to a particular risk.

Fair Value Option (FVO)
The Fair Value Option is one option for classifying a financial instrument.
When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

Fairness/Legal opinion
An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

FICO Score
In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the "score" to assess borrower default risk and to correctly price risk.

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Forward Rate Agreement
See "*Forwards*".

Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the

receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office
The divisions of a company designed to deal directly with customers.

Fundamental Valuation
Stock price analysis performed by estimating the fair value of stocks and comparing it with their market value.

Funding
The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "Terminal value".

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Greeks
Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Harmonised mutual funds
Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering quotas to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

Hedge fund
Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HELs – Home Equity Loans
Loans granted up to the current market value of the real estate property used as collateral (therefore with a loan-to-value ratio higher than the ordinary thresholds), by means of first or second lien mortgages. Standard & Poor's considers Subprime and Home Equity Loan largely synonymous when the home equity loan borrowers have low credit score (FICO<659).

HY CBO – High-Yield Collateralised Bond Obligation
CDOs with collateral represented by High-Yield securities.

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB (International Accounting Standard Board)
The IASB (previously known as the IASC) is the entity responsible for issuing international accounting standards (IAS/IFRS).

ICAAP (Internal Capital Adequacy Assessment Process)
Process adopted to determine the amount of capital needed to cover all risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

IFRIC (International Financial Reporting Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

Impairment test
The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets. Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life
- goodwill acquired in a business combination
- any asset, if there is any indication of impairment losses.

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." It represents the risk level inherent in the portfolio of performing loans and constitutes the basic indicator for determining the size of the stock of

collective adjustments to be set aside in the financial statements.

Index-linked
Policies whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator.

Index-linked life insurance policies
Life insurance policies the benefits of which are based on indexes, normally drawn from equity markets. Policies may guarantee capital or offer a minimum return.

Indirect customer deposits
The holding of third parties' securities and similar valuables not issued by the bank, at nominal value, excluding certificates of deposit and bank bonds.

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

Internal dealing
Transactions between different operating units of the same company. These transactions are recognised in the accounts and contribute to determining the position (trading or hedging) of the individual units involved.

Intraday
Used to refer to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investment grade
Term used with reference to high-quality bonds that have received a medium/high rating (e.g., not less than BBB on Standard & Poor's index).

Investment property
Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

IRS – Interest Rate Swap
A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

Joint venture
Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior
In a securitisation transaction it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Ke – g
Difference between the discounting rate for cash flows and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

Ke (Cost of Equity)
Cost of equity, the minimum return demanded for investments of the same risk level.

Lambda (λ)
Coefficient that measures the assessed item's specific exposure to country risk. In the model used by Intesa Sanpaolo, it is estimated to be 1, in that it is presumed that it is necessary to vary the country's risk level.

LDA - Loss Distribution Approach
It is a model used to assess exposure to operational risk. It makes it possible to estimate the amount of expected and unexpected loss for any event/loss combination and any *business line*.

Lead manager - Bookrunner
The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

Leveraged & acquisition finance
See "*Acquisition finance*".

Liquidity risk
The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of rapidly converting financial assets into cash without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

Loss Given Default (LGD)
It indicates the estimated loss rate in the event of borrower default.

LTV – Loan-to-Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
The LTV ratio measures the weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

Macro-hedging
Hedging procedure involving a single derivative product for various positions.

Mark to Market
Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Mark-down
Difference between 1-month euribor and the rate applied to current accounts of households and businesses.

Market dislocation
Turbulence in financial markets characterised by a strong reduction in volumes traded on financial markets with difficulties in finding significant prices on specialised information providers.

Market making
Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios' exposure to market volatility.

Market risk
Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

Mark-up
Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month euribor.

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate clients for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

Non-performing
Term generally referring to loans for which payments are overdue.

Operational risk
The risk of incurring losses due to inadequacy or failures of processes, human resources or 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 non-contractual liability or other disputes; it does not include strategic risk (losses due to wrong management strategies) or reputational risk (loss of market shares as a consequence of negative publicity regarding the bank).

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (*call option*) or to sell (*put option*) a financial instrument at a set price (*strike price*) within (*American option*) or on (*European option*) a given future date.

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

Outsourcing
The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

Past due loans
"Past due loans" are non-performing loans on which payments are past due and/or overdue on a continuing basis for over 90/180 days, in accordance with the definition set forth in current supervisory reporting rules.

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

Pool (transactions)
See "*Syndicated lending*".

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk, and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Ratings
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

Risk Weighted Assets (RWA)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by reep
gulatory authorities on the calculation of capital ratios.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)
It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the

transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (*strike price*).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export sector.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or doubtful loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate *swap*, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g).

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change in or underestimation of volatility.

Vega01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO's cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See "*Asset management*".

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

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GALLERIE D'ITALIA.
THREE MUSEUMS, ONE CULTURAL NETWORK FOR ITALY.

Intesa Sanpaolo's Gallerie d'Italia project enables the bank to share its artistic and architectural heritage with the wider public. With 1,000 artworks on display in historic palazzos in three cities, its museum network is truly one of a kind.

The **Gallerie di Piazza Scala**, Milano: this prestigious architectural complex houses a selection of two hundred 19th-century masterpieces by painters from Lombardy, as well as an exhibition charting the leading figures and tendencies in Italian art from the latter half of the twentieth century.
The **Gallerie di Palazzo Leoni Montanari**, Vicenza: home to the most important collection of Russian icons in the West and examples of 18th-century painting from Veneto.
The **Gallerie di Palazzo Zevallos Stigliano**, Napoli: the galleries host the *Martyrdom of Saint Ursula*, one of Caravaggio's very last paintings, in addition to southern Italian landscapes dating from the 17th to the early 20th centuries.

On the cover

Alberto Burri
(Città di Castello 1915 – Nice 1995)
Red Black, 1953
oil, paint, canvas and ground pumice stone on canvas,
98.8 x 85.2 cm
Intesa Sanpaolo Collection
Gallerie d'Italia-Piazza Scala, Milano

Alberto Burri is one of Italy's most important post-Second World War artists. After graduating with a degree in medicine in 1940, he joined the army as a medical officer but was taken prisoner by the British in Tunisia in 1943. The following year he was transferred by the Americans to a prison camp in Texas, where he began experimenting with art. On his return to Italy, he gave up medicine to dedicate himself exclusively to painting.

The lack of faith in art and the languages of art after the War moved Burri, like his contemporaries, to seek out new means of expressing the creative angst which radiates from his work, making it the focus of his personal vision of the individual.

Red Black marks a significant hiatus in the "Art Informel" period of the early 1950s, the elegance of its forms contrasting sharply with the *brutality* of the materials. In this piece, it is as though Burri wanted to return to traditional techniques and evocative gestures as opposed to direct compositions. The painting enhances the continuity of the artist's language, as reflected in the close ties between colour and matter which transcend the complexity and variety of the media.

The choice of this work highlights the value of identity, the power of design and the courage to innovate.