Interim Statement as at 30 September 2015

This is an English translation of the Italian language original "Resoconto intermedio al 30 settembre 2015" that has been prepared solely for the convenience of the reader. The Italian language original "Resoconto intermedio al 30 settembre 2015" was approved by the Management Board of Intesa Sanpaolo on 3 November 2015 and is available on group.intesasanpaolo.com

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

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

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

Interim Statement as at 30 September 2015

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,729,881,454.84 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 IMI
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
CARISBO
FIDEURAM INTESA SANPAOLO PRIVATE BANKING
MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,265	Fideuram	90
	Banca Prossima	29
	Mediocredito Italiano	3
	Banca IMI	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
226	CR del Veneto	331
	CR in Bologna	171
	CR del Friuli Venezia Giulia	96
	CR di Forlì e della Romagna	85
	Fideuram	57
	Banca Prossima	16
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
220	Banca CR Firenze	548
	Banca dell'Adriatico	105
	Fideuram	42
	Banca Prossima	9
	Banco di Napoli	3
	Mediocredito Italiano	3

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
4	Banco di Napoli	591
	Banca dell'Adriatico	95
	Fideuram	28
	Banca Prossima	20
	Mediocredito Italiano	2

ISLANDS

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

Figures as at 30 September 2015

Product Companies

INTESA SANPAOLO VITA

Bancassurance and Pension Funds

EurizonCapital

Asset Management

SIREFID

Fiduciary Services

MEDIOCREDITO ITALIANO

Industrial credit, Factoring and Leasing

SETEFI

Electronic Payments

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية
BANCA IMI
BANCA INTESA
BANCA INTESA Beograd
BANKA KOPER
CIB BANK
FIDEURAM INTESA SANPAOLO PRIVATE BANKING
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK LUXEMBOURG
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO BRASIL SA
INTESA SANPAOLO PRIVATE BANK SUISSE
PRAVEX-BANK
PRIVREDNA BANKA ZAGREB
VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

OCEANIA

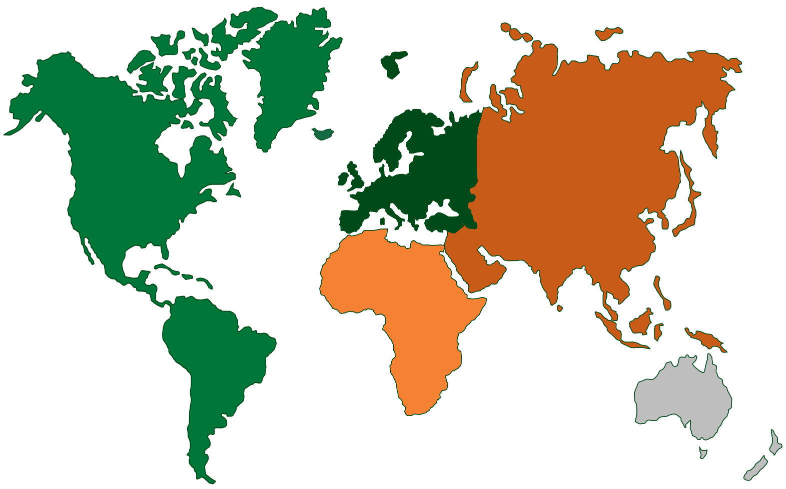
Representative Offices
Sydney

ASIA

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

EUROPE

Direct Branches	Representative Offices
Amsterdam	Athens
Frankfurt	Brussels(1)
Innsbruck	Istanbul
Istanbul	Moscow
London	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	198
Czech Republic	VUB Banka	1
Hungary	CIB Bank	95
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram	1
	Intesa Sanpaolo Bank Luxembourg	1
Romania	Intesa Sanpaolo Bank Romania	45
Russian Federation	Banca Intesa	52
Serbia	Banca Intesa Beograd	171
Slovakia	VUB Banka	230
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	184
United Kingdom	Banca IMI	1

AFRICA

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

Figures as at 30 September 2015
(1) International and Regulatory Affairs

Product Companies

CONSUMER FINANCE HOLDING
INTESA SANPAOLO CARD
PBZ CARD

Consumer Credit, E-money and Payment Systems

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB LEASING

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Asset Management

VÚB FACTORING
CIB FACTOR

Factoring

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

Supervisory Board

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

Management Board

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

Manager responsible for preparing the Company's financial reports

Fabrizio DABBENE

Independent Auditors

KPMG S.p.A.

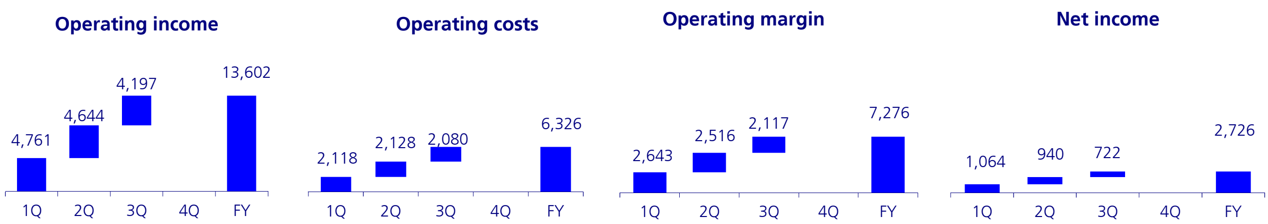
(*) General Managers
(**) Resigned with effect from 14 July 2015
(***) Resigned with effect from 16 March 2015

Overview of the nine months of 2015

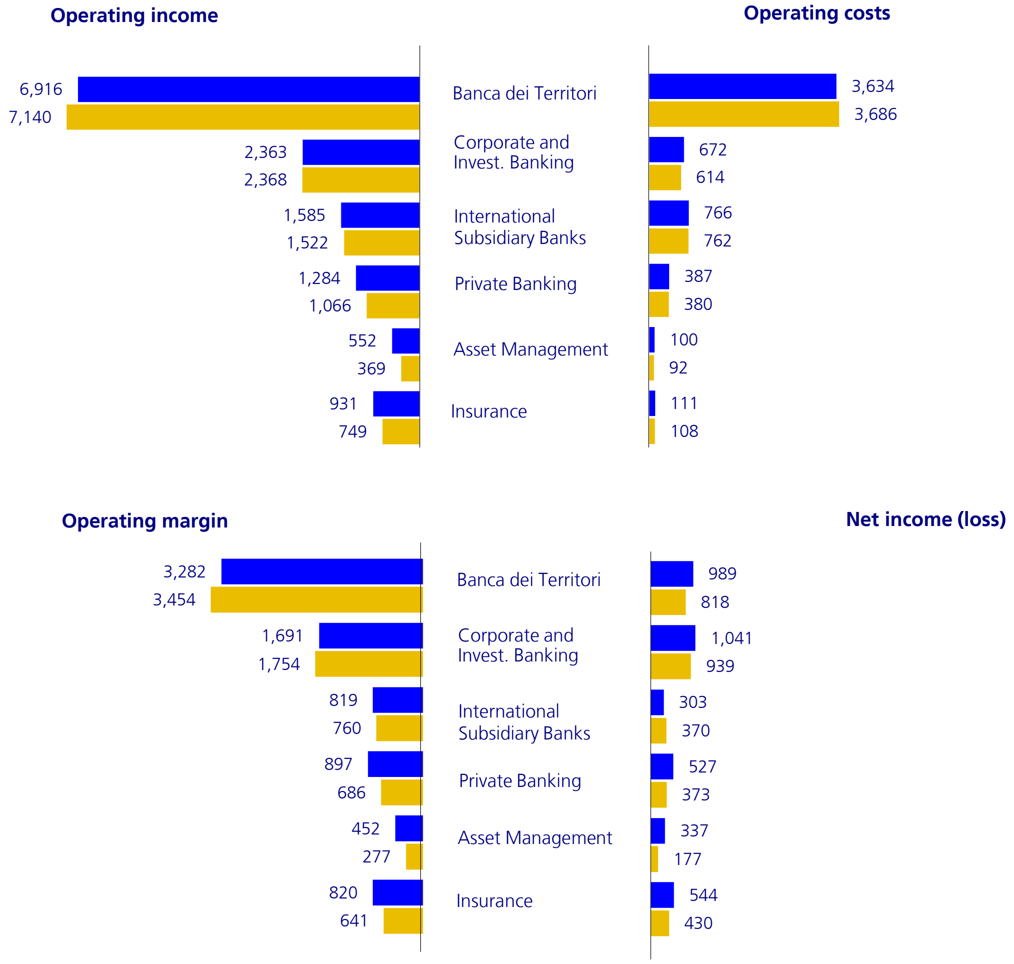
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)			**Changes** amount	%
Net interest income	5,859	6,302	-443	-7.0
Net fee and commission income	5,578	4,952	626	12.6
Profits (losses) on trading	977	660	317	48.0
Income from insurance business	866	746	120	16.1
Operating income	13,602	12,695	907	7.1
Operating costs	-6,326	-6,246	80	1.3
Operating margin	7,276	6,449	827	12.8
Net adjustments to loans	-2,383	-3,525	-1,142	-32.4
Income (Loss) after tax from discontinued operations	-1	280	-281	
Net income (loss)	2,726	1,203	1,523	

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



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



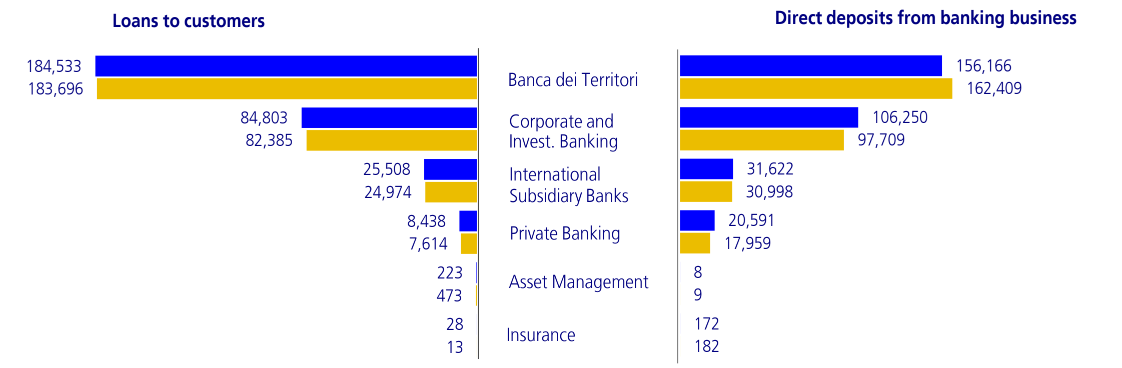
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

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

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	30.09.2015	31.12.2014	Changes amount	Changes %
Financial assets	237,131	223,251	13,880	6.2
of which: Insurance Companies	*122,200*	*115,046*	*7,154*	6.2
Loans to customers	345,140	339,002	6,138	1.8
Total assets	668,235	647,343	20,892	3.2
Direct deposits from banking business	358,747	359,808	-1,061	-0.3
Direct deposits from insurance business and technical reserves	127,082	118,612	8,470	7.1
Indirect deposits:	477,269	465,777	11,492	2.5
of which: Assets under management	*321,492*	*301,715*	*19,777*	6.6
Shareholders' equity	47,583	44,683	2,900	6.5

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



Operating structure	30.09.2015	31.12.2014	Changes amount
Number of employees	**91,403**	**92,763**	**-1,360**
Italy	64,498	64,837	-339
Abroad	26,905	27,926	-1,021
Number of financial advisors	**5,874**	**5,851**	**23**
Number of branches [(a)]	**5,593**	**5,867**	**-274**
Italy	4,290	4,473	-183
Abroad	1,303	1,394	-91

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.
(*) The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.
(a) Including Retail Branches, Private Banking Branches, SME Branches and Corporate Branches.

30.09.2015
31.12.2014

Other alternative performance measures

Consolidated profitability ratios (%)

Cost / Income	46.5	49.2
Net income / Average shareholders' equity (ROE) [(a)]	7.9	3.6
Net income / Total assets (ROA) [(b)]	0.5	0.2

Earnings per share (euro)

Basic earnings per share (basic EPS) [(c)]	0.16	0.07
Diluted earnings per share (diluted EPS) [(d)]	0.16	0.07

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)] The figure for the period has been annualised.

[(c)] 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.

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

30.09.2015
30.09.2014

Consolidated risk ratios (%)

	30.09.2015	31.12.2014
Net doubtful loans / Loans to customers	4.2	4.2
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	62.8	62.8

Consolidated capital ratios (%) [e]

	30.09.2015	31.12.2014
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	13.4	13.5
TIER 1 Capital / Risk-weighted assets	14.3	14.2
Total owns funds / Risk-weighted assets	17.3	17.2
Risk-weighted assets (millions of euro)	281,768	269,790
Absorbed capital (millions of euro)	29,761	28,613

Risk-weighted assets by sector [e] (millions of euro) / Absorbed capital by sector [e] (millions of euro)

	Risk-weighted assets 30.09.2015	Risk-weighted assets 31.12.2014	Absorbed capital 30.09.2015	Absorbed capital 31.12.2014
Banca dei Territori	91,051	92,491	8,195	8,324
Corporate and Invest. Banking	84,136	80,198	7,573	7,219
International Subsidiary	30,997	25,973	2,951	2,491
Private Banking	8,486	7,278	793	683
Asset Management	1,072	917	115	98
Insurance	0	-	4,193	4,134

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

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

30.09.2015
31.12.2014

Executive summary

The macroeconomic context

The economy and the financial and currency markets

The global economy remains in a phase of moderate expansion, characterised by low inflation and accommodating monetary conditions. Nonetheless, in the third quarter confidence was eroded by the collapse of the Chinese stock markets and the signs of a sharp slowdown in the economy in numerous emerging countries. In several cases, these developments were accompanied by considerable tensions over currencies. The situation stabilised somewhat in September and October, though convincing signs of recovery are still lacking.

The greater uncertainty on the global economic outlook and signs of suffering in the US manufacturing sector in relation to the strengthening of the US dollar led the Federal Reserve to further procrastinate in executing the expected raise in official interest rates. However, internal demand is sound, and the growth in employment reduced the unemployment rate to 5.1%. The Fed continued to communicate its intention to raise official rates by the end of 2015, though announcing that it intends to wait until the evolution of macroeconomic data is confirmed.

Economic indicators show that growth in the Eurozone remained stable in the third quarter. The economic confidence index rose from 103.7 to 104.6: confidence improved especially in the services and construction sectors, while it remained more or less stable in the manufacturing sector. Manufacturing was impacted by the slowdown in global demand and reaps fewer benefits than other segments from the growth rotation from the foreign sector to the domestic one. The annual rate of change in industrial production started upwards again between June and August, but the economic situation appeared weaker. Unemployment declined slightly, to 11%, and inflationary pressures remain non-existent.

The European Central Bank continued implementing the securities purchase programme launched in March, without announcing new monetary policy measures. As at 30 September, purchases of only government securities amounted to 343 billion euro, of which 55 billion euro relating to Italian bonds. The President of the ECB warned that the central bank is ready to modify the composition, amount and characteristics of the purchase programme, if necessary.

On money markets, the negative level of the rate on deposits and the increase in excess reserves are further driving down interest rates: the one-month Euribor, which closed the second quarter at -0.064%, fell to -0.113% as at 30 September. The three-month rate dropped in the same period from -0.014% to -0.041%.

During the quarter, the yield curve on German debt gradually moved downwards, in a marginal manner for shorter-term maturities and more sharply for long-term maturities (-18 bps for 10-year bonds). The maturity bracket showing negative yields extended up to five years. The downwards movement was decidedly more marked for yields on Italian debt, which benefited from signs of recovery in the economy and the agreement to disburse new financial aid to Greece. The yield on 3-year BTP dropped by 32 bps from June to September. The decline is even greater for 10-year bonds (-58 bps) and 30-year bonds (-44 bps). Italian debt gained ground on Spanish debt, which was penalised by political uncertainty due to the Catalan secessionist petitions and the year-end political elections.

The Euro confirmed its moderate recovery from its lows in the spring. The exchange rate with the US dollar closed the quarter at 1.1203, a slight change on 1.1189 as at 30 June.

In Italy, economic recovery was further confirmed. In the second quarter the Gross Domestic Product grew by +0.3% on the previous quarter, while year-on-year growth accelerated to 0.7%. This increase is more the result of internal demand than the trade balance, which was penalised by the weak performance of demand in emerging countries. The indications from confidence surveys and the performance of industrial production in the two months July-August suggest that growth most likely continued at a similar pace in the third quarter. Specifically, confidence indexes further improved from June to September in the services and construction sectors, while they remained stable in manufacturing. The lowest energy prices increased operating margins of businesses and real income of households. Along with accommodating financial terms, a favourable scenario was created for recovery in capital expenditure of businesses and households.

Employment also grew in the third quarter (+0.1%) following its robust rise in the second quarter (+0.5%) and, along with the recovery in real wages, supported consumer spending.

On the fiscal front, the government reduced the objectives of tax consolidation planned for 2016, but confirmed the further reduction in the deficit and the start of a process of reducing the debt/GDP ratio.

International stock markets, which started 2015 on a positive note, saw a sharp correction starting at the end of June, as a result of the stall in negotiations between Greece and international institutions. The downturn in stock prices was followed by a temporary rise in bond yields, an expansion of spreads in peripheral countries and a return to risk aversion by investors.

Then, in August and September the decline in the international stock markets grew sharper, firstly due to the growing fears of the strength of growth in China and due to the weakness in commodities, and then due to the uncertainties linked to the timing of the Federal Reserve's planned raise in interest rates and, lastly, due to the impact of the Volkswagen scandal on the European automobile industry.

The EuroStoxx index closed the first nine months slightly down (-1.5%). The drop in the DAX 30 at the end of September came to the same amount (-1.5%), while the CAC 40 remained positive at period-end (4.3%). Conversely, the Spanish stock market declined, with the IBEX 35 index dropping by 7% as at 30 September. Outside the Eurozone, the Swiss market index SMI recorded a drop in the period (-5.2%), while the FTSE 100 closed the nine months declining by 7.7%.

In the same period, the S&P 500 index decreased by 6.7%, while the main Asian stock markets recorded declines ranging from 5.7% in the Chinese benchmark index SSE A-Share to 0.4% in the Nikkei 225 index.

In the first nine months of 2015, the Italian stock market outperformed the main benchmark indexes in the Eurozone, despite the downturn recorded in the third quarter, due to the gradual start of economic recovery, the favourable exchange rate effect for exports to the US dollar area, the drop in yields and, more generally, lower aversion to Italy risk by investors. The FTSE MIB index closed the period ended as at 30 September up +12% (+18.1% at the end of June), and the FTSE Italia All Share index posted a slightly greater increase (+13.4%) at the end of the period.
European corporate bond markets closed the first nine months of 2015 in the negative, and at lows for the year, in a scenario of high volatility burdened by external factors (Greece, China and emerging markets) as well as internal (corporate) factors, as in the case of the Volkswagen scandal.
In the first half of the year, the announcement of the launch of the ECB's purchase programme resulted in a considerable reduction of yields on investment grade and high yield securities. Subsequently, the nearing of a new rise in interest rates by the Fed, but, above all, the uncertainties linked to the situation in Greece and the highly difficult negotiations with international creditors led to an increase in volatility and negatively influenced the trend in spreads, especially in June. Then, starting in August, the fears linked to the international macroeconomic scenario mentioned above caused greater aversion to risk and an expansion of spreads, both in the investment grade segment and more speculative classes of securities. In this context, the continuing shortage of liquidity on the secondary market (trading liquidity) - due to operators' concerns and partly to regulations which somehow limited the capacity of the markets to promptly absorb excess supply - contributed to increasing transactions in securities. Lastly, in September, the scandals concerning individual issuers (ex: Volkswagen, RWE and Glencore) and the recovery in the primary market added an additional burden to the performance of the market.
In detail, since the start of 2015, risk premium (measured as the asset swap spread - ASW) grew by approximately 60% for investment grade securities and 27% for more speculative securities (25% and 17% in September, respectively). The improved performance of the latter was due to a less active high yield primary market. The third quarter showed strong underperformance of industrial securities compared to financial securities, which, in turn, felt a greater impact of the Greek crisis in the first six months of 2015. The most penalised sectors were securities linked to commodities and cyclical consumption.
In terms of new issues, following the physiological slowdown as a result of the summer period, activities continued to record sustained volumes, once again driven by favourable loan conditions and investors' search for yields. Also in the third quarter the primary market benefited from issues in Euro by US companies (ex: Apple and Coca Cola) which aim at exploiting the low interest rates on the Euro. It is also important to note that the low interest rates favoured the increase in transactions aimed at optimising financial structure by individual companies, through the repurchase of securities issued and their replacement with longer-term securities under more favourable conditions.

The emerging economies and markets

The most recent cyclical indicators show a continuing weakness in the economy in emerging countries in the third quarter. However, the trend growth rate in industrial production for a sample representing 75% of the GDP of emerging countries decreased from 2.4% in the second quarter to 3.1% in July-August 2015. Production slowed in China (from +6.3% to +6.1% in the two time periods) and fell further in Brazil (from -5.8% to -9.0%); on the contrary, it accelerated in India (from +3.3% to +5.3%) and in South Africa (from -1.5% to +2.6%), and declined more slightly in Russia (from -4.8% to -4.4%). In Central and Southeast Europe, production grew year-on-year during the two-month period July-August compared to the 2nd quarter in Slovakia, Slovenia, Croatia, Romania and Serbia. The PMI indicator average for BRIC countries also rose slightly in September compared to June (to 49.8 from 49.5), though continuing to report expected decreases in production activities, highly strong in Brazil (PMI 47), and more attenuated in Russia (PMI 49.1) and China (PMI 49.8). The PMI services index for BRIC countries, amounting to 49.9 in September, was impacted by the specific weakness of Brazil (with a value of 41.7) but exceeded 50 in the other three countries.
In emerging economies, also owing to the decline in hydrocarbon and food prices, inflationary pressures remained low on average. However, numerous countries, including Brazil and Turkey in addition to Russia and Ukraine, were impacted by the sharp depreciation in currencies. Based on provisional data, the year-on-year inflation rate for a sample representing 75% of GDP of emerging countries came to 4.9% in September 2015, slightly down on the 5% in June but accelerating if compared to the 4.3% at the end of December 2014. With specific reference to countries where ISP subsidiaries are located, Russia (year-on-year 15.6% in September) and Ukraine (year-on-year 51.9% in September) continued to report double digit price trends, while inflation in Egypt dropped to 9.2% in September compared to 10.1% in December 2014. CEE and SEE countries, with the exception of Serbia and Albania (where inflation remained low, in any case, at 1.4% and 2.2%, respectively) saw a decline in prices, with inflation rates amounting to -0.4% in Hungary, -0.5% in Slovakia, -1% in Slovenia and -1.7% in Romania.
The fears, on one hand, regarding the possible impact on inflation of depreciation of currencies and the intention, on the other, to combat the weakening of their respective economies led central banks in emerging countries to make different monetary policy decisions in the 3rd quarter. In Asia, where the central banks of China and India also cut rates, expansive actions prevailed, to support growth, while in Latin America, Brazil, Colombia, Peru and, recently, in Chile, official rates were raised. The authorities in Russia and Ukraine, comforted by expectations of a reduction in inflation (though it remains high, specifically in Ukraine) and by the achievement of greater financial stability, favoured a drop in monetary rates in the July-September period. In the CEE and SEE countries, following the cuts by several central banks in the first half of the year, no further expansive actions were taken in the 3rd quarter. The only exception was Serbia, which cut its policy rate by 50 bps in September, bringing it to 5%.
On the financial markets, new concerns regarding the outlook for growth, triggered by the uncertainty surrounding the Chinese economy and the continuing weakness of the commodities market, resulted in a significant decline in the MSCI emerging countries equity index in the 3rd quarter (-12.8% compared to +4.2% in the 1st half). The following markets saw a sharp fall: China (Shanghai -28.6%), Brazil (-15.1%) and Russia (-16%) and the MENA markets (Egypt -12.4%). The markets of CEE and SEE countries, though declining, managed to contain losses to a single decimal place.
On currency markets, the depreciation of currencies against the US dollar gained strength in the 3rd quarter. The OITP index – Other Important Trading Partners, which measures the performance of the US dollar against a weighted basket of currencies from emerging countries, rose by 6.1% in the July-September 2015 period, after gaining 2.4% in the 1st half. The US dollar appreciated significantly against the currencies of countries that export commodities in Latin America (Brazil 28.1%, Colombia 18.8% and Chile 11%), CIS countries (Russia 19.1%, Kazakhstan 46%) and those with significant current account imbalances

(Turkey 12.7%). Currencies in CEE and SEE countries followed the Euro, which slightly appreciated on the US dollar. The Egyptian pound depreciated once again on the US dollar (2.6%, which adds to the 6.7% in the 1st half).
In the same quarter, there was a generalised expansion of EMBI spreads, widest in Latin America. However, the spread decreased significantly in Ukraine (down by 1,300 bps) as a result of the agreement with creditors on debt restructuring.

The banking system

Rates and spreads

The cost of bank funding continued to decline gradually in the third quarter of 2015, owing in part to the shift towards less costly forms of funding. Specifically, in the summer months, the total deposit rate reached a record low, based on the statistics available since the beginning of 2003. Rates on current accounts also declined once again, though slightly, given the very low level they had already reached, at historical lows. Conversely, the overall average rate on new time deposits seems to have stabilised, while the average rate on the stock of bonds continues to show marginal movements, though declining slightly.
Rates on new loans to non-financial companies confirmed their decline, with the average rate dropping below 2% in August, the lowest value in over five years. Rates on new loans to households for the purchase of homes stabilised following the lows reached in April for fixed-rate mortgages and in July for floating-rate mortgages. Furthermore, the trend in the average rate on loans was impacted by the shift towards fixed-rate transactions, which rose slightly from the low reached in April. The favourable lending environment is also clear from a comparison between Italian rates on new loans to businesses and the average rates for the Eurozone. In the quarter, spreads confirmed their low levels recorded near mid-year. Specifically, the spread calculated on rates for new loans of over 1 million euro is once again negative, highlighting conditions that are relatively more advantageous for Italian borrowers than the average in the Eurozone. Similarly, the reduction in interest rates on loans continued, with the overall average rate dropping to record lows once again.
As a result of the drop in interest rates on loans, slightly greater than the slowdown in the easing trend of the average cost of funding, the banking spread remained under pressure, confirming the reduction seen in the second quarter, following the improvement seen in the last part of 2014 and the initial months of 2015 (estimated average in the third quarter 2.22%, in line with the previous quarter and -9 bps on the third quarter of 2015). The contribution from deposits, measured on short-term rates, remained in negative territory, marginally worsening in the quarter (mark-down[1] on the 1-month Euribor estimated at -0.27% in the third quarter, from the previous -0.25% and -0.24% in the first quarter of 2015). The mark-up[2] on the 1-month Euribor continued the gradual decline that began in 2014, dropping to lows since the end of 2011 (4.09% on average for the two months July-August, from 4.22% in the second quarter of 2015 and 4.45% in the first three months of the year).

Loans

In the third quarter the improvement in the trend in bank loans to the private sector continued, with several operating segments resuming growth. Specifically, the recovery in loans to consumer households and the strengthening of growth in loans to non-financial companies operating in the manufacturing industry was confirmed, while loans to service and construction companies showed a less sharp decline. For total loans to non-financial companies, the gradual rise from the low points in the recessive cycle continued to be driven by medium-term loans, which have resumed growth since the beginning of the year and continue to accelerate. Nonetheless, the recovery of medium-term flows only partially offset the reduction in the other two components, short- and long-term, so that the year-on-year trend dropped overall, even though at a slower pace than in the previous quarters.
For loans to households, the improvement seen in the past gained strength, with the easing of conditions for residential mortgages under way for almost two years. After an upturn near mid-2015, in the summer the stock of loans to households confirmed slight growth. This recovery continued to be driven by the significant trend in the disbursement of residential mortgages, which was only partially due to the renegotiation of existing loans. Specifically, the sharp growth in the disbursement of fixed-rate mortgages continued, justified by the very low levels of interest rates applied and a smaller spread between the fixed and floating rates.
The performance of loans began to reflect the recovery of demand, following the easing of the supply conditions. According to the credit survey conducted by the Bank of Italy on banks, demand from businesses confirmed its increasing trend also in the third quarter, after reversing mid-year for the first time since September 2011. A further increase in demand is expected in the fourth quarter. Applications for loans from households increased, both for the purchase of homes and for consumer credit. Among credit supply factors, competitive pressure continued to significantly encourage the easing of credit access conditions, whereas banks continued to show reduced concern with the perceived risks. Companies' opinions on credit access conditions also confirmed their improvement.
Growth in gross doubtful loans continued to slow, while maintaining a rapid pace.

Direct deposits

As regards funding, previous trends continued in the third quarter, specifically for deposits, which grew, driven by the significant growth in overnight deposits. At the same time, the double digit decline in time deposits continued. The performance of customer deposits was driven by the solidity of household deposits, characterised by a moderate year-on-year change and the lively trend in deposits by non-financial companies, still growing at a rapid pace. The growth in deposits continued to be offset by the collapse in the stock of bank bonds, the trend of which was affected by customer portfolio reallocation processes. Overall, customer deposits thus continued to decline moderately.

[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.

Indirect deposits and asset management

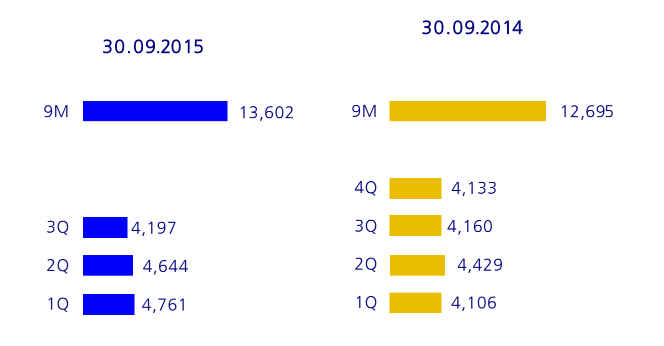
With regard to assets under administration, the sharp decline in debt securities of households and businesses held in custody by banks continued. This performance was also impacted by the constant decline of bank bonds and the phase of considerable interest in mutual funds.
With regard to assets under management, in the first nine months of the year, the Italian market for open-ended mutual funds recorded extremely positive inflows, with growth of 27.9% compared to the same period of 2014. Despite this, starting in June net inflows were more moderate compared to the exceptional volumes recorded in the first half of the year, reaching a low in September. Assets under management came to 767 billion euro in September, up by 12.7% on the end of 2014. In the first nine months of the year, inflows were driven by flexible funds above all, followed by bond funds and balanced funds. However, mid-year, these two types of funds began to slow sharply. Monetary and equity funds returned to positive territory, though not continuously. Total inflows to portfolio management exceeded those of 2014, with flows growing by 33.2%. The increase primarily involved retail portfolio management, which more than doubled on the previous year, while inflows to institutional portfolios remained more or less unchanged.
With regard to insurance, new life business in the first nine months of the year was once again positive, increasing in the reference period by 8% year-on-year. This growth is essentially attributable to new business in unit-linked policies, more than 1.5 times greater than the previous year and approximately one-third of total net inflows. Inflows for more traditional premiums, however, weakened over 2015, dropping year-on-year starting from March 2015.

Intesa Sanpaolo in the nine months of 2015

Consolidated results

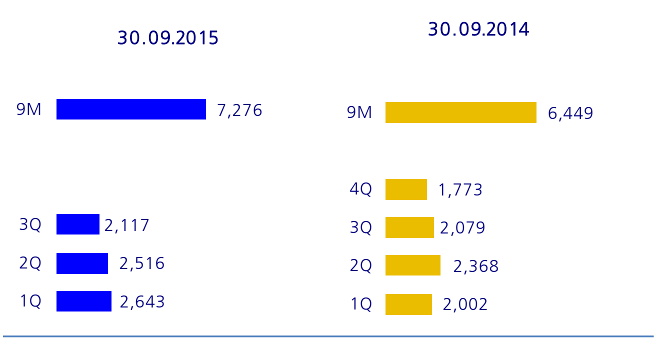
The consolidated income statement as at 30 September 2015 showed net income of 2,726 million euro, a sharp increase on the 1,203 million euro in the first nine months of 2014, due to the significant growth in operating income: there was a significant rise in net fee and commission income as well as in profits on trading and income from insurance business. These positive trends, which made it possible to easily absorb the decrease in net interest income as well as the marginal growth in operating costs, led to an increase in the operating margin of 12.8% on the first nine months of 2014. Income before tax from continuing operations grew by approximately 52%, favoured by the reduced need for adjustments to loans.

Operating income
(millions of euro)



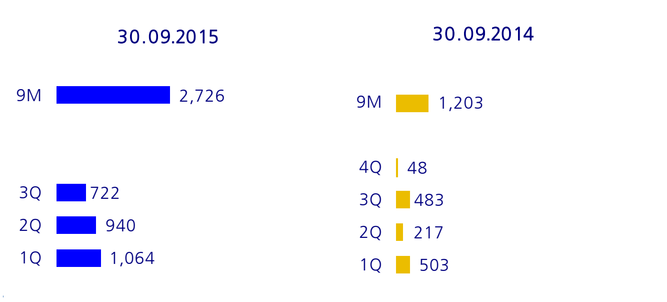
A detailed breakdown of the components of operating income shows that the income statement for the first nine months of 2015 recorded net interest income of 5,859 million euro, down 7% compared to the same period of 2014, relating to the decrease in customer dealing, also due to the decrease in average volumes, and lower interest on financial assets.
The services segment generated net fee and commission income of 5,578 million euro, substantially confirming the favourable trend seen in the first half, increasing by 12.6% on the first nine months of 2014. This trend is attributable to the positive contribution from management, dealing and consultancy activities (+26%), in relation to renewed interest among customers in all forms of professional asset management and the positive reception of new insurance products.
Profits on trading amounted to 977 million euro (+48%), due to the positive results of securities available for sale, which include the dividend from the Bank of Italy, and of trading activities, aimed at maximising contributions from the trend in financial markets, where possible. Income from insurance business, which aggregates specific costs and revenues of the insurance business of the Group companies operating in the life and non-life segments, amounted to 866 million euro (approximately +16%), essentially due to the higher net investment result. Other operating income, which amounted to 227 million euro, included 211 million euro pertaining to the IMI-SIR dispute, as illustrated in greater detail in the chapter “Risk management”.

Operating margin
(millions of euro)



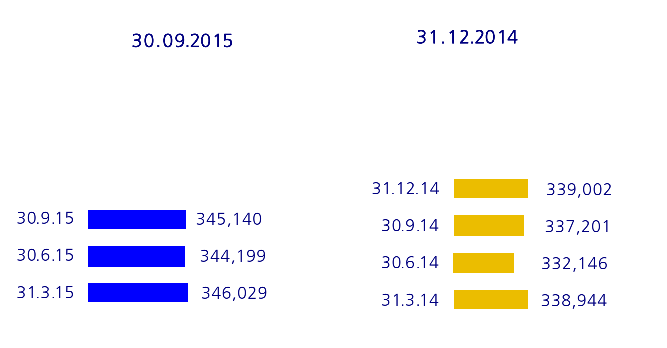
As a result of the above trends, operating income for the first nine months of 2015 came to 13,602 million euro, up 7.1% over the same period of 2014.
Operating costs showed marginal growth (+1.3% to 6,326 million euro): personnel expenses reported an increase (+1.9%), essentially attributable to the variable component linked to the positive trend in results. Adjustments also increased (+6%), especially amortisation of intangible assets, whereas other administrative expenses decreased moderately (-1.1%), confirming the success of structural measures aimed at containing such expenses.
Operating margin therefore amounted to 7,276 million euro, up significantly compared to the first six months of 2014 (+12.8%).

Net income (loss)
(millions of euro)



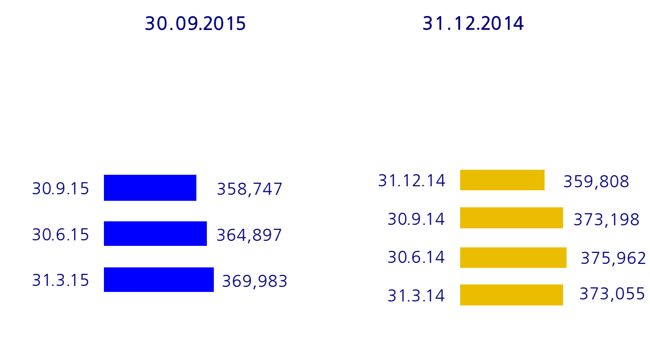
Adjustments and provisions for risks, as a whole, decreased by approximately 25%, essentially due to lesser needs for adjustments to loans (approximately -32%), as a result of which the greater net provisions for risks and charges were more than absorbed, including the amounts relating to the new single resolution mechanism of banking crises and the new deposit guarantee schemes (95 million euro and 43 million euro, respectively) and the provisions allocated by the Croatian subsidiary PBZ relating to recent regulatory measures concerning the country, on the matter of loans in Swiss francs (172 million euro).
Despite the lower contribution of profits on investments held to maturity and on other investments (87 million euro compared to 383 million euro in the first nine months of 2014), income before tax from continuing operations came to 4,436 million euro, up by approximately 52%.
After recognition of income tax for the period of 1,518 million euro (-4.6%), charges for integration and exit incentives of 46 million euro and purchase price allocation effects of 86 million euro, as well as losses of discontinued operations of 1 million euro and minority interests of 59 million euro, the Group’s income statement closed, as already noted, with net income of 2,726 million euro, more than twice the 1,203 million euro of the first nine months of 2014.

Loans to customers
(millions of euro)



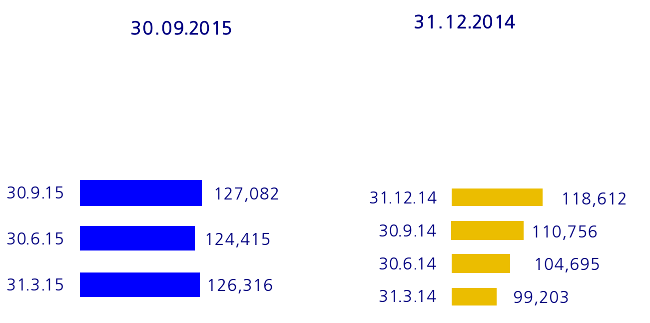
As to balance sheet aggregates, loans to customers amounted to 345 billion euro (+1.8% compared to the end of 2014). In this area, the positive trend in commercial banking loans, up by 1.4% overall, is attributable to the positive performance of advances and loans, mortgages and overnight deposits – favoured by the improvement in economic expectations - which absorbed the small downturn in loans represented by securities (-2.4%).
Short-term financial loans represented by repurchase agreements also increased during the period (approximately +10%).

Direct deposits from banking business
(millions of euro)



On the funding side, direct deposits from banking business came to 359 billion euro, substantially confirming (-0.3%) the amounts recorded at the end of 2014.
The overall performance of the aggregate was impacted by the decline in reverse purchase agreements at the end of the period (-14.6%), in the presence of positive performance of overnight deposits and deposits (+5.5%), whose growth more than offset the downturn in funding through bonds (-9.6%) and subordinated liabilities (-5.4%).
Though at lower absolute values, outstanding certificates of deposit increased (+4.3%) as well as other forms of funding (+4.6%).

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

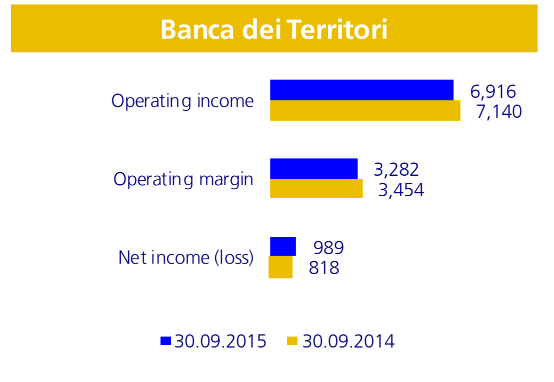


Direct deposits from insurance business, which include technical reserves, also increased (approximately +7%, to over 127 billion euro). The overall increase was primarily attributable to the higher value of financial liabilities in the insurance sector designated at fair value through profit and loss (approximately +16%), particularly unit-linked products. Technical reserves also grew (+2.8%), which represent the amount owed to customers who have taken out traditional insurance policies.
The new business of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 19.6 billion euro for the period.

As at 30 September 2015, indirect customer deposits came to 477 billion euro, up 2.5% compared to the end of 2014, despite the negative performance of the financial markets in the last few months.
During the nine months, the repositioning of customers continued toward the professional asset management, which was the channel in asset gathering. Assets under management increased (approximately +20 billion euro, or 6.6%) as a result of net inflows, with a positive performance recorded for all the main technical forms managed: portfolio management, life policies and mutual funds.
Conversely, assets under administration showed a downturn (approximately -8.3 billion euro, equal to 5%), relating to the previously mentioned repositioning of customers toward forms of professional asset management.

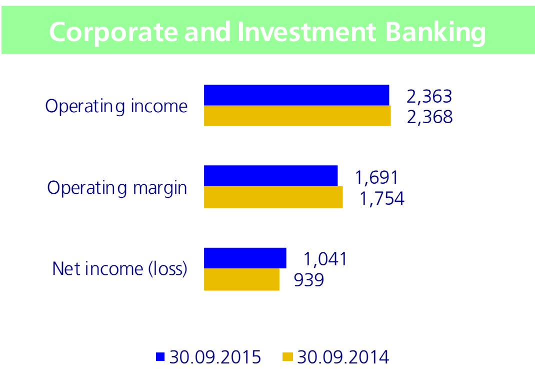
Results of the Business Units

In 2015, the Intesa Sanpaolo Group organisational structure was based on six business areas. These are in addition to the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.
This new organisational structure, implemented in late 2014, involved in particular the creation of the new Private Banking, Asset Management and Insurance divisions, and the Capital Light Bank (CLB) business unit within the Corporate Centre.
The share of operating income attributable to each business area confirms that commercial banking activities in Italy continue to account for the majority (approximately 51% of the operating income of the business areas), although significant contributions were also provided by corporate and investment banking (approximately 17%), commercial banking activity abroad (approximately 12%), private banking activity (9%), insurance activity (approximately 7%) and asset management (approximately 4%).

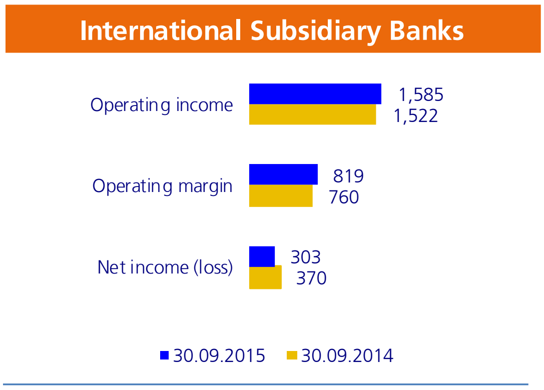


In the first nine months of 2015, Banca dei Territori Division – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 6,916 million euro, down 3.1% compared to the first nine months 2014. More specifically, the decrease in net interest income (-11.1%) mainly due to the lower contribution from customer dealing in terms of both volumes and margins - was partly offset by the increase in net fee and commission income (+7.7%), driven by income on asset management and bancassurance products. Operating costs fell (-1.4%), primarily due to effective control of administrative expenses. As a consequence of the above trends, operating margin decreased (-5%), whereas income before tax from continuing operations increased significantly (approximately +21%) due to the reduced need for net adjustments to loans. After accounting for the Division's taxes (711 million euro), charges for integration (17 million euro) and the economic effects of purchase price allocation (a negative 1 million euro), net income stands at 989 million euro, up 20.9%.

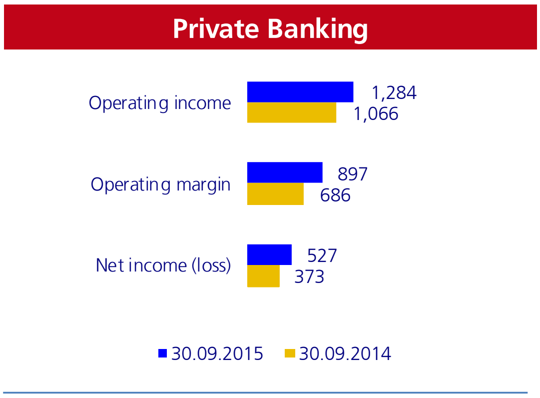
The balance sheet figures at the end of September 2015 showed marginally increasing loans to customers (+0.5% to 185 billion euro) compared to the end of 2014, mainly as a result of the growth in loans to retail customers. Conversely, direct deposits from banking business decreased (-3.8% to 156 billion euro), mainly due to the declining trend in securities issued.



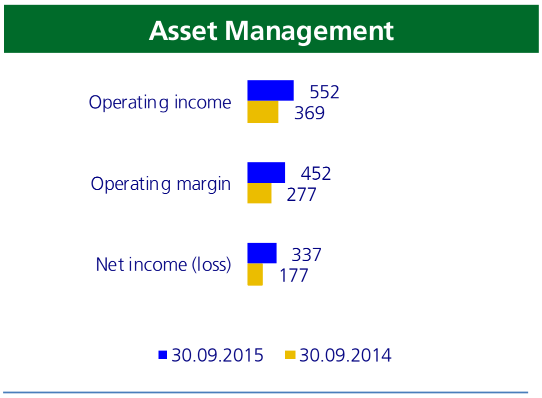
The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – reported substantially stable operating income on the first nine months of 2014 (-0.2% to 2,363 million euro). In detail, net interest income declined (-14%), specifically attributable to the lesser contribution by the capital markets segment. Net fee and commission income showed an increasing trend (+2.2%) due to higher income in the investment banking sector. Profits on trading also grew (+36%), due to the greater contribution from capital markets activity. Operating costs increased (+9.4%), both relating to personnel expenses and administrative expenses. As a result of the above revenue and cost trends, the operating margin decreased (-3.6%), while income before tax from continuing operations showed a positive trend (+8.2%), favoured by the reduced need for adjustments to loans. The Division closed the income statement for the period with net income of 1,041 million euro (+10.9%). The Division's intermediated volumes showed a positive trend. Direct deposits from banking business increased (+8.7% to 106 billion euro), mostly attributable to reverse purchase agreements, as well as loans to customers (+2.9% to 85 billion euro).



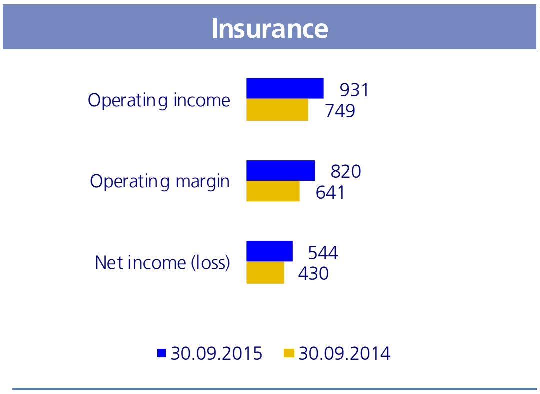
In the first nine months of 2015, the operating income of the International Subsidiary Banks Division – which oversees the Group’s commercial operations on international markets through subsidiary and associated banks primarily involved in retail banking operations – increased compared to the same period of the previous year (+4.1% to 1,585 million euro). The increase in net interest income (+3.1%), the growth of net fee and commission income (+2.1%) and the larger contribution of companies carried at equity (+12 million euro) more than offset the decline in profits on trading (approximately -24%) and other operating income (approximately -42%). Operating costs increased slightly (+0.5%). As a result of the above revenue and cost trends, the operating margin increased (+7.8%), while income before tax from continuing operations declined (-14.3%), penalised by greater provisions for risks and charges of Privredna Banka Zagreb, resulting from the previously mentioned regulatory measures concerning Croatia, on the matter of loans in Swiss francs. Eurizon Capital closed its income statement with net income of 303 million euro (approximately -18%).
The Division’s intermediated volumes increased compared to the end of December 2014 owing to the favourable trend in loans to customers (+2.1% to 25.5 billion euro) as well as amounts due to customers under direct deposits from banking business (+2% to 31.6 billion euro).



The establishment of the Private Banking Division, which provides the private and high net worth individuals segment with specific products and services, led to the creation of a service hub aimed at the customers of Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse), Sirefid and Banca Fideuram, with the aim of providing greater visibility for the Group's private banking operations, achieving significant revenue synergies and managing resources more efficiently.
In the first nine months of 2015, the Division recorded a significant increase in income before tax from continuing operations (+38.5% to 874 million euro). The increase in operating income (approximately +21%), essentially to be attributed to higher fee and commission income (approx. +27%), more than offset the slight growth in operating costs (+1.8%). The income statement closed with net income for the period of 527 million euro (approximately +41%).
Assets under administration exceeded 184 billion euro (approximately +5 billion euro on the end of 2014). This positive performance is attributable to the trend in net inflows, much higher than that recorded in the same period of 2014, whose effects were only partially mitigated by the unfavourable performance of the market.



The Asset Management Division is tasked with developing asset management solutions aimed at the Group’s customers, non-Group distribution networks and institutional customers, through the subsidiary Eurizon Capital.
During the nine months, the Division’s operating income increased (approximately +50% to 552 million euro) compared to the figure for the same period of 2014 due to the increase in net fee and commission income (approximately +44%), largely attributable to the growth of average assets under management. Despite the increase in operating costs (approximately +9%), to be attributed to both personnel expenses and administrative costs, the operating margin rose sharply (approximately +63%). The Division closed the income statement for the period with net income of 337 million euro, a sharp increase (approximately +90%) on the amount of the first nine months of 2014.
Overall, total assets managed by Eurizon Capital at the end of September 2015 came to 222 billion euro, up by more than 9% from the beginning of the year, as a result of positive net inflows. As at 30 September 2015, Eurizon Capital’s market share of assets under management was 15%, compared to 14.7% at the end of December 2014.



The Insurance Division oversees management of the subsidiaries Intesa Sanpaolo Vita and Fideuram Vita, with the mission of further developing the insurance and pension product mix targeting Group customers.
The Division's income before tax from continuing operations increased (approximately +26% to 807 million euro) compared to the first nine months of 2014, due to the rise in operating income (approximately +24%) and contained costs (+2.8%). In further detail, income from insurance business increased (approximately +25%) due to the rise in the net investment result, which benefited from greater net capital gains, including the gain relating to the sale of Union Life (58 million euro). The trend in operating costs is attributable to higher personnel expenses, against decreasing administrative costs.
Collected premiums for life policies, slightly less than 20 billion euro, were stable on the figure for the first nine months of 2014. Direct deposits from insurance business, amounting to 127 billion euro, increased approximately 7% since the beginning of the year, largely attributable to the development of financial liabilities of the insurance segment designated at fair value.

Main risks and uncertainties

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

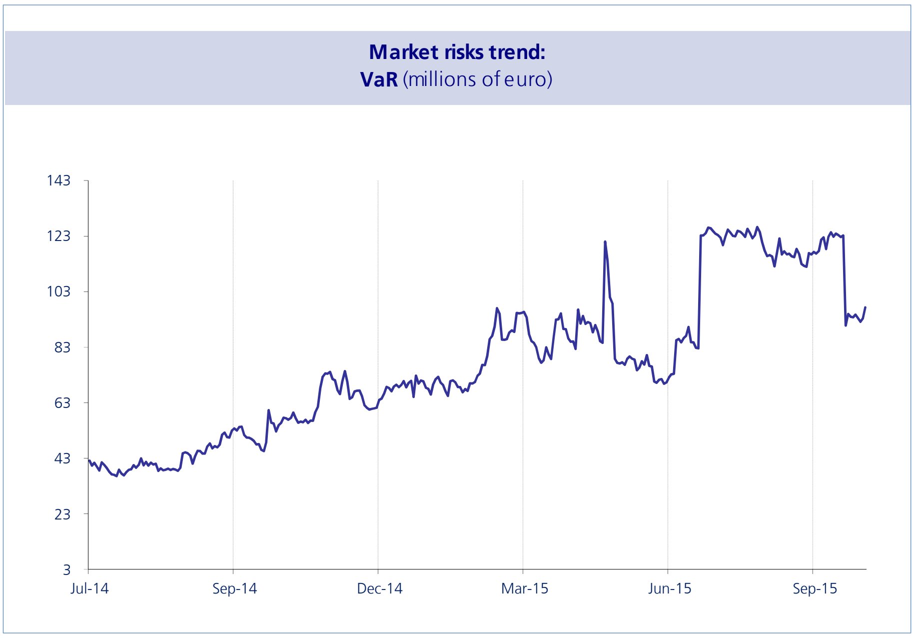
Group liquidity remains high: as at 30 September 2015, both regulatory indicators envisaged by Basel 3 (LCR and NSFR), adopted also as internal liquidity risk measurement metrics, had reached a level well above fully phased-in requirements. At the end of September, the Central Banks eligible liquidity reserves came to 116 billion euro (105 billion euro at the end of December 2014), of which 77 billion euro, net of haircut, was unencumbered (70 billion euro at the end of December 2014).
In terms of funding, the widespread branch network remains a stable, reliable source: 73% of direct deposits from banking business come from retail operations (263 billion euro). Moreover, in the nine months, 5.25 billion euro in eurobonds was placed on the wholesale market (of which 1 billion euro in covered bonds) and 1 billion USD of Additional Tier 1. In the first nine months of 2015, 15 billion euro of funding was obtained from the targeted longer-term refinancing operation (TLTRO) programme launched by the European Central Bank, in addition to approximately 12.5 billion euro in the last four months of 2014.

Intesa Sanpaolo Group leverage (6.9% as at 30 September 2015) continues to be at the top levels recorded in the sector.

The capital base also remains high. Own funds, risk-weighted assets and the capital ratios at 30 September 2015 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transposed the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285 and 286 (issued in 2013) and Circular 154 (updated during 2013).
At the end of September, total Own Funds came to 48,750 million euro, against risk-weighted assets of 281,768 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The Total capital ratio stood at 17.3%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 14.3%. The Common Equity Tier 1 ratio stood at 13.4%.
As the regulatory conditions for its inclusion (Art. 26, paragraph 2 of the CRR) were met, Common Equity Tier 1 capital includes net income for the nine months and, consequently, the related pro-rata dividend, determined as three-quarters of the dividends indicated in the 2014-2017 Business Plan as distributable in 2016 (totalling 2 billion euro).

With regard to the insurance segment, as at 30 September 2015 the available individual solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, was 4,351 million euro, up on the 4,033 million euro of 31 December 2014 due to the net income for the period. The capital absorption level was 2,884 million euro, up compared to 2,736 million euro as at 31 December 2014. The margin is 1,467 million euro higher than the requirement under the supervisory provisions. The solvency ratio as at 30 September 2015 was 150.9%, up compared to the figure as at 31 December 2014 due to the net income for the period.

The Group's risk profile, while rising, remained within the limits approved by the Risk Appetite Framework, 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 increase in the first part of the first half was substantially attributable to the positioning on Italian and Spanish government securities, while in the following months the risk measurements reached peaks due to the volatility of the financial markets in relation to the uncertainty surrounding the Greek debt crisis. The Group's average risk profile in the nine months, which remained within the limit set by the Risk Appetite Framework, came to 93.1 million euro compared to an average value of 44.4 million euro in the first nine months of 2014.



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

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over quality loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to the borrower's segment (Corporate, Retail SME, Retail Mortgage, Other Retail, Sovereigns, Italian Public sector entities and Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor's position are promptly recognised. The economic crisis has called for constant review of the values of loans that had already shown problematic symptoms and of loans with no obvious signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average coverage percentages for doubtful loans (62.8%) and unlikely to pay loans[3] (23.2%). With regard to performing loans to customers, the "collective" adjustments provide a portfolio coverage ratio of 0.8%, which is stable if compared to the coverage in the 2014 financial statements. The lump-sum provisions on performing loans, amounting to 2,315 million euro, fully cover the expected loss calculated according to the Basel 3 rules.

Constant attention has been paid to the valuation of financial items. The majority of financial assets (well over 90%) are measured at fair value, since classified as held for trading using the fair value option, under assets available for sale, or are represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: approximately 77% using level 1 inputs, around 20% using level 2 inputs and only close to 3% using level 3 inputs. Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (well over 90%) were measured using level 2 techniques.

With regard to the Intesa Sanpaolo Group's sovereign debt exposures, in the nine months there was an increase in the exposure to European countries (above all Spain, France and Germany). The exposure to Italian government securities is still concentrated in the short-term segment (16.6 billion euro up to 3 years; approximately 48%), with a duration of 4.2 years. On the other hand, the duration of the insurance portfolio is longer, at 6.4 years, consistently with that of liabilities.
Investment levels in structured credit products and hedge funds remained low. For the first of these products, the fair value changes over the nine months generated a negative impact of 6 million euro (as opposed to 4 million euro in profits from disposals). For hedge funds, the impact of fair value changes during the period considered was a negative 2 million euro.

In the current volatile market environment, measuring the recoverable amount of intangible assets is also particularly difficult.

With regard to intangible assets with indefinite useful life, consisting of the goodwill and the brand name, recognised under balance sheet assets at a total residual value of 5,796 million euro (including 3,914 million euro of goodwill), during the first nine months of 2015, though in a scenario of slight recovery, no indicators impacting the positive conclusions made in the 2014 financial statements about the solidity of assets values were found, despite the still unstable macroeconomic environment.

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

The analyses conducted on preparing the Interim Statement as at 30 September 2015 showed no changes in the main parameters and macroeconomic aggregates which could have a significant impact on the Group's expected cash flows.
The update to the discounting rates showed a decrease in the cost of capital implicit in the Terminal Value for all CGUs, specifically due to the decrease in the risk-free rate and the country risk premium which, calculated based on annual averages, take account of the values observed in the first nine months of 2015, down on those reported in the same period of 2014. Note that the reduction in yields on government securities was particularly sharp in the last part of 2014. As regards the cost of capital considered for discounting cash flows of the CGUs over the “explicit” forecast time horizon (calculated based on the average of the last month), changes were immaterial for the purpose of impacts on the recoverable value of the CGUs.
Profit trends for the year for all CGUs exceeded the figures in the budget and those set out in the Business Plan.
In conclusion, in the light of the above, no critical elements have been identified, compared to the indicators already considered in the 2014 impairment test, such as to require recalculation of Value in use in the Interim Statement as at 30 September 2015.
In terms of market values, Intesa Sanpaolo’s ordinary share performance grew during the first nine months of the year (up by slightly more than 30%), higher than the amount of the FTSE MIB index and higher than the Italian and Eurozone bank sector stock indices.
Starting from February 2015, Intesa Sanpaolo’s ordinary share performance remained at levels consistently higher than the net book value per share. If, on one hand, this is not sufficient to pass the impairment test, which must be based on the recoverable value of each CGU, on the other, it certainly supports the analyses which, as stated previously, showed no critical elements in the retention of the value of the Group's intangible assets with indefinite useful life.
The examination of assessments by financial analysts and the target price of the Intesa Sanpaolo stock show valuations increasing on average compared to the situation at the end of 2014.
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. In the fourth quarter all indicators will continue to be carefully monitored in order to immediately identify any factors that might modify the positive conclusions outlined in this Interim Report.

The other intangible assets recorded under assets in the balance sheet for a total value of 413 million euro, composed by the asset management and insurance portfolios (both with defined useful life), were amortised (126 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 2014.

Finally, 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 Interim Statement as at 30 September 2015 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 in March 2014, the Intesa Sanpaolo Group has introduced the 2014-2017 objective to pursue a new growth phase based on an innovative strategy which, focusing on the individuals and adopting a clear and effective business model, aims at increasing profitability in a sustainable manner, optimising capital and liquidity.
The new strategy hinges on a number of priorities that are now part of the inheritance of Intesa Sanpaolo, which aims to become:
- A real-economy bank, which supports households and businesses and, leveraging a strong balance sheet and leadership, matches healthy credit demand and manages the financial wealth of customers with care;
- a Bank with sustainable profitability, in which operational performance, productivity, risk profile, liquidity and solidity/leverage are carefully balanced;
- a leader in retail and corporate banking in Italy and a few other key countries;
- a European leader Bank in a number of high growth/high value businesses (Private banking, Asset management, Insurance);
- a Bank structured according to a divisional model and engaged in strengthening and further simplifying the current business model of Banca dei Territori, taking into account the evolution in customers’ demands;
- an international Bank that carries out the role of “Local bank abroad” for Italian companies;
- a simple yet innovative Bank, acting with a truly multi-channel model.

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

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

a) New Growth Bank
As part of the “New Growth Bank” initiative, the Banca 5® project continues, relying on an ad hoc offer and on a dedicated commercial value chain of approximately 3,000 people to revamp approximately five million retail customers currently marked by low profitability but with good loyalty potential. During the first half of the year, following the roll-out of the new service model, the number of dedicated managers increased by approximately 700 (about 3,000 total), and such managers continued to receive training. Commercial activities designed to favour the development of cross selling and increase customer loyalty continued. In order to improve the customer experience, the initiatives aimed at promoting the use of digital channels by customers were further developed.

Numerous activities were performed to develop the multi-channel approach, which will enable customers to purchase products and services from all channels through consistent, integrated paths. In the first part of the year, the possibility was provided to use the remote offering of payment cards and insurance and investment products. The mortgage simulator was launched on the Showcase Website and Internet Banking Website and new mobile and tablet app features were activated. The implementation plan for the new front-end for digital channels (Internet Banking and Showcase Website) was drawn up. Work continued on implementing the new integrated model for managing telephone contact between branches and contact units. The process of dematerialisation of documentation was launched, for branch and out-of-branch transactions. Lastly, specific attention was focused on solutions to guarantee the best security standards in using digital channels.

The size of the new Fideuram-Intesa Sanpaolo Private Banking Group on the market makes it a leader in Italy and places it at a top position in private banking at European level, allowing it to develop domestic and international markets in the future. Following the corporate transactions concluded at the end of June 2015, the integration of the two companies continued, with a specific focus on exploiting synergies and pooling the excellence and distinctive skills of Fideuram and Intesa Sanpaolo Private Banking. The numerous activities carried out include those relating to the launch of new advanced advisory services and platforms (which include the creation of the High Net Worth Individual competence centre) and those for the opening of the London branch and the revitalisation of ISPB Suisse. The enhancement of private banking operations abroad will specifically leverage the distinctive expertise of the Intesa Sanpaolo Group in advanced advisory services for Private and High Net Worth Individual customers, exporting the excellence which made Fideuram – Intesa Sanpaolo Private Banking the leader in Italy.

The Asset Management Division took steps in several areas during the first nine months of the year. In particular, in support for the Banca dei Territori Division, several changes were made to the product catalogue to ensure that it continued to suit customers' needs. Works were also implemented to strengthen specialised support provided to the distribution network. Particular care was also devoted to supporting the growth of the Private Banking Division by establishing a dedicated team, improving promotional materials, developing training and launching a dedicated product line. Great attention was also given to extra-captive and institutional customers, for whom specific commercial offers were created, along with a new website dedicated to financial advisors that provides additional information and specifically created multimedia content. The services offered to the Group Insurance Hub were expanded both in the product innovation and after-sales support stages. Finally, work on developing international business was no less intense. As regards the Hong Kong subsidiary, pending the issue by the local Supervisory Authorities of the Type 4 and Type 9 licences authorising advisory and investment activities, respectively, in the third quarter of 2015 implementation continued of the operating model defined for the company’s start-up period. The authorisation process for the establishment of a wealth management company in the People’s Republic of China (main branch in Qingdao), as a joint venture with Intesa Sanpaolo’s International Subsidiary Banks Division and Fideuram-Intesa Sanpaolo Private Banking started at the Bank of Italy. The company's object will be to provide financial advice and distribute and promote wealth management products. In Taiwan, fund-raising activity began with the new master agent, First Capital Management. The Group is participating in the “Magnifica 2.0” project, which is aimed at creating a new service model for international hub companies, in keeping with the model in which Eurizon Capital and Banca dei Territori play a key role. Lastly, the international commercial structure was enhanced by appointing the new Head of International Sales and creating a sales desk based in Paris. Lastly, the Management Boards of Intesa Sanpaolo and the Board of Directors of Eurizon Capital SGR granted authorisation to finalise binding agreements for international development on the London market.

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

The activities of the new Insurance Division focused on developing of the product mix in the Life and Non-Life segments. In particular, during the first nine months of the year, in the Life business work was done on designing multi-line products for Banca dei Territori and extending such products to the Private Banking network. Measures were also implemented with the aim of rationalising the pension business and renewing the product lines which combine income and capital protection, thus meeting a widespread need among customers. In the Non-life business, work focused on developing health and accident, home, car and motorcycle insurance products, including special promotions in conjunction with lending products. New IT tools will further improve both sales efficiency and customer service.

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

On the international front, further progress was made on the project to extend the Foreign Network to economically emerging areas, in order to expand the offer and improve geographical coverage. Specifically, commercial development continued for the Istanbul branch (Turkey) and the subsidiary ISP Brasil SA. Furthermore, the reinforcement of the ISP Bank Luxembourg unit (former SEB) continued by developing the corporate commercial model and setting up the Commodity Financing desk. Lastly, activities continued for the opening of branches in Abu Dhabi and Qatar.

A large number of initiatives and considerable effort were devoted to participating in and supporting EXPO 2015, of which Intesa Sanpaolo is the Official Banking Partner. “The waterstone”, Intesa Sanpaolo's exhibition space, was created, where the Bank not only offers guests of the exhibition banking services (with full coverage in the opening hours of Expo) but also hosts cultural events and chances to meet with its leading customer companies in the Made in Italy sector. To that end, a schedule of the events (more than 1,000) that are being held within the exposition space was defined. From the over 1,100 candidates who participated in the contest “Nominate your Company”, 400 companies were selected to be showcased in the Group's exposition space.

Also at Expo, a Branch was opened for self-service transactions, and a network of ATMs was installed throughout the exhibition space. Intesa Sanpaolo also supports the exhibition through ticketing services. Lastly, a line of payment cards dedicated to EXPO 2015 was launched.
The event was also the occasion for designing “Created in Italy”, the new Intesa Sanpaolo e-commerce portal dedicated to businesses operating in the sectors of the economy in which Italy excels (tourism, restaurants, food, design and fashion), to offer them visibility and opportunities to sell their products and services.
With regard to the “new jobs” envisaged in the 2014-17 Business Plan, Intesa Sanpaolo Casa, a new company that operates in residential real estate brokerage between individuals (including non-customers) and between individuals and the Group's construction company customers, was established. The new company offers customers an advanced range of high-value services based on the soundness and professionalism of a large Group. The first 12 branches were opened (in Turin, Milan, Monza and Rome) and the first sales transactions have been concluded. Intesa Sanpaolo Casa also provides an opportunity for professional growth for Group employees. The new real estate agencies include agents hired from outside as well as employees of Intesa Sanpaolo, who decided to accept a new challenge by using their experience and professionalism to develop the new business. Intesa Sanpaolo Casa is also an important opportunity for the entire Group, owing to the possibility of developing synergies with the banking business, in line with the principal of separating the real estate business from banking. The initiative aims to complete the offering regarding all home needs which, during the year, also involved an extensive marketing campaign on home mortgages, aimed at consolidating the Group’s market share and increasing customer loyalty by applying highly competitive pricing and the option of renegotiating the interest rate from floating to fixed.
The project “Insieme per la Crescita” (Together for Growth), consisting of management change measures and new methods of securing employee involvement, was extended to the entire Banca dei Territori Network. The idea of the project is to target commercial behaviour with the aim of improving the network's performance through a stronger focus on relationships, thereby increasing customer and employee satisfaction so as to generate pervasive, permanent change.

b) Core Growth Bank
With regard to the “Core Growth Bank” initiatives, Banca dei Territori continued three projects aimed at optimising the service model for Retail customers (“Full Potential”), Personal customers (“Investment House”) and Business customers (“Business Entrepreneur”). In further detail, work on the “Full Potential” included the roll-out of the network's new service model. The Regional Governance Centres were informed of the planned rationalisation measures for the network in 2015 (over 300 consolidations) and the first series of actions (149 closures since the beginning of the year, 422 in total since 2014) was carried out. With regard to the “Counter Service Development” initiative, at the end of September 1,591 branches had counter closures at 1 p.m. and 166 branches were fully dedicated to financial advisory services. The new branch layout concept was also consolidated, completing the tests on the prototype and the transformation of the first four branches. This initiative was accompanied by the activation of hundreds of assisted self-service counters and the expediting of the plan to replace obsolete ATMs. The creation of the new brand “Per Te Prestito” is also worth noting, aimed at enhancing the easy and fast disbursement of loans in a multi-channel scheme, thus increasing the visibility of solutions offered.
In the “Investment House” initiative, work in the first half of the year focused on developing the product range. The process of developing the “Financial Advisory” project also continued, as did work relating to the offering of asset management products according to a multi-channel scheme and the implementation of solutions to dematerialise contracts.
In the “Business-Entrepreneur” project, operations of the new local network were consolidated, the manager training plan continued and business branches saw the launch of the programme “Together for Growth-Business” aimed at improving relationships with customers. In order to confirm Intesa Sanpaolo as a key partner in defining the strategic decisions of its customer companies, “Skill4Business” was launched, a knowledge transfer initiative at various levels, including business digitalisation and internationalisation. On this latter front, numerous additional initiatives were developed to support companies in their growth on foreign markets. Numerous web platforms were also activated, with the common purpose of supporting customer companies in developing their business. In addition to the above-mentioned “Created in Italia”, companies were also offered the “Opportunity Network” and “Tech Marketplace”. The former brings together - at international level - companies that want to share opportunities for business and work with selected partners. The latter promotes interaction between technology start-ups and SMEs and large companies, facilitating the matching of demand and supply of innovation.
Development work continued on the “Commercial Excellence” project, aimed at increasing the level of service provided to high added-value customers, also through different organisation of the work and leveraging of leads generated by the multi-channel platform and the use of technologies capable of increasing the effectiveness and efficiency of commercial processes. In particular, during the year training initiatives concerning the new commercial method (which are to involve all resources of commercial areas) were launched, the project “Together for Growth” was extended to the entire network, and solutions for reducing sales time spent on mortgages and F24 forms were implemented. Furthermore, the technological upgrade of equipment continued for customer transactions in self-service mode.
The service model improvement projects for the various customer segments are supported by the new organisational model of Banca dei Territori: in fact, in each of the seven existing regional governance centres, three specialised “commercial areas” have been identified – Retail, Personal and Business – to maximise the specific skills of personnel.
The Corporate and Investment Banking Division moved ahead at full pace with work on developing an asset light model aimed at making its loan assets marketable. As part of the programme aimed at increasing business with international customers, commercial development action was implemented, exit monitoring activities for foreign corporate companies continued and the Global Industries and Foreign Corporate Departments were reorganised, with the creation of the International Network & Global Industries Department. Implementation continued of the service model by Industry. In the area of selective growth involving Italian Corporate Customers, dedicated commercial campaigns were launched and work on refining the service model and the product range was carried out. Specifically, development continued of the “Programma Filiere”, a business model unique in the banking system to support top-end industrial product chains. With regard to Financial Institutions customers, work continued on commercial development and achievement of the factors that will enable the full realisation of the segment's potential.
The International Subsidiary Banks Division is implementing a major project to revise the operational model which, by redefining the functional relationships between Governance structures and local banks and unifying the commercial and marketing organisation, will enable better coordination and greater efficiency of the commercial initiatives. During the year implementation began of the new organisational model of International Subsidiary Banks for Control and Staff Functions. With regard to the initiatives to simplify Governance and optimise synergies between PBZ and ISP BiH (Nexus project), in July the transfer of ISP BiH

shares held by Intesa Sanpaolo Holding International S.A. (ISPHI) to PBZ was finalised. The new commercial segmentation was completed and work was done on the development of service models dedicated to individual customer segments. Development of the division's new target multi-channel platform began, with implementation at three pilot banks. Transaction banking platforms and services integrated into the Group’s range were developed, thereby increasing commercial efforts focusing on corporate and SME customers in particular. Lastly, the Export-Facile product was rolled out in Slovenia, dedicated to Corporate and SME customers.
In the strategic area of dynamic loan management, projects continue with the aim of increasing the speed of the loan granting process and pro-active loan management, which contributed to stemming the deterioration of credit quality. Also owing to these loan management programmes, since the beginning of the year approximately 13,500 businesses returned their loans to performing status from non-performing status, confirming Intesa Sanpaolo’ intention to be a bank that supports the real economy and focuses on sustainable growth.
The Business Plan envisages an important simplification in the corporate breakdown of Banca dei Territori. The objective is to achieve a gradual and significant reduction in the number of legal entities, from 17 banks at the end of 2013 to 6 banks.
The first corporate transaction involved the merger of Banca di Credito Sardo and CR Venezia, 100%-owned, into Intesa Sanpaolo (effective for legal purposes from 10 November 2014). The mergers by incorporation of Banca di Trento e Bolzano and Banca Monte Parma into Intesa Sanpaolo took effect on 20 July 2015. Note that the processes were launched for the mergers by incorporation of Casse di Risparmio di Rieti, Civitavecchia and della provincia di Viterbo into Intesa Sanpaolo, which will be completed during 2015. Lastly, the rationalisation of the local presence resulted in the closure of 149 branches in the first nine months of the year (for a total of 422 closures since 2014).

c) Capital Light Bank
In addition to growth in revenues, reduction in operating costs and optimisation of credit and risk management, the Business Plan is also based on a clear strategy for optimisation of capital and liquidity, as well as deleveraging of the Group’s non-core assets, implemented through the Capital Light Bank division.
During the year, the organisational model was finalised and the process of populating the new Division’s structures continued, a necessary condition to achieving full operation. During the same period, Loan Recovery Department collected significant amounts. Organisational rationalisation in Ukraine resulted in a reduction of the workforce by approximately 650, while in Hungary deleverage of approximately 560 million euro was achieved. The sale of non-strategic investments continued, following those of NH Hotels, Gabetti, Union Life and Telecom (Telco). Lastly, after the authorisation of the demerger of leased assets to Provis, the crash programme pertaining to a gross book value of over 250 million euro was launched. About 100 million euro in Level 3 Assets was sold.
Intesa Sanpaolo REOCO, the Group company whose mission is to extract the most value from repossessed properties and to safeguard the bank's assets, continued to carry out its activity. During the first nine months of the year, actions were taken which resulted in overall benefits for the Group of approximately 10.6 million euro.

d) People and investments as key enablers
At the end of 2013, following development of technology and customer trends, the bank had an excess capacity of about 4,500 people, equal to about 5% of the total employees of the Group. However, there has been a strong desire to involve all colleagues in the new Business Plan right from the beginning, fostering the sense of belonging to the Bank.
In line with these values, as opposed to the measures of its main competitors, the Bank decided to maintain the current employment levels, preserving know-how and the professional expertise within the company. To this end, a major project for professional re-allocation has been initiated in order to support development of the new business initiatives under the Plan. As at September 2015, approximately 4,000 employees had already been reassigned to priority initiatives. This set-up has permitted the implementation of key initiatives like Banca 5® which, as stated above, already counts some 3,000 managers dedicated to developing the relationship with Retail customers.
The Chief Innovation Officer Governance Area, which is fully operational, continues to promote and expedite innovation within the Group.

Highlights

Herein are reported the events experienced by the Group in the first nine months of 2015, with particular emphasis on those of the third quarter of the year.

On 25 February 2015 Intesa Sanpaolo received the ECB’s final decision regarding the specific capital requirements to be respected at consolidated level, i.e.: 9% in terms of Common Equity Tier 1 ratio and 11.5% in terms of Total Capital ratio. The Bank's directors predict no difficulty with regard to Intesa Sanpaolo’s present and prospective ability to comply with these requirements.

On 28 May 2015 Intesa Sanpaolo terminated the agreement concerning the sale of 100% of the capital of its Ukrainian subsidiary Pravex-Bank to Centragas Holding Gmbh signed on 23 January 2014, as it did not obtain the regulatory approval needed to finalise the transaction. In this regard, an amount of 10 million euro was posted to the income statement in the third quarter, relating to the guarantee enforced following the failure of the negotiations with Centragas, as no notice of claim was received from the counterparty by the established deadline. The termination of the agreement had no other material impacts on the income statement or the balance sheet as at 30 September 2015 of the Intesa Sanpaolo Group other than the continued inclusion of the subsidiary in the scope of consolidation.

With effect from 1 June 2015, as part of the reorganisation of the consumer credit business of the Group, following the partial demerger of Intesa Sanpaolo Personal Finance in favour of Intesa Sanpaolo with the aim of specialising captive and extra-captive distribution networks, while optimising their respective particular characteristics, the range of personal loans has been transferred to Intesa Sanpaolo, which has become the consumer credit hub of excellence for the entire Group.

Intesa Sanpaolo Personal Finance, concurrently renamed Accedo S.p.A., remains dedicated to one-fifth of salary loans and special-purpose loans, through a network of single-firm agents and financial intermediaries.

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

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

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

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

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

This has led to an overall increase amounting to 5,019,675.96 euro, with a consequent increase in the absorbing company's capital from 8,724,861,778.88 euro to 8,729,881,454.84 euro.
The mergers came into legal effect as of 20 July 2015, the date from which the exchange transactions started.
The Management Board meeting of 15 September then approved the merger by incorporation of Oldequiter S.p.A. into Intesa Sanpaolo S.p.A., the partial demerger of Banca CR Firenze S.p.A. in favour of Intesa Sanpaolo S.p.A., as well as the merger by incorporation of Cassa di Risparmio di Civitavecchia S.p.A., Cassa di Risparmio di Rieti S.p.A. and Cassa di Risparmio della Provincia di Viterbo S.p.A. into Intesa Sanpaolo S.p.A..

On 17 September 2015 Intesa Sanpaolo launched a U.S.$1 billion Additional Tier 1 issue targeted at the US and Canadian markets. The Additional Tier 1, issued under Intesa Sanpaolo's U.S. Medium Term Notes Programme, has characteristics in line with the CRD IV regulation. The Additional Tier 1 is perpetual (with a maturity date tied to the duration of Intesa Sanpaolo, as set in its articles of association) and can be early redeemed by the issuer after 10 years from the issue date and on every coupon payment date thereafter.
The issuer will pay a fixed rate coupon of 7.70% per annum, payable semi-annually in arrears every 17 March and 17 September of each year, with the first coupon payment on 17 March 2016. Such coupon corresponds to the fixed 10-year Mid Swap Rate in USD reckoned at the moment of issuance plus a spread equal to 546.15 basis points. In the event that the early redemption rights are not utilised on 17 September 2025, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Mid Swap Rate reckoned at the reset date. Such new annual coupon will be fixed for the following 5 years (until the next reset date). As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations. The trigger of 5.125% of Common Equity Tier1 (CET1) provides that, if the CET1 ratio of the Intesa Sanpaolo Group or Intesa Sanpaolo S.p.A. Falls below such trigger, the nominal value of the Additional Tier 1 will be temporarily reduced for the amount needed to restore the trigger level, taking into account also the other instruments with similar characteristics.

Moreover, on 9 October 2015 the ordinary share buy-back programme was launched and concluded. It relates to the plan of assignment to employees, free of charge and covers the part of the Lecoip investment plan regarding the subsidiaries which were not included in last year's programme as well as the share-based incentive plan for 2014, reserved for risk takers. These plans were approved, respectively, at the Intesa Sanpaolo Shareholders' Meetings of 8 May 2014 and 27 April 2015. The subsidiaries

also terminated their purchase programmes of the Parent Company's shares to be assigned free of charge to their employees. These programmes were analogous to the programmes approved by the Parent Company' Shareholders' Meetings.
On the day of execution of the programme, the Intesa Sanpaolo Group purchased a total of 6,885,565 Intesa Sanpaolo ordinary shares at an average purchase price of 3.197 euro per share, for a total countervalue of 22,012,769 euro. The Parent Company purchased 2,392,970 shares at an average purchase price of 3.203 euro per share, for a countervalue of 7,663,546 euro.

The forecast for 2015

In the last few months of 2015 the phase of economic growth is expected to continue, with possible signs of stabilisation in China, following the slowdown in the previous quarters. The markets are impacted by the further postponement of monetary restriction in the United States, which will be implemented only following the improvement of economic figures. In the Eurozone, the ECB has forecast the adoption of new monetary policy measures which could be announced at the meeting at the beginning of December. This possibility will keep the interest rate curve compressed in the Eurozone and could drive the EUR/USD exchange rate down further. European economic growth could continue at a practically unchanged pace, supported more by the expansion of services than manufacturing production. In Italy, the signs of recovery that marked the previous three quarters of 2015 are expected to be confirmed.
The outlook for emerging economies in 2015 is less favourable than the expectations of a few months ago, due to various factors, including the uncertainties surrounding the growth of the Chinese economy, the continuing weakness in in commodities prices, more costly loan conditions on international markets due to the strength of the USD and the expected rise in money market rates in the United States. In the October WEO, the IMF cut the projections for growth of emerging economies in 2015 to 4.0% (-0.2% compared to the July projections). The revision specifically regarded Latin America and CIS countries, with the GDP now expected to fall in Brazil by 3% and Russia by 3.8% (1.5 and 0.4 percentage points less than the July projections, respectively). Conversely, projections for countries in Central and South Eastern Europe were substantially confirmed, in line with the expected performance in the Eurozone.
As regards the Italian banking system, the remainder of 2015 sees prospects for a further gradual improvement in lending as a result of the highly favourable monetary conditions, the slowdown applied to the supply side and the recovery in demand also from businesses, following the already sound recovery in applications from households. However, at the annual average level, the total volume of loans will continue to decline slightly, while near the end of the year the total amount of loans to households and businesses is expected to rise modestly, lagging behind the economic recovery by several quarters.
In terms of funding, moderate growth of deposits will continue, whilst the overall performance will continue to feel the effect of households' portfolio reallocation process in favour of asset management. On the other hand, banks' funding needs should remain limited, given the performance of loans and the extensive refinancing from the ECB. These factors will continue to favour the reduction of customer deposit costs. In a context of very low, where not negative, market rates, and improved credit access conditions, the loan rate environment is expected to remain more relaxed.

In 2015, the Intesa Sanpaolo Group is expected to register an improvement in operating income, driven by net fees and commissions, as well as in operating margin and income before tax from continuing operations with a decline in the cost of risk, all within the framework of a sustainable profitability. The Bank confirms its commitment to distribute cash dividends of 2 billion euro for 2015, as indicated in the 2014-2017 Business Plan.

Reclassified consolidated financial statements

Reclassified consolidated balance sheet

(millions of euro)

Assets	30.09.2015	31.12.2014	Changes amount	%
Financial assets held for trading	52,391	53,741	-1,350	-2.5
of which: Insurance Companies	*775*	*785*	*-10*	*-1.3*
Financial assets designated at fair value through profit and loss	49,998	43,863	6,135	14.0
of which: Insurance Companies	*48,877*	*42,657*	*6,220*	*14.6*
Financial assets available for sale	133,363	124,176	9,187	7.4
of which: Insurance Companies	*72,548*	*71,604*	*944*	*1.3*
Investments held to maturity	1,379	1,471	-92	-6.3
Due from banks	33,994	31,611	2,383	7.5
Loans to customers	345,140	339,002	6,138	1.8
Investments in associates and companies subject to joint control	1,792	1,810	-18	-1.0
Property, equipment and intangible assets	12,135	12,399	-264	-2.1
Tax assets	14,815	14,504	311	2.1
Non-current assets held for sale and discontinued operations	27	29	-2	-6.9
Other assets	23,201	24,737	-1,536	-6.2
Total Assets	**668,235**	**647,343**	**20,892**	**3.2**

Liabilities and Shareholders' Equity	30.09.2015	31.12.2014	Changes amount	%
Due to banks	64,118	51,959	12,159	23.4
Due to customers and securities issued	352,962	354,685	-1,723	-0.5
of which: Insurance Companies	*1,460*	*1,289*	*171*	*13.3*
Financial liabilities held for trading	44,189	46,381	-2,192	-4.7
of which: Insurance Companies	*169*	*333*	*-164*	*-49.2*
Financial liabilities designated at fair value through profit and loss	43,657	37,622	6,035	16.0
of which: Insurance Companies	*43,657*	*37,622*	*6,035*	*16.0*
Tax liabilities	3,394	2,471	923	37.4
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	25,043	23,928	1,115	4.7
Technical reserves	81,965	79,701	2,264	2.8
Allowances for specific purpose	4,701	5,364	-663	-12.4
Share capital	8,730	8,725	5	0.1
Reserves	36,435	36,329	106	0.3
Valuation reserves	-1,183	-1,622	-439	-27.1
Equity instruments	875	-	875	-
Minority interests	623	549	74	13.5
Net income (loss)	2,726	1,251	1,475	
Total Liabilities and Shareholders' Equity	**668,235**	**647,343**	**20,892**	**3.2**

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

Quarterly development of the reclassified consolidated balance sheet

(millions of euro)

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

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

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

Reclassified consolidated statement of income

(millions of euro)

	30.09.2015	30.09.2014	Changes	
			amount	%
Net interest income	5,859	6,302	-443	-7.0
Profits (losses) on investments carried at equity	95	23	72	
Net fee and commission income	5,578	4,952	626	12.6
Profits (Losses) on trading	977	660	317	48.0
Income from insurance business	866	746	120	16.1
Other operating income (expenses)	227	12	215	
Operating income	**13,602**	**12,695**	**907**	**7.1**
Personnel expenses	-3,830	-3,759	71	1.9
Other administrative expenses	-1,963	-1,984	-21	-1.1
Adjustments to property, equipment and intangible assets	-533	-503	30	6.0
Operating costs	**-6,326**	**-6,246**	**80**	**1.3**
Operating margin	**7,276**	**6,449**	**827**	**12.8**
Net provisions for risks and charges	-484	-251	233	92.8
Net adjustments to loans	-2,383	-3,525	-1,142	-32.4
Net impairment losses on other assets	-60	-143	-83	-58.0
Profits (Losses) on investments held to maturity and on other investments	87	383	-296	-77.3
Income (Loss) before tax from continuing operations	**4,436**	**2,913**	**1,523**	**52.3**
Taxes on income from continuing operations	-1,518	-1,592	-74	-4.6
Charges (net of tax) for integration and exit incentives	-46	-29	17	58.6
Effect of purchase price allocation (net of tax)	-86	-148	-62	-41.9
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-1	280	-281	
Minority interests	-59	-221	-162	-73.3
Net income (loss)	**2,726**	**1,203**	**1,523**	
Basic EPS - euro	**0.16**	**0.07**		
Diluted EPS - euro	**0.16**	**0.07**		

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

Quarterly development of the reclassified consolidated statement of income

(millions of euro)

	2015			2014			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,912	1,976	1,971	2,056	2,107	2,100	2,095
Profits (losses) on investments carried at equity	41	15	39	12	6	-19	36
Net fee and commission income	1,786	1,979	1,813	1,813	1,647	1,725	1,580
Profits (Losses) on trading	1	380	596	76	135	381	144
Income from insurance business	241	282	343	186	240	251	255
Other operating income (expenses)	216	12	-1	-10	25	-9	-4
Operating income	**4,197**	**4,644**	**4,761**	**4,133**	**4,160**	**4,429**	**4,106**
Personnel expenses	-1,257	-1,271	-1,302	-1,359	-1,257	-1,222	-1,280
Other administrative expenses	-643	-679	-641	-810	-653	-673	-658
Adjustments to property, equipment and intangible assets	-180	-178	-175	-191	-171	-166	-166
Operating costs	**-2,080**	**-2,128**	**-2,118**	**-2,360**	**-2,081**	**-2,061**	**-2,104**
Operating margin	**2,117**	**2,516**	**2,643**	**1,773**	**2,079**	**2,368**	**2,002**
Net provisions for risks and charges	-224	-134	-126	-291	-14	-182	-55
Net adjustments to loans	-769	-847	-767	-1,043	-1,257	-1,186	-1,082
Net impairment losses on other assets	-20	-31	-9	-94	-64	-67	-12
Profits (Losses) on investments held to maturity and on other investments	21	38	28	5	73	235	75
Income (Loss) before tax from continuing operations	**1,125**	**1,542**	**1,769**	**350**	**817**	**1,168**	**928**
Taxes on income from continuing operations	-354	-516	-648	-183	-324	-904	-364
Charges (net of tax) for integration and exit incentives	-15	-25	-6	-74	-9	-13	-7
Effect of purchase price allocation (net of tax)	-27	-33	-26	-45	-49	-53	-46
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-1	-	-4	45	238	-3
Minority interests	-7	-27	-25	4	3	-219	-5
Net income (loss)	**722**	**940**	**1,064**	**48**	**483**	**217**	**503**

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

Report on operations

Economic results

The Intesa Sanpaolo Group's excellent performance continued in the third quarter, against the backdrop of moderate, stable growth in the Eurozone, with some tensions at the global level due to the collapse of Chinese equity markets and the slowdown of economic activity in various emerging countries.
The results for the first nine months of 2015 include increased revenues, driven by fees and commissions and trading activity, along with a modest increase in costs, permitting a significant improvement in operating margin compared to the same period of 2014. In addition, due to the significant decrease in net adjustments to loans, the period closed with net income of 2.7 billion euro, more than twice the net income recorded in all of 2014.

Operating income

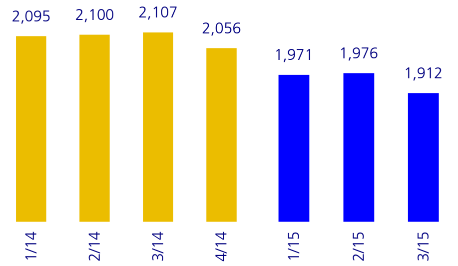
Operating income amounted to 13,602 million euro, up 7.1% compared to the 12,695 million euro of the same period of 2014 due to the increase in net fees and commissions (+12.6%), in profits on trading (+48%) and in income from insurance business (+16.1%), which more than offset the decline in net interest income.

Net interest income

(millions of euro)

	30.09.2015	30.09.2014	Changes	
			amount	%
Relations with customers	6,319	7,058	-739	-10.5
Securities issued	-2,905	-3,541	-636	-18.0
Differentials on hedging derivatives	591	838	-247	-29.5
Customer dealing	**4,005**	**4,355**	**-350**	**-8.0**
Financial assets held for trading	177	228	-51	-22.4
Investments held to maturity	39	43	-4	-9.3
Financial assets available for sale	631	838	-207	-24.7
Financial assets	**847**	**1,109**	**-262**	**-23.6**
Relations with banks	**-4**	**-23**	**-19**	**-82.6**
Non-performing assets	**1,013**	**893**	**120**	**13.4**
Other net interest income	**-2**	**-32**	**-30**	**-93.8**
Net interest income	**5,859**	**6,302**	**-443**	**-7.0**

Quarterly development
Net interest income



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

Net interest income settled at 5,859 million euro, down 7% compared to the first nine months of 2014 due to both the trend in lending to customers and the decline in interest on financial assets.
Customer dealing amounted to 4,005 million euro, down 8% compared to the same period of the previous year: the decline in net interest income related to relations with customers, which reflects in particular the decrease in average volumes and the decline in hedging derivative differentials, exceeded the reduction in interest expense on securities issued.
Interest on financial assets declined by 23.6% compared to the same period of 2014 due mainly to the reduction in interest on financial assets available for sale (-207 million euro), sales of which have been included in profits on trading.
Net interest expense on the interbank market came to 4 million euro, an improvement from the net expense of -23 million euro for the first nine months of last year due to the reduction in interest expense on interbank funding, which includes the exposure to the ECB, which averaged roughly 22 billion euro for the period.

(millions of euro)

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

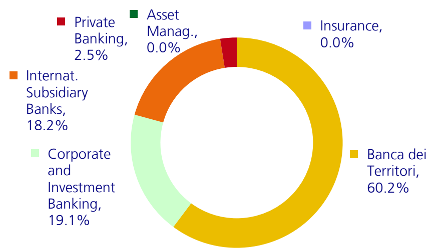
Figures restated, where necessary, considering the changes in the scope of consolidation.

Net interest income in third quarter was slightly higher than in the first two quarters due to the decline in interest on customer dealing and financial assets, most markedly profits on trading.

(millions of euro)

	30.09.2015	30.09.2014	Changes	
			amount	%
Banca dei Territori	3,658	4,114	-456	-11.1
Corporate and Investment Banking	1,158	1,346	-188	-14.0
International Subsidiary Banks	1,105	1,072	33	3.1
Private Banking	149	171	-22	-12.9
Asset Management	1	1	-	-
Insurance	-	-	-	-
Total business areas	**6,071**	**6,704**	**-633**	**-9.4**
Corporate Centre	-212	-402	-190	-47.3
Intesa Sanpaolo Group	**5,859**	**6,302**	**-443**	**-7.0**

Business areas



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

Banca dei Territori, which accounts for 60% of business area results, recorded a decline of 11.1% in net interest income, primarily due to the reduced contribution of customer dealing in terms of both volumes and margins. Interest attributable to the Corporate and Investment Banking division declined (-14%) owing in particular to the reduced contribution of the capital markets segment. The Private Banking division's net interest income decreased by 12.9%. Conversely, the International Subsidiary Banks division posted an increase in net interest income (+3.1%), which benefited from the greater contribution of lending volumes, attributable mainly to the subsidiary banks in Egypt, Croatia and Slovakia.

Profits on investments carried at equity

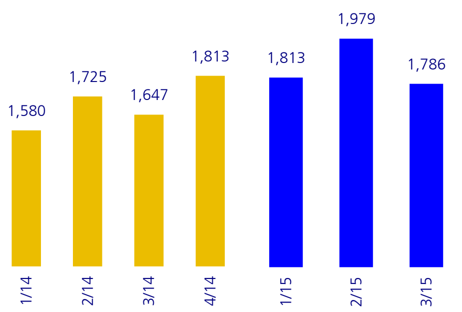
For the first nine months of 2015, this aggregate totalled 95 million euro, compared to the 23 million euro posted for the same period of 2014 thanks to the positive contribution of companies consolidated at equity.

Net fee and commission income

(millions of euro)

	30.09.2015	30.09.2014	Changes amount	Changes %
Guarantees given / received	258	247	11	4.5
Collection and payment services	270	276	-6	-2.2
Current accounts	777	833	-56	-6.7
Credit and debit cards	394	382	12	3.1
Commercial banking activities	**1,699**	**1,738**	**-39**	**-2.2**
Dealing and placement of securities	368	398	-30	-7.5
Currency dealing	33	31	2	6.5
Portfolio management	1,825	1,338	487	36.4
Distribution of insurance products	900	703	197	28.0
Other	135	118	17	14.4
Management, dealing and consultancy activities	**3,261**	**2,588**	**673**	**26.0**
Other net fee and commission income	**618**	**626**	**-8**	**-1.3**
Net fee and commission income	**5,578**	**4,952**	**626**	**12.6**

Quarterly development Net fee and commission income



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

Net fee and commission income for the period, which makes up approximately 40% of operating income, came to 5,578 million euro, up 12.6% compared to the first nine months of 2014 thanks to the increase in portfolio management fees and commissions.
Fee and commission income on commercial banking activities declined (-2.2%) due to the reduction in fees and commissions on current accounts (-6.7%) and on collection and payment services (-2.2%), which exceeded the increase in fees and commissions on guarantees given (+4.5%) and on debit and credit cards (+3.1%).
Management, dealing and consultancy activities provided the greatest contribution, generating net fee and commission income of 3,261 million euro, up 26% compared to the first nine months of 2014. Contributing to this trend were, above all, fee and commission income on portfolio management (+487 million euro), particularly regarding both collective and individual proprietary portfolios, the distribution of insurance products (+197 million euro) and, to a lesser extent, other management and dealing commissions (+17 million euro). Other net fee and commission income was 618 million euro, down 8 million euro, primarily attributable to lower commissions on factoring transactions and greater fee and commission expenses on other activities.

(millions of euro)

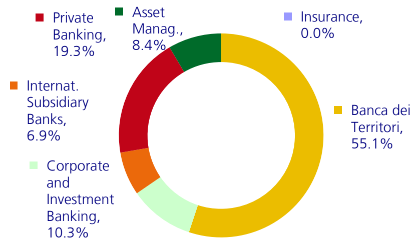
	2015 Third quarter (A)	2015 Second quarter (B)	2015 First quarter (C)	Changes % (A/B)	Changes % (B/C)
Guarantees given / received	88	78	92	12.8	-15.2
Collection and payment services	89	95	86	-6.3	10.5
Current accounts	268	255	254	5.1	0.4
Credit and debit cards	141	132	121	6.8	9.1
Commercial banking activities	**586**	**560**	**553**	**4.6**	**1.3**
Dealing and placement of securities	83	132	153	-37.1	-13.7
Currency dealing	11	11	11	-	-
Portfolio management	576	655	594	-12.1	10.3
Distribution of insurance products	300	335	265	-10.4	26.4
Other	42	48	45	-12.5	6.7
Management, dealing and consultancy activities	**1,012**	**1,181**	**1,068**	**-14.3**	**10.6**
Other net fee and commission income	**188**	**238**	**192**	**-21.0**	**24.0**
Net fee and commission income	**1,786**	**1,979**	**1,813**	**-9.8**	**9.2**

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

Net fee and commission income for the third quarter of 2015 was down 9.8% compared to the second quarter due to the customary seasonal phenomena, including a lower concentration of performance fees, attributable to asset management products, and to a reduction of commissions on bancassurance products and a decline in securities placement.

	30.09.2015	30.09.2014	Changes (millions of euro)	
			amount	%
Banca dei Territori	3,175	2,949	226	7.7
Corporate and Investment Banking	594	581	13	2.2
International Subsidiary Banks	397	389	8	2.1
Private Banking	1,111	872	239	27.4
Asset Management	482	334	148	44.3
Insurance	-	-	-	-
Total business areas	**5,759**	**5,125**	**634**	**12.4**
Corporate Centre	-181	-173	8	4.6
Intesa Sanpaolo Group	**5,578**	**4,952**	**626**	**12.6**

Business areas



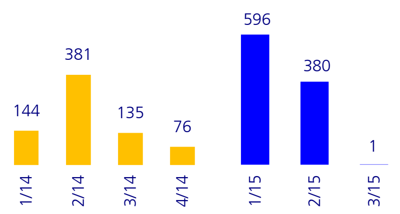
The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014. Figures also restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

With regard to business areas, Banca dei Territori, which accounts for 55% of the fee and commission income of the business units, recorded a significant increase (+7.7%, or 226 million euro), mainly due to fee and commission income on asset management and bancassurance products. Asset management posted a significant increase (+44.3%) as a result of the marked growth in average assets under management compared to the first nine months of 2014, as did Private Banking (+27.4%), due to both the strong growth in average assets under management and the increase in margins due to the shift in the product mix in favour of asset management and mutual funds and the increasing demand for advisory services. More moderate increases were reported by Corporate and Investment Banking (+2.2%), attributable to the growth of fee and commission income in the investment banking and capital markets sector, and by the International Subsidiary Banks (+2.1%).

Profits (Losses) on trading

	30.09.2015	30.09.2014	Changes (millions of euro)	
			amount	%
Interest rates	51	-160	211	
Equity instruments	133	242	-109	-45.0
Currencies	164	70	94	
Structured credit products	-2	34	-36	
Credit derivatives	-57	-31	26	83.9
Commodity derivatives	22	16	6	37.5
Trading result	**311**	**171**	**140**	**81.9**
Trading on AFS securities and financial liabilities	**666**	**489**	**177**	**36.2**
Profits (Losses) on trading	**977**	**660**	**317**	**48.0**

Quarterly development Profits (losses) on trading



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

In the first nine months of 2015, trading activities yielded a profit of 977 million euro, significantly in excess of the 660 million euro recorded in the same period of 2014. The Group benefited from the favourable financial market performance in the first five months of the year, recording unrealised gains on its portfolios of financial assets available for sale, and implemented measures aimed at protecting its trading and proprietary portfolios in subsequent months, when market turbulence increased. In particular, profits on trading benefited from the increase in transactions in currencies and interest rates attributable to the capital markets segment.

It should be noted that the subcaption "Trading on AFS securities and financial liabilities" incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option. The dividends distributed by the Bank of Italy (144 million euro in the first nine months of 2015 and 161 million in the same period of 2014) have been included in the subcaption.

(millions of euro)

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

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

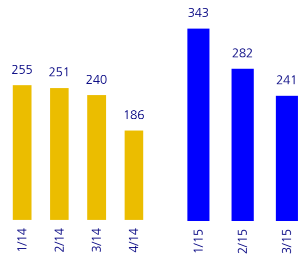
The quarterly comparison shows a level of 1 million euro in the third quarter, following the significant gains on the available for sale (AFS) portfolio realised in the first two quarters.

Income from insurance business

(millions of euro)

Captions (a)	30.09.2015 Life	Non-life	**Total**	30.09.2014 Life	Non-life	**Total**	Changes **amount**	**%**
Technical margin	**17**	**39**	**56**	**32**	**35**	**67**	**-11**	**-16.4**
Net insurance premiums (b)	8,545	180	8,725	12,538	153	12,691	-3,966	-31.3
Net charges for insurance claims and surrenders (c)	-7,148	-67	-7,215	-5,311	-69	-5,380	1,835	34.1
Net charges for changes in technical reserves (d)	-2,505	-	-2,505	-8,477	-	-8,477	-5,972	-70.4
Gains (losses) on investments pertaining to insured parties on insurance products (e)	1,322	-	1,322	1,469	-	1,469	-147	-10.0
Net fees on investment contracts (f)	137	-	137	119	-	119	18	15.1
Commission expenses on insurance contracts (g)	-366	-48	-414	-317	-33	-350	64	18.3
Other technical income and expense (h)	32	-26	6	11	-16	-5	11	
Net investment result	**851**	**26**	**877**	**664**	**15**	**679**	**198**	**29.2**
Operating income from investments	1,786	26	1,812	4,117	15	4,132	-2,320	-56.1
Net interest income	*1,527*	*6*	*1,533*	*1,572*	*10*	*1,582*	*-49*	*-3.1*
Dividends	*131*	*2*	*133*	*62*	*1*	*63*	*70*	
Gains/losses on disposal	*1,456*	*18*	*1,474*	*752*	*4*	*756*	*718*	*95.0*
Valuation gains/losses	*-1,260*	-	*-1,260*	*1,782*	-	*1,782*	*-3,042*	
Portfolio management fees paid (i)	*-68*	-	*-68*	*-51*	-	*-51*	*17*	*33.3*
Profit/loss pertaining to third party underwriters of mutual funds (j)	-	-	-	-	-	-	-	-
Gains (losses) on investments pertaining to insured parties	-935	-	-935	-3,453	-	-3,453	-2,518	-72.9
Insurance products (k)	*-1,258*	-	*-1,258*	*-1,351*	-	*-1,351*	*-93*	*-6.9*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-64*	-	*-64*	*-118*	-	*-118*	*-54*	*-45.8*
Investment products (m)	*387*	-	*387*	*-1,984*	-	*-1,984*	*2,371*	
Income from insurance business gross of consolidation effects	**868**	**65**	**933**	**696**	**50**	**746**	**187**	**25.1**
Consolidation effects	*-63*	*-4*	*-67*	-	-	-	*67*	-
Income from insurance business	**805**	**61**	**866**	**696**	**50**	**746**	**120**	**16.1**

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 nine months of 2015, income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, was 866 million euro, up 16.1% 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 for the latter.

The positive performance of the life business should be viewed against the backdrop of the improved net investment result, which climbed to 851 million euro from 664 million euro in the first nine months of the previous year, also benefiting from extraordinary income of 58 million euro on the sale of Union Life. Operating income from investments, net of retrocession to policyholders, increased due to considerable realised gains and greater dividends, which offset the significant write-downs of the portfolios. The technical margin for the life business fell, primarily due to lower class III and VI fee and commission income, higher class I trailing commissions rebated to the network and higher interest expenses on subordinated loans.

Income from non-life business grew by 11 million euro, essentially attributable to the net investment result due to capital gains. The technical margin also grew slightly due to an increase in net premiums, supported in part by the products "aCasaConMe", which combine personalised insurance coverage with a technological device that is able to detect dangers and notify others in the event of an emergency, and "MotoConMe", the innovative new policy for motorcycles and scooters launched in June.

(millions of euro)

Captions (a)	**2015**			**Changes %**	
	Third quarter (A)	**Second quarter** (B)	**First quarter** (C)	(A/B)	(B/C)
Technical margin	**31**	**19**	**6**	**63.2**	
Net insurance premiums (b)	2,642	2,908	3,175	-9.1	-8.4
Net charges for insurance claims and surrenders (c)	-1,964	-2,722	-2,529	-27.8	7.6
Net charges for changes in technical reserves (d)	-802	-311	-1,392		-77.7
Gains (losses) on investments pertaining to insured parties on insurance products (e)	231	248	843	-6.9	-70.6
Net fees on investment contracts (f)	51	48	38	6.3	26.3
Commission expenses on insurance contracts (g)	-140	-156	-118	-10.3	32.2
Other technical income and expense (h)	13	4	-11		
Net investment result	**251**	**288**	**338**	**-12.8**	**-14.8**
Operating income from investments	-1,080	-627	3,519	72.2	
Net interest income	*515*	*525*	*493*	-1.9	6.5
Dividends	*51*	*60*	*22*	*-15.0*	
Gains/losses on disposal	*268*	*608*	*598*	*-55.9*	*1.7*
Valuation gains/losses	*-1,895*	*-1,797*	*2,432*	*5.5*	
Portfolio management fees paid (i)	*-19*	*-23*	*-26*	*-17.4*	*-11.5*
Profit/loss pertaining to third party underwriters of mutual funds (j)	-	-	-	-	-
Gains (losses) on investments pertaining to insured parties	1,331	915	-3,181	45.5	
Insurance products (k)	*-293*	*-270*	*-695*	*8.5*	*-61.2*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*62*	*22*	*-148*		
Investment products (m)	*1,562*	*1,163*	*-2,338*	*34.3*	
Income from insurance business gross of consolidation effects	**282**	**307**	**344**	**-8**	**-10.8**
Consolidation effects	-41	-25	-1	64	
Income from insurance business	**241**	**282**	**343**	**-15**	**-17.8**

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

For notes, see the previous table.

In the third quarter, income from insurance business, including both the life and non-life businesses, was less than in the first two quarters, primarily due to financial market trends, which had a negative effect on the valuation component of the portfolios.

(millions of euro)

	30.09.2015				30.09.2014
	Periodic premiums	Single premiums	Total	*of which new business*	
Life insurance business	**141**	**8,405**	**8,546**	***8,405***	**12,539**
Premiums issued on traditional products	120	8,118	8,238	*8,118*	12,393
Premiums issued on unit-linked products	9	14	23	*14*	33
Premiums issued on capitalisation products	-	1	1	*1*	1
Premiums issued on pension funds	12	272	284	*272*	112
Non-life insurance business	**28**	**154**	**182**	***52***	**159**
Premiums issued	35	166	201	*125*	157
Change in premium reserves	-7	-12	-19	*-73*	2
Premiums ceded to reinsurers	**-2**	**-5**	**-7**	***-8***	**-7**
Net premiums from insurance products	**167**	**8,554**	**8,721**	***8,449***	**12,691**
Business on index-linked contracts	-	-	-	*-*	-
Business on unit-linked contracts	82	11,173	11,255	*11,180*	7,059
Total business from investment contracts	**82**	**11,173**	**11,255**	***11,180***	**7,059**
Total business	**249**	**19,727**	**19,976**	***19,629***	**19,750**

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

Business in the insurance segment reached a total of 19,976 million euro in premiums in the first nine months of 2015, essentially unchanged compared to the total inflows of 19,750 million euro recorded in the same period of the previous year. This increase is attributable to new unit-linked contract business, which offset the decline in premiums issued against traditional life policies. New business was 19,629 million euro, confirming the fact that the premiums of the Group's insurance companies relate almost entirely to new single-premium contracts.

Other operating income (expenses)

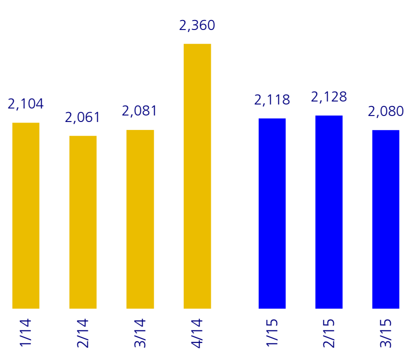
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses.
Other net operating income for the first nine months of 2015 includes the amount 211 million euro pertaining to the IMI-SIR dispute. For further details, refer to the chapter "Risk management".

Operating costs

(millions of euro)

	30.09.2015	30.09.2014	Changes amount	Changes %
Wages and salaries	2,634	2,664	-30	-1.1
Social security charges	677	688	-11	-1.6
Other	519	407	112	27.5
Personnel expenses	**3,830**	**3,759**	**71**	**1.9**
Information technology expenses	455	465	-10	-2.2
Management of real estate assets expenses	437	479	-42	-8.8
General structure costs	315	308	7	2.3
Professional and legal expenses	288	255	33	12.9
Advertising and promotional expenses	87	94	-7	-7.4
Indirect personnel costs	68	65	3	4.6
Other costs	246	241	5	2.1
Indirect taxes and duties	676	671	5	0.7
Recovery of expenses and charges	-609	-594	15	2.5
Administrative expenses	**1,963**	**1,984**	**-21**	**-1.1**
Property and equipment	262	261	1	0.4
Intangible assets	271	242	29	12.0
Adjustments	**533**	**503**	**30**	**6.0**
Operating costs	**6,326**	**6,246**	**80**	**1.3**

Quarterly development Operating costs



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

Operating costs amounted to 6,326 million euro, slightly increased (+1.3%) compared to the first nine months of 2014. Personnel expenses increased (+1.9%, or 71 million euro), reaching 3,830 million euro, due to the increased provisions for the bonus system recognised in support of the Group's net income performance, while the impact of the full application of the 2012 national collective bargaining agreement was partly contained through ongoing reductions in the average workforce (-1.4%).
Administrative expenses came to 1,963 million euro, down 1.1% compared to the same period of the previous year. The positive performance of such expenses is mainly attributable to real estate management (-42 million euro), information technology expenses (-10 million euro) and advertising and promotional expenses (-7 million euro), only partly offset by the increase in legal and professional fees (+33 million euro). Adjustments amounted to 533 million euro, up 6% compared to the same period of 2014, due to higher amortisation of intangible assets. The cost/income ratio for the period was 46.5%, a clear improvement compared to the 49.2% of the first nine months of 2014 and an even greater improvement compared to the 51.1% of 2014.

(millions of euro)

	2015			Changes %	
	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)
Wages and salaries	866	874	894	-0.9	-2.2
Social security charges	226	222	229	1.8	-3.1
Other	165	175	179	-5.7	-2.2
Personnel expenses	**1,257**	**1,271**	**1,302**	**-1.1**	**-2.4**
Information technology expenses	149	153	153	-2.6	-
Management of real estate assets expenses	146	142	149	2.8	-4.7
General structure costs	105	102	108	2.9	-5.6
Professional and legal expenses	96	106	86	-9.4	23.3
Advertising and promotional expenses	30	34	23	-11.8	47.8
Indirect personnel costs	18	27	23	-33.3	17.4
Other costs	84	85	77	-1.2	10.4
Indirect taxes and duties	212	247	217	-14.2	13.8
Recovery of expenses and charges	-197	-217	-195	-9.2	11.3
Administrative expenses	**643**	**679**	**641**	**-5.3**	**5.9**
Property and equipment	88	89	85	-1.1	4.7
Intangible assets	92	89	90	3.4	-1.1
Adjustments	**180**	**178**	**175**	**1.1**	**1.7**
Operating costs	**2,080**	**2,128**	**2,118**	**-2.3**	**0.5**

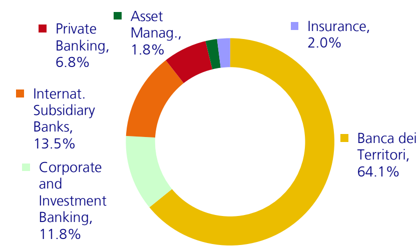
Figures restated, where necessary, considering the changes in the scope of consolidation.

At the quarterly level, operating costs of 2,080 million euro in the third quarter decreased compared to the previous two quarters, primarily attributable to the reduction of professional and legal expenses and indirect personnel costs.

(millions of euro)

	30.09.2015	30.09.2014	Changes	
			amount	%
Banca dei Territori	3,634	3,686	-52	-1.4
Corporate and Investment Banking	672	614	58	9.4
International Subsidiary Banks	766	762	4	0.5
Private Banking	387	380	7	1.8
Asset Management	100	92	8	8.7
Insurance	111	108	3	2.8
Total business areas	**5,670**	**5,642**	**28**	**0.5**
Corporate Centre	656	604	52	8.6
Intesa Sanpaolo Group	**6,326**	**6,246**	**80**	**1.3**

Business areas



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

The increase in operating costs for the Group is attributable to all Business Units, with the exception of Banca dei Territori (-1.4%), which accounts for 64% of all costs for the business areas and managed cuts across all cost captions. Corporate and Investment Banking (+9.4%) and Asset Management (+8.7%) saw increases in both personnel and administrative expenses. Increases were also reported by Private Banking (+1.8%), with general increases in all captions, Insurance (+2.8%), and the International Subsidiary Banks (+0.5%), in relation to greater personnel expenses.

Operating margin

The operating margin for the first nine months of 2015 amounted to 7,276 million euro, up 12.8% on the figure recorded in the same period of the previous year (6,449 million euro) due to the increase in revenues. At the quarterly level, operating margin recorded in the third quarter was 15.9% lower than in the second quarter.

Adjustments to/write-backs on assets

Net provisions for risks and charges

In the first nine months of 2015, net provisions for risks and charges stood at 484 million euro, up compared to 251 million euro in the corresponding period of the previous year. This caption includes the estimated cost for the entire year of the new banking crisis resolution mechanism and the new deposit guarantee scheme, 95 million euro and 43 million euro, respectively, and the provisions recognised in accordance with statutes governing the conversion into euro of loans in Swiss francs disbursed by the Croatian subsidiary bank Privredna Banka Zagreb (172 million euro). For further details, refer to the chapter "Risk management".

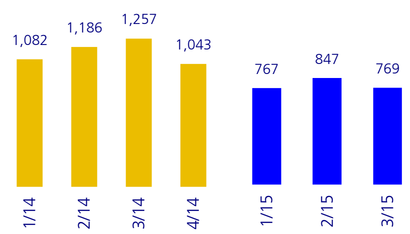
Net adjustments to loans

(millions of euro)

	30.09.2015	30.09.2014	Changes amount	Changes %
Doubtful loans	-1,159	-1,620	-461	-28.5
Unlikely to pay	-973	-1,524	-551	-36.2
Past due loans	-269	-284	-15	-5.3
Performing loans	-36	-77	-41	-53.2
Net losses/recoveries on impairment of loans	**-2,437**	**-3,505**	**-1,068**	**-30.5**
Net adjustments to/recoveries on guarantees and commitments	**54**	**-20**	**74**	
Net adjustments to loans	**-2,383**	**-3,525**	**-1,142**	**-32.4**

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

Quarterly development Net adjustments to loans



The significant reduction in net adjustments to loans for the first nine months of 2015, as compared to the same period of the previous year, was the result of both actions implemented under the plan aimed at enhancing credit monitoring and, above all, a gradual stabilisation of the general economic context, which made it possible to contain the deterioration of the loan portfolio after the considerable adjustments implemented in 2013 and 2014.
During the period, in particular, net adjustments to loans stood at 2,383 million euro, down 32.4% compared to the same period of 2014, due essentially to the lower provisions for doubtful and unlikely to pay loans, while adequate cover was maintained for both non-performing and performing loans. Doubtful positions required total net adjustments of 1,159 million euro, a 28.5% drop compared to the first nine months of 2014, with an average coverage ratio of 62.8%. Net impairment losses on unlikely to pay loans, totalling 973 million euro, decreased by 36.2% compared to the first nine months of the previous year, with a coverage ratio of 23.2%, up compared to the levels of the end of 2014. Net impairment losses on past due loans declined by 15 million euro compared to the same period of 2014 (-5.3%). The coverage ratio for forborne positions within the non-performing loans category was 25.3% at the end of September.
Lastly, within performing loans, the generic reserve offered a stable coverage ratio for the physiological risk inherent in the portfolio of 0.8%.

(millions of euro)

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

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

Impairment losses in the third quarter of 2015 were lower than in the second quarter and essentially in line with the first quarter, but significantly lower than in all quarters of the previous year, when they were consistently above one billion.

Net impairment losses on other assets
In the first nine months of 2015, impairment losses on assets other than loans came to 60 million euro, compared to the 143 million euro recorded in the same period in 2014.

Profits (Losses) on investments held to maturity and on other investments
Profits on investments held to maturity and on other investments came to 87 million euro and derive from recoveries in the value of equity investments and gains on the sale of properties. The caption compares with the 383 million euro recorded for the same period of 2014, most of which was attributable to the sale of significant equity interests, including those in SIA, Lauro 61, Pirelli & C. and NH Italia.

Income before tax from continuing operations
Income before tax from continuing operations came to 4,436 million euro, compared to the 2,913 million euro recorded in the first nine months of 2014.

Other income and expense captions

Taxes on income from continuing operations
Current and deferred taxes came to 1,518 million euro, for an effective tax rate of 34.2%, far below the 54.7% recorded for the corresponding period of 2014, which was affected by the retroactive increase in the rate applicable to the capital gain on the stake held in the Bank of Italy.

Charges (net of tax) for integration and exit incentives
This caption amounted to 46 million euro, of which 23 million euro attributable to private banking, compared to the 29 million euro reported for the first nine months of the previous year.

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 nine months of 2015, these costs amounted to 86 million euro, continuing the structural decline that began in previous years.

Income (Loss) from discontinued operations (net of tax)
During the period, a loss of a marginal amount (-1 million euro) was recognised on discontinued operations in relation to the sale of properties being finalised by Risanamento, a subsidiary consolidated line by line.

Net income (loss)
The net income for the first nine months of 2015 was 2,726 million euro, more than twice the 1,203 million euro recorded for the same period of 2014, due mainly to the significant growth in net fee and commission income and profits on trading and the decline in adjustments.

Balance sheet aggregates

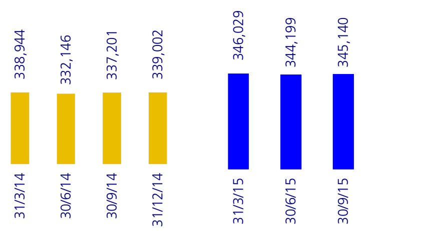
In the first nine months of 2015, Intesa Sanpaolo's consolidated assets increased compared to the end of 2014 (+3.2%). With regard to assets, growth was posted in both loans (to customers and banks) and total financial assets.
In detail, financial assets available for sale increased by 9.2 billion euro and financial assets designated at fair value through profit and loss by 6.1 billion euro, due to the operations of the insurance companies; loans to customers increased by 6.1 billion euro, essentially due to the positive performance of commercial banking loans, while loans to banking counterparties were up 2.4 billion euro. Financial assets held for trading decreased (-1.4 billion euro). Liabilities showed increases of 12.2 billion euro in amounts due to banks, of 6 billion in financial liabilities designated at fair value through profit and loss and of 2.3 billion euro in technical reserves, both attributable to the Group's insurance companies. By contrast, there were declines in financial liabilities held for trading (-2.2 billion euro) and amounts due to customers and securities issued (-1.7 billion euro).

Loans to customers

(millions of euro)

	30.09.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Current accounts	27,218	7.9	27,003	8.0	215	0.8
Mortgages	137,463	39.8	135,851	40.1	1,612	1.2
Advances and other loans	114,203	33.1	112,068	33.0	2,135	1.9
Commercial banking loans	**278,884**	**80.8**	**274,922**	**81.1**	**3,962**	**1.4**
Repurchase agreements	**18,580**	**5.4**	**16,927**	**5.0**	**1,653**	**9.8**
Loans represented by securities	**13,500**	**3.9**	**13,837**	**4.1**	**-337**	**-2.4**
Non-performing loans	**34,176**	**9.9**	**33,316**	**9.8**	**860**	**2.6**
Loans to customers	**345,140**	**100.0**	**339,002**	**100.0**	**6,138**	**1.8**

Quarterly development Loans to customers



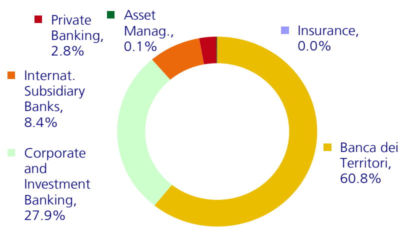
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As at 30 September 2015, Intesa Sanpaolo Group loans to customers exceeded 345 billion euro, up 1.8% compared to the end of the previous year.
The increase in loans since the beginning of the year was essentially due to the rise in commercial banking loans (+4 billion euro or +1.4%) and reverse repurchase agreements, which rose by 1.7 billion euro (+9.8%). The recovery in commercial banking loans, which benefited from the improved outlook for the economy, was driven by advances and other loans, which rose by 2.1 billion euro (+1.9%), and mortgages (+1.6 billion euro, or +1.2%).
In the domestic medium-/long-term loan market, in the first nine months of 2015 disbursements to households (including the small business accounts having similar needs to family businesses) were approximately 10.4 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 8.4 billion euro. During the same period, medium-/long-term disbursements to segments included in the scope of the Corporate Division in Italy amounted to 9 billion euro. Including the extra-captive activities of Mediocredito, disbursements within Italy exceeded 29 billion euro. On the whole, medium-/long-term disbursements for the Group in the first nine months were approximately 34 billion euro.
As at 30 September 2015, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 14.9% 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 September is not yet available.

(millions of euro)

	30.09.2015	31.12.2014	Changes amount	Changes %
Banca dei Territori	184,533	183,696	837	0.5
Corporate and Investment Banking	84,803	82,385	2,418	2.9
International Subsidiary Banks	25,508	24,974	534	2.1
Private Banking	8,438	7,614		
Asset Management	223	473	-250	-52.9
Insurance	28	13	15	
Total business areas	**303,533**	**299,155**	**4,378**	**1.5**
Corporate Centre	41,607	39,847	1,760	4.4
Intesa Sanpaolo Group	**345,140**	**339,002**	**6,138**	**1.8**

Business areas



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

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 slight increase (+837 million euro, or +0.5%) compared to the end of the previous year, due essentially to loans to retail customers. The most significant contribution in absolute terms was provided by Corporate and Investment Banking (+2.4 billion euro or +2.9%), driven by the increased business of the International Network & Global Industries, Financial Institutions and Corporate and Public Finance Departments. There was also growth in the loans of the International Subsidiary Banks Division (+2.1%), primarily those of subsidiaries operating in Slovakia, Croatia and Egypt, and in Private Banking loans, which were up by 10.8%. Conversely, the Asset Management Division, total lending for which was modest, posted a decline. The growth in Corporate Centre loans (+4.4%) is largely attributable to an increase in reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia and other institutional counterparties.

Loans to customers: credit quality

(millions of euro)

	30.09.2015		31.12.2014		Change
	Net exposure	**% breakdown**	**Net exposure**	**% breakdown**	**Net exposure**
Doubtful loans	14,484	4.2	14,218	4.2	266
Unlikely to pay	18,559	5.4	17,845	5.2	714
Past due loans	1,133	0.3	1,253	0.4	-120
Non-performing loans	**34,176**	**9.9**	**33,316**	**9.8**	**860**
of which forborne	***8,118***		**7,190**		**928**
Performing loans	297,464	86.2	291,849	86.1	5,615
of which forborne	*8,278*		*8,529*		*-251*
Loans represented by performing securities	13,500	3.9	13,837	4.1	-337
of which forborne	*143*		*4*		*139*
Loans to customers	**345,140**	**100.0**	**339,002**	**100.0**	**6,138**

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

As at 30 September 2015, the Group's non-performing loans, net of adjustments, rose compared to the end of the previous year (+2.6%). While non-performing loans amounted to 9.9% of total loans to customers, the NPL cash coverage ratio was 47%, stable compared to the end of 2014.
In further detail, doubtful loans came to 14.5 billion euro, net of adjustments, at the end of the first nine months of 2015 (up by 1.9% compared to the beginning of the year), and represented 4.2% of total loans, unchanged compared to the end of 4.2%; during the same period, the coverage ratio was also stable at 62.8%. Unlikely to pay loans amounted to 18.6 billion euro, up compared to 31 December 2014 (+4%), accounting for 5.4% of total loans to customers. The coverage ratio, at 23.2%, also increased compared to the beginning of the year. Past due loans totalled 1.1 billion euro, down 9.6% compared to the end of 2014, with a coverage ratio of 16.6%. Forborne exposures are generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority with the aim of harmonising the classification of non-performing loans at the European level: within the non-performing loan category they amounted to 8.1 billion euro, with an average coverage ratio of 25.3%, whereas those in the performing loan category amounted to 8.3 billion euro.
The coverage ratio of performing loans remained stable at 0.8%.

Customer financial assets

(millions of euro)

	30.09.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Direct deposits from banking business	358,747	42.8	359,808	43.5	-1,061	-0.3
Direct deposits from insurance business and technical reserves	127,082	15.2	118,612	14.4	8,470	7.1
Indirect customer deposits	477,269	57.0	465,777	56.3	11,492	2.5
Netting [(a)]	-125,622	-15.0	-117,323	-14.2	8,299	7.1
Customer financial assets	**837,476**	**100.0**	**826,874**	**100.0**	**10,602**	**1.3**

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 September 2015, customer financial assets exceeded 837 billion euro, up 1.3% from the beginning of the year due, above all, to indirect customer deposits (+11.5 billion euro, or +2.5%), which benefited from the growth in assets under management. Direct deposits from banking business decreased by 1.1 billion euro (-0.3%), primarily due to the decline in repurchase agreements, securities lending and bonds, which was not sufficiently offset by the positive performance of current accounts and deposits. The insurance segment recorded an improvement of 8.5 billion euro (+7.1%), primarily attributable to the increase in financial liabilities designated at fair value through profit and loss associated with unit-linked products.

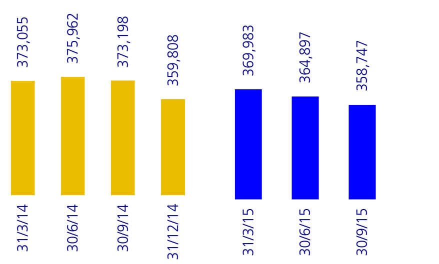
Direct deposits from banking business

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

(millions of euro)

	30.09.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Current accounts and deposits	210,854	58.8	199,789	55.5	11,065	5.5
Repurchase agreements and securities lending	17,577	4.9	20,572	5.7	-2,995	-14.6
Bonds	89,341	24.9	98,864	27.5	-9,523	-9.6
of which designated at fair value [(*)]	-	-	-	-	-	-
Certificates of deposit	7,127	2.0	6,834	1.9	293	4.3
Subordinated liabilities	13,729	3.8	14,516	4.0	-787	-5.4
Other deposits	20,119	5.6	19,233	5.4	886	4.6
of which designated at fair value [(**)]	*7,245*	*2.0*	*6,412*	*1.8*	*833*	*13.0*
Direct deposits from banking business	**358,747**	**100.0**	**359,808**	**100.0**	**-1,061**	**-0.3**

Quarterly development
Direct deposits from banking business



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

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

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

Total direct deposits from banking business, approximately 359 billion euro, was down slightly (-0.3%) compared to the end of December 2014, with diverging performances by the main deposit types.

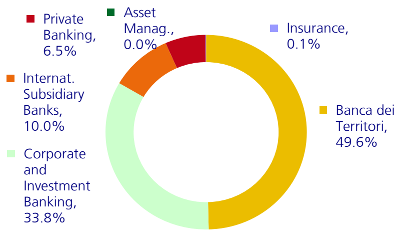
Current accounts and deposits increased significantly (+11.1 billion euro or +5.5%), an increase that should be viewed in light of the positive performance of the demand component. By contrast, there were declines in bonds (-9.5 billion euro or -9.6%), which were largely reinvested in asset management products at maturity, and in repurchase agreements (-3 billion euro or -14.6%), due to significant repayments by institutional counterparties concentrated in the third quarter. Subordinated liabilities decreased by 5.4%, while certificates of deposit increased by 4.3% as a result of the greater issues by the Irish subsidiary. Other deposits showed growth due to commercial papers and capital protected certificates issued by Banca IMI and designated at fair value.

At the end of September 2015, 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 15.1%. 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)

	30.09.2015	31.12.2014	Changes amount	Changes %
Banca dei Territori	156,166	162,409	-6,243	-3.8
Corporate and Investment Banking	106,250	97,709	8,541	8.7
International Subsidiary Banks	31,622	30,998	624	2.0
Private Banking	20,591	17,959	2,632	14.7
Asset Management	8	9	-1	-11.1
Insurance	172	182	-10	-5.5
Total business areas	**314,809**	**309,266**	**5,543**	**1.8**
Corporate Centre	43,938	50,542	-6,604	-13.1
Intesa Sanpaolo Group	**358,747**	**359,808**	**-1,061**	**-0.3**

Business areas



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

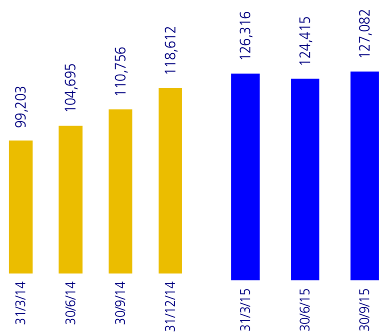
The breakdown by Group business areas shows that Banca dei Territori, which accounts for approximately one-half of the aggregate attributable to the Group’s total business areas, has declined by 3.8% compared to the beginning of the year, due to the downtrend in securities issued, associated with the maturity of personal and retail bonds. Conversely, Corporate & Investment Banking increased by +8.7%, due largely to repurchase agreement transactions by Banca IMI and, to a lesser extent, to amounts due to customers of the departments International Network and Global Industries and Financial Institutions. There were also improvements in the funding of Private Banking (+14.7%), primarily as a result of current accounts and time deposits, and of the International Subsidiary Banks (+2%), most markedly in the amounts due to customers segment. The decline reported by the Corporate Centre (-13.1%) may be attributed to the decrease in repurchase agreement transactions with institutional counterparties.

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.09.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Financial liabilities of the insurance business designated at fair value (*)	**43,657**	**34.4**	**37,622**	**31.7**	**6,035**	**16.0**
Index-linked products	*382*	*0.3*	*449*	0.4	*-67*	*-14.9*
Unit-linked products	*43,275*	*34.1*	*37,173*	31.3	*6,102*	*16.4*
Technical reserves	**81,965**	**64.5**	**79,701**	**67.2**	**2,264**	**2.8**
Life business	81,464	64.1	79,217	66.8	2,247	2.8
Mathematical reserves	*70,438*	*55.5*	*67,466*	*56.9*	*2,972*	*4.4*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*5,244*	*4.1*	*5,314*	*4.5*	*-70*	*-1.3*
Other reserves	*5,782*	*4.5*	*6,437*	*5.4*	*-655*	*-10.2*
Non-life business	*501*	0.4	*484*	0.4	17	3.5
Other insurance deposits (***)	**1,460**	**1.1**	**1,289**	**1.1**	**171**	**13.3**
Direct deposits from insurance business and technical reserves	**127,082**	**100.0**	**118,612**	**100.0**	**8,470**	**7.1**

Quarterly development
Direct insurance deposits and technical reserves



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

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

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

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

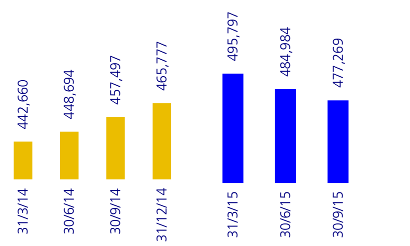
Direct deposits from insurance business exceeded 127 billion euro at the end of September 2015, up by 7.1% since the beginning of the year. Financial liabilities of the insurance business designated at fair value grew by 6 billion euro (+16%), attributable to the contribution from unit-linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies or policies with significant insurance risk, increased by 2.8% from the beginning of the year. This performance may be attributed to the increase in mathematical reserves associated with the greater volumes, which more than offset the depreciation of the portfolios in the third quarter and in part of the second.

Indirect customer deposits

(millions of euro)

	30.09.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Mutual funds (*)	78,054	16.4	76,335	16.4	1,719	2.3
Open-ended pension funds and individual pension plans	5,875	1.2	5,193	1.1	682	13.1
Portfolio management	110,151	23.1	101,790	21.9	8,361	8.2
Life technical reserves and financial liabilities	117,281	24.6	109,264	23.5	8,017	7.3
Relations with institutional customers	10,131	2.1	9,133	1.9	998	10.9
Assets under management	**321,492**	**67.4**	**301,715**	**64.8**	**19,777**	**6.6**
Assets under administration and in custody	**155,777**	**32.6**	**164,062**	**35.2**	**-8,285**	**-5.0**
Indirect customer deposits	**477,269**	**100.0**	**465,777**	**100.0**	**11,492**	**2.5**

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

As at 30 September 2015, indirect customer deposits exceeded 477 billion euro, up 2.5% compared to the end of the previous year, despite the erosive effect on portfolios caused by the bear financial market performance.
During the nine months, customers continued to reposition into forms of professional asset management, which were the destination for new funding inflows without overlooking the need to maintain adequate liquidity in current accounts. Assets under management, which account for approximately two-thirds of the total aggregate, increased 19.8 billion euro from the beginning of the year (+6.6%), owing to net inflows. Attention should be drawn to the excellent performance of all main deposit types managed, confirming the uptrend that began in 2013: portfolio management increased by 8.4 billion euro (+8.2%), mutual funds by 1.7 billion euro (+2.3%) and life insurance policies by 8 billion euro (+7.3%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by relations with institutional customers (+1 billion euro, or +10.9%) and collective and individual pension forms, which increased by 682 million euro, or +13.1%. In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 19.6 billion euro in the first nine months of 2015.
On the other hand, assets under administration declined by 8.3 billion euro (-5%), attributable to the net outflows of the assets of retail customers, who privileged asset management products.

Financial assets and liabilities

(millions of euro)

	30.09.2015	*of which Insurance Companies*	31.12.2014	*of which Insurance Companies*	Changes amount	Changes %
Financial assets held for trading	52,391	*775*	53,741	*785*	-1,350	-2.5
of which derivatives at fair value	*32,170*	*52*	*36,729*	*8*	*-4,559*	*-12.4*
Financial assets designated at fair value through profit and loss	49,998	*48,877*	43,863	*42,657*	6,135	14.0
Financial assets available for sale	133,363	*72,548*	124,176	*71,604*	9,187	7.4
Investments held to maturity	1,379		1,471		-92	-6.3
Total financial assets	**237,131**	***122,200***	**223,251**	***115,046***	**13,880**	**6.2**
Financial liabilities held for trading (*)	**-36,944**	***-169***	**-39,969**	***-333***	**-3,025**	**-7.6**
of which derivatives at fair value	*-33,003*	*-169*	*-37,779*	*-333*	*-4,776*	*-12.6*

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

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

The table above illustrates the breakdown of financial assets and the financial liabilities held for trading.
Financial liabilities designated at fair value, referring to insurance business and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets rose by 6.2% as a result of upturns in all components except financial assets held for trading and investments held to maturity, which declined by 2.5% and 6.3%, respectively. Financial assets available for sale increased by 9.2 billion euro (+7.4%). Financial assets designated at fair value through profit and loss recorded a more limited increase (+6.1 billion euro, or 14%), entirely attributable to equities and units of UCI. The decline in financial assets held for trading (1.4 billion euro) was entirely due to trading derivatives, a change which was offset in financial liabilities held for trading.

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 September 2015, 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 30.09.2015	Fair value at 30.09.2015	Income components in case of no transfer (before tax)		Income components for the period (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	603	575	9	5	8	6
Loans	Financial assets held for trading	Financial assets available for sale	-	-	-1	-	-	-
Debt securities	Financial assets available for sale	Loans	5,228	4,437	1,045	95	764	85
Loans	Financial assets available for sale	Loans	13	13	-3	-	-1	-
TOTAL			**5,844**	**5,025**	**1,050**	**100**	**771**	**91**

Had the Group not reclassified the above financial assets, a total of 279 million euro in greater positive mark-to-market income components and about 9 million euro in other positive components would have been recognised during the first nine months.
No portfolio transfers were made in the first nine months of 2015.

Net interbank position

The net interbank position as at 30 September 2015 came to a negative 30.1 billion euro, an improvement on the figure recorded at the end of 2014 (-20.3 billion euro).
The increase of net interbank debt was driven by the loans entered into with the European Central Bank following participation in the TLTRO auctions for 15 billion euro in the first nine months of 2015, in addition to the 12.6 billion euro raised in the last four months of 2014.

Exposure to sovereign risk by country of residence of the borrower

The following table illustrates the value of the main Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	BANKING GROUP					INSURANCE COMPANIES (*)	TOTAL	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,603**	**47,588**	**973**	**724**	**10,145**	**54,848**	**121,881**	**19,319**
Austria	-	205	3	-	44	7	259	-
Belgium	-	1,177	-	-	84	10	1,271	-
Bulgaria	-	-	-	-	-	36	36	-
Croatia	101	108	2	724	7	39	981	1,005
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	18	-	18	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	81	-	-	189	10	280	9
France	95	6,392	-	-	867	129	7,483	15
Germany	41	5,161	-	-	1,699	1,561	8,462	-
Greece	-	-	-	-	1	-	1	-
Hungary	1	285	-	-	238	31	555	173
Ireland	-	233	-	-	8	90	331	-
Italy	7,050	25,549	355	-	5,530	51,825	90,309	17,235
Latvia	-	-	-	-	-	-	-	54
Lithuania	-	40	-	-	-	-	40	-
Luxembourg	7	-	-	-	-	-	7	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	624	-	-	652	141	1,417	-
Poland	27	48	-	-	154	18	247	-
Portugal	18	-	-	-	41	-	59	25
Romania	-	156	-	-	6	52	214	9
Slovakia	-	973	613	-	-	-	1,586	112
Slovenia	-	202	-	-	-	8	210	219
Spain	255	6,076	-	-	270	891	7,492	463
Sweden	-	-	-	-	337	-	337	-
United Kingdom	8	278	-	-	-	-	286	-
North African Countries	**-**	**1,298**	**-**	**-**	**-**	**-**	**1,298**	**-**
Algeria	-	-	-	-	-	-	-	-
Egypt	-	1,298	-	-	-	-	1,298	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**343**	**-**	**343**	**-**

(*) Debt securities of insurance companies are classified almost entirely to the available-for-sale portfolio

As shown in the table, exposure to Italian government securities totals roughly 90 billion euro - in addition to around 17 billion euro in loans - which represents a decrease of approximately 4 billion euro from the 94 billion euro exposure reported as at December 2014.

With regard to exposure towards EU countries, in the first nine months of 2015 the Group invested in Spanish, French and German securities, bringing the total exposure towards these countries from approximately 14 billion euro in December 2014 to approximately 23 billion euro in September 2015.

Shareholders' equity

As at 30 September 2015, the Group's shareholders' equity, including net income for the period, came to 47,583 million euro compared to the 44,683 million euro at the end of the previous year.

The change in shareholders' equity was essentially due to the increase in net income accruing in 2015 and the decrease in the negative balance of valuation reserves.

In the first nine months, share capital rose from 8,725 million euro to 8,730 million euro due to the finalisation of the mergers by incorporation of Banca di Trento e Bolzano and Banca Monte Parma into the Parent Company.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2014	Change in the period	Valuation reserves as at 30.09.2015	
				% breakdown
Financial assets available for sale	840	-148	692	-58.5
of which: Insurance Companies	*617*	*-22*	*595*	*-50.3*
Property and equipment	-	-	-	-
Cash flow hedges	-1,362	167	-1,195	101.0
Legally-required revaluations	350	-2	348	-29.4
Other	-1,450	422	-1,028	86.9
Valuation reserves	**-1,622**	**439**	**-1,183**	**100.0**

As at 30 September 2015, the negative balance of the Group's valuation reserves came to -1,183 million euro, improving compared to the negative value at the end of December 2014 (-1,622 million euro).
Performance for the period was positively affected by other reserves (+422 million euro) and cash flow hedge reserves (+167 million euro), and negatively affected by reserves for financial assets available for sale (-148 million euro).

Own funds and capital ratios

(millions of euro)

Own funds and capital ratios	**30.09.2015**	**31.12.2014**
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	37,848	36,547
Additional Tier 1 capital (AT1) net of regulatory adjustments	2,321	1,700
TIER 1 CAPITAL	**40,169**	**38,247**
Tier 2 capital net of regulatory adjustments	8,581	8,043
TOTAL OWN FUNDS	**48,750**	**46,290**
Risk-weighted assets		
Credit and counterparty risks	245,456	231,394
Market and settlement risk	14,919	16,476
Operational risks	20,376	21,157
Other specific risks [a]	1,017	763
RISK-WEIGHTED ASSETS	**281,768**	**269,790**
% Capital ratios		
Common Equity Tier 1 capital ratio	13.4%	13.5%
Tier 1 capital ratio	14.3%	14.2%
Total capital ratio	17.3%	17.2%

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

Own funds, risk weighted assets and the capital ratios at 30 September 2015 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 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.
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 September 2015 take account of the adjustments envisaged by the transitional provisions for 2015.
As at 30 September 2015, total Own Funds came to 48,750 million euro, against risk-weighted assets of 281,768 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The increase in RWA related to credit risk compared to 31 December 2014 may be attributed, in part, to the impact of the European Commission Decision, which, when published in the specific list, specified the nations for which a regime equivalent to the one prevailing in the European Union for the weighting of exposure to central banks and government bodies is applicable as

of 1 January 2015, thereby eliminating the possibility to apply the previously preferential weighting indistinctly for each foreign nation.
With regard to Additional Tier 1 (AT1), it should also be recalled that last September Intesa Sanpaolo issued an Additional Tier 1 capital instrument in the amount of 1 billion dollars. The Additional Tier 1 instrument presents characteristics in line with CRD IV, is perpetual and may be redeemed in advance by the issuer ten years from the issue date and on each coupon payment date thereafter. The coupon, payable semi-annually in arrears on 17 March and 17 September of each year, is equal to 7.7% per annum. If the early redemption option is not exercised on 17 September 2025, a new fixed-rate coupon will be determined for the following five years (until the next recalculation date).
As envisaged in the regulations applicable to Additional Tier 1, coupon payment is discretionary and subject to certain limitations.
The total capital ratio stood at 17.3%, while the ratio of the Group's tier 1 capital to its total risk-weighted assets (tier 1 ratio) was 14.3%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 13.4%.
It should be noted that Common Equity Tier 1 capital takes account of net income for the period ended 30 September 2015, in that the regulatory requirements for its inclusion have been met (pursuant to article 26(2) of the CRR), and thus also of the related pro-rata dividend, calculated as three-fourths of the dividend that the 2014-2017 Business Plan envisages to be distributed in 2016 (totalling 2 billion euro).
Finally, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa Sanpaolo Group has opted to exclude unrealised gains or losses on exposures to central administrations classified among financial assets available for sale (AFS) from its Own Funds. The effect on Common Equity Tier 1 capital as at 30 September 2015 was 3 basis points positive.

Reconciliation of shareholders' equity and Common Equity Tier 1 capital

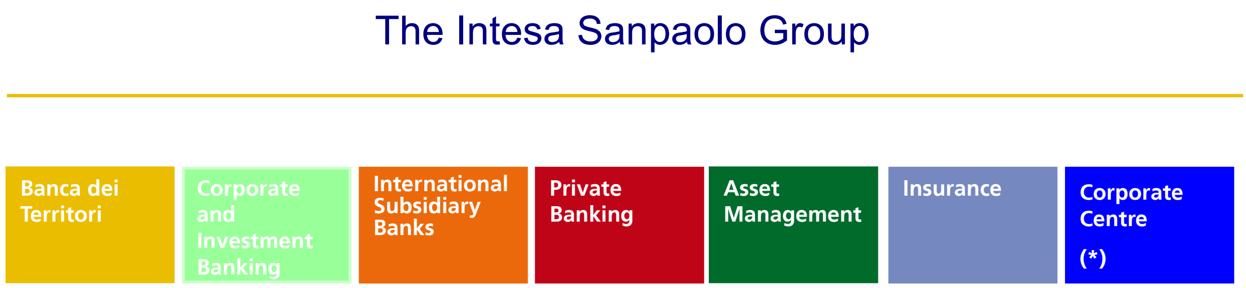
(millions of euro)

Captions	30.09.2015	31.12.2014
Group Shareholders' equity	47,583	44,683
Minority interests	623	549
Shareholders' equity as per the Balance Sheet	**48,206**	**45,232**
Presumed pro-rata dividend for Intesa Sanpaolo shareholders per the Business Plan	-1,500	-
Shareholders' equity following presumed distribution to shareholders	**46,706**	**45,232**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Capital of savings shares eligible for inclusion in AT1	-485	-485
- Other equity instruments eligible for inclusion in AT1	-884	-
- Minority interests eligible for inclusion in AT1	-9	-6
- Minority interests eligible for inclusion in T2	-6	-5
- Ineligible minority interests on full phase-in	-573	-492
- Ineligible net income for the period	-	-1,251
- Treasury shares included under regulatory adjustments	53	63
- Other ineligible components on full phase-in	-3	11
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**44,799**	**43,067**
Regulatory adjustments (including transitional adjustments)	**-6,951**	**-6,520**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**37,848**	**36,547**

[a] Net income for 2014 and the related dividend have not been included in Common equity tier 1 capital, as the conditions envisaged in Art. 26, paragraph 2 of Regulation (EU) No 575 of 26 June 2013 (CRR) have not been met for their inclusion.

Breakdown of consolidated results by business area

In the first nine months of 2015, the Intesa Sanpaolo Group organisational structure was based on six 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 and the Capital Light Bank

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

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first nine months of 2015.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the third quarter; it also illustrates income statement figures and the main balance sheet aggregates. Finally, for each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the provisions in force (Circulars 285 and 286, both issued during 2013, and the update to Circular 154 of 22 November 1991) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws; for asset management and private banking, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.

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

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
30.09.2015	6,916	2,363	1,585	1,284	552	931	-29	13,602
30.09.2014	7,140	2,368	1,522	1,066	369	749	-519	12,695
% change [(a)]	-3.1	-0.2	4.1	20.5	49.6	24.3	-94.4	7.1
Operating costs								
30.09.2015	-3,634	-672	-766	-387	-100	-111	-656	-6,326
30.09.2014	-3,686	-614	-762	-380	-92	-108	-604	-6,246
% change [(a)]	-1.4	9.4	0.5	1.8	8.7	2.8	8.6	1.3
Operating margin								
30.09.2015	3,282	1,691	819	897	452	820	-685	7,276
30.09.2014	3,454	1,754	760	686	277	641	-1,123	6,449
% change [(a)]	-5.0	-3.6	7.8	30.8	63.2	27.9	-39.0	12.8
Net income (loss)								
30.09.2015	989	1,041	303	527	337	544	-1,015	2,726
30.09.2014	818	939	370	373	177	430	-1,904	1,203
% change [(a)]	20.9	10.9	-18.1	41.3	90.4	26.5	-46.7	
Loans to customers								
30.09.2015	184,533	84,803	25,508	8,438	223	28	41,607	345,140
31.12.2014	183,696	82,385	24,974	7,614	473	13	39,847	339,002
% change [(b)]	0.5	2.9	2.1	10.8	-52.9		4.4	1.8
Direct deposits from banking business								
30.09.2015	156,166	106,250	31,622	20,591	8	172	43,938	358,747
31.12.2014	162,409	97,709	30,998	17,959	9	182	50,542	359,808
% change [(b)]	-3.8	8.7	2.0	14.7	-11.1	-5.5	-13.1	-0.3
Risk-weighted assets								
30.09.2015	91,051	84,136	30,997	8,486	1,072	-	66,026	281,768
31.12.2014	92,491	80,198	25,973	7,278	917	-	62,933	269,790
% change [(b)]	-1.6	4.9	19.3	16.6	16.9	-	4.9	4.4
Absorbed capital								
30.09.2015	8,195	7,573	2,951	793	115	4,193	5,941	29,761
31.12.2014	8,324	7,219	2,491	683	98	4,134	5,664	28,613
% change [(b)]	-1.5	4.9	18.5	16.1	17.3	1.4	4.9	4.0

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

[(a)] The change expresses the ratio between 30.06.2015 and 30.06.2014.

[(b)] The change expresses the ratio between 30.06.2015 and 31.12.2014.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.09.2015	30.09.2014	Changes	
			amount	%
Net interest income	3,658	4,114	-456	-11.1
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	3,175	2,949	226	7.7
Profits (Losses) on trading	49	40	9	22.5
Income from insurance business	-	-	-	-
Other operating income (expenses)	34	37	-3	-8.1
Operating income	**6,916**	**7,140**	**-224**	**-3.1**
Personnel expenses	-2,221	-2,226	-5	-0.2
Other administrative expenses	-1,411	-1,457	-46	-3.2
Adjustments to property, equipment and intangible assets	-2	-3	-1	-33.3
Operating costs	**-3,634**	**-3,686**	**-52**	**-1.4**
Operating margin	**3,282**	**3,454**	**-172**	**-5.0**
Net provisions for risks and charges	-48	-32	16	50.0
Net adjustments to loans	-1,516	-2,003	-487	-24.3
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,718**	**1,419**	**299**	**21.1**
Taxes on income from continuing operations	-711	-556	155	27.9
Charges (net of tax) for integration and exit incentives	-17	-22	-5	-22.7
Effect of purchase price allocation (net of tax)	-1	-23	-22	-95.7
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**989**	**818**	**171**	**20.9**

(millions of euro)

	30.09.2015	31.12.2014	Changes	
			amount	%
Loans to customers	184,533	183,696	837	0.5
Direct deposits from banking business	156,166	162,409	-6,243	-3.8
Risk-weighted assets	91,051	92,491	-1,440	-1.6
Absorbed capital	8,195	8,324	-129	-1.5

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

Banca dei Territori’s operating income was 6,916 million euro in the first nine months of 2015, amounting to 51% of the Group’s consolidated operating income, down 3.1% on the same period of the previous year. In more detail, there was a decrease in net interest income (-11.1%), primarily due to lower contributions from customer dealing, both in terms of volumes and margins. By contrast, net fee and commission income increased (+7.7%), most markedly on asset management and bancassurance products and fees. Other income components reported an increase in profits on trading, rising from 40 million euro to 49 million euro. Operating costs, amounting to 3,634 million euro, fell (-1.4%) compared to the same period of the previous year, above all as a result of cost containment in administrative expenses. The operating margin amounted to 3,282 million euro, down 5% on the first nine months of 2014. By contrast, income before tax from continuing operations improved (+21.1%), amounting to 1,718 million euro, due to the decline in adjustments to loans (-24.3%). The cost of credit of Banca dei Territori, calculated as the ratio of annualised net adjustments to loans and stock of loans to customers, amounted to 1.1% during the first nine months of 2015. In greater detail, adjustments during the period by the Network Banks with respect to Banca dei Territori amounted to 1,269 million euro (compared to loans of 141,178 million euro), broken down as follows: Intesa Sanpaolo 621 million euro, Banco di

Napoli 121 million euro, CR Veneto 133 million euro, Carisbo 68 million euro, Banca dell'Adriatico 54 million euro, CR Friuli Venezia Giulia 46 million euro, CR Romagna 50 million euro, and the Banca CR Firenze Group 176 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 1 million euro, net income amounted to 989 million euro, up 20.9%.
On a quarterly basis, the third quarter of 2015 reported an operating margin down (-10.6%) on the second quarter, due to a decrease in revenues (-5.5%), despite the slight decline in operating costs (-0.8%). After adjustments and provisions, income before tax from continuing operations decreased (-17%) compared to the previous quarter. Net income performed similarly (-14%).

The balance sheet figures at the end of September 2015 showed loans to customers of 184,533 million euro, up slightly (+837 million euro, or +0.5%) compared to the end of the previous year essentially as a result of growth in loans to retail customers. Direct deposits from banking business, amounting to 156,166 million euro, were down 3.8%, due to the downward trend in securities issued associated with the maturity of personal retail bonds, resulted in greater cash held in deposits and an increase in asset management business volumes.

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

Sales and Marketing Area

Investment

In the third quarter of 2015, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (spending, reserves, investment and pension) and the Recommended Portfolios.
The asset management line, formulated in view of both the market scenario and the Recommended Portfolio philosophy, was expanded to include two new mutual funds aimed at managing the liquidity of legal entities, ten new windows of existing funds, Group bonds (denominated in euro and U.S. dollars) and certificates.

Multichannel Project

As part of the multichannel approach, bank customers and other users now have access to an online tool for calculating mortgage payments and running independent simulations based on simple inputs such as loan amount, term and property value.
The contract dematerialisation project continued. This new method of signing documents for the sale of banking, financial and insurance products and services eliminates the need to print documents and contracts to be delivered to customers and filed, yielding benefits in terms of improved document security, traceability and storage.
Customers can choose from two signature methods: the Digital Signature (FEA), for which users must activate the service, or Remote Digital Signature (FDR), which requires a multichannel contract and activation of the accountholder's digital signature certificate.
All Personal branches and sub-branches and 230 major Retail branches have already dematerialised contracts and documents relating to: reservations of prepaid payment cards, debit cards and credit cards, services via Internet, mobile telephone and fixed-line telephone, fund transactions, purchases of Group bonds, certificates, Italian government bond auctions and secondary market trading, activation of asset management services, FATCA, Gianos and privacy.
Investment components (funds and primary and secondary market trading) and the reservation of debit and prepaid cards are also available out-of-branch through advisors who travel to the customer's home.

Apps

The app “La tua banca” ("Your Bank") is also available for Windows Phone devices, allowing all customers of Group banks to check balances and activity for their accounts and cards, manage their payment cards (modification of Geocontrol profile and temporary change of limits for debit and credit cards), order fund transfers, top up their mobile telephone credit and prepaid cards, pay postal bills, obtain useful bank telephone numbers and access consultative features quickly, without need for an O-Key code.
JiffyPay, the new feature available for Android and iOS operating systems that since mid-July has allowed customers to send and receive small sums of money in real time via smartphone, has been implemented with the Fast JiffyPay option, which permits customers to access and send money without having to enter a one-time password, in addition to a widget (available solely for Android) providing direct access to the JiffyPay feature.
For Android devices, a widget has been released for the app "La tua banca", allowing users to make NFC payments even more quickly and easily, by selecting the card from among those loaded in Move and Pay and holding their telephones next to a participating POS.

Mortgages

During the quarter, a initiatives continued with the aim of growing loans and supporting households and the property market, including through subrogation, while also promoting protection products.

Loans

In lending activity, with the aim of favouring both the increase in loans and protection, campaigns continued to involve the pairing of various types of insurance cover with optional free offers or special loan conditions. The product range was expanded to include the new "PerTe Prestito Con Lode" (formerly "Bridge") for university students, which allows for flexible, customisable management by all participating universities of the amounts disbursed to customers during their studies and the subsequent repayment plans.

Intesa Sanpaolo Casa

As part of the new process of developing and expanding the services offered to customers, aimed at achieving an increasingly broad presence and meeting customers' comprehensive home needs, expansion plans continued for Intesa Sanpaolo Casa, the new Group company with the objective of buying and selling residential real estate. The four new locations opened during the quarter brought the total number of real-estate agencies operating in Italy to twelve, spread across Milano, Roma, Torino and Monza, managed by employees and set up as "shops in shops" within bank branches. Other agencies are soon to be opened in major Italian cities.

Loans

In the third quarter, in response to the new environmental emergencies during the period, the Intesa Sanpaolo Group confirmed its support for businesses, independent craftsman, merchants and households who suffered storm damages, by making available new loans with special conditions, suspension of payments on outstanding loans and expedited, preferential and simplified procedures for new instruments.

Training

As part of the training project "SKILLS4BUSINESS" aimed at business customers, following on "Think International", which explored internationalisation issues, the Italian Electronic Commerce Consortium was launched in partnership with Netcomm, bringing together the most important companies in the "think digital" sector. The training process, which will involve 2,000 companies, is intended to assist those firms with their strategic decisions by ensuring the necessary skills to innovate products and processes, grow on new markets and in new sectors, and develop e-commerce projects in a way that contemplates all aspects, from strategic decision-making to planning, from management to logistics, including legislative issues relating to Internet sales.

Agreements

The new "2015 Agreement for Recovery", signed on 31 March 2015 by the Italian Banking Association and the main trade associations, replacing the previous agreement in force until 30 June 2015, has become operational. The agreement, which follows in the footsteps of previous initiatives aimed at supporting the liquidity needs of small and medium enterprises and will remain in effect until 31 December 2017, involves three initiatives:

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

With the aim of supporting access to credit by the entrepreneurial system with regard to financial needs associated with ordinary operations, Intesa Sanpaolo decided to participate in the initiative "Credito in Cassa B2B" ("B2B Cash for Credit") launched by the Lombardia Region and intended for the factoring of trade receivables claimed by local companies from other companies not necessarily based in the region.

Expo 2015

The Waterstone, Intesa Sanpaolo's exhibition space at Expo Milano 2015, of which the Bank is Global Banking Partner, continued to host the initiative "Ecco la mia impresa" ("Take a Look at My Business"), where 400 innovative companies and start-ups, differing by size and business segment but all emphasising high-quality products, a focus on sustainability and a successful entrepreneurial history, can tell their stories, meet with other companies, develop and share projects and ideas and study new international business opportunities. Examples of Italian quality, the companies on display were selected by the Bank from various areas and from business segments related to Expo's themes: food, fashion, design and hospitality.

Web platforms

The innovative digital platform "Tech Marketplace", whose network currently includes nearly 500 start-ups, will be expanded to include the offerings of over 90 new start-ups, thanks to a partnership agreement reached with the certified incubator ComoNext. Tech Marketplace promotes interaction between start-ups, SMEs and large companies, allowing tech start-ups and SMEs to offer their innovations to larger firms, thereby facilitating the meeting of supply and demand for technological innovation, with the aim of creating partnerships, commercial agreements and acquisitions.
During the period, business customers also appreciated the ability to take part in "Opportunity Network", the platform offered by Intesa Sanpaolo as the sole partner bank in Italy: during the quarter, more than 1,000 business customers completed registration for the service, through which companies from around the world can share business opportunities confidentially with selected international firms.

Programma Filiere

"Programma Filiere", an innovative project launched by Intesa Sanpaolo with the aim of supporting the growth of production chains of excellence in the Italian entrepreneurial system, continued to be promoted. The initiative, which focuses on relationships between companies and their suppliers, improves credit access conditions and offers custom-tailored products for companies that have production arrangements with one another. The number of participating lead companies increased to 134, for a potential credit ceiling of approximately 8.5 billion, involving over 15,000 suppliers from three primary sectors (fashion, agri-food and metalworking-mechanics), global turnover of 31 billion euro and approximately 52,000 employees, considering the lead companies only.

Product companies

In the first nine months of 2015, **Mediocredito Italiano** recorded a sales volume of medium- and long-term products of 3,691 million euro, up 23% (+691 million euro) compared with the corresponding period in 2014, whilst factoring turnover was 39.8 billion euro, up 2% compared to the same period of 2014 (+811 million euro).
Mediocredito Italiano disbursed loans totalling 2,597 million euro, growing by 49% compared to the same period of the previous year. With 2,217 million euro of loans disbursed (+53%), Banca dei Territori accounts for 85% of total volumes, whilst the Corporate and Investment Banking Division represents 14% of volumes (366 million euro, +24%).
"Subito Mediocredito" generated 26% of the channelled lending in the Banca dei Territori Division (compared with 47% in the first nine months of the previous year). The Specialist Desks dedicated to the principal economic sectors generated long-term loan disbursements of 430 million euro (17% of the total), which rose by 29% compared with the same period in 2014.
In the first nine months of 2015, Mediocredito Italiano entered into leasing contracts with a value of 1,094 million euro (-13% compared to the same period of 2014). Contracts entered into by customers of the Banca dei Territori Division amounted to 885 million euro (-9%), representing 81% of total volumes. Customers in the Corporate Division signed contracts totalling 177 million euro, marking a decrease (-27%) compared with the same period in the previous year. The best-selling leasing product remained instrumental leases, which accounted for 46% of the total (33% in the first nine months of 2014). There was a slight increase in

the weight of car leasing (from 8% to 9%), whereas real estate leases decreased (from 54% to 41%) and energy leases were halved (from 6% to 3%).
Turning to the commercial performance of the factoring business, in the first nine months of 2015 Mediocredito reported a turnover of 39.8 billion euro, a 2% increase on the same period of 2014, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 29.7% which is 12 percentage points higher than the second largest player in the Italian market. Non-recourse factoring accounted for a greater share of factoring business (88%) than in the same period of 2014 (86%). Compared with 30 September 2014, outstanding receivables, equal to 13.2 billion euro, posted a decline (-3%) and period-end loans amounted to 11 billion euro (-2%). The international activities related to the import and export factoring segments (both directly and intermediated through the correspondent bank members of Factors Chain International) and the foreign-on-foreign operations, predominantly conducted under the freedom to provide services in other European Union countries. The volumes generated represent 26% of the total turnover, down on the first nine months of 2014 (33%).

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. It also processes payment cards on behalf of the banks in the Intesa Sanpaolo Group and issues its own payment cards.
Almost all of the 14.9 million euro cards managed by Setefi as at 30 September 2015 are cards issued directly by the Parent Company and the Group banks (+5.4% compared to end of September 2014). The number of POS amounted to approximately 356,000. The total number of transactions handled (transactions on Setefi POS and transactions of cards issued by Group banks on other POS) was 693 million (approximately +15% compared to the same period of 2014), and the total amount transacted was 50 billion euro (+14%). It should be noted that, as a result of the completion during 2014 of the migration to Setefi of the authorisation system for the acceptance of payments by Bancomat/Pagobancomat cards (via both ATMs and POS terminals), Setefi processed an incremental 247 million transactions (authorisation) over the period, amounting to around 33.5 billion euro.
During the quarter, initiatives continued with the aim of promoting the "Mobile POS" product (installation of over 49,500 new "Move and Pay Business" devices and creation of new services and features for the "Move and Pay Business" app used by merchants), in addition to activities aimed at expanding the e-commerce platform to include new payment instruments (including allowing merchants to accept Bancomat payments). Among initiatives aimed at favouring growth in the Mobile Payment arena, innovative payment solutions continued to be developed in host card emulation mode. In its acquiring operations in new foreign countries, Setefi operates in France, Germany, the United Kingdom, Spain, Switzerland and Austria, and has already obtained authorisation to operate in Greece, Portugal, Holland and the Principality of Monaco. Recently, it has also been authorised to operate in 18 other EU countries (Belgium, Bulgaria, Cyprus, Croatia, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, Poland, the Czech Republic, Romania, Slovakia, Slovenia and Sweden).

Banca Prossima

In the third quarter of 2015, **Banca Prossima**, which operates in the non-profit sector with 83 local branches and approximately 290 specialists distributed across the country, continued to acquire new customers for the Group. At the end of September, the bank had approximately 54,000 customers. Financial assets amounted to 6.5 billion euro, of which 2.3 billion euro of direct deposits, while lending operations presented an approved amount of 2.5 billion euro, of which 1.6 billion euro had been used.
The third quarter of 2015 was characterised by the development of the new operating model for Banca Prossima, involving the creation of 22 local branches, to which many of the activities performed by the central branch are assigned, according to a new approach to daily operations, updates to many IT tools and the introduction of new applications already in use within Banca dei Territori. This allows enhancement of risk monitoring and the control system and ensures more precise commercial management.
In September, Banca Prossima also completed an energy efficiency programme in partnership with Federesco and member ESCOs (Energy Service Companies). Thanks to this agreement, interested non-profit organisations can request a free preliminary energy audit from partner ESCOs, allowing them to identify possible efficiency-enhancing measures within their structures, and then to apply to Banca Prossima for a loan to implement those measures. The agreement enables the bank's customers to make informed decisions and enjoy access to a qualified partner, thereby permitting them, in the long run, to free up resources to be used in their organisations' core activities.

Corporate and Investment Banking

(millions of euro)

Income statement	30.09.2015	30.09.2014	Changes	
			amount	%
Net interest income	1,158	1,346	-188	-14.0
Profits (losses) on investments carried at equity	5	3	2	66.7
Net fee and commission income	594	581	13	2.2
Profits (Losses) on trading	600	440	160	36.4
Income from insurance business	-	-	-	-
Other operating income (expenses)	6	-2	8	
Operating income	**2,363**	**2,368**	**-5**	**-0.2**
Personnel expenses	-248	-234	14	6.0
Other administrative expenses	-422	-378	44	11.6
Adjustments to property, equipment and intangible assets	-2	-2	-	-
Operating costs	**-672**	**-614**	**58**	**9.4**
Operating margin	**1,691**	**1,754**	**-63**	**-3.6**
Net provisions for risks and charges	2	-3	5	
Net adjustments to loans	-190	-370	-180	-48.6
Net impairment losses on other assets	-4	-	4	-
Profits (Losses) on investments held to maturity and on other investments	-	4	-4	
Income (Loss) before tax from continuing operations	**1,499**	**1,385**	**114**	**8.2**
Taxes on income from continuing operations	-458	-445	13	2.9
Charges (net of tax) for integration and exit incentives	-	-1	-1	
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,041**	**939**	**102**	**10.9**

(millions of euro)

	30.09.2015	31.12.2014	Changes	
			amount	%
Loans to customers	84,803	82,385	2,418	2.9
Direct deposits from banking business [(a)]	106,250	97,709	8,541	8.7
Risk-weighted assets	84,136	80,198	3,938	4.9
Absorbed capital	7,573	7,219	354	4.9

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

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

[(a)] The item includes capital protected certificates.

In the first nine months of 2015, the Division recorded operating income of 2,363 million euro (representing 17% of the Group's consolidated total), essentially stable compared to the same period of 2014 (-0.2%).
In detail, net interest income of 1,158 million euro was down (-14%) due in particular to the lower contribution from the capital markets segment. Net fee and commission income of 594 million euro increased (+2.2%) due to the growth of fee and commission income in the investment banking and capital markets sector, which more than offset the decrease attributable to commercial banking activities. Profits on trading, equal to 600 million euro, grew by 36.4%, mainly due to the increased contribution from capital markets activities. Operating costs amounted to 672 million euro, up 9.4% compared to the same period of 2014, due to higher administrative and personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 1,691 million euro, decreased (-3.6%) compared to the first nine months of 2014. Income before tax from continuing operations, amounting to 1,499 million euro, was up 8.2% due to the lower adjustments to loans. The cost of credit of Corporate and Investment Banking, calculated as the ratio of annualised net adjustments to loans and stock of loans to customers, amounted to 0.3% during the first nine months of 2015. In greater detail, adjustments during the year by the Network Banks with respect to Corporate amounted to 121 million euro (compared to loans of 58,568 million euro), broken down as follows: Intesa Sanpaolo 100 million euro, CR Veneto 14 million euro, Carisbo 8 million euro and Banco di Napoli recoveries of 1 million euro. Finally, net income came to 1,036 million euro, up 10.3% on the same period of 2014.

In quarterly terms, the third quarter of 2015 showed a decrease in operating income (-31.2%) compared to the second quarter, primarily attributable to the decline in profits on trading. The revenue performance, along with essentially stable operating costs, was reflected in a decrease in the operating margin (-42.5%). There were also declines in income before tax from continuing operations (-44.6%), despite lower adjustments to loans, and in net income (-42.5%).

The Division’s intermediated volumes increased compared to the end of December 2014 (+6.1%). In detail, direct deposits from banking business, amounting to 106,250 million euro, increased by 8.7%, mainly due to repurchase agreement operations at Banca IMI and, to a lesser extent, the decline in customer deposits in the departments International Network & Global Industries and Financial Institutions. Loans to customers of 84,803 million euro showed growth of +2.9% as a result of increased activity in the departments International Network & Global Industries, Financial Institutions and Corporate and Public Finance.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group.
Organisational structure	
International Network & Global Industries Department	The Department manages relationships with around 1,200 multinational industrial groups operating in eight key industries with high growth potential: Automotive & Industrial; Basic Resources & Diversified; Consumer, Retail & Luxury; Healthcare & Chemicals; Infrastructures; Oil & Gas; Power & Utilities; Telecom, Media & Technology. Using the International Network, which comprises branches abroad, representative offices and international corporate banks as well as cooperation with the International Subsidiary Banks Division, the Department provides specialist assistance in supporting the internationalisation of Italian businesses, developing their exports, and managing and developing their relationships with international counterparties. The partnership with Banca IMI ensures coverage as well as developing investment banking (ECM, DCM, M&A) and structured finance activities, whilst leasing, factoring and subsidised financing business is carried out in partnership with Mediocredito Italiano
Corporate and Public Finance Department	The Department is responsible for servicing approximately 700 Italian large and medium corporates, by means of a global and integrated offer of products and services overseen by all the Divisions and Group product companies. It also serves central governments, public entities, local authorities, universities, public utilities, general contractors and public and private healthcare providers
Financial Institutions Department	The Department is responsible for servicing Italian and international financial institutions according to a dedicated, global commercial model. Its particularly sophisticated approach to relations with such customers is amply diversified and oriented towards integrated solutions that promote the cross-selling of capital markets and investment banking products.
Global Transaction Banking Department	The Department is responsible for transaction banking products and services for the entire Group
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Global Markets and Corporate & Strategic Finance	The scope of the Division also includes the M&A, capital markets, structured finance, primary markets (equity and debt capital market) and finance and investments activities performed by Banca IMI
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 44 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

International Network & Global Industries Department

In the third quarter of 2015, the International Network & Global Industries Department continued to act as financial partner to its customers by organising a number of syndicated loans in collaboration with Banca IMI. In particular, the Department acted as mandated lead arranger for the financing for HeidelbergCement AG, Versace, and Eurochem, as senior manager agent in the acquisition of Vitro by Owens Illinois, as bookrunner and mandated lead arranger in the syndicated loan for the Turkcell Group, as global coordinator for the amend to extend for Kuwait Italia, and as sole arranger for the financing for Italia On Line.
In DCM and ECM business, the Department took part in bond issues by ENI, Cellnex Telecom, Imperial Tobacco and Atlantia, and in the convertible bond issue by Beni Stabili SIIQ.
In Project Finance business, the Department participated in the financing for the consortium formed by Plenary Group, Acciona and Ferrovial to build a new motorway in Australia, and in the refinancing of the consortium formed by, among other parties, Bouygues, Infrared and DIF and related to the A-63 motorway concession in France.
In its leasing, factoring and subsidised finance operations, the Department collaborates with Mediocredito Italiano, the partner with which operating and commercial processes have been initiated for the launch of the domestic confirming platform, an advanced form of indirect factoring that permits trade payables and payments to suppliers to be managed more efficiently.
The International Network, which directly covers 29 countries through 14 wholesale branches, 16 representative offices and three subsidiary banks, continued with its international development activities, and in particular investments on high-potential markets and relations with Italian and international customers.
In initiatives aimed at enhancing coverage in the Gulf Area, activities relating to the opening of a branch in Abu Dhabi continued.
In addition to Intesa Sanpaolo Brasil SA, a subsidiary bank based in Sao Paolo that holds the licence of Banco Multiplo (a retail bank and investment bank with authorisation to operate on the foreign exchange market as well), inaugurated in May 2015, the Department also includes Intesa Sanpaolo Bank Luxembourg (formerly Société Européenne de Banque) and Intesa Sanpaolo Bank Ireland.
Completion of the various projects will contribute significantly to enhancing customer support in areas of strategic interest.

Corporate and Public Finance Department

In the third quarter of 2015, the Department promoted initiatives and commercial campaigns in support of its customers, in Italy and abroad, reinforcing the synergies with the Group's international network, in favour of which promotional activity focusing on customers continues.
The Department sharply increased its disbursement of financing drawing on the funds made available as part of the TLTRO programme (Targeted Long Term Refinancing Operation) to supply Italian businesses with financial support at competitive conditions.
In commercial banking operations, in addition to developing loans to customers, the Department continued to support companies in intermediating domestic and international trade flows with cash management, SEF and TEF products, as well as through the services provided by the Group's product companies, and in particular Mediocredito Italiano for factoring and leasing transactions.
The investment banking product offering continued to develop in partnership with Banca IMI with the goal of fostering new origination mandates. There was also a sharp increase in business involving products for hedging market risks (interest rates, foreign exchange and commodities).
In addition, the Department concluded the sales network's excellence programme ("Front Office Excellence"), which involved over 400 individuals, implementing various initiatives aimed at optimising the operating activities handled by the network and making better use of the Group's commercial tools.
At the same time, the Department completed the process of leveraging its public finance customers and contributed significantly to the project to establish the Capital Light Bank.
Finally, in collaboration with the Banca dei Territori Division, "Programma Filiere" was developed with the aim of promoting production chains of excellence in the Italian entrepreneurial system. On the basis of an agreement with the lead companies, this programme allows the Bank to support the suppliers of such production chains by improving credit access conditions and offering tailor-made products.

Financial Institutions Department

The scenario in which the Financial Institutions Department operated in the third quarter of 2015 saw Italian banks continue the recovery of financial performance that had begun in the first six months, due to both the first signs of an economic recovery and a reduction of new problem loan flows.
On a general basis, at the international level all industry players continued to focus their portfolios on their core competencies and markets. Accordingly, there were no significant bank acquisition or concentration transactions.
The Trade Finance segment saw a sharp decline in loans in China and a recovery of activities in Brazil, where a slight increase in spreads, caused by the volatility resulting from signs of slowdown of the economy, rendered loans in both euros and dollars more attractive. There was very intense lending activity in Turkey, whereas Africa proved to be the area for which export customers requested support in mitigating country risk.
There were positive signs in the Export Credit sector, where demand from Italian companies for support for their exports continued to grow: the business segments were highly diversified, with an emphasis on energy, infrastructure and transport, whereas from the geographical standpoint, requests for support were concentrated in Africa and Russia. Important opportunities were also seized in the commodities financing sector, with transactions concluded in Ghana and Angola, whereas new transactions are being studied in Latin America (Brazil and Ecuador) and Russia.
There was also growing interest amongst large corporations in working capital optimisation products (supply chain finance, receivables financing, etc.), which also support customer loyalty.

In business with non-bank financial institutions, the increase in market volatility witnessed in the third quarter due to the Greek crisis and the Chinese situation created sufficient opportunities to offset part of the seasonal reduction in business typical of the period.
In the Asset Management and Insurance segment, the Group benefited from the interest of institutional investors in Italy risk, and in particular in illiquid assets, providing assistance on both the advisory and financing side, to private-equity funds and other types of funds in the acquisition of domestic assets. In the third quarter of 2015, the bank also consolidated its position as a leading provider of transactional services in the insurance sector.

Global Transaction Banking Department

The Department, which was created in August to achieve the objectives laid down in the 2014-2017 Business Plan for the segment, is responsible for transaction banking products and services for the entire Group, with the aim of supporting business growth, providing specialist support to networks and ensuring product innovation, the identification of specific solutions and the development of partnerships.
In this context, specific solutions were developed in order to optimise and promote electronic payments to central and local public administrations. In particular, mention should be made of solutions intended for online payments of the Ministry of Justice (required by the new electronic civil trial procedure) and of all public administrations that have activated "PagoPA," the new service offered by the Agency for a Digital Italy (AGID). Multichannel offerings for large billers saw the implementation of "CBill custom" solutions for collections by public and private municipality-owned companies (online payment of healthcare prescription charges in Emilia Romagna) and for regional taxes, through a specific agreement with the Lombardia Region.
The solutions identified also extended to the community of wholesale buyers and sellers who operate in general market organisations. To increase the dissemination of POS terminals and expand the Intesa Sanpaolo Group's transactional offerings, a solution was also identified that integrates new tablet cash registers into the mobile POS terminals offered to customers.
In Trade Finance business, the range of services offered to corporate and enterprise customers continued to be extended through the expansion of third party platforms and import financing and export advances through the Inbiz channel.

Proprietary Trading

In the first nine months of 2015, 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 2014.
Overall, as at 30 September 2015, the risk exposure to structured credit products and funded and unfunded ABSs/CDOs at the Group level amounted to 2.1 billion euro, up from 1.8 billion euro as at 31 December 2014.
The hedge fund portfolio as at 30 September 2015 totalled 755 million euro, compared to 733 million euro recorded in December 2014. The analysis of changes in the portfolio showed a positive impact substantially linked to the depreciation of the euro on the dollar, which affected the value of the positions denominated in that currency. The negative performance of the portfolio in the third quarter of 2015 is attributable to the market movements seen in August and September. In particular, the sharp fall in the Chinese market had an effect on funds exposed to that country, and it also led to contagion on the other international markets. In September, losses were primarily sustained by funds exposed to the pharmaceuticals sector, where reference indexes lost around 7%. The fall in the market also affected other sectors including US and European financials.

Global Markets and Corporate & Strategic Finance

In the first nine months of 2015, the Global Markets area recorded a positive performance compared to the same period of the previous year and an increase in revenues tied to business with customers.
In securities markets, quantitative easing (QE) resulted in an increase in business with customers, followed in the second part of the year by a slowdown caused by the correction of interest rate expectations, tensions involving Greece, falling commodity prices and concerns relating to China and emerging nations. In general, business with customers involving interest rate, foreign exchange and commodity hedging products increased. Worthy of note was business with institutional customers involving emerging market securities and the ETF segment, as well as the launch of liquidity provider activity on the securities Capital for Program, Moleskine and Aeroporto Bologna. Attention should be drawn to the bank's role as lead manager in public issues by Cassa Depositi e Prestiti and Autostrade per l’Italia, placed through the main domestic distributors, the issue of equity- and commodity-linked certificates on indices and shares, and the placement of Banca IMI certificates through the Banca dei Territori network. Direct listing on Borsa Italiana's MOT continued successfully, with several bond issues launched in currencies other than the euro. Projects for the issue of financial instruments for qualified and retail investors have reached the advanced stages of development in selected European countries. The Market Hub, the Bank's liquidity provider, benefited from increased volumes handled in equities, bonds and listed derivatives, while also acquiring new domestic and international customers.
As far as corporate customers are concerned, the Bank acted as manager in a conduit financing transaction on a portfolio of loans to small and medium enterprises originated by Banca Monte dei Paschi di Siena. In addition, consumer loans securitisation deals were finalised, with the Bank acting as sole arranger (for IBL Banca, Dynamica Retail and other customers).
In Equity Capital Market business, Banca IMI acted as joint global coordinator, joint bookrunner and sole manager for the Aeroporto di Bologna IPO.
In the Debt Capital Markets segment, Banca IMI continued to play a leading role on the Italian market, while also continuing to strengthen its presence on international markets. In particular, it participated in the issue by Autostrade Brescia-Verona-Vicenza-Padova, the first project bond issued by Metro 5, the securitisation of loans by Agos Ducato, various liability management transactions and issues by Autostrade, CDP and BTP Italia.
The Structured Finance area strengthened its position on the international market, particularly in Project Finance business, and concluded a number of financing transactions in various sectors such as Photovoltaic (Canadian Solar UK and Viners Energy in Great Britain), Telecom (Cetin in the Czech Republic and Cellnex in Spain), Infrastructure (Toowoomba in Australia), Liquefied

Natural Gas (Sabine Pass, Corpus Christi and Freeport in the United States, SunEdison in Uruguay and Australia Pacific LNG in Australia), and its position relating to floating oil production, storage and offloading units (Eni/Yinson in Ghana).
On the Italian market, business increased in the sectors Infrastructure - with a particular focus on the water segment (MM) - Motorways and Transport (Milano Serravalle-Milano Tangenziali and Line 5 of the Milano underground railway), and ordinary financial assistance continued to be provided to large Italian and international customers, in addition to a number of small and medium enterprises (Sematic, Pavan, Golden Goose, PittaRosso, Arredo Plast, Acetum, B&B, Irca, Sestant and Savio) in extraordinary finance situations.
Finally, intense credit facility structuring activity was developed in support of investments in the real-estate sector, with the offering of a full range of financial products dedicated to real estate, and specialised advisory services, not only in Italy, but also in Great Britain and the United States.

International Subsidiary Banks

(millions of euro)

Income statement	30.09.2015	30.09.2014	Changes	
			amount	%
Net interest income	1,105	1,072	33	3.1
Profits (losses) on investments carried at equity	51	39	12	30.8
Net fee and commission income	397	389	8	2.1
Profits (Losses) on trading	81	106	-25	-23.6
Income from insurance business	-	-	-	-
Other operating income (expenses)	-49	-84	-35	-41.7
Operating income	**1,585**	**1,522**	**63**	**4.1**
Personnel expenses	-419	-401	18	4.5
Other administrative expenses	-273	-282	-9	-3.2
Adjustments to property, equipment and intangible assets	-74	-79	-5	-6.3
Operating costs	**-766**	**-762**	**4**	**0.5**
Operating margin	**819**	**760**	**59**	**7.8**
Net provisions for risks and charges	-178	-16	162	
Net adjustments to loans	-222	-251	-29	-11.6
Net impairment losses on other assets	-1	-5	-4	-80.0
Profits (Losses) on investments held to maturity and on other investments	1	1	-	-
Income (Loss) before tax from continuing operations	**419**	**489**	**-70**	**-14.3**
Taxes on income from continuing operations	-113	-117	-4	-3.4
Charges (net of tax) for integration and exit incentives	-3	-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)	**303**	**370**	**-67**	**-18.1**

(millions of euro)

	30.09.2015	31.12.2014	Changes	
			amount	%
Loans to customers	25,508	24,974	534	2.1
Direct deposits from banking business	31,622	30,998	624	2.0
Risk-weighted assets	30,997	25,973	5,024	19.3
Absorbed capital	2,951	2,491	460	18.5

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

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

It bears noting that the income statement figures presented above and commented upon below do not include the results of the Ukrainian Pravex Bank, as well as the FUT business unit into which the bad assets of CIB Bank have been injected. Both these assets have been included in the Capital Light Bank's scope of responsibility.

In the first nine months of 2015, the Division's operating income came to 1,585 million euro, growing by +4.1% compared to the same period of the previous year. A detailed analysis shows that net interest income came to 1,105 million euro, an increase compared to 1,072 million euro in the first nine months of 2014 (+3.1%), mainly due to the positive trends reported by Bank of Alexandria (+65 million euro), partially offset by CIB Bank (-12 million euro), VUB Banka (-9 million euro), and Banca Intesa - Russia (-9 million euro). Net fee and commission income, amounting to 397 million euro, grew by +2.1% compared with the same period of the previous year. Profits on trading, amounting to 81 million euro, decreased by 23.6% due to the lower contributions from CIB Bank (-22 million euro), and Bank of Alexandria (-9 million euro), only partially offset by the growth of Banca Intesa Beograd (+12 million euro).

Operating costs, amounting to 766 million euro, were essentially stable compared to the first nine months of 2014 (+0.5%). As a result of the above revenue and cost trends, the operating margin came to 819 million euro, up 7.8%. Income before tax from continuing operations of 419 million euro decreased from 489 million euro in the same period of the previous year (-14.3%), penalised by the greater provisions for risks and charges of Privredna Banka Zagreb, in accordance with provisions governing loans in foreign currencies. The Division closed the first nine months of 2015 with net result of 303 million euro (-18.1%).
On a quarterly basis, the third quarter of 2015 recorded an operating margin down 1.3% on the second quarter due to lower revenues (-1.1%). Income before tax from continuing operations and, accordingly, net income, declined sharply due to the aforementioned provisions recognised by Privredna Banka Zagreb.

The Division's intermediated volumes increased compared to the end of December 2014 (+2.1%) owing to the favourable trend in loans to customers (+2.1%) as well as amounts due to customers under direct deposits from banking business (+2%).

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, and the Russian Federation
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,098 branches in 11 countries

South-Eastern Europe

In the first nine months of 2015, the operating income of the **Privredna Banka Zagreb group** was 327 million euro, up compared to the same period of the previous year (+1.5%). Operating costs, amounting to 145 million euro, were essentially stable. The operating margin came to 182 million euro, an improvement (+2.3%) on the first nine months of 2014. After high provisions to risks and charges during the period in accordance with legislation concerning the conversion of loans in Swiss francs into euro, the group reported a loss before tax from continuing operations and a net loss (-4.5 million euro and -5.2 million euro, respectively).

Banca Intesa Beograd, including Intesa Leasing Beograd, generated operating margin of 111 million euro, up 3.8% on the first nine months of 2014. Operating income increased by 2.2% due to the growth trend in profits on trading. Operating costs were essentially in line with the same period of 2014. Income before tax from continuing operations amounted to 62 million euro, up compared to the same period of the previous year (+4.4%), while net income stood at 52 million euro (+4.1%).

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first nine months of 2015 with an operating margin of 15 million euro, up 18.9% on the same period of 2014. This performance may be attributed to the increase in operating income (+9.6%), most markedly net interest income and net fee and commission income, while operating costs remained essentially stable. Income before tax from continuing operations, amounting to 11 million euro, increased by 30.1%, while net income amounted to 9.9 million euro (+29.9%).

Intesa Sanpaolo Bank Albania reported an operating margin of 20 million euro, up on the first nine months months of 2014 (+3.8%), primarily due to an improvement in net fee and commission income. Income before tax from continuing operations came to 18 million euro, up on the first nine months of the previous year (+3.9%). Net income performed similarly (+2.8%).

Intesa Sanpaolo Bank Romania recorded an operating margin of 12 million euro, up (+2.7%) compared to the same period of the previous year: the decline in operating income (-3.2%), primarily attributable to lower interest and fees and commissions, was more than offset by the decline in operating costs (-6.3%). The company reported a net income of 6.9 million euro, compared to a net loss of 2.6 million euro in the first nine months of 2014, due to lower net adjustments to loans.

Central-Eastern Europe

Banka Koper generated operating income of 62 million euro, down 6.7% compared with the first nine months of 2014 as a result of negative trends in net interest income and profits on trading. Operating costs were essentially in line with the same period of 2014. Net income was equal to 9.2 million euro (+73.5%), benefiting from lower adjustments.

The **VUB Banka** Group achieved an operating margin of 229 million euro, up 10.1% compared with the same period of 2014, due to an increase in operating income (+6%), attributable to net fee and commission income and other operating income, which more than offset the decline in net interest income. Income before tax from continuing operations, amounting to 162 million euro, increased by 10.8%, while net income amounted to 124 million euro (+8.5%).

The increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties experienced by the country, as well as of the recent provisions governing loans in foreign currencies approved by the Hungarian Parliament, severely affected the performance of this subsidiary bank. The **CIB Bank** group (excluding the FUT business unit, which now houses the bad debts managed by the Capital Light Bank) recorded operating income of 108 million euro, down 23.2% compared to the first nine months of 2014, due to the decline in net interest income and profits on trading. Operating costs were down (-1.7%). Net income showed a negative balance of 25 million euro, compared to a net profit of 2.7 million euro posted in the same period of the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia closed the first nine months of 2015 with a net loss of 13 million euro, compared to a net income of 2.1 million euro in the same period of 2014. Operating income decreased (-14%) due to the decline in net interest income and net fee and commission income. Operating costs were down 28.6%. Net adjustments to loans amounted to 43 million euro, up considerably compared to the first nine months of the previous year.

Bank of Alexandria reported an operating margin of 158 million euro, up 41.9% compared to the same period of 2014. Operating income of 287 million euro grew (+32.5%), predominantly as a result of higher net interest income and net fee and commission income. Operating costs increased, largely as a result of personnel expenses and administrative expenses. Net income came to 93 million euro, up 71.2% on the first nine months of 2014.

Other companies

The operating income reported by **ISP Card** came to 27 million euro, up 1.6% compared with the same period of the previous year. Operating costs remained essentially stable, amounting to 23 million euro. The company closed the first nine months of 2015 with a net income of 3.3 million euro (+5.4%).

Private Banking

(millions of euro)

Income statement	30.09.2015	30.09.2014	Changes amount	%
Net interest income	149	171	-22	-12.9
Profits (losses) on investments carried at equity	9	9	-	-
Net fee and commission income	1,111	872	239	27.4
Profits (Losses) on trading	20	18	2	11.1
Income from insurance business	-	-	-	-
Other operating income (expenses)	-5	-4	1	25.0
Operating income	**1,284**	**1,066**	**218**	**20.5**
Personnel expenses	-211	-206	5	2.4
Other administrative expenses	-164	-163	1	0.6
Adjustments to property, equipment and intangible assets	-12	-11	1	9.1
Operating costs	**-387**	**-380**	**7**	**1.8**
Operating margin	**897**	**686**	**211**	**30.8**
Net provisions for risks and charges	-23	-55	-32	-58.2
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	**874**	**631**	**243**	**38.5**
Taxes on income from continuing operations	-261	-189	72	38.1
Charges (net of tax) for integration and exit incentives	-23	-1	22	
Effect of purchase price allocation (net of tax)	-63	-68	-5	-7.4
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**527**	**373**	**154**	**41.3**

(millions of euro)

	30.09.2015	31.12.2014	Changes amount	%
Assets under management	127,270	121,590	5,680	4.7
Risk-weighted assets	8,486	7,278	1,208	16.6
Absorbed capital	793	683	110	16.1

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

The Private Banking Division coordinates the operations of Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland.

On 30 June the corporate transactions of transfer of the controlling stakes of Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) to Banca Fideuram was finalised. Concurrently, the operational governance business unit of Intesa Sanpaolo Private Banking was transferred to Banca Fideuram, and the latter's name changed to Fideuram - Intesa Sanpaolo Private Banking. Integration activities, involving over 100 resources in the launch of 72 projects at ten dedicated worksites, resulted in the creation of a new company focused on the following objectives: ensuring greater market visibility for the Group's significant private-banking activities, achieving significant revenue synergies and managing resources efficiently. The third quarter of 2015 saw the continuation of activity aimed at setting up a new branch in London, in view of the extension to the English market of the investment services offered by the Division. The initiative is part of the activities aimed at international development of HNWI customers in major financial hubs. The new branch is scheduled to begin operations in November 2015.

In the first nine months of 2015, the Division generated income before tax from continuing operations of 874 million euro, up by 243 million euro (+38.5%) compared with the same period of the previous year, as a result of growth in operating income (+218 million euro) and lower provisions (-32 million euro). Operating costs increased (+7 million euro).
The trend in operating income can be attributed to the considerable growth in net fee and commission income (+239 million euro, or +27.4%), attributable to both the sharp rise in average assets under management and the increase in profitability due to

the shift in the product mix towards assets under management and mutual funds, and the increasing demand for advisory services. Among the other revenue components, net interest income decreased by 22 million euro (-12.9%).
At the quarterly level, the third quarter of 2015 showed a decrease in operating income compared to the second quarter (-13.7%), largely attributable to the negative performance of net fee and commission income, which was affected by the decreased contribution of securities placement activity. Operating costs declined (-6 million euro), whereas provisions increased by 11 million euro. Net income decreased by 19.4% in the third quarter compared to the second.

As at 30 September 2015, assets under administration, which also include the contribution of the trust mandates for Sirefid, amounted to 184.2 billion euro (+5.4 billion euro compared to the end of 2014). The positive performance may be attributed to net inflows (+5.6 billion euro), partly undermined by the bear market performance (-0.2 billion euro). Net inflows far exceeded the same period of 2014 (1.9 billion euro), with an increase of 876 million euro in assets under management (+12.8%).

Business	Generating new inflows of assets and managing them, using a network of financial advisors and in-house private bankers serving a customer base with high savings potential
Mission	Improve and broaden the product portfolio and increase the service levels offered by allowing the customers to choose the network which best satisfies their needs; assist customers in the informed management of their wealth, based on a detailed analysis of their real requirements and risk profile; and offering fully transparent financial and pensions advice in accordance with the regulations
Organisational structure	
Banca Fideuram	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of over 5,000 Fideuram and Sanpaolo Invest financial advisors
Intesa Sanpaolo Private Banking	Bank dedicated to private customers (with over 1 million euro in financial assets), providing financial services which are designed to preserve and increase wealth and provide continuity, using a network of around 800 in-house private bankers
SIREFID	Company specialised in the provision of fiduciary services
Distribution structure	Network of 227 branches with 5,874 private bankers

Asset Management

(millions of euro)

Income statement	30.09.2015	30.09.2014	Changes amount	%
Net interest income	1	1	-	-
Profits (losses) on investments carried at equity	66	27	39	
Net fee and commission income	482	334	148	44.3
Profits (Losses) on trading	1	6	-5	-83.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	2	1	1	
Operating income	**552**	**369**	**183**	**49.6**
Personnel expenses	-45	-42	3	7.1
Other administrative expenses	-55	-50	5	10.0
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-100**	**-92**	**8**	**8.7**
Operating margin	**452**	**277**	**175**	**63.2**
Net provisions for risks and charges	-1	2	-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	**451**	**279**	**172**	**61.6**
Taxes on income from continuing operations	-108	-68	40	58.8
Charges (net of tax) for integration and exit incentives	-	-1	-1	
Effect of purchase price allocation (net of tax)	-	-28	-28	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-6	-5	1	20.0
Net income (loss)	**337**	**177**	**160**	**90.4**

(millions of euro)

	30.09.2015	31.12.2014	Changes amount	%
Assets under management	221,895	202,765	19,130	9.4
Risk-weighted assets	1,072	917	155	16.9
Absorbed capital	115	98	17	17.3

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

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

Overall, total assets managed by Eurizon Capital at the end of September 2015 came to 221.9 billion euro (net of duplications), up 9.4% since the beginning of the year as a result of net inflows. In the first nine months of 2015, net inflows came to 20.1 billion euro, primarily due to the strong performance of mutual funds (in particular, flexible fixed-term funds), retail portfolio management schemes (principally due to the contributions of the new “GP Unica Facile”, “GP Unica” and "GP Obiettivo Private" lines) and captive insurance products, consisting of line I insurance contracts, the category to which traditional life policies are classified, as well as of unit-linked policies. As at 30 September 2015, Eurizon Capital's share of the asset management market was 15% (gross of duplications), compared to 14.3% at the end of December 2014 (calculated on a pro-forma basis in the interest of consistency of comparison, by excluding the individual asset management of Intesa Sanpaolo Private Banking, absorbed into the Private Banking Division).

Operating income for the first nine months of 2015, amounting to 552 million euro, grew by 49.6% compared to the same period of the previous year, as a result of the favourable performance of net fee and commission income (+44.3%) and the contribution of investees carried at equity (Penghua and Allfunds Bank). Net fee and commission income performance was correlated with the development of average assets under management, which significantly exceeded the first nine months of the

previous year (+51.9 billion euro). Operating costs increased (+8.7%), attributable to both personnel expenses and administrative expenses, both correlated with business development and ongoing operational excellence.
As a result of the above revenue and cost trends, the operating margin came to 452 million euro, up 63.2%. Eurizon Capital closed the first nine months of 2015 with a net income of 337 million euro, nearly twice that of the same period in 2014.
On a quarterly basis, the third quarter of 2015 showed a decrease of 15.6% in operating margin compared to the second quarter, due to a drop in operating income (-13.8%) and, particularly, in net fee and commission income (-17.5%), which was affected by slowing inflows. This trend was reflected in net income (-11% compared to 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
Allfunds Bank S.A.	A multimanager distribution platform of asset management products intended for institutional investors, 50% owned by Eurizon Capital SGR and 50% by Banco Santander

Insurance

(millions of euro)

Income statement	30.09.2015	30.09.2014	Changes amount	%
Net interest income	-	-	-	-
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	-	-	-	-
Profits (Losses) on trading	-	-	-	-
Income from insurance business	934	745	189	25.4
Other operating income (expenses)	-3	4	-7	
Operating income	**931**	**749**	**182**	**24.3**
Personnel expenses	-47	-44	3	6.8
Other administrative expenses	-62	-62	-	-
Adjustments to property, equipment and intangible assets	-2	-2	-	-
Operating costs	**-111**	**-108**	**3**	**2.8**
Operating margin	**820**	**641**	**179**	**27.9**
Net provisions for risks and charges	-	1	-1	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-13	-1	12	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**807**	**641**	**166**	**25.9**
Taxes on income from continuing operations	-238	-183	55	30.1
Charges (net of tax) for integration and exit incentives	-3	-1	2	
Effect of purchase price allocation (net of tax)	-22	-27	-5	-18.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**544**	**430**	**114**	**26.5**

(millions of euro)

	30.09.2015	31.12.2014	Changes amount	%
Assets under management	127,082	118,612	8,470	7.1
Risk-weighted assets	-	-	-	-
Absorbed capital	4,193	4,134	59	1.4

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

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

In the first nine months of 2015, income before tax from continuing operations was 807 million euro, recording growth of 166 million euro (+25.9%) compared to the same period of the previous year as a result of higher operating income (+182 million euro), while costs increased moderately (+2.8%). Income from insurance business was 934 million euro, recording growth of 189 million euro following the significant increase in the net investment result, which benefited from extraordinary income of 58 million euro on the sale of Union Life. The technical margin fell, due to lower class III and VI fee and commission income, higher class I trailing commissions rebated to the network and higher interest expenses on subordinated loans. Thanks to revenue growth and attentive cost management, the cost/income ratio fell to 11.9%, an improvement compared to 14.4% in the same period of the previous year.
On a quarterly basis, the operating margin in the third quarter declined compared to the second quarter owing to the drop in operating income (-7.9%). Income before tax from continuing operations also declined in the third quarter of 2015 (-14%), as a result of larger adjustments to other financial assets.

Direct deposits from insurance business, amounting to 127,082 million euro, increased 7.1% since the beginning of the year, primarily attributable to the development of financial liabilities of the insurance segment designated at fair value.

Collected premiums for life policies, amounting to 19,800 million euro, were stable compared to the first nine months of 2014. In 2015, new life business recorded a shift in offerings, which were increasingly oriented towards class III products. Payments grew by 22.1%; premium and payment trends generated a net flow of 8,272 million euro, down from 10,310 million euro in the same period of the previous year.

Business	Life and Non-Life Insurance
Mission	Develop the offering of insurance products for the Group's customers
Organisational structure	
Intesa Sanpaolo Vita	Specialised in offering pension and personal and asset protection services within Banca dei Territori
Fideuram Vita	Specialised in offering pension and personal and asset protection services within the Banca Fideuram Group.

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department and the Capital Light Bank) generated an operating loss of 29 million euro in the first nine months of 2015, compared to an operating loss of 519 million euro for the same period of the previous year. This performance was primarily due to the sharp improvement in both profits on trading and net interest income, which, despite remaining at negative levels, benefited from a gradual reduction of the cost of liquidity; a positive contribution was also provided by other operating income, which included the amount of 211 million euro relating to the "IMI-SIR" dispute. The revenue performance was reflected in all of the main income statement items and the net loss, which came to 1,015 million euro, was nearly half that of 1,904 million euro reported in the first nine months of 2014.

Capital Light Bank

In the third quarter of 2015, the organisational structure was reinforced and work continued on finalising the operating processes of the Capital Light Bank, involving in particular the formation in July of a team of managers dedicated to former public finance customers reporting directly to the heads of the business unit and the completion of the pertinent formalities. The process of assuming responsibility for the new assets transferred to the Capital Light Bank for management continued, involving, most importantly, the extra-captive consumer credit component managed by Accedo. Accedo is the new name of Intesa Sanpaolo Personal Finance, which retained the post-demerger extra-captive one-fifth of salary loan and special purpose loan operations of the captive component, which was contributed to the Parent Company in June. In addition, the demerger in favour of Provis of a closed portfolio of doubtful positions arising from leases to Group customers with a gross value of over 3 billion euro entered into effect on 1 October 2015, with the aim of improving the recovery of this type of position and placing the repossessed assets on the market.
With regard to doubtful loans, which account for more than half the transferred assets to be realised, the new organisational model for the Loan Recovery Department entered into effect. The model is characterised by two complementary aspects: the first of these relates to a lesser use of external debt recovery companies, which are involved solely in cases of small positions of an unsecured nature only, whereas the second aims to exploit the internal expertise of the Department, which has been organised by creating units specialised in particular types of credit or recovery status while also keeping local operating units. In the third quarter, activities continued for the redistribution of cases according to the new organisational model, so as to optimise staff workloads and increase recovery efficiency. During the period, Re.O.CO. participated in auctions, which did not result in any winning bids, in addition to providing auction support, aimed at favouring the participation of external investors with the aim of pursuing more proactive management of real-estate collateral. Cases for intervention were chosen carefully so as to reconcile the objective pursued by Re.O.CO. of maximising the recovery of doubtful positions secured by real-estate assets with the goal of minimising the investment of additional capital. A crash programme was launched for doubtful leasing positions with the aim of identifying homogeneous clusters of repossessed assets to be offered to the market and to implement recovery actions for those that have yet to be recovered. In developments relating to international subsidiaries, from an accounting standpoint in June the Ukrainian bank Pravex once again became subject to line-by-line consolidation, since the sale agreement signed in early 2014 was not finalised. The FUT division of the Hungarian subsidiary CIB Bank continued positively with the process of disposing of its non-core assets. With regard to former public finance customers and assets, analyses continued to evaluate the cost-effectiveness and feasibility of extraordinary transactions, with the overarching aim of improving Group capital absorption.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks.

In the third quarter, Intesa Sanpaolo received a request for self-certification from the central bank with the aim of confirming its role of critical player and systemic bank for flows in euro in the coming year, by maintaining stable market share in major Eurosystem payment systems. In developments relating to the Target2 Securities project, migration to the new securities settlement platform began. The launch was positive from a performance standpoint and the current periodic follow-up control phase is yielding strong results in terms of application stability.

During the period, following the intensification of the Greek crisis, money markets were affected by the signs of weakness that emerged from the Chinese economy. In particular, the depreciation of the yuan resulted in the collapse of Global stock markets in August. At the same time, due to concerns relating to recent macroeconomic developments, the Fed decided to leave interest rates unchanged. The ECB continued with its monetary stimulus programme, injecting an average of 60 billion euro into the system through government bond purchases. The increased surplus liquidity held down both the Eonia overnight rate (in negative territory) and Euribor fixings (which gradually fell below zero). The fifth TLTRO auction, in which the Intesa Sanpaolo Group did not participate, was held in the second half of September. The total exposure at the end of September therefore remained stable at 27.6 billion euro. There were moderate increases in Intesa Sanpaolo's short-term securities funding programmes, which met with constant interest in issues with and without options, above all in the 12-24 month range.

With regard to the securities portfolio, the quarter saw an extreme credit spread volatility, primarily due to the emerging market and commodity crisis. The expectation of interest rate increases by the Fed also had an influence, albeit indirectly. The widening of spreads extended to the entire range of investment grade bonds, whereas government spreads proved more stable, despite the tail-end of the Greek crisis in August. In this context, investment strategies focused on containing risk through a further reduction of specific risk on Italian government bonds and diversification in core and semi-core markets. In addition, the credit sensitivity of the non-government portfolio was further compressed, while the residual maturities of bonds were reduced and the variable-rate segment was expanded. On the repo market, spreads between repo rates on the government bonds of core countries and that on Italian government bonds gradually fell, as a result of the surplus liquidity present on the market. During the quarter, Intesa Sanpaolo undertook one-off LCR - enhancement transactions through the sale of illiquid securities for cash or HQLA securities.

As part of medium-/long-term funding operations, in the first nine months of 2015 the Group placed securities on the domestic market, through its own and third networks, in the total amount of 4.9 billion euro, primarily consisting of structured financial instruments (70.3%), with the remainder represented by plain-vanilla issues (29.7%). The breakdown by average life shows a prevalence of securities in the two to three year range (37.7%), followed by four to five years (37%); the remainder is represented by securities maturing in six to seven years (25.3%).
On international markets, a total of approximately 10 billion euro in unsecured institutional funding transactions were placed in the first nine months of the year. In particular, in the third quarter issues amounted to 2.8 billion euro, including a perpetual Additional Tier 1 capital instrument in the amount of 0.9 billion euro, intended for the U.S. and Canadian markets.

In Loan Collateral Management and Monitoring activity, the A.Ba.Co. (Collateralised Bank Assets) procedure allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators". At the end of September 2015, the gross outstanding amount lodged as pledge by the Group was about 8.3 billion euro.

Active Value Management (AVM)

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

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 Internal Control Committee and the Risk 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 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 Risk Committee and the Management Board, 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 risk measurement systems and the related risk management systems.

Additional information on own funds, which are now calculated according to the Basel 3 rules, and on capital ratios of the Group is provided in the section on balance sheet aggregates: Own funds and capital ratios, and in the document Basel 3 Pillar 3.

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the Banca dei Territori Division and the main Italian product companies.

Progressively, the scope of application has been gradually extended to include the SME Retail and Retail Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

Company (*)	**Corporate FIRB**	**Corporate AIRB LGD**	**SME Retail IRB LGD**	**Mortgage IRB LGD**
Intesa Sanpaolo	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banco di Napoli	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio del Veneto	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio in Bologna	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa di Risparmio del Friuli Venezia Giulia	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Cassa dei Risparmi di Forlì e della Romagna	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Banca dell'Adriatico	Dec - 2008	Dec - 2010	Dec - 2012	Jun - 2010
Mediocredito Italiano	Dec - 2008	Dec - 2010	Dec - 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 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

(*) Changes compared to the situation as at 30 June 2015 include the mergers by incorporation of Banca di Trento e Bolzano and Banca Monte Parma into the Parent Company Intesa Sanpaolo S.p.A..

Dedicated rating approaches have been developed for the Banks and Public Entities Portfolio according to the type of counterparty to be assessed. This was the subject of a pre-validation inspection by the Supervisory Authority conducted in December 2013, followed by an additional validation visit in March 2015. In the same month an AIRB authorisation request was presented to the Supervisory Authority for this portfolio.
The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.

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.
The advanced measurement approach for counterparty risk is in the development phase for the Banks of the Banca dei Territori Division, with the aim of launching the validation process for regulatory purposes in 2015.

With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009; the 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.

The adequacy of the internal control system for risks is also illustrated in the annual Internal Capital Adequacy Assessment Process Report, based on the extensive use of internal approaches for the measurement of risks and for the calculation of internal capital and total capital available. The document was approved and presented to the Bank of Italy in April 2015.

The Intesa Sanpaolo Group was well above the thresholds required by the 2014 EU-wide Comprehensive Assessment, carried out in 2014 on the balance sheets of the European banks as at 31 December 2013 and consisted of an asset quality review (AQR), as well as an exercise examining the impact of a negative macroeconomic scenario on banks' capital (Stress Test).

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 watch-list and 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. Constant monitoring of the quality of the loan portfolio is pursued through specific operating checks for all the phases of loan management, through the use of both IT procedures and systematic supervision of positions with the aim of detecting any symptoms of deterioration and promote corrective measures to prevent possible deterioration of credit risk.

Positions are detected and automatically entered in the credit management processes by way of daily and monthly checks, using objective 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, in accordance with the new regulatory provisions on credit quality: doubtful loans, exposures to borrowers in default or similar situations; unlikely to pay (new category of non-performing loans which substantially includes the repealed category of substandard loans). This category includes all on- and off-balance sheet exposures which the bank, based on its opinion, deems unlikely to be completely (as principal and/or interest) repaid by the borrower without the implementation of actions such as enforcement of guarantees. This assessment is irrespective of the presence of any amounts (or instalments) due and unpaid.

The category of non-performing loans also includes past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy. Lastly, non-performing exposures also include the individual forborne exposures which comply with the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (Implementing Technical Standards – European Banking Authority). The latter do not comprise a separate category of non-performing assets, rather, they are an attribute of the above categories of non-performing assets.

(millions of euro)

	30.09.2015			31.12.2014			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	38,968	-24,484	14,484	38,210	-23,992	14,218	266
Unlikely to pay	24,151	-5,592	18,559	23,156	-5,311	17,845	714
Past due loans	1,358	-225	1,133	1,472	-219	1,253	-120
Non-performing loans	**64,477**	**-30,301**	**34,176**	**62,838**	**-29,522**	**33,316**	**860**
of which forborne	***10,866***	***-2,748***	***8,118***	***9,405***	***-2,215***	***7,190***	***928***
Performing loans	299,779	-2,315	297,464	294,235	-2,386	291,849	5,615
of which forborne	*8,516*	*-238*	*8,278*	*8,758*	*-229*	*8,529*	*-251*
Performing loans represented by securities	13,774	-274	13,500	14,111	-274	13,837	-337
of which forborne	*148*	*-5*	*143*	*4*	*-*	*4*	*139*
Loans to customers	**378,030**	**-32,890**	**345,140**	**371,184**	**-32,182**	**339,002**	**6,138**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

The table above shows an increase (+2.6%) of non-performing loans for the first nine months of 2015, net of adjustments compared to the end of the previous year.

With non-performing loans decreasing to 9.9% of total loans to customers (essentially unchanged compared to the end of the year), the Group maintained a rigorous provisioning policy suited to covering expected losses, also considering the collateral and guarantees. Specific coverage of non-performing loans came to 47%, at the same level recorded at the end of 2014.

In particular, as at 30 September 2015, doubtful loans, net of adjustments, reached 14.5 billion euro, up 1.9% since the beginning of the year. The incidence on total loans was 4.2%, with a coverage ratio of 62.8%.

Unlikely to pay loans increased by 4% on 31 December 2014, amounting to 18.6 billion euro. Unlikely to pay loans as a proportion of total loans to customers equalled 5.4% and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 23.2%, up slightly on the figure at the end of the prior year.
Past due loans totalled 1.1 billion euro, down 9.6% compared to the end of 2014. This type of non-performing loans accounted for 0.3% of the total. The coverage ratio came to 16.6%, compared with 14.9% as at the end of 2014.
Net forborne non-performing positions amounted to 8.1 billion euro, with a coverage ratio of 25.3% and a percentage of 2.3% (2.1% as at 31 December 2014).
Performing exposures increased, from 291.8 billion euro in the previous year to 297.5 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.
Forborne performing positions amounted to 8.3 billion euro, with a coverage ratio of 2.8%, and comprise 2.4% of total loans to customers (2.5% at the end of 2014).

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 (ABS);
- commodities.

Other Group subsidiaries hold smaller trading portfolios with a marginal risk (approximately less than 4% 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 relating 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.

During the third quarter of 2015, the market risks generated by Intesa Sanpaolo and Banca IMI increased compared to the average values of the second quarter of 2015. The average VaR for the period totalled 116.3 million euro compared to 85 million euro as at 30 June 2015.

Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI

(millions of euro)

Var [a]	2015					2014			
	average 3rd quarter	minimum 3rd quarter	maximum 3rd quarter	average 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	11.6	8.4	17.2	13.8	12.1	8.2	9.3	9.6	9.4
Banca IMI	104.7	74.9	116.3	71.1	64.6	52.0	32.9	35.0	37.0
Total	**116.3**	**90.3**	**125.7**	**84.9**	**76.7**	**60.3**	**42.2**	**44.7**	**46.5**

[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.

(millions of euro)

Var [a]	2015			2014		
	average 30.09	minimum 30.09	maximum 30.09	average 30.09	minimum 30.09	maximum 30.09
Intesa Sanpaolo	12.5	6.0	18.5	9.4	7.3	12.0
Banca IMI	80.6	54.0	116.3	35.0	23.8	45.7
Total	**93.1**	**64.5**	**125.7**	**44.4**	**32.0**	**55.5**

[a] Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the first nine 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.

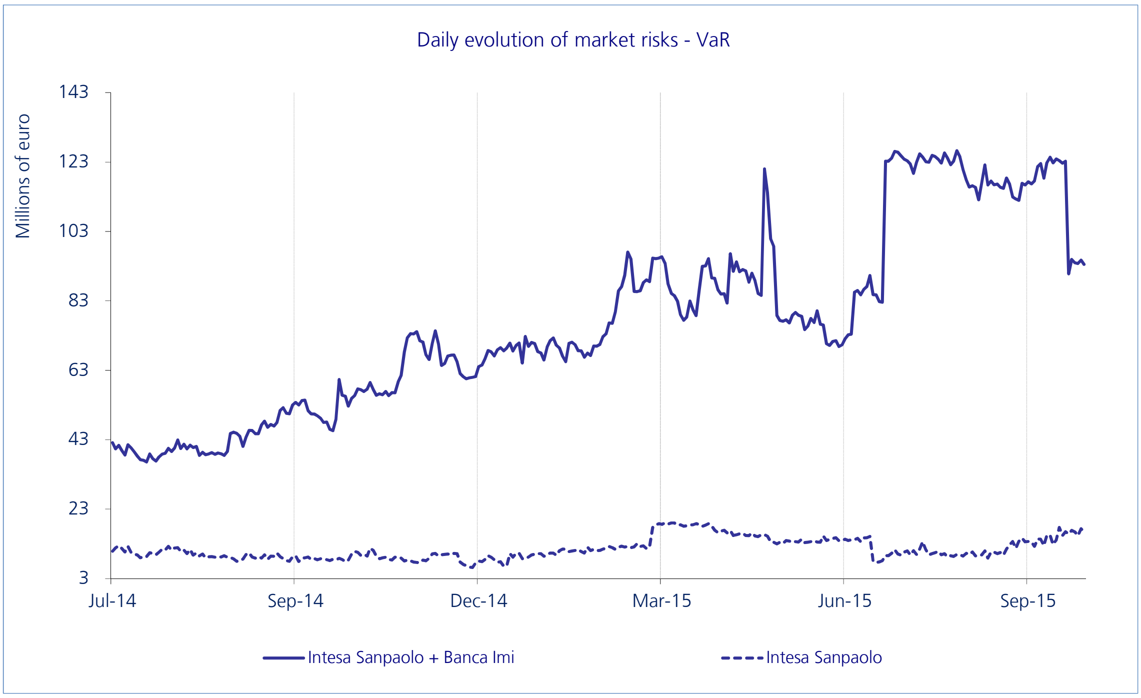
For Intesa Sanpaolo the breakdown of risk profile in the third quarter of 2015 with regard to the various factors shows the prevalence of the risk generated by equities, which accounted for 31% of total VaR; for Banca IMI credit spread risk was the most significant, representing 68% of total VaR.

Contribution of risk factors to total VaR

3rd quarter 2015 [a]	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	31%	11%	11%	29%	14%	4%	0%
Banca IMI	5%	0%	21%	68%	1%	3%	2%
Total	**8%**	**1%**	**20%**	**64%**	**2%**	**3%**	**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 third quarter of 2015, 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.
The first part of the first half of 2015 saw growth in risks as a result of the increase in Banca IMI's exposures in Italian and Spanish government bonds (taken within the limits approved by the Risk Appetite Framework 2015). In the following period, the risk measures showed peaks (in May and June) due to volatility on financial markets (specifically of government credit spreads) relating to the uncertainties linked to the Greek debt crisis. In particular, the first peak in risk recorded in May was reduced as a result of the reduction in historical scenario volatility, and as a result of disposals; the one which occurred at the end of June continued until around halfway through September when another reduction in the implicit volatility of the historical scenarios took place, reducing risk to lower levels. The Group VaR limit (of 130 million euro) was never breached during the 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 bearish scenario, that is a 5% decrease in stock prices with a simultaneous 10% increase in volatility would have led to a 14 million euro theoretical loss; the opposite scenario would have led to a 5 million euro theoretical gain;
- on interest rate exposures, a parallel +40 basis point shift in the yield curve would have led to a 156 million euro loss, whereas a bearish rates scenario would imply potential gains for 49 million euro;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a theoretical 289 million euro loss;
- on foreign exchange exposures, an increase of the euro against the other currencies would have led to a theoretical loss of approximately 8 million euro;
- lastly, on commodity exposures, the risk profile shows a potential theoretical loss (-3 million euro) in the event of a 20% increase in prices of underlyings.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+40bp	lower rate	-25bp	+25bp	-10%	+10%	-20%	+20%
Total	-14	5	-156	49	279	-289	8	-8	2	-3

Backtesting

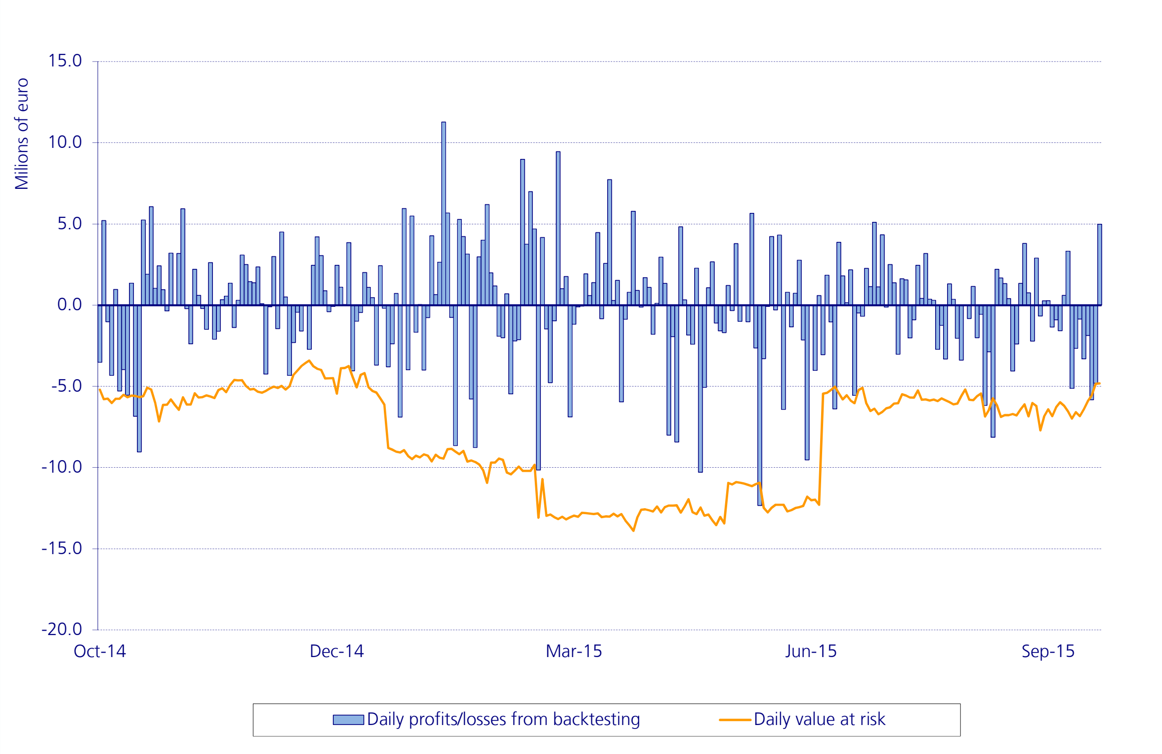
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- 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.

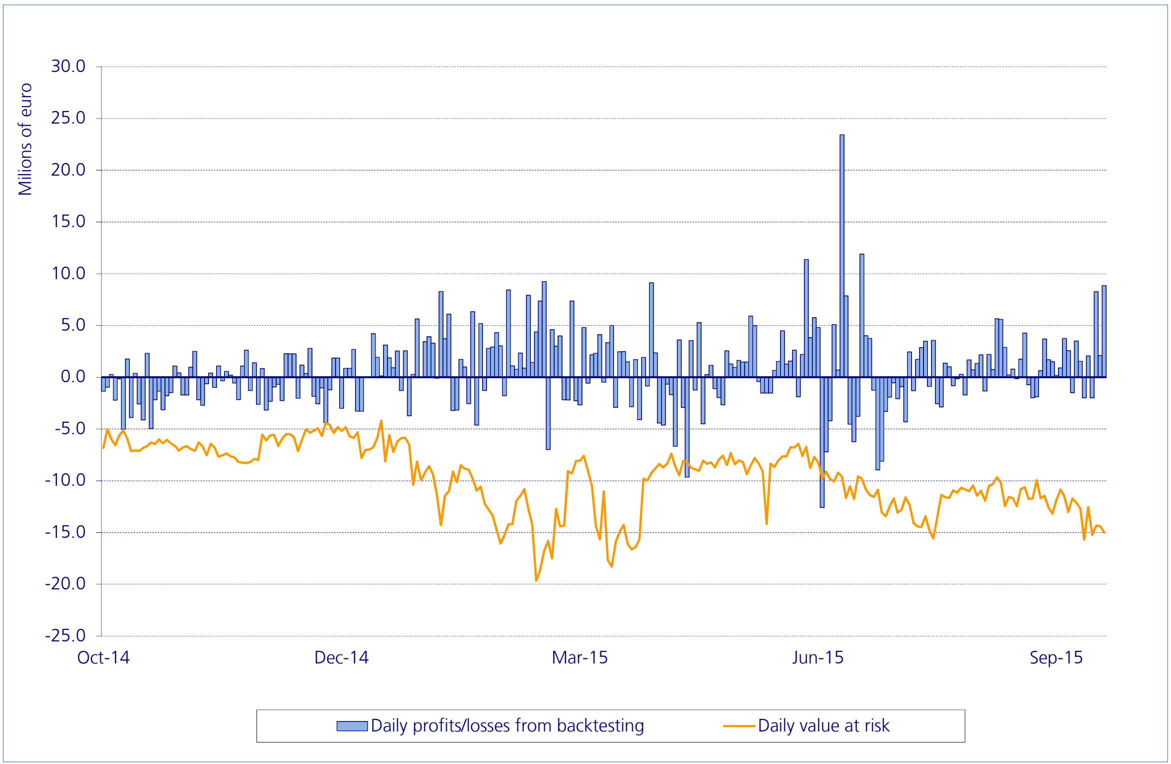
Backtesting in Intesa Sanpaolo

There were six backtesting exceptions during the last year. The exceptions can be attributed to the volatility of the credit markets following the ECB's announcements in mid-October (delay in QE), to the effects of the Greek debt crisis, and to equity market volatility at the end of August 2015.



Backtesting in Banca IMI

The two backtesting exceptions of Banca IMI refer to the actual P&L data. The losses derive from the increased volatility as a result of the worsening of the Greek debt crisis.



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 listed companies not fully consolidated, mostly held by the Parent Company and by Equiter and IMI Investimenti.
The following methods are used to measure financial risks of the Group's banking book:
- Value at Risk (VaR);
- Sensitivity Analysis.

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).
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 specific 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 of the banking book includes the activity of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.
In the first nine months of 2015, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 245 million euro settling at 618 million euro at the end of September, almost entirely concentrated on the euro currency; this figure compares with 190 million euro at the end of 2014.
Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 545 million euro at the end of September 2015 (217 million euro at the end of 2014).
Interest rate risk, measured in terms of VaR, averaged 42 million euro during the first nine months of 2015 (11 million euro at the end of 2014), with a minimum value of 10 million euro and a maximum value of 93 million euro; the latter figure compares to a value of 83 million euro at the end of September.
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 38 million euro in the first nine months of 2015 (30 million euro at the end of 2014), with a minimum value of 22 million euro and a maximum value of 52 million euro; these figures compare with a value of 33 million euro at the end of September.
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 8 million euro at the end of September 2015.

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.
In March 2015 the corporate bodies of Intesa Sanpaolo approved the update of the "Guidelines for Group Liquidity Risk Management", implementing the latest regulatory provisions issued through the so-called «Delegated Regulation» and by the Basel Committee (BCBS October 2014). 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, the Planning Head Office Department and the Active Value Management Department, responsible for liquidity management, and the Group Risk Manager Area, 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 the timing of which is certain or estimated to fall within a period of 12 months, in order to respond to periods of tension, including extended periods, on the various funding sourcing markets, also by establishing adequate liquidity reserves in the form of liquid securities on private markets and securities eligible for refinancing with Central Banks. 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) respectively.
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 Liquidity Coverage Ratio (LCR) is aimed at strengthening the short-term liquidity risk profile, ensuring a detention of sufficient unencumbered high quality liquid assets (HQLA) that can be easily and immediately converted into cash in the private markets to satisfy the short-term liquidity requirements (30 days) in a liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by the regulations. The Delegated Regulation implies a gradual introduction of the regulatory framework of LCR according to the following schedule: from 1 October 2015 to 31 December 2015 = 60%; from 1 January to 31 December 2016 = 70%; from 1 January to 31 December 2017 = 80%; from 1 January 2018 = 100%.
The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to adopt the structural requirement provided for by the regulatory provisions of Basel 3: Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. NSFR's regulatory requirement is still subject to a period of observation: the European Commission is required to present a legislative proposal that will come into force from 2018.
Within the Liquidity Policy it is also envisaged the time extension of the stress scenario for the 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 Group Risk Manager area.
In the first nine months of 2015, the Group's liquidity position remained within the risk limits provided for in the Group's Liquidity Policy: both the LCR and NSFR indicators were largely respected, as they reached a level well above the phased-in requirements.
As at 30 September 2015, the eligible liquidity reserves for the Central Banks, considering cash components, came to 116.2 billion euro (116.3 billion euro at the end of June 2015), of which 76.7 billion euro, net of haircut, was unencumbered (64.1 billion euro at the end of June 2015).

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 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 substantially unchanged with respect to those illustrated in detail in the Annual Report 2014, to which reference is made for more information.
The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single entity. Underlying the definition of fair value is the assumption that the company is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.

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

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

The Group has set up guidelines overseeing the process of identification and control of the classification of measurement inputs, governing the hierarchical application of fair value levels and introducing high level principles to be used to govern input levels.
The document "Fair Value Hierarchy Rules" defines, with regard to the respective financial instrument pricing models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.
The rules are based on the verification of the degree of observability of inputs used in the measurement techniques, classifying financial instruments whose inputs are all observable on the market.

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

The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Group generally operates.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.
In specific cases regulated by internal policies and despite being quoted on regulated markets, research is carried out in order to verify the significance of official market values.

In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, expansion or increase of the bid-ask spread, reduction or total lack of market for new issues, limited publicly-available information), analyses of the transactions or of the quoted prices are carried out.

The following are considered as level 1 financial instruments:
- contributed equities;
- contributed bonds (i.e. quoted on the EuroMTS circuit, or for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices);
- harmonised mutual funds contributed;
- spot exchange rates;
- 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 checklist, which is the summary document of significant information on underlying assets of the fund, does not highlight any critical points in terms of liquidity risk or counterparty risk.

For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the close of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Fair Value Policy are not considered level 1 instruments.

When no quotation on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
Such techniques include:
- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2);
- valuations performed using – 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;
- ABS for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters which may be presumed from the market;
- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers;
- loans measured through the discounting of future cash flows.

The calculation of the fair value of certain types of financial instruments is based on valuation models which consider parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator level 3).

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

The following are measured under the Mark-to-Model Approach:
- debt securities 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 ABS) 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.

Compared with 31 December 2014, the list of active markets was revised, eliminating the Markit platform from said list. As result, in terms of fair value level, all the instruments measured are reclassified through the Markit proxy. 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 Group Risk Manager area 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 Risk Committee of the Supervisory Board. 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 Management Bodies, and which also reviews material changes and updates, proposal of which falls to the Group Risk Manager area.

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.

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.

Fair value hierarchy

The table below shows financial assets and liabilities designated at fair value through profit and loss broken down by fair value hierarchy levels.
Compared to the information provided in the 2014 financial statements, the Group did not amend the guidelines based on which level changes are carried out within the fair value hierarchy. It should also be noted that the list of active markets was revised, eliminating the Markit platform, as described in more detail in the preceding chapter.

(millions of euro)

Assets / liabilities at fair value	30.09.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	17,618	33,754	1,019	14,433	38,055	1,253
2. Financial assets designated at fair value through profit or loss	48,459	1,186	353	41,579	1,806	478
3. Financial assets available for sale	122,861	5,188	5,314	114,081	5,032	5,063
4. Hedging derivatives	-	7,616	20	-	9,206	4
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**188,938**	**47,744**	**6,706**	**170,093**	**54,099**	**6,798**
1. Financial liabilities held for trading	5,905	37,956	328	4,189	41,919	273
2. Financial liabilities designated at fair value through profit or loss	-	43,657	-	-	37,622	-
3. Hedging derivatives	-	8,706	8	-	10,291	9
Total	**5,905**	**90,319**	**336**	**4,189**	**89,832**	**282**

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

As shown in the table, level 3 instruments, which allow for more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio, with percentages reaching approximately 2.8% for financial assets and 0.3% for financial liabilities, in line with the percentages of December 2014.
Approximately 78% of financial assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.

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 (0.01 million euro[4]) 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).

[4] The 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 of financial assets and liabilities" above).

STRUCTURED CREDIT PRODUCTS

The risk exposure to structured credit products amounted to 2,651 million euro as at 30 September 2015 with respect to funded and unfunded ABS/CDOs, compared to 2,492 million euro as at 31 December 2014, in addition to an exposure of 6 million euro with respect to structured packages, which compares with the 21 million euro observed as at 31 December 2014.
The rise in the exposure in funded and unfunded ABS/CDOs classified in the trading portfolio (from 1,821 million euro in December 2014 to 2,142 million euro in September 2015) is largely attributable to higher investments in ABS by the subsidiary Banca IMI, part of which was classified to the available-for-sale portfolio, to European ABS/CDOs acquired by the Parent Company. Banca IMI's investments mainly consist of securities with underlying residential mortgages and CLOs with mainly AA ratings. The Parent Company invested in European RMBS with mainly Aaa ratings.
With regard to the exposure represented by securities classified under the loan portfolio, on the other hand, another decrease was recorded (from 671 million euro in December 2014 to 509 million euro in September 2015), mostly attributable to sales that concerned the portfolios of the Parent Company and of Banca IMI.

From an income statement perspective, there was a loss of 4 million euro as at 30 September 2015 compared to the 40 million euro income recorded at the end of 2014.
The exposure to funded and unfunded ABS/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of -4 million euro. The profit on this segment was a result of the effects of:

- European and US funded ABS/CDOs (-6 million euro), comprising -2 million euro attributable to the Parent Company and -4 million euro attributable to the subsidiary Banca IMI. The impact was the result of the profits realised on the partial disposal of the trading book (6 million euro) and of the write-downs of outstanding positions (-10 million euro);
- unfunded Multisector CDO positions for 2 million euro;

As regards the exposure to funded and unfunded ABS/CDOs, it should be noted that the securities classified by the subsidiary Banca IMI in the available-for-sale portfolio recorded a net decrease in fair value of around 3 million euro, accounted for in the specific Shareholders' Equity Reserve.
The securities reclassified to the loan portfolio had a negative impact of 2 million euro on the income statement as at 30 September 2015. This was the result of 2 million euro in profits realised by Banca IMI and -4 million euro in impairment losses on a number of securities included in the Parent Company's portfolio.
The "Monoline risk" and "Non-monoline packages" made a positive contribution of 2 million euro to "Profits (Losses) on trading – caption 80" as at 30 September 2015, compared with the 1 million euro loss recorded as at 31 December 2014. 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 (CB), 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.
No amendments to the criteria are reported for the other SPE categories compared to the information already provided in the 2014 financial statements.

With regard to funding SPEs, used by the Intesa Sanpaolo Group to raise funds on certain markets through the issue of financial instruments, typically guaranteed by Intesa Sanpaolo, there was a considerable decrease compared to the end of December 2014, due to the unsuitable rating, which prevents the attraction of stable investors.

In the first half of 2015 the Parent Company Intesa Sanpaolo issued some new Covered Bonds (CB) backed by residential mortgages sold by the same Intesa Sanpaolo to the vehicle ISP CB Ipotecario. The issue is at a fixed rate of 0.625% and is addressed to professional investors and financial intermediaries. The bond is listed on the Luxembourg Stock Exchange as well as traded over-the-counter, as is customary.
As part of the covered bond programme of the vehicle ISP CB Ipotecario, during the first half, residential mortgages of approximately 1.6 billion euro were sold to the vehicle.
The fifth series of the Multioriginator covered bond programme of the vehicle ISP OBG was redeemed for an amount of 1.375 billion. Cassa di Risparmio di Firenze joined the banks originating the loans guaranteeing the issues for that programme. During the first half of the year, CR Firenze sold loans to the vehicle amounting to approximately 1.6 billion euro, while Banco di Napoli and Cassa di Risparmio del Veneto, which were already participants in the programme, sold an additional approx. 0.6 billion euro and approx. 0.9 billion euro, respectively.
In addition, in the third quarter, Banca dell'Adriatico sold a mortgage portfolio with a value of 531 million euro to ISP OBG S.r.l..

Moreover, the securitisation transaction was finalised in February through the fully owned vehicle Intesa Sanpaolo Securitisation Vehicle S.r.l.. Three series of securities were issued, each with senior and junior class, in Euro for 241.5 million, in CHF for 57.3 million and in HUF for 17.1 billion, respectively.

There were no significant changes to the other categories of SPEs subject to disclosure. Accordingly, reference should be made to the 2014 Financial Statements.

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/units, 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 September 2015, 110 transactions for a total amount granted of 2,924 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 September 2015 totalled 755 million euro, compared to 733 million euro recorded in December 2014. The analysis of changes in the portfolio showed a positive impact substantially linked to the depreciation of the euro on the dollar, 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 3 million euro, compared to a loss of 1 million euro in the "Profits (Losses) on trading – caption 80" in the first nine months of 2014.

The 3 million euro of net profits as at 30 September 2015 comprised:

- 4 million euro of profits on trading;
- -2 million euro of net capital losses on the outstanding portfolio;
- 1 million euro of profits on foreign exchange transactions deriving from the appreciation of the US dollar against the euro, even with a breakeven position in foreign currency.

Net capital losses on the final residual amount (-2 million euro) were spread across 25 positions, 16 of which with capital gains (24 million euro) and 9 with capital losses (26 million euro).

The negative performance of the portfolio in the third quarter of 2015 (-48 million euro) is attributable to the market movements seen in August and September. In particular, the sharp fall in the Chinese market had an effect on funds exposed to that country, and it also led to contagion on the other international markets. Over the month of September, the loss was predominantly caused by funds exposed to the pharmaceuticals sector where reference indexes lost around 7%. The fall in the market also affected other sectors including US and European financials.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 September 2015, the Intesa Sanpaolo Group presented, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), a positive fair value, not having applied netting agreements, of 8,195 million euro (8,731 million euro as at 31 December 2014). The notional value of such derivatives totalled 45,820 million euro (49,251 million euro as at 31 December 2014).

The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 5,557 million euro.

Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,883 million euro as at 30 September 2015 (1,306 million euro as at 31 December 2014).

The notional value of such derivatives totalled 20,056 million euro (17,000 million euro as at 31 December 2014).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 30 September 2015, this led to a positive effect of 97 million euro being recorded under "Profits (Losses) on trading" in the income statement.

As regards the means of calculation, for 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 or out-of-contract liability or other disputes; ICT (Information and Communication Technology) risk and model risk. Strategic and reputational risks are not included.

The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

With regard to operational risk, on 31 December 2009 the Group adopted the Advanced Measurement Approach (AMA - internal model), used partially along with the standardised (TSA) and basic approaches (BIA) to determine the associated capital requirement for regulatory purposes. The AMA approach was adopted by the leading banks and companies in the Banca dei Territori, Corporate and Investment Banking, Private Banking and Asset Management Divisions, by the Intesa Sanpaolo Group Services consortium, by VUB Banka (including Consumer Financial Holding and VUB Leasing) and PBZ Banka.
The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced Measurement approaches, 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.
Moreover, the tasks of the Intesa Sanpaolo Group Internal Control Coordination and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has a centralised Function within the Group Risk Manager area (specifically in the Enterprise Risk Management Department) for the management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with the prevailing regulations, the individual Organisational Units are responsible for the identification, assessment, management and mitigation of risk. Specific functions have been identified within these Organisational Units responsible for the Operational Risk Management processes of their unit (collection and structured census of information relating to operational events, scenario analyses and assessment of the level of risk associated with the business environment).

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 other functions with control duties of the Personnel and Organisation Department that supervise the planning of operational processes and business continuity issues, with the Administrative and Financial Governance and with control functions (Compliance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination 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 Head Office Department 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 into account of the effectiveness of internal controls in the various organizational units.

Operational risks are monitored by an integrated reporting system, which provides Management with support information for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was implemented for employees actively involved in this process.
In addition, the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and damage, cash and valuables in transit losses, computer fraud, forgery, cyber crimes, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. At the end of June 2013, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to applicable regulations the Group subscribed 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 1,630 million euro as at 30 September 2015, unchanged compared to 30 June 2015.

Legal risks

Legal risks are thoroughly and individually analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges in the event of legal obligations for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
In the nine months of 2015, no new significant legal procedures were commenced or important developments took place with respect to those under way, except as described below.
Reference should therefore be made to the Notes to the 2014 Financial Statements for a detailed description of litigation regarding anatocism, investment services and other significant proceedings and litigation.

Croatia - Class Action against PBZ relating to CHF denominated loans

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 Croatian banking sector along with fixed interest rates. Only with the introduction of the new law on consumer credit were administered interest rates 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-Croatian groups) by a consumer association (Potrošač). Extremely in brief, the association called for the banks to be sentenced for:

- not having appropriately informed customers of the risks of an exposure in a foreign currency such as the Swiss franc;
- not having clearly set out in the contracts the rules for determining the interest rate, which the bank could unilaterally change.

On 4 July 2013, in the first instance, the Commercial Court of Zagreb substantially accepted the requests of the consumers association, ordering the banks to transform their receivables into HRK 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.
In July 2013 the banks appealed against the first instance measure; the execution of the ruling was suspended pending the judgment on the appeal.
On 16 July 2014, the High Commercial Court of the Republic of Croatia rendered its second instance ruling. The resulting situation is more favourable for the banks than the first instance ruling; in particular:

i. the part of the first instance ruling which established that the banks were to denominate in HRK the principal originally lent to the borrowers of loans granted in CHF, was overturned.
ii. the first instance ruling was also overturned in the part in the part referring to the loans granted in CHF to be converted, establishing that the banks were to apply a fixed interest rate equal to that applicable to the loan agreement when granted.
iii. on the other hand, the court upheld the unlawful nature of the unilateral changes to interest rates on the loans by the banks.

The banks appealed to the Croatian Supreme Court, in order to obtain the review of the part of the appeal ruling in which they are found liable. The appeal to the Supreme Court did not provide a stay of the enforcement of the appeal ruling. The counterparty, Potrošač also submitted the same appeal.
On 13 May 2015, the Croatian Supreme Court announced its own decision on the appeal ruling, upholding it in its entirety. The Supreme Court's ruling did not substantially change the situation compared with the appeal ruling.
On 11 June 2015, PBZ lodged an appeal with the Constitutional Court, contesting the Supreme Court ruling, and on 23 June 2015 it further requested that the Croatian Constitutional Court should verify the constitutionality of the legislation in force governing consumer credit.
With relation to the disputes described, it should be noted that the Croatian Parliament passed a number of amendments to the "Consumer Credit Act" and to the "Credit Institutions Act" on 18 September 2015; these amendments took effect on 30 September.
Very briefly, these amendments contemplate obliging Croatian banks to offer customers a conversion into euro of the loans either disbursed in CHF, or pegged to CHF, using the exchange rate applicable on the date of disbursement of each loan. The sums already disbursed must be converted in euro at the exchange rate of the payment date. The interest rates must be the same as those applied to customers which took out loans in euro over the same period.
The impact of applying the new law, which effectively shifts the entire burden of the CHF revaluation since the disbursement date onto the bank, has been estimated by PBZ at around 172 million euro, which has been included in provisions for risks and charges in this Interim Statement.
Taking into account the negative impact of the law, on 29 September 2015, PBZ filed an appeal with the Croatian Constitutional Court to verify its legitimacy. The bank challenged the constitutionality of the legislation on the basis of its violation of a number of articles of the Croatian constitution, including legal certainty, property rights, freedom of enterprise and the free market, rights to compensation in the event of expropriation and the non-retroactive nature of laws and other government regulations. PBZ applied to the court for the law to be suspended until the appeal has been ruled on.

If the new law is confirmed as legitimate and PBZ is obliged to proceed with the abovementioned conversion of the loans for its customers, it is expected that individual litigation with customers will decrease.

Tax litigation

With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2014 Financial Statements (Part E). Further information regarding developments in the first six months of the year is presented in the Half-yearly Report as at 30 June 2015.
Regarding the third quarter of 2015, September saw the completion of the inspection of the Cassa di Risparmio in Bologna by the fiscal Authorities. This concluded with a PVC (Processo Verbale di Constatazione - report on findings) which sets out the recovery of higher IRES totalling 18.6 million euro, plus fines and interest. This almost exclusively related to a dispute which has taken on wider applicability within the area administered by the Emilia Romagna Regional Department of the Agenzia delle Entrate (Italian Revenue Agency).
In particular, this dispute relates to the reclassification of performing loans (which are discounted at a flat rate) as loans which are valued analytically (because they are related to insolvency proceedings). The assumption is that the impairment losses are not limited to merely neutralising the corresponding amounts deducted beforehand, but that they should be attributed to corresponding impairment reserves, at least at a purely fiscal level, in line with the treatment of write-offs or disposals which remove the loan from the balance sheet.
The Agency's view is thus that this type of value adjustment can not be set off entirely against the financial year in which they are made in accordance with art. 101, para. 5 of the Combined Tax Regulations, but that they must be deducted over 18 financial years pursuant to art. 106, para. 3 of the Combined Tax Regulations (the "limit").
There are several clear reasons why this tax claim is unfounded, but it should be noted that it is indicative of a fiscal approach which is closer to an exemption from the applicable law than to an interpretation of its meaning. Nonetheless, the approach of our Group was the same as that applied to all the other main Italian Banks.
At the judicial level, two rulings on preference shares by the Turin Regional Tax Committee should be noted. These went against the negative position taken on the merits, which was reported in prior financial reports and annulled the approx.15 million euro of fines imposed relating to the 2007 and 2008 financial years, on the basis that the applicable regulations were objectively unclear.

* * *

Lastly, as a consequence of litigation, it should be noted that the Civil Court of Rome sentenced (ruling no. 11135 filed on 21 May 2015) Giovanni Acampora and Vittorio Metta, the latter jointly liable with the Prime Minister's Office (pursuant to Law no. 117 from 1998 on the accountability of the judiciary), to pay Intesa Sanpaolo 173 million euro net of tax, plus legal interest running from 1 February 2015 to the date of final payment, plus legal expenses.
On the one hand this ruling follows Rome Court of Appeal ruling no. 1306/2013 which revoked - on the grounds of corruption in judicial proceedings - its prior ruling no. 4809/90 whereby IMI had been sentenced to pay the sum of around 980 billion lire to the heirs of the businessman Nino Rovelli, since deceased. On the other hand it relates to Intesa Sanpaolo's (as IMI's successor) claim for damages as a result of the final sentences by the Milan Court of Appeal of 10/05/2004 and 23/05/2005 (the latter regarded solely Acampora who had obtained fast track treatment). These sentences had become final as a result of rulings no. 33435 and 33519 by the Court of Cassation - Criminal division on 4 May 2006, definitively establishing the criminal responsibility of the corrupt judge and of the accomplices. The final sentences had further ordered the guilty parties to pay damages, to be established by the civil court.
The Civil Court of Rome therefore proceeded to quantify the financial (in terms of consequential damages and loss of profit) and non-financial damages due to Intesa Sanpaolo for a total of 173 million euro net of tax and after deduction of the amounts since received by the bank as part of the transactions with the Rovelli family and with the counterparties Previti and Pacifico.
Given that it was calculated net of tax, the award was grossed up and accounted for net of the amounts relating to: sums already recognised in the balance sheet but not taken into account in the ruling by the Court of Rome, and to tax credits sold to Intesa Sanpaolo by the Rovelli family. These related to taxes previously paid by IMI as a result of the revoked, corrupt ruling, and the fiscal authorities have already been asked to pay them back. 211 million euro has therefore been booked in other operating income and related taxes were 62 million euro.
Even taking into account the deduction of the amounts since received as part of the transactions with the Rovelli family and from other jointly liable parties, the amount awarded by the first instance ruling is nevertheless significantly lower than the sum in Intesa Sanpaolo's claim for damages dating back to January 2007. This was for 506 million euro of consequential damages and 505 million euro for loss of revenues, in addition to the non-financial component to be assessed by the court.
With regard to the amount of the award, Intesa Sanpaolo reserves the right, in any further litigation on the settlement in other levels of the justice system, to pursue a more commensurate compensation for the damages suffered.

INSURANCE RISKS

Life business

The typical risks of a 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 monitored 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 monitored 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 monitored 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, and 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 September 2015, the investment portfolios of Group companies, recorded at book value, amounted to 127,713 million euro. Of these, a part amounting to 78,713 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 49,000 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, 90.3% of assets, i.e. approximately 71,142 million euro, were bonds, whereas assets subject to equity risk represented 2.0% of the total and amounted to 1,593 million euro. The remainder (6,094 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (7.7%).
The carrying value of derivatives came to approximately -116 million euro, almost entirely relating to effective management derivatives.[5]. The hedging derivatives amounted to a total of approximately 0.6 million euro.

At the end of the first nine months of 2015, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,075 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 61 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 6.1 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.75 years. The related portfolios of assets have a modified duration of around 5.5 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 4,078 million euro. Based on this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 8 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 5.2% of total investments and A bonds approximately 4.4%. Low investment grade securities (BBB) were approximately 87.6% of the total and the portion of speculative grade or unrated was minimal (approximately 2.8%).
A considerable portion of the BBB area is made up of securities issued by the Italian Republic.
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 78.5% of the total investments, while financial companies (mostly banks) contributed almost 13.6% of exposure and industrial securities made up approximately 7.9%.

[5] 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 third quarter of 2015, 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 4,178 million euro, with 3,420 million euro due to government issuers and 758 million euro to corporate issuers (financial institutions and industrial companies).

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.09.2015	31.12.2014	Changes amount	Changes %
10.	Cash and cash equivalents	6,362	6,631	-269	-4.1
20.	Financial assets held for trading	52,391	53,741	-1,350	-2.5
30.	Financial assets designated at fair value through profit and loss	49,998	43,863	6,135	14.0
40.	Financial assets available for sale	133,363	124,150	9,213	7.4
50.	Investments held to maturity	1,379	1,471	-92	-6.3
60.	Due from banks	33,994	31,372	2,622	8.4
70.	Loans to customers	345,140	339,105	6,035	1.8
80.	Hedging derivatives	7,636	9,210	-1,574	-17.1
90.	Fair value change of financial assets in hedged portfolios (+/-)	60	59	1	1.7
100.	Investments in associates and companies subject to joint control	1,792	1,944	-152	-7.8
110.	Technical insurance reserves reassured with third parties	23	27	-4	-14.8
120.	Property and equipment	5,019	4,884	135	2.8
130.	Intangible assets	7,116	7,243	-127	-1.8
	of which				
	- goodwill	*3,914*	*3,899*	*15*	*0.4*
140.	Tax assets	14,815	14,431	384	2.7
	a) current	*3,512*	*3,021*	*491*	*16.3*
	b) deferred	*11,303*	*11,410*	*-107*	*-0.9*
	- of which convertible into tax credit (Law no. 214/2011)	*8,694*	*8,824*	*-130*	*-1.5*
150.	Non-current assets held for sale and discontinued operations	27	229	-202	-88.2
160.	Other assets	9,120	8,067	1,053	13.1
Total Assets		**668,235**	**646,427**	**21,808**	**3.4**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.09.2015	31.12.2014	Changes amount	Changes %
10.	Due to banks	64,118	51,495	12,623	24.5
20.	Due to customers	238,929	230,738	8,191	3.5
30.	Securities issued	114,033	123,768	-9,735	-7.9
40.	Financial liabilities held for trading	44,189	46,376	-2,187	-4.7
50.	Financial liabilities designated at fair value through profit and loss	43,657	37,622	6,035	16.0
60.	Hedging derivatives	8,713	10,300	-1,587	-15.4
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,076	1,449	-373	-25.7
80.	Tax liabilities	3,394	2,323	1,071	46.1
	a) current	*1,430*	*662*	*768*	
	b) deferred	*1,964*	*1,661*	*303*	*18.2*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	201	-201	
100.	Other liabilities	15,254	12,119	3,135	25.9
110.	Employee termination indemnities	1,341	1,480	-139	-9.4
120.	Allowances for risks and charges	3,360	3,793	-433	-11.4
	a) post employment benefits	*729*	*1,167*	*-438*	*-37.5*
	b) other allowances	*2,631*	*2,626*	*5*	*0.2*
130.	Technical reserves	81,965	79,701	2,264	2.8
140.	Valuation reserves	-1,183	-1,622	-439	-27.1
150.	Redeemable shares	-	-	-	
160.	Equity instruments	875	-	875	
170.	Reserves	9,139	9,054	85	0.9
180.	Share premium reserve	27,349	27,349	-	-
190.	Share capital	8,730	8,725	5	0.1
200.	Treasury shares (-)	-53	-74	-21	-28.4
210.	Minority interests (+/-)	623	379	244	64.4
220.	Net income (loss)	2,726	1,251	1,475	
Total Liabilities and Shareholders' Equity		**668,235**	**646,427**	**21,808**	**3.4**

Consolidated income statement

(millions of euro)

	30.09.2015	30.09.2014	Changes amount	%
10. Interest and similar income	10,709	12,159	-1,450	-11.9
20. Interest and similar expense	-3,770	-4,725	-955	-20.2
30. Interest margin	**6,939**	**7,434**	**-495**	**-6.7**
40. Fee and commission income	6,499	5,899	600	10.2
50. Fee and commission expense	-1,238	-1,166	72	6.2
60. Net fee and commission income	**5,261**	**4,733**	**528**	**11.2**
70. Dividend and similar income	334	287	47	16.4
80. Profits (Losses) on trading	238	259	-21	-8.1
90. Fair value adjustments in hedge accounting	-51	-76	-25	-32.9
100. Profits (Losses) on disposal or repurchase of	1,078	742	336	45.3
a) loans	*-53*	*73*	*-126*	
b) financial assets available for sale	*1,273*	*906*	*367*	*40.5*
c) investments held to maturity	-	-	-	
d) financial liabilities	*-142*	*-237*	*-95*	*-40.1*
110. Profits (Losses) on financial assets and liabilities designated at fair value	613	720	-107	-14.9
120. Net interest and other banking income	**14,412**	**14,099**	**313**	**2.2**
130. Net losses / recoveries on impairment	-1,958	-3,372	-1,414	-41.9
a) loans	*-1,916*	*-3,204*	*-1,288*	*-40.2*
b) financial assets available for sale	*-96*	*-148*	*-52*	*-35.1*
c) investments held to maturity	-	-	-	
d) other financial activities	*54*	*-20*	*74*	
140. Net income from banking activities	**12,454**	**10,727**	**1,727**	**16.1**
150. Net insurance premiums	8,721	12,691	-3,970	-31.3
160. Other net insurance income (expense)	-10,270	-14,315	-4,045	-28.3
170. Net income from banking and insurance activities	**10,905**	**9,103**	**1,802**	**19.8**
180. Administrative expenses	-6,426	-6,345	81	1.3
a) personnel expenses	*-3,878*	*-3,828*	*50*	*1.3*
b) other administrative expenses	*-2,548*	*-2,517*	*31*	*1.2*
190. Net provisions for risks and charges	-485	-251	234	93.2
200. Net adjustments to / recoveries on property and equipment	-253	-244	9	3.7
210. Net adjustments to / recoveries on intangible assets	-406	-453	-47	-10.4
220. Other operating expenses (income)	747	523	224	42.8
230. Operating expenses	**-6,823**	**-6,770**	**53**	**0.8**
240. Profits (Losses) on investments in associates and companies subject to joint control	121	397	-276	-69.5
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	43	48	-5	-10.4
280. Income (Loss) before tax from continuing operations	**4,246**	**2,778**	**1,468**	**52.8**
290. Taxes on income from continuing operations	-1,453	-1,525	-72	-4.7
300. Income (Loss) after tax from continuing operations	**2,793**	**1,253**	**1,540**	
310. Income (Loss) after tax from discontinued operations	-	-	-	
320. Net income (loss)	**2,793**	**1,253**	**1,540**	
330. Minority interests	-67	-50	17	34.0
340. Parent Company's net income (loss)	**2,726**	**1,203**	**1,523**	
Basic EPS - Euro	**0.16**	**0.07**		
Diluted EPS - Euro	**0.16**	**0.07**		

Statement of consolidated comprehensive income

(millions of euro)

		30.09.2015	30.09.2014	Changes amount	%
10.	**NET INCOME (LOSS)**	**2,793**	**1,253**	**1,540**	
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**382**	**-230**	**612**	
20.	Property and equipment	-	-	-	
30.	Intangible assets	-	-	-	
40.	Defined benefit plans	382	-230	612	
50.	Non-current assets held for sale	-	-	-	
60.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**59**	**2**	**57**	
70.	Hedges of foreign investments	-	-	-	
80.	Foreign exchange differences	7	-67	74	
90.	Cash flow hedges	181	-364	545	
100.	Financial assets available for sale	-145	400	-545	
110.	Non-current assets held for sale	-	-	-	
120.	Share of valuation reserves connected with investments carried at equity	16	33	-17	-51.5
130.	**Total other comprehensive income (net of tax)**	**441**	**-228**	**669**	
140.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +130)**	**3,234**	**1,025**	**2,209**	
150.	**Total consolidated comprehensive income pertaining to minority interests**	**69**	**56**	**13**	**23.2**
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**3,165**	**969**	**2,196**	

Statement of changes in consolidated shareholders' equity as at 30 September 2015

(millions of euro)

30.09.2015	Share capital ordinary shares	Share capital savings shares	Share premium reserve	Reserves retained earnings	Reserves other	Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
AMOUNTS AS AT 1.1.2015	**8,510**	**488**	**27,369**	**8,583**	**510**	**-1,631**	**-**	**-77**	**1,310**	**45,062**	*44,683*	*379*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [a]												
Reserves				**78**					**-78**	**-**	*-*	*-*
Dividends and other allocations									**-1,232**	**-1,232**	*-1,195*	*-37*
CHANGES IN THE PERIOD												
Changes in reserves										**-**	*-*	*-*
Operations on shareholders' equity												
Issue of new shares	5							21		**26**	*26*	*-*
Purchase of treasury shares										**-**	*-*	*-*
Extraordinary dividends										**-**	*-*	*-*
Changes in equity instruments							875			**875**	*875*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens	56		34							**90**	*-*	*90*
Other (b)	195			-44						**151**	*29*	*122*
Total comprehensive income for the period						**441**			**2,793**	**3,234**	*3,165*	*69*
SHAREHOLDERS' EQUITY AS AT 30.06.2015	**8,766**	**488**	**27,403**	**8,617**	**510**	**-1,190**	**875**	**-56**	**2,793**	**48,206**	*47,583*	*623*
- Group	**8,245**	**485**	**27,349**	**8,629**	**510**	**-1,183**	**875**	**-53**	**2,726**	**47,583**		
- minority interests	**521**	**3**	**54**	**-12**	**-**	**-7**	**-**	**-3**	**67**	**623**		

[a] The caption includes dividends and any amounts attributable to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

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

Statement of changes in consolidated shareholders' equity as at 30 September 2014

(millions of euro)

30.09.2014	Share capital ordinary shares	Share capital savings shares	Share premium reserve	Reserves retained earnings	Reserves other	Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
AMOUNTS AS AT 1.1.2014	**8,427**	**488**	**30,989**	**10,357**	**510**	**-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										**-**	*-*	*-*
Operations on shareholders' equity												
Issue of new shares	8							5		**13**	*13*	*-*
Purchase of treasury shares										**-**	*-*	*-*
Extraordinary dividends				-822						**-822**	*-822*	*-*
Changes in equity instruments										**-**	*-*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens										**-**	*-*	*-*
Other	-36		-1	-76						**-113**	*-65*	*-48*
Total comprehensive income for the period						**-228**			**1,253**	**1,025**	*969*	*56*
SHAREHOLDERS' EQUITY AS AT 30.06.2014	**8,399**	**488**	**27,075**	**8,776**	**510**	**-1,319**	**-**	**-55**	**1,253**	**45,127**	*44,615*	*512*
- Group	**8,069**	**485**	**27,020**	**8,688**	**510**	**-1,308**	**-**	**-52**	**1,203**	**44,615**		
- minority interests	**330**	**3**	**55**	**88**	**-**	**-11**	**-**	**-3**	**50**	**512**		

[a] The caption includes dividends and any amounts attributable to the charity fund of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Accounting policies

Criteria for the preparation of the Interim Statement

General preparation principles

The "Interim Statement as at 30 September 2015" has been prepared, in consolidated form, in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998, and in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The accounting principles adopted in the preparation of the Consolidated Interim Statement, with regard to 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 Intesa Sanpaolo Group Annual Report 2014 – to which reference should be made for further details – except for the entry into force of some limited amendments to IFRS 3 - Business Combinations, IFRS 13 - Fair Value Measurement, and IAS 40 - Investment Property, endorsed last year by the European Commission with Regulation 1361/2014.

Starting from 2015, application of IFRIC 21 - Levies, as endorsed by Regulation 634/2014, is mandatory.

The Interim Statement as at 30 September 2015, drawn up in euro as the functional currency, contain the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, and on the main risks and uncertainties to be faced in the remaining months of the year.
The amounts indicated in the financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified. In addition to amounts for the reporting period, the financial statements also indicate the corresponding comparison figures as at 30 September 2014 for the Income statement and as at 31 December 2014 for the Balance sheet.

Condensed reclassified financial statements have been prepared to complement the Explanatory notes and 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 Interim Statement are reconciliations between the financial statements and the aforementioned condensed reclassified statements.
For the Income statement, the content of captions refers to Bank of Italy instructions laid down in Circular 262/2005, including aggregations/reclassifications as follows:
- net interest income includes: profits (losses) on trading relating to net interest; the reversal in time value on loans, based on the amortised cost criterion in the absence of changes in expected future cash flows; the time value of employee termination indemnities and allowances for risks and charges;
- profits (losses) on trading include: dividends on shares classed as financial assets available for sale and as assets held for trading; fair value adjustments in hedge accounting; profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities; profits (losses) on financial assets and liabilities designated at fair value;
- the contribution from insurance companies to net income is conventionally recorded in the specific caption "Income from insurance business" rather than line by line. For the insured parties' portion the adjustment effect of the technical reserve associated with the impairment of securities available for sale in the portfolio of the Group's insurance companies was also attributed to this caption;
- administrative expenses are stated net of recoveries of expenses, taxes and duties from customers;
- net adjustments to loans include profits (losses) on disposal or repurchase of loans and net impairment losses on other financial activities related to guarantees, commitments and credit derivatives;
- net impairment losses on other assets include – in addition to net impairment losses on financial assets available for sale, investments held to maturity and other financial activities – any impairment of property, equipment and intangible assets;
- profits (losses) on investments held to maturity and on other investments include profits (losses) on disposal of investments in associates and companies subject to joint control and profits (losses) on disposal of investments; conversely, net income from investments carried at equity is recorded in a specific caption of net operating income along with dividends;
- charges for integration and exit incentives are recorded in a specific caption net of the tax effect;
- the economic effect of purchase price allocation, net of the tax effect, is indicated in a specific caption;
- for a more accurate representation of ordinary operations, goodwill impairment (net of tax) is shown among "non-current" income components.

For the Balance sheet, with respect to the compulsory forms defined in Circular 262/2005, some aggregations have been made concerning:
- 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 under Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- the aggregation in one single caption of Property and equipment and Intangible assets;
- the aggregation of Amounts due to customers and Securities issued into a single 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.

The Interim Statement as at 30 September 2015 is 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 is subject to a limited review which covers only the calculation of Common Equity Tier 1 capital.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated Interim Statement includes Intesa Sanpaolo and the companies that it directly and indirectly controls, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors different from that of the Parent Company and private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no stake in the company.
With respect to the position as at 31 December 2014, the most significant new entrants to the scope of consolidation were the Risanamento Group and Intesa Sanpaolo Brasil S.A. - Banco Multiplo.
More specifically, the consolidation of Risanamento Group assets and liabilities became necessary - on conclusion of the debt restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law, and following Intesa Sanpaolo's appointment to the Board of Directors of Risanamento S.p.A. of 4 out of the 5 members - to classify as having de facto control of the company pursuant to IFRS 10. The Intesa Sanpaolo Group's Interim Statement as at 30 September 2015 has included the balance sheet of the Risanamento Group line by line. The income statement for the first half has been summarily included - given that it had been consolidated at equity prior to the date of takeover of control - whereas the income statement for the third quarter has been included line by line given that the acquisition date pursuant to IFRS 3 was 30 June 2015. In the reclassified financial statements, the income statement and the balance sheet have been consolidated line by line on the basis of the Group's accounting position as at 30 September 2015.
In relation to the application of IFRS 3 and the fair value calculation of Risanamento Group assets and liabilities as at the date of acquisition, activities are still in progress given the brief time lapse since control was acquired. In this respect, IFRS 3 allows a provisional allocation of the acquisition cost, but this must be finalised within 12 months of the acquisition date and backdated to that date.
Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.
Intesa Sanpaolo Brasil S.A. - Banco Multiplo, also consolidated line by line, is the ISP Group's new commercial and investment bank in Brazil which recently began operations.
Intragroup company transactions include the merger by incorporation of Fideuram Gestions S.A. (into Fideuram Bank Luxembourg S.A.) and of Banca Monteparma and Banca di Trento e Bolzano (into Intesa Sanpaolo).
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.

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 2014 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 Interim Statement as at 30 September 2015 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 Management Board

Milan, 3 November 2015

Declaration of the Manager responsible for preparing the Company's financial reports

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company's financial reports, Fabrizio Dabbene, hereby declares that the accounting information contained in this Interim Statement as at 30 September 2015 corresponds to corporate records, books and accounts.

Milano, 3 November 2015

Fabrizio Dabbene
Manager responsible for preparing
the Company's financial reports

Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2014 and adjusted consolidated balance sheet as at 31 December 2014

Reconciliation between consolidated income statement as at 30 September 2014 and adjusted consolidated income statement as at 30 September 2014

Reconciliation between adjusted / published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2014 and restated consolidated balance sheet as at 31 December 2014

Reconciliation between adjusted consolidated income statement as at 30 September 2014 and restated consolidated income statement as at 30 September 2014

Reconciliation between consolidated income statement as at 30 September 2015 and restated consolidated income statement as at 30 September 2015

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2014 and adjusted consolidated balance sheet as at 31 December 2014

The published consolidated balance sheet as at 31 December 2014 did not require adjustment.

Reconciliation between consolidated income statement as at 30 September 2014 and adjusted consolidated income statement as at 30 September 2014

(millions of euro)

	30.09.2014	Effects of IFRS 5 application (a)	30.09.2014 Adjusted
10. Interest and similar income	12,145	14	12,159
20. Interest and similar expense	-4,710	-15	-4,725
30. Interest margin	**7,435**	**-1**	**7,434**
40. Fee and commission income	5,890	9	5,899
50. Fee and commission expense	-1,165	-1	-1,166
60. Net fee and commission income	**4,725**	**8**	**4,733**
70. Dividend and similar income	287	-	287
80. Profits (Losses) on trading	264	-5	259
90. Fair value adjustments in hedge accounting	-76	-	-76
100. Profits (Losses) on disposal or repurchase of	742	-	742
a) loans	*73*	-	*73*
b) financial assets available for sale	*906*	-	*906*
c) investments held to maturity	-	-	-
d) financial liabilities	*-237*	-	*-237*
110. Profits (Losses) on financial assets and liabilities designated at fair value	720	-	720
120. Net interest and other banking income	**14,097**	**2**	**14,099**
130. Net losses / recoveries on impairment	-3,362	-10	-3,372
a) loans	*-3,194*	*-10*	*-3,204*
b) financial assets available for sale	*-148*	-	*-148*
c) investments held to maturity	-	-	-
d) other financial activities	*-20*	-	*-20*
140. Net income from banking activities	**10,735**	**-8**	**10,727**
150. Net insurance premiums	12,691	-	12,691
160. Other net insurance income (expense)	-14,315	-	-14,315
170. Net income from banking and insurance activities	**9,111**	**-8**	**9,103**
180. Administrative expenses	-6,323	-22	-6,345
a) personnel expenses	*-3,815*	*-13*	*-3,828*
b) other administrative expenses	*-2,508*	*-9*	*-2,517*
190. Net provisions for risks and charges	-251	-	-251
200. Net adjustments to / recoveries on property and equipment	-243	-1	-244
210. Net adjustments to / recoveries on intangible assets	-451	-2	-453
220. Other operating expenses (income)	523	-	523
230. Operating expenses	**-6,745**	**-25**	**-6,770**
240. Profits (Losses) on investments in associates and companies subject to joint control	397	-	397
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	48	-	48
280. Income (Loss) before tax from continuing operations	**2,811**	**-33**	**2,778**
290. Taxes on income from continuing operations	-1,525	-	-1,525
300. Income (Loss) after tax from continuing operations	**1,286**	**-33**	**1,253**
310. Income (Loss) after tax from discontinued operations	-33	33	-
320. Net income (loss)	**1,253**	**-**	**1,253**
330. Minority interests	-50	-	-50
340. Parent Company's net income (loss)	**1,203**	**-**	**1,203**

[a] Income statement figures for the first nine months of 2014 for the Ukrainian subsidiary Pravex Bank, the sale agreement for which was terminated in the first half of 2015.

Reconciliation between adjusted / published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2014 and restated consolidated balance sheet as at 31 December 2014

(millions of euro)

Assets		31.12.2014 Published (*)	Reconsolidation of discontinued operations (a)	Risanamento Group (b)	31.12.2014 Restated
10.	Cash and cash equivalents	6,631	16	-	6,647
20.	Financial assets held for trading	53,741	-	-	53,741
30.	Financial assets designated at fair value through profit and loss	43,863	-	-	43,863
40.	Financial assets available for sale	124,150	26	-	124,176
50.	Investments held to maturity	1,471	-	-	1,471
60.	Due from banks	31,372	2	237	31,611
70.	Loans to customers	339,105	125	-228	339,002
80.	Hedging derivatives	9,210	-	-	9,210
90.	Fair value change of financial assets in hedged portfolios (+/-)	59	-	-	59
100.	Investments in associates and companies subject to joint control	1,944	-	-134	1,810
110.	Technical insurance reserves reassured with third parties	27	-	-	27
120.	Property and equipment	4,884	16	246	5,146
130.	Intangible assets	7,243	10	-	7,253
	of which				
	- goodwill	*3,899*	-	-	*3,899*
140.	Tax assets	14,431	-	73	14,504
	a) current	*3,021*	-	*55*	*3,076*
	b) deferred	*11,410*	-	*18*	*11,428*
	- of which convertible into tax credit (Law no. 214/2011)	*8,824*	-	-	*8,824*
150.	Non-current assets held for sale and discontinued operations	229	-205	5	29
160.	Other assets	8,067	10	717	8,794
Total Assets		**646,427**	**-**	**916**	**647,343**

(*) Figures originally published in the Annual Report 2014.

(a) Line-by-line restatement of assets previously classified as held for sale and discontinued operations, in a manner consistent with the restatement of the income statement. In particular, reference is made to the contents of the balance sheet as at 31 December 2014 of the Ukrainian subsidiary Pravex Bank, the sale agreement for which was terminated in the first half of 2015.

(b) Acquisition of control of the Risanamento Group. Amounts net of the deconsolidation of the investment, which as at December 2014 was measured at equity, and of existing intragroup dealings with the Intesa Sanpaolo Group.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2014 Published (*)	Reconsolidation of discontinued operations (a)	Risanamento Group (b)	31.12.2014 Restated
10.	Due to banks	51,495	-	464	51,959
20.	Due to customers	230,738	194	-15	230,917
30.	Securities issued	123,768	-	-	123,768
40.	Financial liabilities held for trading	46,376	-	5	46,381
50.	Financial liabilities designated at fair value through profit and loss	37,622	-	-	37,622
60.	Hedging derivatives	10,300	-	-	10,300
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,449	-	-	1,449
80.	Tax liabilities	2,323	-	148	2,471
	a) current	*662*	-	*117*	*779*
	b) deferred	*1,661*	-	*31*	*1,692*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	201	-201	-	-
100.	Other liabilities	12,119	7	53	12,179
110.	Employee termination indemnities	1,480	-	2	1,482
120.	Allowances for risks and charges	3,793	-	89	3,882
	a) post employment benefits	*1,167*	-	-	*1,167*
	b) other allowances	*2,626*	-	*89*	*2,715*
130.	Technical reserves	79,701	-	-	79,701
140.	Valuation reserves	-1,622	-	-	-1,622
150.	Redeemable shares	-	-	-	-
160.	Equity instruments	-	-	-	-
170.	Reserves	9,054	-	-	9,054
180.	Share premium reserve	27,349	-	-	27,349
190.	Share capital	8,725	-	-	8,725
200.	Treasury shares (-)	-74	-	-	-74
210.	Minority interests (+/-)	379	-	170	549
220.	Net income (loss)	1,251	-	-	1,251
Total Liabilities and Shareholders' Equity		**646,427**	**-**	**916**	**647,343**

(*) Figures originally published in the Annual Report 2014.

(a) Line-by-line restatement of assets previously classified as held for sale and discontinued operations, in a manner consistent with the restatement of the income statement. In particular, reference is made to the contents of the balance sheet as at 31 December 2014 of the Ukrainian subsidiary Pravex Bank, the sale agreement for which was terminated in the first half of 2015.

(b) Acquisition of control of the Risanamento Group. Amounts net of the deconsolidation of the investment, which as at December 2014 was measured at equity, and of existing intragroup dealings with the Intesa Sanpaolo Group.

Reconciliation between adjusted consolidated income statement as at 30 September 2014 and restated consolidated income statement as at 30 September 2014

(millions of euro)

	30.09.2014 Adjusted	**Changes in the scope of consolidation** Risanamento Group consolidation (a)	**30.09.2014** Restated
10. Interest and similar income	12,159	-	12,159
20. Interest and similar expense	-4,725	-22	-4,747
30. Interest margin	**7,434**	**-22**	**7,412**
40. Fee and commission income	5,899	-	5,899
50. Fee and commission expense	-1,166	-6	-1,172
60. Net fee and commission income	**4,733**	**-6**	**4,727**
70. Dividend and similar income	287	-	287
80. Profits (Losses) on trading	259	-31	228
90. Fair value adjustments in hedge accounting	-76	-	-76
100. Profits (Losses) on disposal or repurchase of	742	-	742
a) loans	*73*	-	*73*
b) financial assets available for sale	*906*	-	*906*
c) investments held to maturity	-	-	-
d) financial liabilities	*-237*	-	*-237*
110. Profits (Losses) on financial assets and liabilities designated at fair value	720	-	720
120. Net interest and other banking income	**14,099**	**-59**	**14,040**
130. Net losses / recoveries on impairment	-3,372	-	-3,372
a) loans	*-3,204*	-	*-3,204*
b) financial assets available for sale	*-148*	-	*-148*
c) investments held to maturity	-	-	-
d) other financial activities	*-20*	-	*-20*
140. Net income from banking activities	**10,727**	**-59**	**10,668**
150. Net insurance premiums	12,691	-	12,691
160. Other net insurance income (expense)	-14,315	-	-14,315
170. Net income from banking and insurance activities	**9,103**	**-59**	**9,044**
180. Administrative expenses	-6,345	-19	-6,364
a) personnel expenses	*-3,828*	*-7*	*-3,835*
b) other administrative expenses	*-2,517*	*-12*	*-2,529*
190. Net provisions for risks and charges	-251	-3	-254
200. Net adjustments to / recoveries on property and equipment	-244	-4	-248
210. Net adjustments to / recoveries on intangible assets	-453	-	-453
220. Other operating expenses (income)	523	11	534
230. Operating expenses	**-6,770**	**-15**	**-6,785**
240. Profits (Losses) on investments in associates and companies subject to joint control	397	-41	356
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	48	-	48
280. Income (Loss) before tax from continuing operations	**2,778**	**-115**	**2,663**
290. Taxes on income from continuing operations	-1,525	6	-1,519
300. Income (Loss) after tax from continuing operations	**1,253**	**-109**	**1,144**
310. Income (Loss) after tax from discontinued operations	-	280	280
320. Net income (loss)	**1,253**	**171**	**1,424**
330. Minority interests	-50	-171	-221
340. Parent Company's net income (loss)	**1,203**	**-**	**1,203**

[a] Income statement figures for the first nine months of 2014 for the Risanamento Group, net of the deconsolidation of the investment measured at equity in the ISP Group's Interim Statement.

Reconciliation between consolidated income statement as at 30 September 2015 and restated consolidated income statement as at 30 September 2015

(in millions of euro)

	30.09.2015	Changes in the scope of consolidation Risanamento Group consolidation (a)	30.09.2015 Restated
10. Interest and similar income	10,709	-	10,709
20. Interest and similar expense	-3,770	-11	-3,781
30. Interest margin	**6,939**	**-11**	**6,928**
40. Fee and commission income	6,499	-	6,499
50. Fee and commission expense	-1,238	-2	-1,240
60. Net fee and commission income	**5,261**	**-2**	**5,259**
70. Dividend and similar income	334	-	334
80. Profits (Losses) on trading	238	-	238
90. Fair value adjustments in hedge accounting	-51	-	-51
100. Profits (Losses) on disposal or repurchase of	1,078	-	1,078
a) loans	*-53*	-	*-53*
b) financial assets available for sale	*1,273*	-	*1,273*
c) investments held to maturity	-	-	-
d) financial liabilities	*-142*	-	*-142*
110. Profits (Losses) on financial assets and liabilities designated at fair value	613	-	613
120. Net interest and other banking income	**14,412**	**-13**	**14,399**
130. Net losses / recoveries on impairment	-1,958	-	-1,958
a) loans	*-1,916*	-	*-1,916*
b) financial assets available for sale	*-96*	-	*-96*
c) investments held to maturity	-	-	-
d) other financial activities	*54*	-	*54*
140. Net income from banking activities	**12,454**	**-13**	**12,441**
150. Net insurance premiums	8,721	-	8,721
160. Other net insurance income (expense)	-10,270	-	-10,270
170. Net income from banking and insurance activities	**10,905**	**-13**	**10,892**
180. Administrative expenses	-6,426	-8	-6,434
a) personnel expenses	*-3,878*	*-3*	*-3,881*
b) other administrative expenses	*-2,548*	*-5*	*-2,553*
190. Net provisions for risks and charges	-485	-	-485
200. Net adjustments to / recoveries on property and equipment	-253	-3	-256
210. Net adjustments to / recoveries on intangible assets	-406	-	-406
220. Other operating expenses (income)	747	7	754
230. Operating expenses	**-6,823**	**-4**	**-6,827**
240. Profits (Losses) on investments in associates and companies subject to joint control	121	11	132
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	43	-	43
280. Income (Loss) before tax from continuing operations	**4,246**	**-6**	**4,240**
290. Taxes on income from continuing operations	-1,453	-1	-1,454
300. Income (Loss) after tax from continuing operations	**2,793**	**-7**	**2,786**
310. Income (Loss) after tax from discontinued operations	-	-1	-1
320. Net income (loss)	**2,793**	**-8**	**2,785**
330. Minority interests	-67	8	-59
340. Parent Company's net income (loss)	**2,726**	**-**	**2,726**

[a] Income statement figures for the first six months of 2015 for the Risanamento Group, net of the deconsolidation of the investment measured at equity in the ISP Group's Half-yearly Report.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		30.09.2015	31.12.2014 Restated	Changes amount	Changes %
10.	Cash and cash equivalents	6,362	6,647	-285	-4.3
20.	Financial assets held for trading	52,391	53,741	-1,350	-2.5
30.	Financial assets designated at fair value through profit and loss	49,998	43,863	6,135	14.0
40.	Financial assets available for sale	133,363	124,176	9,187	7.4
50.	Investments held to maturity	1,379	1,471	-92	-6.3
60.	Due from banks	33,994	31,611	2,383	7.5
70.	Loans to customers	345,140	339,002	6,138	1.8
80.	Hedging derivatives	7,636	9,210	-1,574	-17.1
90.	Fair value change of financial assets in hedged portfolios (+/-)	60	59	1	1.7
100.	Investments in associates and companies subject to joint control	1,792	1,810	-18	-1.0
110.	Technical insurance reserves reassured with third parties	23	27	-4	-14.8
120.	Property and equipment	5,019	5,146	-127	-2.5
130.	Intangible assets	7,116	7,253	-137	-1.9
	of which				
	- goodwill	*3,914*	*3,899*	*15*	*0.4*
140.	Tax assets	14,815	14,504	311	2.1
	a) current	*3,512*	*3,076*	*436*	*14.2*
	b) deferred	*11,303*	*11,428*	*-125*	*-1.1*
	- of which convertible into tax credit (Law no. 214/2011)	*8,694*	*8,824*	*-130*	*-1.5*
150.	Non-current assets held for sale and discontinued operations	27	29	-2	-6.9
160.	Other assets	9,120	8,794	326	3.7
Total Assets		**668,235**	**647,343**	**20,892**	**3.2**

(millions of euro)

Liabilities and Shareholders' Equity		30.09.2015	31.12.2014	Changes	
			Restated	amount	%
10.	Due to banks	64,118	51,959	12,159	23.4
20.	Due to customers	238,929	230,917	8,012	3.5
30.	Securities issued	114,033	123,768	-9,735	-7.9
40.	Financial liabilities held for trading	44,189	46,381	-2,192	-4.7
50.	Financial liabilities designated at fair value through profit and loss	43,657	37,622	6,035	16.0
60.	Hedging derivatives	8,713	10,300	-1,587	-15.4
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,076	1,449	-373	-25.7
80.	Tax liabilities	3,394	2,471	923	37.4
	a) current	*1,430*	*779*	*651*	*83.6*
	b) deferred	*1,964*	*1,692*	*272*	*16.1*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	15,254	12,179	3,075	25.2
110.	Employee termination indemnities	1,341	1,482	-141	-9.5
120.	Allowances for risks and charges	3,360	3,882	-522	-13.4
	a) post employment benefits	*729*	*1,167*	*-438*	*-37.5*
	b) other allowances	*2,631*	*2,715*	*-84*	*-3.1*
130.	Technical reserves	81,965	79,701	2,264	2.8
140.	Valuation reserves	-1,183	-1,622	-439	-27.1
150.	Redeemable shares	-	-	-	
160.	Equity instruments	875	-	875	
170.	Reserves	9,139	9,054	85	0.9
180.	Share premium reserve	27,349	27,349	-	-
190.	Share capital	8,730	8,725	5	0.1
200.	Treasury shares (-)	-53	-74	-21	-28.4
210.	Minority interests (+/-)	623	549	74	13.5
220.	Net income (loss)	2,726	1,251	1,475	
Total Liabilities and Shareholders' Equity		**668,235**	**647,343**	**20,892**	**3.2**

Restated consolidated income statement

(millions of euro)

	30.09.2015 Restated	30.09.2014 Restated	Changes amount	Changes %
10. Interest and similar income	10,709	12,159	-1,450	-11.9
20. Interest and similar expense	-3,781	-4,747	-966	-20.3
30. Interest margin	**6,928**	**7,412**	**-484**	**-6.5**
40. Fee and commission income	6,499	5,899	600	10.2
50. Fee and commission expense	-1,240	-1,172	68	5.8
60. Net fee and commission income	**5,259**	**4,727**	**532**	**11.3**
70. Dividend and similar income	334	287	47	16.4
80. Profits (Losses) on trading	238	228	10	4.4
90. Fair value adjustments in hedge accounting	-51	-76	-25	-32.9
100. Profits (Losses) on disposal or repurchase of	1,078	742	336	45.3
a) loans	*-53*	*73*	*-126*	
b) financial assets available for sale	*1,273*	*906*	*367*	*40.5*
c) investments held to maturity	-	-	-	
d) financial liabilities	*-142*	*-237*	*-95*	*-40.1*
110. Profits (Losses) on financial assets and liabilities designated at fair value	613	720	-107	-14.9
120. Net interest and other banking income	**14,399**	**14,040**	**359**	**2.6**
130. Net losses / recoveries on impairment	-1,958	-3,372	-1,414	-41.9
a) loans	*-1,916*	*-3,204*	*-1,288*	*-40.2*
b) financial assets available for sale	*-96*	*-148*	*-52*	*-35.1*
c) investments held to maturity	-	-	-	
d) other financial activities	*54*	*-20*	*74*	
140. Net income from banking activities	**12,441**	**10,668**	**1,773**	**16.6**
150. Net insurance premiums	8,721	12,691	-3,970	-31.3
160. Other net insurance income (expense)	-10,270	-14,315	-4,045	-28.3
170. Net income from banking and insurance activities	**10,892**	**9,044**	**1,848**	**20.4**
180. Administrative expenses	-6,434	-6,364	70	1.1
a) personnel expenses	*-3,881*	*-3,835*	*46*	*1.2*
b) other administrative expenses	*-2,553*	*-2,529*	*24*	*0.9*
190. Net provisions for risks and charges	-485	-254	231	90.9
200. Net adjustments to / recoveries on property and equipment	-256	-248	8	3.2
210. Net adjustments to / recoveries on intangible assets	-406	-453	-47	-10.4
220. Other operating expenses (income)	754	534	220	41.2
230. Operating expenses	**-6,827**	**-6,785**	**42**	**0.6**
240. Profits (Losses) on investments in associates and companies subject to joint control	132	356	-224	-62.9
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	43	48	-5	-10.4
280. Income (Loss) before tax from continuing operations	**4,240**	**2,663**	**1,577**	**59.2**
290. Taxes on income from continuing operations	-1,454	-1,519	-65	**-4.3**
300. Income (Loss) after tax from continuing operations	**2,786**	**1,144**	**1,642**	
310. Income (Loss) after tax from discontinued operations	-1	280	-281	
320. Net income (loss)	**2,785**	**1,424**	**1,361**	**95.6**
330. Minority interests	-59	-221	-162	-73.3
340. Parent Company's net income (loss)	**2,726**	**1,203**	**1,523**	

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	30.09.2015	31.12.2014 restated
Financial assets held for trading		52,391	53,741
	Caption 20 - Financial assets held for trading	*52,391*	*53,741*
Financial assets designated at fair value through profit and loss		49,998	43,863
	Caption 30 - Financial assets designated at fair value through profit and loss	*49,998*	*43,863*
Financial assets available for sale		133,363	124,176
	Caption 40 - Financial assets available for sale	*133,363*	*124,176*
Investments held to maturity		1,379	1,471
	Caption 50 - Investments held to maturity	*1,379*	*1,471*
Due from banks		33,994	31,611
	Caption 60 - Due from banks	*33,994*	*31,611*
Loans to customers		345,140	339,002
	Caption 70 - Loans to customers	*345,140*	*339,002*
Investments in associates and companies subject to joint control		1,792	1,810
	Caption 100 - Investments in associates and companies subject to joint control	*1,792*	*1,810*
Property, equipment and intangible assets		12,135	12,399
	Caption 120 - Property and equipment	*5,019*	*5,146*
	+ Caption 130 - Intangible assets	*7,116*	*7,253*
Tax assets		14,815	14,504
	Caption 140 - Tax assets	*14,815*	*14,504*
Non-current assets held for sale and discontinued operations		27	29
	Caption 150 - Non-current assets held for sale and discontinued operations	*27*	*29*
Other assets		23,201	24,737
	Caption 10 - Cash and cash equivalents	*6,362*	*6,647*
	+ Caption 160 - Other assets	*9,120*	*8,794*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*23*	*27*
	+ Caption 80 - Hedging derivatives	*7,636*	*9,210*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*60*	*59*
Total Assets	**Total Assets**	**668,235**	**647,343**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	30.09.2015	31.12.2014 restated
Due to banks		64,118	51,959
	Caption 10 - Due to banks	*64,118*	*51,959*
Due to customers and securities issued		352,962	354,685
	Caption 20 - Due to customers	*238,929*	*230,917*
	+ Caption 30 - Securities issued	*114,033*	*123,768*
Financial liabilities held for trading		44,189	46,381
	Caption 40 - Financial liabilities held for trading	*44,189*	*46,381*
Financial liabilities designated at fair value through profit and loss		43,657	37,622
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*43,657*	*37,622*
Tax liabilities		3,394	2,471
	Caption 80 - Tax liabilities	*3,394*	*2,471*
Liabilities associated with non-current assets held for sale and discontinued operations		-	-
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*-*	*-*
Other liabilities		25,043	23,928
	Caption 100 - Other liabilities	*15,254*	*12,179*
	+ Caption 60 - Hedging derivatives	*8,713*	*10,300*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,076*	*1,449*
Technical reserves		81,965	79,701
	Caption 130 - Technical reserves	*81,965*	*79,701*
Allowances for specific purpose		4,701	5,364
	Caption 110 - Employee termination indemnities	*1,341*	*1,482*
	Caption 120 - Allowances for risks and charges	*3,360*	*3,882*
Share capital		8,730	8,725
	Caption 190 - Share capital	*8,730*	*8,725*
Reserves (net of treasury shares)		36,435	36,329
	Caption 170 - Reserves	*9,139*	*9,054*
	Caption 180 - Share premium reserve	*27,349*	*27,349*
	– Caption 200 - Treasury shares	*-53*	*-74*
Valuation reserves		-1,183	-1,622
	Caption 140 - Valuation reserves	*-1,183*	*-1,622*
Equity instruments		875	-
	Caption 160 - Equity instruments	*875*	*-*
Minority interests		623	549
	Caption 210 - Minority interests	*623*	*549*
Net income (loss)		2,726	1,251
	Caption 220 - Net income (loss)	*2,726*	*1,251*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**668,235**	**647,343**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.09.2015	30.09.2014 Restated
Net interest income		**5,859**	**6,302**
	Caption 30 - Interest margin	*6,928*	*7,412*
	- Caption 30 (partial) - Contribution of insurance business	*-1,514*	*-1,535*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*14*	*10*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-2*	*97*
	+ Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	*-*	*-*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*467*	*375*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-33*	*-54*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-1*	*-3*
Profits (losses) on investments in associates and companies subject to joint control (carried at equity)		**95**	**23**
	Caption 70 - Dividend and similar income	*334*	*287*
	- Caption 70 (partial) - Contribution of insurance business	*-133*	*-63*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-201*	*-224*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*95*	*23*
Net fee and commission income		**5,578**	**4,952**
	Caption 60 - Net fee and commission income	*5,259*	*4,727*
	- Caption 60 (partial) - Contribution of insurance business	*336*	*234*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*-17*	*-9*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-*
Profits (Losses) on trading		**977**	**660**
	Caption 80 - Profits (Losses) on trading	*238*	*228*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-51*	*-76*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*1,273*	*906*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-142*	*-237*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*613*	*720*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*201*	*224*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*2*	*-97*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-*
	- Caption 80 (partial) - Contribution of insurance business	*-1,157*	*-1,008*
Income from insurance business		**866**	**746**
	Caption 150 - Net insurance premiums	*8,721*	*12,691*
	+ Caption 160 - Other net insurance income (expense)	*-10,270*	*-14,315*
	+ Caption 30 (partial) - Contribution of insurance business	*1,514*	*1,535*
	+ Caption 60 (partial) - Contribution of insurance business	*-336*	*-234*
	+ Caption 70 (partial) - Contribution of insurance business	*133*	*63*
	+ Caption 80 (partial) - Contribution of insurance business	*1,157*	*1,008*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-53*	*-2*
Other operating income (expenses)		**227**	**12**
	Caption 220 - Other operating income (expenses)	*754*	*534*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-8*	*-8*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-519*	*-510*
	- Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*6*	*-3*
	- Caption 220 (partial) - Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*-6*	*-1*
Operating income		**13,602**	**12,695**
Personnel expenses		**-3,830**	**-3,759**
	Caption 180 a) - Personnel expenses	*-3,881*	*-3,835*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*18*	*22*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*33*	*54*
Administrative expenses		**-1,963**	**-1,984**
	Caption 180 b) - Other administrative expenses	*-2,553*	*-2,529*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*46*	*18*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*17*	*9*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*519*	*510*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*8*	*8*
Adjustments to property, equipment and intangible assets		**-533**	**-503**
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-256*	*-248*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-406*	*-453*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*5*	*2*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*4*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*7*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-14*	*-15*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*127*	*211*
Operating costs		**-6,326**	**-6,246**
Operating margin		**7,276**	**6,449**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.09.2015	30.09.2014 Restated
Operating margin		**7,276**	**6,449**
Net provisions for risks and charges		**-484**	**-251**
	Caption 190 - Net provisions for risks and charges	*-485*	*-254*
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*1*	*3*
Net adjustments to loans		**-2,383**	**-3,525**
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-53*	*73*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-1,916*	*-3,204*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-467*	*-375*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*54*	*-20*
	- Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	*-*	*-*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*-1*	*1*
Net impairment losses on other assets		**-60**	**-143**
	+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-96*	*-148*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*-*	*-*
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*53*	*2*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-4*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*-*	*-*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-7*	*-*
	+ Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*-6*	*3*
Profits (Losses) on investments held to maturity and on other investments		**87**	**383**
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-*
	+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*6*	*1*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*132*	*356*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-95*	*-23*
	+ Caption 270 - Profits (Losses) on disposal of investments	*43*	*48*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*1*	*1*
Income (Loss) before tax from continuing operations		**4,436**	**2,913**
Taxes on income from continuing operations		**-1,518**	**-1,592**
	Caption 290 - Taxes on income from continuing operations	*-1,454*	*-1,519*
	- Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	*-*	*-*
	- Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*-23*	*-13*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*-41*	*-60*
Charges (net of tax) for integration and exit incentives		**-46**	**-29**
	+ Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*-18*	*-22*
	+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*-46*	*-18*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-5*	*-2*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*23*	*13*
Effect of purchase price allocation (net of tax)		**-86**	**-148**
	+ Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*-14*	*-10*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*14*	*15*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*-*	*-*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*-127*	*-211*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*1*	*-1*
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*-1*	*-1*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*41*	*60*
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
	Caption 260 - Goodwill impairment	-	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	*-*	*-*
Income (Loss) after tax from discontinued operations		**-1**	**280**
	Caption 310 - Income (Loss) after tax from discontinued operations	*-1*	*280*
Minority interests		**-59**	**-221**
	Caption 330 - Minority interests	*-59*	*-221*
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**2,726**	**1,203**

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