Report and Parent Company's financial statements

Report on operations

Intesa Sanpaolo – Financial highlights and alternative performance measures

income statement figures (millions of euro)		**Changes** amount	**Changes** %
Net interest income	2,382 2,391	-9	-0.4
Net fee and commission income	2,659 2,487	172	6.9
Profits (losses) on trading	319 220	99	45.0
Operating income	8,345 7,493	852	11.4
Operating costs	-4,064 -3,896	168	4.3
Operating margin	4,281 3,597	684	19.0
Net adjustments to loans	-1,001 -1,800	-799	-44.4
Net income (loss)	2,778 1,123	1,655	

Balance sheet figures (millions of euro)		**Changes** amount	**Changes** %
Loans to customers	186,427 175,543	10,884	6.2
Total assets	422,360 406,365	15,995	3.9
Direct customer deposits	223,690 225,133	-1,443	-0.6
Indirect customer deposits:	174,340 156,729	17,611	11.2
of which: Assets under management	*105,903* *90,576*	*15,327*	*16.9*
Shareholders' equity	43,196 40,555	2,641	6.5

Operating structure	**2015**	**2014**	**Changes amount**
Number of employees	**30,344**	**30,489**	**-145**
Italy	29,849	29,966	-117
Abroad	495	523	-28
Number of branches	**2,131**	**2,326**	**-195**
Italy	1,979	2,077	-98
Abroad	152	249	-97

Figures restated on a consistent basis.

2015

2014

Profitability ratios (%)

	2015	2014
Cost / Income	48.7	52.0
Net income / Average shareholders' equity (ROE) [(a)]	7.0	2.9
Net income / Total assets (ROA)	0.7	0.3

Risk ratios (%)

	2015	2014
Net doubtful loans / Loans to customers	3.8	3.8
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	61.2	62.2

Capital ratios (%)

	2015	2014
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	19.3	20.8
TIER 1 Capital / Risk-weighted assets	20.6	21.9
Total owns funds / Risk-weighted assets	24.9	26.8
Risk-weighted assets (millions of euro)	194,650	181,288

Figures restated, where necessary, on a consistent basis.

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

2015

2014

The Parent Company Intesa Sanpaolo

Introduction
The Intesa Sanpaolo S.p.A. separate financial statements 2015 show the same issues as the consolidated financial statements, which have been illustrated in the Consolidated Report on Operations and reflects the same solutions and, as far as applies, the same effects.

General aspects
The reclassified income statement and balance sheet of the Parent Company, Intesa Sanpaolo S.p.A., as at and for the year ended 31 December 2015 are presented below. In the interest of a homogeneous comparison, the comparative figures from 2014 have been restated, by adjusting the historical figures as appropriate to retroactively reflect the effects of the main corporate operations in 2014 and 2015.

In particular, restatements involved:
- the partial demerger of Accedo S.p.A. (formerly Intesa Sanpaolo Personal Finance S.p.A.) to Intesa Sanpaolo S.p.A. on 1 June 2015;
- the merger of Banca di Trento e Bolzano S.p.A. and Banca Monte Parma S.p.A. on 20 July 2015, with accounting and tax effects from 1 January 2015;
- the mergers 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. on 23 November 2015, with accounting and tax effects from 1 January 2015;

moreover, the following were eliminated:
- the contribution of the merger of the factoring business of Mediofactoring S.p.A., since it was subsequently contributed to Mediocredito S.p.A.;
- the contribution of the merger of Intesa Previdenza S.I.M. S.p.A., since it was subsequently contributed to Intesa Vita S.p.A.;
- the revenues and costs until 23 November 2014 of the non-profit business line contributed to Banca Prossima S.p.A. on 24 November 2014.

Reclassifications and aggregations are as follows:
- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- fair value adjustments in hedge accounting, which were reallocated to Profits (Losses) on trading;
- profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reclassified to Profits (Losses) on trading;
- profits (losses) on financial assets and liabilities designated at fair value through profit and loss, which have been recognised in Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from Administrative expenses;
- contributions to the Resolution Fund for Banking Crisis and the Deposit Guarantee Scheme, which were reallocated to operating expenses;
- profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- net impairment losses on other financial activities, related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- impairment losses on financial assets available for sale and investments held to maturity, which have been recognised in Net impairment losses on other assets;
- profits (losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recognised in Profits (Losses) on investments held to maturity and on other investments, excluding impairment losses on controlling stakes;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A similar approach has been used for the time value of employee termination indemnities and allowances for risks and charges;
- net impairment losses of property, equipment and intangible assets have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express depreciation and amortisation – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- income tax, to which tax charges relating to disputes in the process of being settled were reallocated;
- Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement mainly to a separate caption;
- Effect of purchase price allocation, net of tax, is indicated in a specific caption. It represents the adjustments to financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3.

Furthermore, in the interest of providing a more accurate representation of ordinary operations, impairment of goodwill, controlling stakes and intangible assets subject to revaluation following the Banca Intesa and Sanpaolo IMI merger in application of IFRS 3 and impairment of other controlling stakes are shown, net of tax, among "non-current" income components, as in the past for the effect of purchase price allocation (net of tax).

For the balance sheet, aggregations of assets and liabilities are as follows:
- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of Hedging derivatives and Fair value changes of financial assets/liabilities in hedged portfolios under Other assets/liabilities;
- the aggregation into one single caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued in just one caption;
- the aggregation into one caption of Allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges;
- the presentation of Reserves as an aggregate and net of any treasury shares.

Again, for the purposes of a more effective representation of the composition of the aggregates, in the relative comments, financial assets/liabilities held for trading have been presented on a net basis.

Reclassified income statement

(millions of euro)

	2015	2014	Changes	
			amount	%
Net interest income	2,382	2,391	-9	-0.4
Dividends	2,954	2,277	677	29.7
Net fee and commission income	2,659	2,487	172	6.9
Profits (Losses) on trading	319	220	99	45.0
Other operating income (expenses)	31	118	-87	-73.7
Operating income	**8,345**	**7,493**	**852**	**11.4**
Personnel expenses	-2,237	-2,095	142	6.8
Other administrative expenses	-1,693	-1,665	28	1.7
Adjustments to property, equipment and intangibles assets	-134	-136	-2	-1.5
Operating costs	**-4,064**	**-3,896**	**168**	**4.3**
Operating margin	**4,281**	**3,597**	**684**	**19.0**
Net provisions for risks and charges	-128	-97	31	32.0
Net adjustments to loans	-1,001	-1,800	-799	-44.4
Net impairment losses on other assets	-82	-170	-88	-51.8
Profits (Losses) on investments held to maturity and on other investments	77	394	-317	-80.5
Income (Loss) before tax from continuing operations	**3,147**	**1,924**	**1,223**	**63.6**
Taxes on income from continuing operations	-185	-265	-80	-30.2
Charges (net of tax) for integration and exit incentives	-61	-63	-2	-3.2
Effect of purchase price allocation (net of tax)	3	-16	19	
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	-126	-457	-331	-72.4
Income (Loss) after tax from discontinued operations	-	-	-	-
Net income (loss)	**2,778**	**1,123**	**1,655**	

Figures restated on a consistent basis.

The 2015 income statement of Intesa Sanpaolo S.p.A. closed with net income of 2,778 million euro, compared to 1,123 million euro in the previous year.

The operating margin amounted to 4,281 million euro, up 19% compared to the previous year. Income benefited from greater contributions from the dividends distributed by subsidiaries, net fee and commission income and profits on trading, partially offset by the decrease in net interest income and other operating income. Operating costs also increased moderately, primarily attributable to personnel expenses.

Income before tax from continuing operations was up 63.6%, due to lower net adjustments to loans (-44.4%) and net impairment losses on other assets (-51.8%), partially offset by the decline in profits on investments held to maturity and on other investments (-80.5%).

Analysing the various components of operating income in further detail, net interest income amounted to 2,382 million euro, down slightly (0.4%). Considering the mitigating effects of hedging derivatives, customer dealing declined (-322 million euro), as did the contribution by financial instruments classified to the AFS category (-281 million euro), offset by a significant decrease in the costs of funding represented by securities (477 million euro) and gross interbank indebtedness (117 million euro).

Hedging derivative business generated income of 826 million euro, up (35.2%) from 611 million euro in 2014.

The dividends distributed by subsidiaries (profits or profit reserves) increased significantly, by 677 million, primarily attributable to Banca IMI S.p.A., Banco di Napoli S.p.A., Cassa di Risparmio di Firenze S.p.A., Cassa di Risparmio del Veneto S.p.A., Accedo S.p.A. (formerly Intesa Sanpaolo Personal Finance S.p.A.), Bank of Qingdao Co. Ltd., Intesa Sanpaolo Bank Ireland Plc., Oldequiter S.p.A. and Bank of Alexandria S.A.E.. The dividends distributed by Intesa Sanpaolo Vita S.p.A., Fideuram-Intesa Sanpaolo Private Banking S.p.A. and Eurizon Capital SGR S.p.A. decreased.

Net fee and commission income amounted to 2,659 million euro, up 6.9% from 2,487 million euro in the previous year. The increase related to management, dealing and consultancy activities (+192 million, or 15.7%), with particular regard to the distribution of insurance products (+86 million euro), securities placement (+73 million euro) and portfolio management (+71 million euro). In commercial banking business, down 2.2% overall, guarantees given increased (+18 million euro), whereas current account and deposit services decreased (-43 million euro). Other net fee and commission income was stable, despite a decrease in fees and commissions on credit derivatives, which was offset by an increase in fees and commissions on financing transactions.

Profits on trading amounted to 319 million euro at the end of 2015, compared to 220 million euro in 2014.
The positive result for the year was driven by profits on disposal of securities classified as available for sale and financial liabilities, including the dividends collected, of a total of 438 million euro, of which 364 million euro on the disposal of debt securities, essentially government securities, 9 million on the disposal of equities and 124 million euro of dividends, of which 107 million euro related to the stake in the Bank of Italy. The aggregate also includes losses on the early discharge of own liabilities of 59 million euro.
Losses on transactions in interest rates amounted to 63 million euro, due to losses of 29 million euro on debt securities held for trading (losses of 8 million euro on securities of financial institutions, of 8 million euro on bank securities, of 3 million euro on securities of governments and central banks and of 10 million euro on securities of other issuers), of 24 million euro on financial derivatives held for trading and of 10 million euro on hedging activity.
Losses on transactions in shares and hedge funds amounted to 63 million euro, of which 58 million euro was due to the valuation effect of the equity option with Telecom as the underlying and 4 million to the valuation effect of the hedge funds.
Income on transactions in currencies amounted to 7 million euro.

Other net operating income came to 31 million euro, down compared to 2014 (-87 million euro). The item reflected two particularly significant extraordinary effects, the first of which related to the recognition of the income associated with the judgment favourable to the Bank in the IMI-SIR case, in the amount of 211 million euro, whereas the second regards the total provisions of 282 million euro recognised following the entry into force of two new European directives, the first of which is aimed at establishing the European Single Resolution Fund, the purpose of which is to manage banking crises in a way that does not burden individual Member States, and the second of which regards deposit guarantee schemes (DGSs) geared towards enhancing deposit protection while also harmonising the regulatory framework at the Community level.
The ordinary component relates primarily to recoveries for services rendered to Group companies.

Operating costs amounted to 4,064 million euro, up 4.3% on the previous year, due to the increase in personnel expenses from 2,095 million euro to 2,237 million euro (+6.8%) and, to a lesser extent, in other administrative expenses, which rose from 1,665 million euro to 1,693 million euro (+1.7%), while adjustments to property, equipment and intangible assets remained essentially unchanged.

Net provisions for risks and charges amounted to 128 million euro and are intended to cover probable risks arising from revocatory actions, compensation suits, legal disputes and other issues.

Net adjustments to loans totalled 1,001 million euro, down 799 million euro on the previous year, as a result of a decrease in net adjustments to non-performing loans of 512 million euro and to performing loans of 380 million euro, offset by a reduction in gains on sale of approximately 93 million euro. In further detail, adjustments to non-performing loans during the year, totalling 1,306 million euro, consist of 42% adjustments to doubtful loans, 44% loans classified as unlikely to pay and 14% to past due loans.

Net impairment losses on other assets of 82 million euro primarily related to impairment of equities, equity instruments or fund units, and, to a minimal extent, debt securities classified among assets held for sale. The main impairment losses on equities related to Cassa di Risparmio della Provincia di Chieti S.p.A. in extraordinary administration for 17 million euro, Carlo Tassara S.p.A. for 16 million euro, Vei Capital S.p.A. for 8 million euro, Rizzoli Corriere della Sera Mediagroup S.p.A. for 7 million euro, Tasnch Holding S.p.A. for 6 million euro, Quattroduedue S.p.A. for 5 million euro and GWM Renewable Energy II S.p.A. for 4 million euro, in addition to other minor impairment losses. In addition, the item includes losses on property and equipment of approximately 12 million euro.
Profits on investments held to maturity and on other investments amounted to 77 million euro, compared to 394 million euro in 2014. Equity investments contributed a net positive effect of 11 million euro (280 million euro at 31 December 2014), attributable, on the one hand, to the positive effects related to the recoveries on the investments in Telco S.p.A. and Telco IS S.r.l. in liquidation, of 67 million euro and 13 million euro, respectively, and to profits on Intesa Sanpaolo Servizi Transazionali S.p.A. of 15 million euro, on Melville S.r.l. of 5 million euro and on Manzoni S.r.l. of 4 million euro, in addition to other minor profits, and to the impairment losses on the investments in Compagnia Aerea Italiana S.p.A. of 47 million euro, on Autostrade Lombarde S.p.A. of 34 million euro and other minor losses of 10 million euro, as well as the losses on Intesa Sanpaolo Brasil Consultoria Ltda. of 6 million euro.
Income of 66 million euro was also attributable to the disposal of properties (114 million euro at 31 December 2014).

Income before tax from continuing operations was 3,147 million euro compared to 1,924 million euro in 2014.

Income tax was 185 million euro, compared to 265 million euro in 2014. During the previous year, the item included non-recurring components, some of which were due to measures included in Law Decree 66 of 24 April 2014, converted into Law 89 of 23 June 2014, and in particular to the increase from 12% to 26% in the rate of substitute tax due for realignment of the difference between the historical tax value and nominal value of the new stake in the Bank of Italy which entailed the recognition of a greater charge for the year of 318 million euro.
Finally, in both periods, the significant amount of the dividend component resulted in a considerable difference compared to nominal tax rates (27.5% for corporate income tax or IRES and 5.56% for regional business tax or IRAP).

Charges for integration and exit incentives amounted to 61 million euro, net of the tax effect of 27 million euro, and include additional charges for exist incentive plans deriving from agreements entered into in previous years, in addition to IT expenses and professional service fees attributable to integration projects.

The allocation of acquisition costs resulted in income of 3 million euro, compared to expenses of 16 million euro in the previous year. The result was positively influenced by the completion in the previous year of the process of amortising intangible assets relating to asset management.

Impairment of goodwill and controlling stakes of 126 million euro refer solely to the impairment losses recognised on the investments in Intesa Sanpaolo Romania S.A. Commercial Bank, Cib Bank Ltd., Pravex Bank Public Joint-Stock Company Commercial Bank and Banca Intesa Joint Stock Company.

Reclassified balance sheet

(millions of euro)

Assets	31.12.2015	31.12.2014	Changes amount	Changes %
Financial assets held for trading	22,972	24,097	-1,125	-4.7
Financial assets designated at fair value through profit and loss	356	345	11	3.2
Financial assets available for sale	29,794	31,029	-1,235	-4.0
Investments held to maturity	299	299	-	-
Due from banks	122,044	115,716	6,328	5.5
Loans to customers	186,427	175,543	10,884	6.2
Equity investments	28,582	28,399	183	0.6
Property, equipment and intangible assets	5,210	5,121	89	1.7
Tax assets	10,383	10,015	368	3.7
Non-current assets held for sale and discontinued operations	1	1	-	-
Other assets	16,292	15,800	492	3.1
Total Assets	**422,360**	**406,365**	**15,995**	**3.9**

Liabilities and Shareholders' Equity	31.12.2015	31.12.2014	Changes amount	Changes %
Due to banks	125,517	107,111	18,406	17.2
Due to customers and securities issued	223,690	225,133	-1,443	-0.6
Financial liabilities held for trading	15,921	16,697	-776	-4.6
Financial liabilities designated at fair value through profit and loss	4	-	4	-
Tax liabilities	745	684	61	8.9
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	10,775	13,482	-2,707	-20.1
Allowances for specific purpose	2,511	2,703	-192	-7.1
Share capital	8,732	8,725	7	0.1
Reserves	31,068	31,307	-239	-0.8
Valuation reserves	-258	-600	-342	-57.0
Equity instruments	877	-	877	-
Net income (loss)	2,778	1,123	1,655	
Total Liabilities and Shareholders' Equity	**422,360**	**406,365**	**15,995**	**3.9**

Figures restated on a consistent basis.

At 31 December 2015 loans to customers totalled 186 billion euro, up by 11 billion euro (+6.2%) compared to the end of 2014.

As to loan quality, net non-performing loans increased slightly to 15.4 billion euro, compared to 15.1 billion euro in December 2014.
The performance of the individual components shows:
– an increase in doubtful positions of 6% (from 6,668 million euro to 7,071 million euro);
– a reduction in loans classified as “unlikely to pay” (the category in which substandard and restructured exposures have been included), which fell from 8,281 million euro to 7,934 million euro;
– a decrease in past due loans, which amounted to 376 million euro compared to 402 million euro at the end of 2014.

Performing loans, excluding those represented by securities and intragroup loans, of approximately 27 billion euro, amounted to more than 144 billion euro, compared to over 135 billion euro at the end of 2014. The increase of approximately 9 billion euro referred to repurchase agreements of 4.7 billion euro, other loans of over 5 billion euro and personal loans of 1 billion euro, while current account facilities decreased by approximately 2 billion euro. The coverage ratio fell from 0.73% at the end of 2014 to 0.54%, due to the methodological revision of the collective measurement procedure on the basis of the indications agreed with the Supervisory Authority.

Direct deposits amounted to 224 billion euro, down 0.6% compared to 31 December 2014, due to the decline in securities funding of approximately 10 billion euro, offset by an increase in non-securities funding of approximately 9 billion euro (with decreases in the repurchase agreement component and, to a more modest degree, in other technical forms, and an increase in current accounts and deposits).

Financial assets held for trading, which include financial and credit derivatives, debt securities and equities held for trading, came to a total of approximately 7 billion euro, net of liabilities of approximately 16 billion euro, essentially stable compared to 31 December 2014 (7.3 billion euro).

Financial assets available for sale amounted to 29.8 billion euro. Such assets, which consist of debt securities of 26.7 billion euro and equity investments and private equity interests of 3.1 billion euro, decreased by approximately 1.2 billion euro, primarily due to this latter component.

Equity investments, which amounted to approximately 28.6 billion euro, include controlling interests in subsidiaries, associates and companies subject to joint control, and remained essentially unchanged on the previous year.

Shareholders' equity was approximately 43 billion euro, including the net income for the year of 2,778 million euro and the improvement in valuation reserves of 339 million euro compared to the end of 2014. The increases related to the cash flow hedge reserve, which improved from -1,268 million euro at 31 December 2014 to -1,064 million euro (with a benefit of 204 million euro, essentially due to interest rate performance) and reserves for actuarial losses, which amounted to -319 million euro compared to -540 million euro at the end of the previous year. Reserves of financial assets available for sale decreased by 93 million euro, of which 53 million euro was due to debt securities and 40 million euro to equities and units of UCIs, totalling +131 million euro (of which +219 million euro on equities and units of UCIs, -90 million euro on debt securities and +2 million euro on loans), compared to +224 million euro at the end of 2014.
With respect to the composition of the aggregate, it should be noted that in 2015 Intesa Sanpaolo issued a U.S.$1 billion Additional Tier 1 instrument targeted at the US and Canadian markets.

Own funds, calculated excluding net income for the year and the dividend expected to be distributed, amounted to 48.4 billion euro, essentially stable compared to the previous year. Capital ratios remained high, far above the regulatory requirements. In particular, the Common Equity Tier 1 ratio was 19.3% according to the transitional rules in effect for 2015.

Other information

As provided for by article 2497 and subsequent articles of the Italian Civil Code, Intesa Sanpaolo exercises management and coordination activities for its direct and indirect subsidiaries, including companies which, on the basis of current laws, are not part of the Banking group, with the exception of Risanamento S.p.A. e Manzoni S.r.l.

This Report on the Intesa Sanpaolo S.p.A. financial statements includes only a comment on the Bank's performance and related alternative performance measures. For all other information required by Law or regulations, reference should be made to the consolidated financial statements or the Notes to these Parent Company's financial statements, when illustrating specific themes.

Specifically, reference should be made to the Notes to these Parent Company's financial statements with regard to:
- information on the Bank's transactions with related parties, provided in Part H;
- information on financial and operational risks, illustrated in Part E;
- the list of subsidiaries, companies subject to joint control and companies subject to significant influence as at 31 December 2015, provided in Part B;
- information on capital, provided in Part F.

Reference should instead be made to the consolidated financial statements with regard to:
- information on the main risks and uncertainties, as the same considerations as those illustrated in the corresponding paragraph of the introduction to the Report on operations of the consolidated financial statements also apply;
- risks linked to capital stability and to going concern issues, discussed in the introduction to the Consolidated Report on Operations;
- information regarding obligations pursuant to art. 36 of the Consob Market Regulation, with reference to subsidiaries located in non-EU member states, provided in Part E.

Information on the Intesa Sanpaolo Corporate Governance system and on remuneration as required, respectively, by art. 123-bis and art. 123-ter of the Consolidated Law on Finance is briefly illustrated in the Consolidated Report on Operations and in a separate document.

Forecast for 2016

With regard to prospects for 2016 for the Parent Company Intesa Sanpaolo, forecasts are consistent with those of the Group.

In 2016, Intesa Sanpaolo is expected to register an improvement in operating income, driven by dividends and net fees and commissions, as well as in operating margin, with constant cost management, and in income before tax from continuing operations, with a decline in the cost of risk, all within the framework of sustainable profitability.

The Management Board

23 February 2016

Proposals to the Shareholders' Meeting

Distinguished Shareholders.

Pursuant to Art. 2364-bis of the Italian Civil Code and Articles 7.3 and 28.3 of the Company's Articles of Association, we hereby submit for your approval the proposal for allocation of Intesa Sanpaolo's net income for the financial year 1 January - 31 December 2015, subject to reclassification of the net amount of the differences in merger, exchange and demerger transactions, currently stated under Other Reserves, as a decrease of the Extraordinary Reserve.
Indeed, during 2015 Intesa Sanpaolo has recorded into specific shareholders' equity reserves the differences in merger, exchange and demerger transactions carried out in the year. In particular, the following subsidiaries were merged by incorporation: Banca di Trento e Bolzano S.p.A., Banca Monte Parma S.p.A., Cassa di Risparmio della Provincia di Viterbo S.p.A., Cassa di Risparmio di Civitavecchia S.p.A. and Cassa di Risparmio di Rieti S.p.A., while specific branches of the subsidiaries Mediocredito Italiano S.p.A. and Accedo S.p.A. (former Intesa Sanpaolo Personal Finance S.p.A.) were subject to demerger. The cancellation and swapping of shares of the incorporated or demerged companies resulted in positive and negative merger differences, recognised under Other Reserves, for a net amount of -32,997,775.59 euro.
Following the allocation of 1,462,808.92 euro as an increase to specific Monetary revaluation reserves, pursuant to Art. 172 paragraph 5 of the Consolidated Law on Income Taxes, we propose the following distribution of dividends in respect of currently outstanding shares: 0.151 euro per non-convertible savings share and 0.140 euro per ordinary share. As a result, the net income of 2,778,285,074.56 euro would be allocated as follows:

	(euro)
Net income for the year	2,778,285,074.56
Assignment of a dividend of 0.151 euro (determined pursuant to Art. 28 of the Articles of Association) for each of the 932,490,561 savings shares, for a total disbursement of	140,806,074.71
Assignment of a dividend of 0.140 euro for each of the 15,859,575,782 ordinary shares outstanding, for a total disbursement of	2,220,340,609.48
for a total disbursement for dividends of	2,361,146,684.19
Assignment to the Allowance for charitable, social and cultural contributions	10,000,000.00
Assignment to the Extraordinary reserve of the residual net income	407,138,390.37

The proposed allocation of net income makes it possible to remunerate shareholders consistently with sustainable profitability, while maintaining an adequate capital structure at the company and Group level, in the light of the Basel 3 series of Rules and of the provisions issued by the European Central Bank.
If this proposal is approved, capital ratios would stand at the following levels:
– Intesa Sanpaolo S.p.A. – Common Equity Tier 1: 19.5% and Total Capital Ratio: 25.1%;
– Intesa Sanpaolo Group - Common Equity Tier 1: 13.0% and Total Capital Ratio: 16.6%.
The aforesaid capital ratios exceed the requirements of EU Bodies and the Supervisory Authority.

We propose that the dividends be made payable, in compliance with legal provisions, as of 25 May 2016, with detachment of the coupon on 23 May 2016.

Pursuant to Art. 6, paragraph 1, letter a) of Legislative Decree 38/2005, a portion of net income corresponding to capital gains recognised in the income statement, net of the related tax charge, arising from application of the fair value criterion, must be recorded in an unavailable reserve. As at 31 December 2015, such amount was 2,475,962.64 euro.
The unavailable reserves must also show accrued interest related to the coupons on Additional Tier 1 Capital (AT1) instruments, recognized directly in equity. The amount relating to the current coupon, accrued as at 31 December 2015, net of tax, amounted to 15,038,037.21 euro.

Please note that dividends not distributed in respect of any treasury shares held by the Bank at the record date shall be allocated to the extraordinary reserve.

If the proposals formulated obtain your approval, the resulting shareholders' equity of Intesa Sanpaolo S.p.A. will be as indicated in the table below.

(millions of euro)

Shareholders' equity	Annual report 2015	Change due to the Shareholders' Meeting resolutions	Share capital and reserves after the Shareholders' Meeting resolutions
Share capital			
- ordinary	*8,247*	-	*8,247*
- savings	*485*	-	*485*
Total share capital	**8,732**	**-**	**8,732**
Share premium reserve	27,508	-	27,508
Reserves	3,576	407	3,983
Valuation reserves	-258	-	-258
Equity instruments	877	-	877
Treasury shares	-17	-	-17
Total reserves	**31,686**	**407**	**32,093**
TOTAL	**40,418**	**407**	**40,825**

The Management Board

Torino, 23 February 2016

Parent Company's financial statements

Financial statements

Balance sheet

(euro)

Assets		31.12.2015	31.12.2014	Changes amount	%
10.	Cash and cash equivalents	7,477,547,444	4,382,716,255	3,094,831,189	70.6
20.	Financial assets held for trading	22,971,959,692	24,074,886,694	-1,102,927,002	-4.6
30.	Financial assets designated at fair value through profit and loss	355,523,001	344,848,692	10,674,309	3.1
40.	Financial assets available for sale	29,794,218,699	30,974,689,500	-1,180,470,801	-3.8
50.	Investments held to maturity	298,870,548	299,306,480	-435,932	-0.1
60.	Due from banks	122,044,376,484	117,189,212,282	4,855,164,202	4.1
70.	Loans to customers	186,426,949,651	168,630,762,363	17,796,187,288	10.6
80.	Hedging derivatives	6,386,635,076	8,249,661,702	-1,863,026,626	-22.6
90.	Fair value change of financial assets in hedged portfolios (+/-)	66,239,334	56,927,550	9,311,784	16.4
100.	Equity investments	28,581,589,307	28,940,304,195	-358,714,888	-1.2
110.	Property and equipment	2,867,522,439	2,641,927,808	225,594,631	8.5
120.	Intangible assets	2,343,076,036	2,339,970,672	3,105,364	0.1
	of which				
	- goodwill	*820,300,337*	*815,013,801*	*5,286,536*	*0.6*
130.	Tax assets	10,383,106,634	9,795,410,042	587,696,592	6.0
	a) current	*2,422,549,173*	*1,984,612,432*	*437,936,741*	*22.1*
	b) deferred	*7,960,557,461*	*7,810,797,610*	*149,759,851*	*1.9*
	- of which convertible into tax credit (Law no. 214/2011)	*6,728,550,675*	*6,623,245,976*	*105,304,699*	*1.6*
140.	Non-current assets held for sale and discontinued operations	1,152,500	-	1,152,500	-
150.	Other assets	2,361,327,188	2,829,693,891	-468,366,703	-16.6
Total Assets		**422,360,094,033**	**400,750,318,126**	**21,609,775,907**	**5.4**

Balance sheet

(euro)

Liabilities and Shareholders' Equity		31.12.2015	31.12.2014	Changes amount	%
10.	Due to banks	125,517,148,598	106,521,642,805	18,995,505,793	17.8
20.	Due to customers	124,245,111,940	110,914,920,161	13,330,191,779	12.0
30.	Securities issued	99,444,916,462	109,921,269,419	-10,476,352,957	-9.5
40.	Financial liabilities held for trading	15,920,938,735	16,678,253,049	-757,314,314	-4.5
50.	Financial liabilities designated at fair value through profit and loss	4,435,126	-	4,435,126	-
60.	Hedging derivatives	5,960,365,528	7,234,780,366	-1,274,414,838	-17.6
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	679,681,792	999,753,304	-320,071,512	-32.0
80.	Tax liabilities	745,320,093	667,755,044	77,565,049	11.6
	a) current	*86,147,032*	*153,508,238*	*-67,361,206*	*-43.9*
	b) deferred	*659,173,061*	*514,246,806*	*144,926,255*	*28.2*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
100.	Other liabilities	4,134,660,256	4,814,296,920	-679,636,664	-14.1
110.	Employee termination indemnities	644,926,449	660,275,208	-15,348,759	-2.3
120.	Allowances for risks and charges	1,866,409,239	1,955,215,546	-88,806,307	-4.5
	a) post employment benefits	*700,186,372*	*945,534,108*	*-245,347,736*	*-25.9*
	b) other allowances	*1,166,222,867*	*1,009,681,438*	*156,541,429*	*15.5*
130.	Valuation reserves	-258,215,809	-596,514,141	-338,298,332	-56.7
140.	Redeemable shares	-	-	-	-
150.	Equity instruments	877,201,768	-	877,201,768	-
160.	Reserves	3,576,534,339	3,550,816,748	25,717,591	0.7
170.	Share premium reserve	27,507,513,386	27,507,513,386	-	-
180.	Share capital	8,731,874,498	8,724,861,779	7,012,719	0.1
190.	Treasury shares (-)	-17,013,442	-17,287,358	-273,916	-1.6
200.	Net income (loss)	2,778,285,075	1,212,765,890	1,565,519,185	
Total Liabilities and Shareholders' Equity		**422,360,094,033**	**400,750,318,126**	**21,609,775,907**	**5.4**

Income statement

(euro)

	2015	2014	Changes amount	%
10. Interest and similar income	6,772,110,686	7,790,073,304	-1,017,962,618	-13.1
20. Interest and similar expense	-4,640,072,877	-5,762,265,117	-1,122,192,240	-19.5
30. Interest margin	**2,132,037,809**	**2,027,808,187**	**104,229,622**	**5.1**
40. Fee and commission income	3,167,485,078	2,948,787,905	218,697,173	7.4
50. Fee and commission expense	-491,334,089	-424,802,774	66,531,315	15.7
60. Net fee and commission income	**2,676,150,989**	**2,523,985,131**	**152,165,858**	**6.0**
70. Dividend and similar income	3,078,520,614	2,410,626,638	667,893,976	27.7
80. Profits (Losses) on trading	-110,074,386	-3,697,117	106,377,269	
90. Fair value adjustments in hedge accounting	-10,043,733	-69,365,316	-59,321,583	-85.5
100. Profits (Losses) on disposal or repurchase of	322,281,263	263,155,796	59,125,467	22.5
a) loans	*7,893,992*	*105,156,956*	*-97,262,964*	*-92.5*
b) financial assets available for sale	*373,399,821*	*213,204,023*	*160,195,798*	*75.1*
c) investments held to maturity	-	-	-	-
d) financial liabilities	*-59,012,550*	*-55,205,183*	*3,807,367*	*6.9*
110. Profits (Losses) on financial assets and liabilities designated at fair value	420,122	-366,287	786,409	
120. Net interest and other banking income	**8,089,292,678**	**7,152,147,032**	**937,145,646**	**13.1**
130. Net losses / recoveries on impairment	-813,940,527	-1,766,891,960	-952,951,433	-53.9
a) loans	*-856,342,428*	*-1,574,487,828*	*-718,145,400*	*-45.6*
b) financial assets available for sale	*-70,550,233*	*-166,977,049*	*-96,426,816*	*-57.7*
c) investments held to maturity	*-23,908*	*375*	*-24,283*	
d) other financial activities	*112,976,042*	*-25,427,458*	*138,403,500*	
140. Net income from banking activities	**7,275,352,151**	**5,385,255,072**	**1,890,097,079**	**35.1**
150. Administrative expenses	-4,724,790,326	-4,100,165,082	*624,625,244*	15.2
a) personnel expenses	*-2,288,800,007*	*-2,088,104,874*	*200,695,133*	*9.6*
b) other administrative expenses	-2,435,990,319	-2,012,060,208	*423,930,111*	21.1
160. Net provisions for risks and charges	-263,922,560	-98,419,590	165,502,970	
170. Net adjustments to / recoveries on property and equipment	-131,646,537	-116,487,559	15,158,978	13.0
180. Net adjustments to / recoveries on intangible assets	-2,637,300	-35,824,300	-33,187,000	-92.6
190. Other operating expenses (income)	699,366,514	498,388,012	200,978,502	40.3
200. Operating expenses	**-4,423,630,209**	**-3,852,508,519**	**571,121,690**	**14.8**
210. Profits (Losses) on equity investments	-115,286,115	-176,531,905	-61,245,790	-34.7
220. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
230. Goodwill impairment	-	-	-	-
240. Profits (Losses) on disposal of investments	66,480,152	112,817,035	-46,336,883	-41.1
250. Income (Loss) before tax from continuing operations	**2,802,915,979**	**1,469,031,683**	**1,333,884,296**	90.8
260. Taxes on income from continuing operations	-24,630,904	-256,265,793	-231,634,889	-90.4
270. Income (Loss) after tax from continuing operations	**2,778,285,075**	**1,212,765,890**	**1,565,519,185**	
280. Income (Loss) after tax from discontinued operations	-	-	-	-
290. Net income (loss)	**2,778,285,075**	**1,212,765,890**	**1,565,519,185**	

Statement of comprehensive income

(euro)

		2015	2014	Changes	
				amount	%
10.	**NET INCOME (LOSS)**	**2,778,285,075**	**1,212,765,890**	**1,565,519,185**	
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**221,188,824**	**-292,298,932**	**513,487,756**	
20.	Property and equipment	-	-	-	
30.	Intangible assets	-	-	-	
40.	Defined benefit plans	221,188,824	-292,298,932	513,487,756	
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	**110,304,091**	**-310,427,965**	**420,732,056**	
70.	Hedges of foreign investments	-	-	-	
80.	Foreign exchange differences	-	-	-	
90.	Cash flow hedges	203,223,693	-488,774,675	691,998,368	
100.	Financial assets available for sale	-92,919,602	178,346,710	-271,266,312	
110.	Non-current assets held for sale	-	-	-	
120.	Share of valuation reserves connected with investments carried at equity	-	-	-	
130.	**Total other comprehensive income (net of tax)**	**331,492,915**	**-602,726,897**	**934,219,812**	
140.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +130)**	**3,109,777,990**	**610,038,993**	**2,499,738,997**	

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

(euro)

	31.12.2015									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	savings shares		retained earnings	other					
AMOUNTS AS AT 1.1.2015	**8,239,966,688**	**484,895,091**	**27,507,513,386**	**2,985,509,928**	**565,306,820**	**-596,514,141**	**-**	**-17,287,358**	**1,212,765,890**	**40,382,156,304**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR										
Reserves				**18,007,870**					**-18,007,870**	**-**
Dividends and other allocations									**-1,194,758,020**	**-1,194,758,020**
CHANGES IN THE PERIOD										
Changes in reserves				**-5,181,733**	**12,891,454**	**6,805,417**				**14,515,138**
Operations on shareholders' equity										
Issue of new shares	7,012,719							7,981,352		**14,994,071**
Purchase of treasury shares								-7,707,436		**-7,707,436**
Extraordinary dividends										**-**
Changes in equity instruments							877,201,768			**877,201,768**
Derivatives on treasury shares										**-**
Stock options										**-**
Total comprehensive income for the period						**331,492,915**			**2,778,285,075**	**3,109,777,990**
SHAREHOLDERS' EQUITY AS AT 31.12.2015	**8,246,979,407**	**484,895,091**	**27,507,513,386**	**2,998,336,065**	**578,198,274**	**-258,215,809**	**877,201,768**	**-17,013,442**	**2,778,285,075**	**43,196,179,815**

Statement of changes in shareholders' equity as at 31 December 2014

(euro)

	31.12.2014									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	savings shares		retained earnings	other					
AMOUNTS AS AT 1.1.2014	**8,060,843,517**	**484,895,091**	**31,092,720,491**	**3,478,744,349**	**565,306,820**	**6,212,756**	**-**	**-12,647,082**	**-3,913,087,268**	**39,762,988,674**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR										
Reserves			**-3,913,087,268**						**3,913,087,268**	**-**
Dividends and other allocations										**-**
CHANGES IN THE PERIOD										
Changes in reserves [a]			**-36,600,840**	**328,810,423**						**292,209,583**
Operations on shareholders' equity										
Issue of new shares [a]	179,123,171		364,481,003					46,781,593		**590,385,767**
Purchase of treasury shares								-51,421,869		**-51,421,869**
Extraordinary dividends				-822,044,844						**-822,044,844**
Changes in equity instruments										**-**
Derivatives on treasury shares										**-**
Stock options										**-**
Total comprehensive income for the period						**-602,726,897**			**1,212,765,890**	**610,038,993**
SHAREHOLDERS' EQUITY AS AT 31.12.2014	**8,239,966,688**	**484,895,091**	**27,507,513,386**	**2,985,509,928**	**565,306,820**	**-596,514,141**	**-**	**-17,287,358**	**1,212,765,890**	**40,382,156,304**

[a] The captions include the effects of the Lecoip Co-Investment Plan.

Statement of cash flows

(euro)

	31.12.2015	31.12.2014
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**1,357,326,847**	**1,233,344,759**
- net income (loss) (+/-)	2,778,285,075	1,212,765,890
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	-67,691,122	10,160,287
- gains/losses on hedging activities (-/+)	10,043,733	69,365,316
- net losses/recoveries on impairment (+/-)	1,057,260,974	2,407,278,499
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	134,283,838	152,311,860
- net provisions for risks and charges and other costs/revenues (+/-)	418,220,935	298,143,143
- taxes, duties and tax credits to be paid/collected(+/-)	38,608,106	-77,405,397
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-3,011,684,692	-2,839,274,839
2. Cash flow from / used in financial assets	**-19,775,501,468**	**-7,947,409,415**
- financial assets held for trading	1,170,198,002	-6,682,884,540
- financial assets designated at fair value through profit and loss	-10,254,187	-11,481,336
- financial assets available for sale	946,719,372	10,323,627,211
- due from banks: repayable on demand	1,735,230,000	-3,886,299,000
- due from banks: other	-6,590,394,203	-3,585,760,698
- loans to customers	-18,759,182,185	-3,676,477,228
- other assets	1,732,181,733	-428,133,824
3. Cash flow from / used in financial liabilities	**18,930,473,612**	**5,082,943,361**
- due to banks: repayable on demand	-1,364,931,000	2,127,809,000
- due to banks: other	20,360,436,793	-2,705,248,582
- due to customers	13,330,191,780	7,565,692,629
- securities issued	-10,476,352,957	-7,565,546,359
- financial liabilities held for trading	-757,314,314	5,299,912,480
- financial liabilities designated at fair value through profit and loss	4,435,126	-
- other liabilities	-2,165,991,816	360,324,193
Net cash flow from (used in) operating activities	**512,298,991**	**-1,631,121,295**
B. INVESTING ACTIVITIES		
1. Cash flow from	**4,683,308,157**	**4,804,468,003**
- sales of equity investments	1,655,403,169	2,346,009,913
- dividends collected on equity investments	2,954,408,578	2,277,139,540
- sales of investments held to maturity	681,717	309,550
- sales of property and equipment	72,814,693	180,513,000
- sales of intangible assets	-	496,000
- sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-1,793,333,828**	**-2,427,558,587**
- purchases of equity investments	-1,423,305,377	-2,071,255,744
- purchases of investments held to maturity	-245,786	-113,000
- purchases of property and equipment	-364,040,000	-316,285,530
- purchases of intangibles assets	-5,742,665	-39,904,313
- purchases of subsidiaries and business branches	-	-
Net cash flow from (used in) investing activities	**2,889,974,329**	**2,376,909,416**
C. FINANCING ACTIVITIES		
- issues / purchases of treasury shares	7,286,636	459,259,845
- issues / purchases of equity instruments	877,201,768	-
- dividend distribution and other	-1,194,430,141	-821,539,123
Net cash flow from (used in) financing activities	**-309,941,737**	**-362,279,278**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,092,331,583**	**383,508,843**
RECONCILIATION		
Captions		
Cash and cash equivalents at beginning of period	4,382,716,255	3,997,176,709
Net increase (decrease) in cash and cash equivalents	3,092,331,583	383,508,843
Cash and cash equivalents: foreign exchange effect	2,499,606	2,030,703
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,477,547,444**	**4,382,716,255**

LEGEND: (+) from (–) used in

Note to the Parent Company's financial statements

Part A – Accounting policies

A.1 – GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

As set forth by Legislative Decree 38 of 28 February 2005, Intesa Sanpaolo's financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The financial statements as at 31 December 2015 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005, which issued Circular 262/05, and with the subsequent updates of 18 November 2009, 21 January 2014, 22 December 2014 and 15 December 2015.
These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the financial statements.
The financial statements have been prepared using the International Accounting Standards in force as at 31 December 2015 (including the SIC and IFRIC interpretation documents) as listed in the attachments to these financial statements.
The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which came into force in 2015.

IFRS endorsed as at 31.12.2015 in force since 2015

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

The accounting standards applicable on a mandatory basis for the first time starting in 2015 include IFRIC 21 – Levies, endorsed by the European Commission in Regulation (EU) 634/2014. The interpretation provides guidance on when to recognise a liability for a levy imposed by a government that is accounted for in accordance with IAS 37.

The amendments to IFRS 3 and 13 and IAS 40, endorsed in Regulation (EU) 1361/2014, are also applicable starting in 2015. However, those amendments are not particularly significant for the Intesa Sanpaolo financial statements.

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

IFRS endorsed as at 31.12.2015 applicable subsequent to 31.12.2015

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

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

IFRS not endorsed as at 31.12.2015

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

SECTION 2 – GENERAL PREPARATION PRINCIPLES

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

The financial statement forms and the Notes to the financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2014.

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

Contents of financial statement forms

Balance sheet and income statement

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

Statement of comprehensive income

The Statement of comprehensive income shows, starting from the income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international accounting standards.
Comprehensive income is represented by providing separate recognition of the income components that will not be reversed to the income statement in the future and those which, conversely, could later be reclassified to income (loss) for the year under specific conditions. Similarly to the balance sheet and the income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2015 and for 2014 are in any case included. Negative amounts are preceded by the minus sign.

Changes in shareholders' equity

Changes in shareholders' equity are presented by inverting the lines and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005. The table presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital (ordinary and savings shares), reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity.

Statement of cash flows

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

Contents of the Notes to the financial statements

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

SECTION 3 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE

No significant subsequent events occurred other than the events described in the consolidated financial statements.

SECTION 4 - OTHER ASPECTS

Option for the national fiscal consolidation provisions

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

Certification pursuant to Article 154 bis of the Consolidated Law on Finance and non-EU subsidiaries

Please refer to Part E of the Notes to the consolidated financial statements for information on the disclosure about the Certification pursuant to Article 154 bis of the Consolidated Law on Finance and subsidiaries based in non-European countries that are considered significant on the basis of the Consob regulations.

Other aspects

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

A.2 – MAIN FINANCIAL STATEMENT CAPTIONS

1. Financial assets held for trading

Classification criteria
This category includes financial assets held for trading, essentially represented by debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:
– their economic characteristics and risks are not closely related to the characteristics of the host contract;
– embedded instruments, even though separate, fully meet the definition of derivative;
– combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.
Derivatives are stated as assets if their fair value is positive and as liabilities if their fair value is negative. The positive and negative current values arising from transactions with the same counterparty may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.
The reclassifications to other categories of financial assets are not permitted unless there is an event that is unusual and highly unlikely to recur in the near term.
In such cases debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition apply (Investments held to maturity, Financial assets available for sale, Loans). The transfer value is the fair value at the time of the reclassification. On reclassification, the presence of any embedded derivative contracts, that have to be separated, is assessed.

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

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

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

2. Financial assets available for sale

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

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

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

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

3. Investments held to maturity

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

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

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

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

4. Loans

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

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

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

With respect to the first category, the renegotiation of credit exposures granted by the Bank with respect to performing loans to customers is substantially similar to the opening of a new position, only when it is due to commercial reasons other than the deterioration in the borrower's financial situation (and thus does not fall within the scope of forborne exposures, as described below), provided that the interest rate applied is a market rate at the renegotiation date.

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

Non-performing forborne exposures are those for which there are objective indications of impairment, in addition to forbearance measures.

As an alternative to the scenarios outlined above (renegotiations due to difficulty of the debtor and renegotiations for commercial reasons/practices), the bank and debtor may agree on the discharge of the original debt through:
– novation or assumption by another debtor (assignment with release);
– substantial modification of the nature of the contract involving a debt-equity swap.

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

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

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

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

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

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

Derecognition criteria

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

6. Hedging transactions

Classification criteria: type of hedge

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:
– fair value hedge: which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including “core deposits”, as permitted by IAS 39 endorsed by the European Commission. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets and liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
– cash flow hedge: which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
– hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Recognition criteria

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

Measurement criteria

Hedging derivatives are measured at fair value. In particular:
– in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (as concerns the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. In case of fair value macro hedges, fair value changes related to the hedged risk of assets and liabilities in hedged portfolios are allocated to the balance sheet under caption 90. “Fair value change of financial assets in hedged portfolios” or under caption 70. “Fair value change of financial liabilities in hedged portfolios”;
– in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
– hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.
A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:
– prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
– retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measures how much the effective results diverge from perfect coverage.
If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.
When a fair value macro-hedging relationship is discontinued, the cumulative revaluations/impairment losses carried under caption 90 "Fair value change of financial assets in hedged portfolios" or caption 70. “Fair value change of financial liabilities in hedged portfolios” are transferred to the income statement among interest income or expense over the residual life of the original hedging relationships, without prejudice to verification that the requirements have been met.

7. Equity investments

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

Recognition criteria
Equity investments are recognised at settlement date. On initial recognition equity investments are recorded at cost.

Measurement criteria
Equity investments are measured at cost, which may be adjusted if impairment losses are deemed to have occurred. If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

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

8. Property and equipment

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

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

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

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

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

9. Intangible assets

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

Recognition and measurement criteria
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.
If there is any indication that an asset may have suffered impairment losses, the asset’s recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the carrying value of the assets and the recoverable amount.
In particular, intangible assets include:
– technology related intangibles, such as software, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years;
– customer related intangibles represented, in business combinations, by asset management relations and insurance portfolios. Such assets, with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset’s specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. They are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration or in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry. More specifically, asset management relations are amortised over a period of 7-10 years and relations from insurance contracts in decreasing portions corresponding to the residual maturity of the policies;
– marketing related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.
With respect to business combinations, goodwill may be recorded when the positive difference between fair value of shareholders’ equity acquired and the purchase price of the equity investment is representative of the future income-generation potential of the equity investment.
If this difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.
Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. The Cash-generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. The business operations carried out directly by the Parent Company falls under the Cash-generating units corresponding to Banca dei Territori and Corporate and Investment Banking. Therefore, goodwill is allocated to such divisions.

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

10. Other assets
Apart from items awaiting classification and items not attributable to other captions of the balance sheet, other assets include property and other assets deriving from credit collection through the enforcement of guarantees or purchases at auction, in the event the property was acquired during normal operations of the credit business, with the intention to sell in the near future without carrying out any significant refurbishment works.
These assets, pursuant to IAS 2, are measured at the lesser of cost and net realisable value, without prejudice to the comparison between the asset's carrying value and its recoverable amount where there is an indication that the asset may have been impaired. Any impairment losses are recorded in the income statement.

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

12. Current and deferred tax
Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated it. Therefore, it represents the balance of current and deferred income taxes for the year. Current tax assets and liabilities include the tax balances of the Bank due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of

current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Bank claimed against taxes payable in future years.
Current tax assets also include tax credits in respect of which the Bank has requested reimbursement from the applicable fiscal authorities, as well as the sums disbursed on a preliminary basis in the course of disputes with the Tax Department; the risk inherent in such proceedings and the risks inherent in proceedings where preliminary disbursements have not been requested, are evaluated in applying the principles contained in IAS 37 regarding the best estimate of the economic resources required.

Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.
If deferred tax assets and liabilities refer to items affecting the Income statement, the balancing entry is represented by income taxes.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of financial assets available for sale or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).
No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which have already been taxed, leads to the belief that the Bank will not undertake any transactions which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

13. Allowances for risks and charges

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

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

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

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

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

14. Payables and securities issued

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

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

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

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

15. Financial liabilities held for trading

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

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

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

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

Classification criteria
Financial liabilities designated at fair value through profit and loss are recorded under this caption, on the basis of the fair value option given to companies by IAS 39, in compliance with the cases contemplated in the reference regulations.

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

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

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

17. Foreign currency transactions

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

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

at the date of the transaction;
– non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

18. Other information

Own shares

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

Accruals, prepayments and deferrals

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

Leasehold improvements

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

Employee termination indemnities

Employee termination indemnities qualify as a “post-employment benefit” classified as:

– a “defined contribution plan” to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation;
– a “defined benefit plan”, therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" to the extent of the portions accrued until 31 December 2006.

These amounts are recognised at their actuarial value determined using the “Projected Unit Credit Method”, without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

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

Provisions for guarantees and commitments

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

Share-based payments

Share-based payments are recorded in the income statement, with a corresponding increase in shareholders’ equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.

In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned.

The combination of the two values supplies the fair value of the assigned instrument.

Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues and costs

Revenues are recognised when they are collected or:

– in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably;
– in the case of services, when these have been rendered.

In particular:

– interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued until the reference date of the financial statements, relating to financial derivatives:
    a) hedging interest-generating assets and liabilities;
    b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit and loss (fair value option) in management terms;

c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;
- costs and revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to effective market quotes, or assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (levels 1 and 2 of the fair value hierarchy). When such reference parameters are not observable on the market (level 3), or the instruments present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction; the difference with respect to the fair value is recorded in the income statement during the life of the transaction;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

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

Use of estimates and assumptions in preparing financial reports

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

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

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

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).

After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the loan. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.

Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the customer. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions for services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. facility and arrangement fees).

With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation in syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates below market rates, income for the participation of syndicated loans and brokerage commissions received.

For securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.

Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.

Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not measured at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.

The amortised cost measurement criterion is not applied to hedged financial assets/liabilities for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable loans.

Impairment of assets

Impairment of financial assets

At every balance sheet date the financial assets not classified under Financial assets held for trading or Financial assets designated at fair value through profit and loss are subject to an impairment test to assess whether there is objective evidence to consider that the carrying value of these assets is not fully recoverable.

A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.

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

Impairment of equity investments

At each balance sheet date the equity investments in associates or companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative and quantitative indicators.
Qualitative indicators include:

- the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market;
- the announcement/start-up of insolvency proceedings or restructuring plans;
- the downgrading by more than two categories of the rating;
- failure to discharge payment obligations for debt securities issued fully and in a timely manner;
- use of industrial policy tools aimed at responding to a serious crisis or allowing companies to face restructuring/reorganisation processes.

Quantitative indicators include:
- a reduction in fair value of over 30% below the carrying value or for a period of over 24 months;
- a market capitalisation lower than the company's net book value, in the case of securities listed on active markets, a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill, or distribution by the investee of a dividend that is higher than its total income.

The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value net of sales costs and the value in use.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter A.4. – Information on fair value.
Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows.
For controlling investments in subsidiaries, the single investments are not individually significant for the purposes of the impairment test in the Parent Company's financial statements, instead they are included in the impairment test of the Cash-Generating Units (CGU) conducted at consolidated level. The CGUs identified are represented in some cases (Banca dei Territori and Corporate and Investment Banking) by operations conducted directly by the Parent Company and some subsidiaries, in other cases (International Subsidiary Banks) by combinations of subsidiaries, and in other cases (Private Banking and Asset Management) they correspond to the associated legal entity. When an investment does not produce cash flows that are largely independent of the cash flows from other assets the impairment tests are conducted at CGU level, rather than at the individual investment level. Consequently, when the assets attributable to a subsidiary are included in a CGU that is broader than the investment itself, as described in more detail in the following chapter, the impairment test can only be conducted at this level and not at the level of individual subsidiary for which the accurate estimation of a value in use is not possible.

Impairment of non-financial assets
Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.
In order to test its real-estate assets for signs of impairment, the Bank conducts an annual analysis of the various real-estate market scenarios. If such analyses bring to light signs of impairment, an appraisal is prepared for the properties for which such signs of impairment have been found.
For other property, equipment and intangible assets (other than those recognised following business combinations) it is assumed that the carrying value normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.
Intangible assets recognised following a business combination and in application of IFRS 3 are subject to an impairment test at each balance sheet date to assess whether there is objective evidence of an impairment loss.
Intangible assets with a finite life, represented by the value of the asset management portfolio and the value of the insurance portfolio, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.
Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash-Generating Unit (CGU) to which the values are attributed at the time of the business combinations. As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent Company is that of the Group as a whole and not only that of the Parent Company as an individual entity, the CGUs are identified in the consolidated financial statements.
The CGUs identified are represented in some cases (Banca dei Territori and Corporate and Investment Banking) by operations conducted directly by the Parent Company and some subsidiaries, in other cases (International Subsidiary Banks) by combinations of subsidiaries, and in other cases (Private Banking and Asset Management) they correspond to the associated legal entity. As stated, as these are the same CGUs identified at consolidated level, the assessment of the retention of goodwill and other assets with an indefinite life recorded in the Intesa Sanpaolo Group's financial statements is also valid with reference to the values recorded in the Parent Company's financial statements. Therefore, the assessment conducted at consolidated level with reference to the individual CGUs is used, after comparing the book value of the assets in the Parent Company's financial statements, without conducting, if the result is positive, a new test in the Parent Company's financial statements.
If, at consolidated financial statement level, an impairment loss needs to be recognised for a particular CGU, this write-down must be assigned to the assets that make up the CGU starting with goodwill. If the need to record an adjustment relates to a CGU that does not coincide with the associated legal entity, the write-down is assigned to the banking subsidiaries, after the elimination of the goodwill pertaining to the CGU recorded in the Parent Company's financial statements under a specific caption, on the basis of the respective fair values.
For a description of the criteria for the determination of the recoverable amount of the CGUs see the contents of Part A - Accounting policies, of the consolidated financial statements.

Business combinations

Business combinations are governed by IFRS 3.
The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
To this end, control is deemed to have transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the chapter A.4. - Information on fair value, and note that, in the case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.
Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.
Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs. Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32 and IAS 39.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.
Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired companies.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying amount is taken to income statement.
Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, such difference is taken to the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.
The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.
The following are outside the scope of business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business or transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the transactions (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the continuing values of the acquiree in the financial statements of the acquirer.
Mergers are examples of combinations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:

- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values of the merged company.

A.3 – INFORMATION ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.1.Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

The following table shows financial instrument reclassifications mainly carried out in 2008. No reclassifications were made in 2015.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2015	Fair value at 31.12.2015	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	327	303	26	4	10	4
Debt securities	Financial assets available for sale	Loans	3,563	3,027	695	81	476	74
Loans	Financial assets available for sale	Loans	13	13	-3	-	-1	-
Total			**3,903**	**3,343**	**718**	**85**	**485**	**78**

The income components related to net increases attributable to the risk profile being hedged of reclassified assets amount to 483 million euro.

Had the Bank not reclassified the above financial assets, positive income components would have been recognised for an amount of 718 million euro (before tax), instead of positive income components of 485 million euro, generating a positive effect of 233 million euro (before tax), broken down as follows:
– write-off of the positive income components recognised during the year following the 485 million euro transfer. Of this amount, 2 million euro relates to adjustments and 483 million euro to fair value increases following hedges;
– reversal of the positive income components which would have been recognised had no transfer taken place, totalling 718 million euro. Of this amount, 14 million euro refers to adjustments, 483 million euro to fair value increases due to hedges and 221 million euro to the increase in Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 7 million euro would have not been recognised. Indeed, this amount is mainly related to the amortised cost of the reclassified securities.
Overall, starting from the respective reclassification dates, reclassified assets as at 31 December 2015 would have been written down by 549 million euro, of which 17 million to be recognised in the income statement (negative components for 2008: 373 million euro, positive components for 2009: 13 million euro, positive components for 2010: 57 million euro, positive components for 2011: 10 million euro, positive components for 2012: 139 million euro, positive components for 2013: 78 million euro, positive components for 2014: 48 million euro and positive components for 2015: 11 million euro) and 532 million euro to be recognised in the Valuation reserve in Shareholders' equity (against 753 million euro as at 31 December 2014 with a positive net variation of 221 million euro had no transfer occurred).

As at 31 December 2015, the reclassifications performed by the Bank to reflect the amendments to IAS 39 in October 2008 with respect to financial instrument reclassification, amount to a nominal 3,519 million euro. Of this amount:
– 2,918 million euro was reclassified by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008 if already present as at that date in the portfolio, or with reference to the purchase price if this took place after 1 July 2008, or at nominal value for loans issued after that date;
– 601 million euro was reclassified after 1 November 2008 and therefore on the basis of fair value as at the date of reclassification; the latter figure refers to reclassifications carried out in 2009 concerning unfunded trading instruments (derivatives) transformed into funded instruments (securities), while maintaining the same risk profile to which the Bank is exposed.

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

No disclosure is required since, as already indicated, no portfolio transfers were carried out in 2015.

A.3.3 Transfer of financial assets held for trading

The financial crisis which marked 2008 was classed by the IASB as a rare circumstance. Consequently, Intesa Sanpaolo has identified certain securities - mainly consisting of bonds not quoted on active markets originally classified under trading assets which due to present and prospective market conditions could no longer be managed actively. These assets were kept in portfolio and reclassified to the loan category. From the time of the reclassification they are measured at amortised cost. With respect to the trading book, the reclassifications mainly involved structured credit products.

A.3.4 Effective interest rate and expected future cash flows from reclassified assets

The effective interest rate attributable to the reclassified securities portfolio is equal to 2.71% and estimated cash flows at the date financial assets were reclassified amount to 3,519 million euro.

A.4 – INFORMATION ON FAIR VALUE

Qualitative information

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

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

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

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

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

The following are considered as level 1 financial instruments: contributed equities, contributed bonds (i.e. quoted on the EuroMTS circuit, or for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices), contributed harmonised mutual funds, spot exchange rates, and derivatives for which quotations are available on an active market (for example, futures and exchange traded options)[16].
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 some international companies, it is possible to use the official closing and/or fixing price provided by the local authorities (central bank, monetary authority or local securities exchange).
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.

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

Such techniques include:
- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, for which estimates and assumptions made by the valuator are used (level 3).

In the case of level 2 inputs, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final valuation.
The following are measured using level 2 input models:
- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- derivatives measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- ABS for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters which may be presumed from the market;
- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers;
- loans measured through the discounting of future cash flows.

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

The following are measured under the Mark-to-Model Approach:
- debt securities and complex credit derivatives (CDOs) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- some loans, of a smaller amount, classified in the available-for-sale portfolio;
- derivative transactions relating to securitisations and equity-risk structured options.

Intesa Sanpaolo governs and defines the fair value measurement of financial instruments through the Group's Fair Value Policy, prepared by the Group Risk Manager area and also applied to the Parent Company and to all consolidated subsidiaries.
The valuation process of financial instruments entails the following phases:
- identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means. In particular:
  - reference categories are established for the various types of market parameters;
  - the reference requirements governing the identification of official revaluation sources are set;
  - the fixing conditions of official figures are established;
  - the data certification conditions are established;
- certification of valuation models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the valuation models used and at determining any adjustments necessary for measurement. The validation process is particularly important at the start of activities in a new financial instrument which requires the development of further valuation models, and when the Bank decides to use a new model to measure payoffs previously managed with models deemed to be less adequate. All models used for the valuation must be submitted to an internal certification process which involves various competent structures or independent companies in highly complex or particularly critical cases;
- monitoring consistency of valuation models over time: periodical monitoring of the adherence to the market of the valuation model in order to promptly discover any gaps and start the necessary verifications and interventions.

Identification, certification and treatment of market data and the sources for measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of comparable or mark-to-model approaches, highlight the need to establish univocal principles in the determination of market parameters. To this end the Market Data Reference Guide – a document prepared and updated by the Group Risk Manager area on the basis of the Group's Internal Regulations approved by the

Administrative bodies of the Parent Company – has established the processes necessary to identify market parameters and the means according to which such parameters must be extracted and used. Such market data may be both elementary and derived data. In particular, for each reference category (asset class), the regulation determines the relative requisites, as well as the cut-off and certification means. The document defines the collection of the contribution sources deemed adequate for the assessment of financial instruments held for any purpose in the proprietary portfolios of the Bank. These same sources are used in valuations carried out for third parties under Service Level Agreements, entered into in advance. Adequacy is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, of measuring the contribution bid-ask, and lastly, for OTC products, of verifying the comparability of the contribution sources. For each market parameter category the cut-off time is determined univocally, with reference to the timing of definition of the parameter, the reference bid/ask side and the number of contributions necessary to verify the price.
The use of all market parameters in Intesa Sanpaolo is subordinated to their certification (Validation Process) by the Group Risk Manager area, in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

Model Risk Management
In general, Model Risk is represented by the possibility that the price of a financial instrument is materially influenced by the valuation approach chosen. In the case of complex financial instruments, for which there is no standard valuation method in the market, or during periods when new valuation methods are being established in the market, it is possible that different methods may consistently value the elementary instruments of reference, but provide differing valuations for exotic instruments. The model risk is monitored through a series of analyses and checks carried out at different stages, aimed at certifying the various valuation methods used by the Bank ("Model Validation"), at regularly monitoring the performance of the models in operation to promptly identify any deviation from the market ("Model Risk Monitoring") and at identifying any adjustments to be made to the valuations ("Model Risk Adjustment", see the section below "Adjustments adopted to reflect model risk and other uncertainties related to the valuation").

Model Validation
In general, all the valuation models used by the Bank must undergo an internal certification process by the various structures involved. The possibility of independent certification issued by high standing financial service companies is also provided for in highly-complex cases and/or in presence of market turbulence (so-called market dislocation). The internal certification process is activated when a new financial instrument that requires an adjustment to the existing valuation methods or the development of new methods starts to be used, or when the existing methods need to be adjusted for the valuation of existing contracts. The validation of the methods involves a series of operational steps, which are adopted where necessary, including the:
- contextualisation of the problem within the current market practice and the relevant available literature;
- analysis of the financial aspects and the types of significant payoff;
– formalisation and independent derivation of the mathematical aspects;
– analysis of the numerical/implementation aspects and tests through the replication, where necessary, of the pricing libraries of the Front Office systems through an independent prototype;
– analysis of the relevant market data, verifying the presence, liquidity and frequency of update of the contributions;
– analysis of the calibration methods, in other words the model's ability to optimise its internal parameters (or meta-data) to best replicate the information provided by the quoted instruments;
– stress tests of the parameters of the model that are not observable in the market and analysis of the impact on the valuation of the complex instruments;
– market tests comparing, where possible, the prices obtained from the model with the quotes available from the counterparties.

If no problems are identified by the above analysis, the Group Risk Manager area validates the method, which becomes part of the Group Fair Value Policy and can be used for the official valuations. If the analysis identifies a significant "Model Risk", which, however, is within the limits of the approach's ability to correctly manage the related contracts, the Group Risk Manager area selects a supplementary approach to determine the appropriate adjustments to be made to the mark to market, and validates the supplemented approach.

Model Risk Monitoring
The performance of the valuation models in operation is monitored continuously to promptly identify any deviations from the market and implement the necessary assessments and measures. This monitoring is performed in various ways, including:
– repricing of contributed elementary instruments: verifying the model's ability to replicate the market prices of all the quoted instruments considered to be relevant and sufficiently liquid. For interest rate derivatives, an automatic repricing system for elementary financial instruments is used in the Bank's Front Office systems, which enables the systematic verification of any deviations between the model and the market. Where significant deviations are found, especially outside the market bid-ask quotes, the impact on the respective trading portfolios is analysed and any adjustments to be made to the corresponding valuations are quantified;
– comparison with benchmarks: the monitoring method described above is further enhanced by the extensive use of data supplied by qualified external providers (e.g. Markit), which provide consensus valuations from leading market counterparties for interest rate instruments (swaps, basis swaps, cap/floor, European and Bermuda swaptions, CMS, CMS spread options), equity instruments (options on indexes and on single stocks), credit instruments (CDS) and commodity instruments (options on commodity indexes). Such information is far richer than that normally available from standard contribution sources, for example in terms of maturities, underlying assets and strikes. Any significant gap between the model and benchmark data is quantified with respect to the average bid-ask spread supplied by the outside provider and therefore treated as in the previous case. The possibility of extending the comparison with benchmarks to other instruments or underlying assets is constantly monitored;

– comparison with market prices: verification against prices provided by counterparties via Collateral Management, indicative listed prices provided by brokers, intrinsic parameters identified from these indicative listed prices, checks of the most recent revaluation price in relation to the price of the financial instrument deriving from unwinding, sales, and new similar or comparable transactions.

Adjustments adopted to reflect model risk and other uncertainties related to the valuation

If problems are found by the Model Validation process or the Model Risk Monitoring process in the calculation of the fair value of particular financial instruments, the appropriate Mark-to-Market Adjustments to be made to the valuations are identified. These adjustments are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in selected models and their implementation.

In addition to the adjustments relating to the abovementioned factors, the Mark-to-Market Adjustment Policy also provides for other types of adjustments relating to other factors capable of influencing the valuation. These factors essentially involve:
– high and/or complex risk profile;
– position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration);
– valuation difficulties due to the lack of liquid and observable market parameters.

For illiquid products an adjustment is made to the fair value. This adjustment is generally not very relevant for instruments for which the valuation is supplied directly by an active market (level 1). Specifically, highly liquid quoted securities are valued directly at mid-price, whereas for quoted securities with low liquidity and unquoted securities the bid price is used for long positions and the ask price for short positions. Bonds that are not quoted are valued according to credit spreads that differ based on the position of the security (long or short).

Conversely, for derivatives for which fair value is determined with a valuation technique (levels 2 and 3), the adjustment may be calculated with different means according to the availability on the market of bid and ask prices and products with similar characteristics in terms of contract type, underlying asset, currency, maturity and volumes traded which may be used as benchmarks.
Where none of the indications above is available, stress tests are performed on input parameters deemed to be relevant in the model. The main factors considered to be illiquid (in addition to the inputs for the valuation of structured credit derivatives, to be discussed in further detail below) and for which the respective adjustments have been calculated, are connected to risks on Commodities, on Dividends and Variance Swaps, FOI (Consumer price index for blue and white-collar worker households) inflation and options on inflation, on specific indexes such as Rendistato, volatility of 12-month cap indexes, correlations between swap rates and "quanto" correlation (connected to pay offs and index-linking expressed in different currencies).
The management of the Mark-to-Market Adjustment process is formalised with appropriate calculation methodologies on the basis of the different configurations of the points set out above. Calculation of the adjustments depends on the dynamics of the factors indicated above and is disciplined by the Group Risk Manager area. The criteria for the release are subordinated to the elimination of the factors indicated above and disciplined by the Group Risk Manager area. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.
For new products, the decision to apply Mark-to-Market Adjustment processes is taken by the New Product Committee upon the proposal of the Group Risk Manager area.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds), on the valuation models used.

I. Valuation model for non-contributed securities

The valuation of non-contributed securities (that is, securities without official listings expressed by an active market) occurs through the use of an appropriate credit spread test, which is estimated starting from contributed and liquid financial instruments with similar characteristics. The sources used to estimate the level of the credit spread are the following:
– contributed and liquid securities of the same issuer;
– credit default swaps on the same reference entity;
– contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case the different seniority of the security to be priced is considered relatively to the issuer's debt structure.
In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.
Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of Intesa Sanpaolo is determined and measured based on the bonds issued by the Bank, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.
Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.
If there is also an embedded option a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and the illiquidity of the underlying assets. This component is calculated on the basis of

the type of option and its maturity.

II. Valuation models for interest rate, foreign exchange, equity, inflation and commodity derivatives

For derivatives, in consideration of their number and complexity, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific valuation models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market and subject to the monitoring processes illustrated above.

The table below illustrates the main models used to evaluate OTC derivatives on the basis of the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black, SABR, Libor Market Model, 1- and 2-factor Hull-White, Mixture of 1- and 2-factor Hull-White, Bivariate lognormal, Rendistato, Hagan replication	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates,
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV), Stochastic Local Volatility (SLV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Bifactorial Inflation	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, Black Model	Probability of default, Recovery rate.

As envisaged by IFRS 13, in determining fair value, Intesa Sanpaolo also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.
For derivatives in particular, the Bilateral Credit Value Adjustment (bCVA) model fully takes into account the effects of changes in the counterparty credit rating, as well as changes in its own credit rating. In fact, the bCVA consists of the sum of two addends, calculated by considering the possibility that both counterparties go bankrupt:

– the CVA (Credit Value Adjustment) is a negative measure that takes into account scenarios whereby the counterparty fails before the bank and the bank has a positive exposure to the counterparty. In these scenarios the bank suffers a loss equal to the cost of replacing the derivative;
– the DVA (Debt Value Adjustment) is a positive measure that takes into account scenarios whereby the bank fails before the counterparty and has a negative exposure to the counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

The bCVA depends on the exposure, probability of default and the Loss Given Default of the counterparties. Lastly, the bCVA must be calculated taking into account any counterparty risk mitigation agreements, particularly collateral and netting agreements for each individual counterparty. In the event of netting agreements with a specific counterparty, the bCVA is calculated with regard to the portfolio including all transactions subject to netting with that counterparty.
The measurement of creditworthiness uses various sources. Specifically:

– in the case of counterparties with CDS spread quoted on the market (including Intesa Sanpaolo), calculation of the bCVA is carried out by considering the neutral probability of default towards risk (namely estimated based on the prices of bonds and not on historical figures) quoted on the market and regarding both the counterparty and the investor, measured on the basis of the listed CDS spread credit curve;
– for Large Corporate counterparties without CDS quoted on the market with significant turnover, the bCVA is calculated by considering the neutral probability of default towards risk of a counterparty associated to the counterparty to the contract (comparable approach). Creditworthiness is measured:
  o for Project Finance counterparties, using the comparable Industrial CDS spread credit curve;
  o for other counterparties, using the comparable CDS spread credit curve for the counterparty;
– for illiquid counterparties not included in the above categories, the bCVA is calculated by considering the probability of default of the counterparty and of Intesa Sanpaolo, determined by using the credit curve obtained by the default probability matrices.

On the other hand, for counterparties in default, an estimate of the counterparty risk consistent with the provisioning percentage applied to on-balance sheet exposures is carried out.
The prior Credit Risk Adjustment (CRA) calculation model is still valid for a residual number of products for which the bCVA model is still under development.

III. Valuation model for structured credit products

Regarding ABSs, if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 3 inputs, where significant).
In this case, the cash flows are obtained from info providers or specialised platforms; the spreads are gathered from the new issues and/or from the major investment banks, from prices available on the market/consensus platforms, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures. The results of these analyses are subject to backtesting with actual sales prices.

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

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

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

After this valuation, credit analyses on underlying assets were fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis are condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.) which are summarised in an indicator representing credit quality. On the basis of the value of this synthetic indicator, specific thresholds have been identified which correspond to a number of downgrades, so to proceed to a consistent adjustment in the valuation. Lastly, for this class of products, an additional adjustment may be applied, subject to an authorisation procedure that, above a certain warning threshold, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company’s financial reports.

With respect to credit derivatives on index tranches, off-the-run series are valued at level 3 when no reliable and verifiable quotes are available from the Financial and Market Risks Department. Fair value is determined based on the quotes of series being issued, adjusted to reflect the different underlying.

IV. Valuation of equities with relative and absolute models

Financial instruments for which fair value is determined using level 2 inputs also include equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers. Multipliers are used under the comparable companies' or comparable transactions' approach. In the former case, reference is made to a sample of comparable listed companies, therefore the stock prices from which the multiples to measure the investment are deducted. In the latter case, reference is made to the trading prices of the market related to comparable companies registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions. Equities to which the above "relative" models are not applied are valued using "absolute" valuation models. In particular, these models are based on flows which substantially anticipate the measurement of the stock value by estimating the cash flows it can generate over time, discounted using a rate that is in line with the risk level of the instrument, equity models or equity-income models.

V. The valuation model for hedge funds

The determination of the fair value of a hedge fund is the result of an analytical process that involves two distinct approaches applied respectively to funds managed through the use of a Management Account Fund infrastructure, which ensures full daily transparency of the assets underlying the funds, and funds not managed according to such a platform.

For funds managed in the Managed Account platform, the Net Asset Value (NAV) provided by the Fund Administrator is considered as the fund's fair value. It is not deemed necessary to apply the two prudential adjustments described below to the NAV, since:

– the adjustment for counterparty risk is not necessary because the Managed Account platform is subject to limited recourse clauses and non-petition provisions, through which each Managed Account Fund achieves contractual separation/segregation of assets and manager. Intesa Sanpaolo effectively holds 100% of the quotas of the MAF;
– the adjustment for illiquidity risk is not necessary because there is a delivery in kind clause, according to which the fund’s assets may be transferred to Intesa Sanpaolo’s books and liquidated, where necessary.

Moreover, a due diligence confirmed that the valuation model used by the Fund Administrator is consistent with the Intesa Sanpaolo’s Fair Value Policy.
If the daily full transparency analysis were to bring to light additional elements of risk, mark-to-market adjustments would be applied in accordance with Intesa Sanpaolo’s Fair Value Policy.
The platform’s characteristics make it possible to perform an analysis of the financial instruments underlying the funds and to assign the fair value hierarchy level based on prevalence, in terms of percentage of NAV, of the weight of assets priced according to the various levels.

For funds not managed in the Managed Account platform, the operating NAV (Net Asset Value) provided by the Fund Administrator is used. However, this value may be prudentially adjusted by the Group Risk Manager area, during the valuation of inventories for accounting purposes, on the basis of an individual valuation process aimed at verifying specific idiosyncratic risks, mainly identified as follows:

– counterparty risk
– illiquidity risk.

Specifically, the first risk driver – counterparty risk - relates to the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, which is a potential source of risk in the case of default. The resulting prudential adjustment to the operational NAV differs according to whether this activity is concentrated in a single name or is diversified across several service providers.
With regard to the illiquidity drivers, these relate to the risk intrinsic to the valuation of the fund assets, therefore, the prudential adjustment is applied based on the availability of prices or certain weaknesses in the valuation policies used by the fund.
The application of the foregoing prudential adjustments (counterparty risk and illiquidity risk) is subject to an authorisation procedure that, above a certain warning threshold, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company’s financial reports.

VI. Other level 2 and 3 valuation models

Loans are included among financial instruments whose fair value is determined on a recurring basis through level 2 inputs. In particular, for medium- and long-term assets and liabilities measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach, in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount future cash flows.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities	Discounting Cash Flows	Credit Spread	-8	58	%	701	-4,904
ABS	Discounting Cash Flows	Recovery rate	-25	10	%	1,394	-3,486
OTC derivatives subject to FV adjustment for CVA/DVA - Non-performing counterparties	bCVA	Loss Given Default Rate (LGD)	0	100	%	10,743	-13,184
OTC derivatives subject to FV adjustment for CVA/DVA - Performing counterparties	bCVA	Probability of default (PD) based on counterparty's internal rating	CCC	BBB	Internal rating	54	-74
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility Euro Class S.p.A.	35.45	75.51	%	1,712	-729

A.4.2 Valuation processes and sensitivity

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

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

(thousands of Euro)

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
Held for trading and available for sale securities	Credit spread	71	1 bp
Held for trading and available for sale securities	Correlation	-	1%
Held for trading and available for sale securities	Recovery rate	-139	1%
OTC Derivatives - Equity	Historical volatility underlying Euro Class S.p.a.	-609	10%

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

A.4.3. Fair value hierarchy

With regard to financial assets and liabilities measured at fair value on a recurring basis, Intesa Sanpaolo carried out level changes based on the following guidelines.

For debt securities, the transition from level 3 to level 2 occurs if the significant parameters used as inputs in the valuation technique are, as at the reference date, observable on the market. The transition from level 3 to level 1 occurs when as at the reference date it has been determined that an active market exists, as defined in IFRS 13. The transition from level 2 to level 3 occurs when, as at the reference date, some of the significant parameters used in determining fair value are not directly observable on the market.

For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of significance and observability of the parameters used to determine the risk free component. Calculation of the component linked to the risk of insolvency of the counterparty/issuer, with unobservable parameters, may involve reclassification to level 3. In particular, this occurs when:
- the counterparty has a non-performing credit status and positive current exposure;
- with regard to the netting set, the ratio of the bilateral Credit Value Adjustment (bCVA) component and the total fair value is higher than a significant threshold and there is significant sensitivity to downgrading.

For equity instruments recognised among assets available for sale, change of the level occurs:
- when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, Intesa Sanpaolo reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, Intesa Sanpaolo uses valuation techniques that use unobservable inputs.

A.4.4. Other information

For information regarding the highest and best use as required by IFRS 13, refer to the description at the bottom of Table A.4.5.4 with regard to non-financial assets.

Intesa Sanpaolo does not exercise the exception envisaged under paragraph 48 of IFRS 13 (fair value based on net exposure) regarding financial assets and liabilities with positions that offset one another with regard to market risk and counterparty risk.

Quantitative information

A.4.5. Fair value hierarchy

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

(millions of euro)

Assets / liabilities at fair value	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	7,101	15,331	540	7,336	16,283	456
2. Financial assets designated at fair value through profit or loss	-	194	162	-	244	101
3. Financial assets available for sale	26,489	2,342	963	26,685	884	3,406
4. Hedging derivatives	-	6,367	20	-	8,246	4
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**33,590**	**24,234**	**1,685**	**34,021**	**25,657**	**3,967**
1. Financial liabilities held for trading	755	15,020	146	229	16,318	131
2. Financial liabilities designated at fair value through profit or loss	-	4	-	-	-	-
3. Hedging derivatives	-	5,954	6	-	7,230	5
Total	**755**	**20,978**	**152**	**229**	**23,548**	**136**

During 2015, 16 million euro of financial assets held for trading were transferred from level 1 to level 2 (book values as at 31 December 2015), and 256 million euro of financial assets held for trading and 26 million euro of assets available for sale were transferred from level 2 to level 1 (book value as at 31 December 2015).
The transfers relate to quotas of UCI and debt securities. In the case of the former the cause was the lack of an active market on 31 December 2015 as defined by IFRS 13, and in the latter case, the cause was the existence of an active market as defined by IFRS 13.

The caption "3. Financial assets available for sale" – level 2 – includes 1,920 million euro referring to the stake issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, following the amendments to the Statute approved by the Shareholders' Meeting of the Bank of Italy on 23 December 2013.

As at 31 December 2015, the impact of non-performance risk (Credit Value Adjustment and Debt Value Adjustment) in the determination of the fair value of financial and credit derivative contracts, amounted to a reduction of 218 million euro in positive fair value and a reduction of 46 million euro in negative fair value.

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

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
1. Initial amount	**456**	**101**	**3,406**	**4**	**-**	**-**
2. Increases	**358**	**61**	**371**	**23**	**-**	**-**
2.1 Purchases	110	-	78	-	-	-
2.2 Gains recognised in:	56	-	51	-	-	-
2.2.1 Income statement	*56*	-	*1*	-	-	-
- of which capital gains	*49*	-	-	-	-	-
2.2.2 Shareholders' equity	*X*	*X*	*50*	-	-	-
2.3 Transfers from other levels	186	61	242	23	-	-
2.4 Other increases	6	-	-	-	-	-
3. Decreases	**-274**	**-**	**-2,814**	**-7**	**-**	**-**
3.1 Sales	-82	-	-569	-	-	-
3.2 Reimbursements	-27	-	-	-	-	-
3.3 Losses recognised in:	-136	-	-249	-7	-	-
3.3.1 Income statement	*-136*	-	*-58*	*-7*	-	-
- of which capital losses	*-130*	-	*-56*	*-7*	-	-
3.3.2 Shareholders' equity	*X*	*X*	*-191*	-	-	-
3.4 Transfers to other levels	-29	-	-1,925	-	-	-
3.5 Other decreases	-	-	-71	-	-	-
4. Final amount	**540**	**162**	**963**	**20**	**-**	**-**

"Transfers to other levels" of "Financial assets held for trading" are mainly due to derivative contracts with a positive fair value.
For derivative contracts, transfers between levels are mainly due to the variation in the counterparty risk, considering that derivatives with deteriorated counterparties and positive fair value are classified in level 3 of the fair value hierarchy, and to the presence of contracts measured through parameters which cannot be observed on the market, in compliance with the guidelines described in paragraph A.4.3 – Fair value hierarchy.

"Transfers from other levels" of "Financial assets available for sale" are mainly due to the reclassification from level 3 to level 2 of the stake in the Bank of Italy as the recognition was based on the direct transaction method.

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Hedging derivatives
1. Initial amount	**131**	**-**	**5**
2. Increases	**41**	**-**	**6**
2.1 Issues	-	-	-
2.2 Losses recognised in:	4	-	2
2.2.1 Income statement	*4*	-	*2*
- of which capital losses	*4*	-	*2*
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Trasfers from other levels	35	-	4
2.4 Other increases	2	-	-
3. Decreases	**-26**	**-**	**-5**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-26	-	-5
3.3.1 Income statement	*-26*	-	*-5*
- of which capital gains	*-21*	-	*-5*
3.3.2 Shareholders' equity	*X*	*X*	-
3.4 Trasfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Final amount	**146**	**-**	**6**

"Financial liabilities held for trading" refer to derivative contracts with a negative fair value.
Transfers from other levels include contracts measured through parameters which cannot be observed on the market, in accordance with the guidelines described in paragraph A.4.3 - Fair value hierarchy.

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

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2015				31.12.2014			
	Book value	Level 1	Level 2	Level 3	**Book value**	Level 1	Level 2	Level 3
1. Investments held to maturity	299	-	274	-	299	-	250	-
2. Due from banks	122,044	58	81,448	40,618	117,189	58	78,515	38,836
3. Loans to customers	186,427	975	121,151	69,382	168,631	1,274	96,149	76,141
4. Investment property	3	-	-	14	3	-	-	11
5. Non-current assets held for sale and discontinued operations	1	-	-	4	-	-	-	-
Total	**308,774**	**1,033**	**202,873**	**110,018**	**286,122**	**1,332**	**174,914**	**114,988**
1. Due to banks	125,517	-	68,397	57,518	106,521	-	48,944	58,237
2. Due to customers	124,245	-	113,843	10,553	110,915	-	99,793	11,253
3. Securities issued								
4. Liabilities associated with non-current assets	99,445	49,920	51,477	63	109,921	63,699	49,005	-
Total	**349,207**	**49,920**	**233,717**	**68,134**	**327,357**	**63,699**	**197,742**	**69,490**

Financial assets and liabilities

For assets and liabilities not measured at fair value (securities held to maturity, loans and loans represented by securities, amounts due to customers and securities issued), the Bank measures fair value by calculating the present value of future cash flows at a rate that incorporates the estimate of the main risks and uncertainties associated with the financial instrument to be measured (discount rate adjustment approach).
In particular, the interest rate used to discount the future cash flows is determined by taking into account the following risk factors:

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

For fixed rate instruments, the cash flows are those envisaged by the contracts. For floating rate instruments, the future cash flows are determined based on forward rates, implicit in the zero coupon interest rate curves observed at the various fixing dates and differentiated by indexation type.
The value of the risk premium (credit spread) is determined per individual position, through acquisition of the risk class (LGD) and rating (PD). These amounts, together with the average residual financial life, constitute the guideline for acquisition of the credit spread. The spread curve is determined based on the same rules for securities issued by Intesa Sanpaolo as well.
The following assumptions were used in determining the fair values indicated in table A.4.5.4:

- for debt securities classified under held to maturity and for loans represented by securities, the same rules envisaged for the fair value measurement of other categories of securities are used;
- for securities issued, the rules used are the same as those applied to securities under assets;
- the book value is calculated as the reasonable approximation of fair value for:
  - demand financial items (assets and liabilities) or financial items with an original maturity equal to or less than 12 months which, in the table, are presented in the column corresponding to level 2 of the fair value hierarchy except for demand loans presented in the column corresponding to level 3 of the fair value hierarchy;
  - non-performing assets, which in the table are included in the column corresponding to level 3 of the fair value hierarchy.

Non-financial assets

Regarding investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

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

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

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

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

When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement.

Similarly, in the event of "on the book" transactions falling under the Bank's activities, the Day-One-Profits earned on level 3 transactions (including in the above "on the book" management) are taken to the income statement when the bank carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

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

In 2015 no significant amounts to be deferred to income statement were identified which are not attributable to risk factors or commercial margins.

Part B – Information on the Parent Company's balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

(millions of euro)

	31.12.2015	31.12.2014
a) Cash	1,557	1,811
b) On demand deposits with Central Banks	5,921	2,572
TOTAL	**7,478**	**4,383**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	6,685	1,316	83	6,890	722	67
1.1 structured securities	-	-	-	*10*	-	-
1.2 other debt securities	*6,685*	*1,316*	*83*	*6,880*	*722*	*67*
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	416	134	209	446	175	113
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**7,101**	**1,450**	**292**	**7,336**	**897**	**180**
B. Derivatives						
1. Financial derivatives	-	13,813	246	-	15,301	254
1.1 trading	-	*13,803*	*246*	-	*15,287*	*254*
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*10*	-	-	*14*	-
2. Credit derivatives	-	68	2	-	85	22
2.1 trading	-	*68*	*2*	-	*85*	*22*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**13,881**	**248**	**-**	**15,386**	**276**
TOTAL (A+B)	**7,101**	**15,331**	**540**	**7,336**	**16,283**	**456**

Debt securities include the securities connected with securitisation transactions for a total amount of 252 million euro, of which 251 million euro is senior and 1 million euro is mezzanine.

2.2. Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

	31.12.2015	31.12.2014
A) CASH ASSETS		
1. Debt securities	**8,084**	**7,679**
a) Governments and Central Banks	3,041	2,570
b) Other public entities	373	354
c) Banks	3,029	3,174
d) Other issuers	1,641	1,581
2. Equities	**-**	**-**
a) Banks	-	-
b) Other issuers	-	-
- insurance companies	-	-
- financial institutions	-	-
- non-financial companies	-	-
- other	-	-
3. Quotas of UCI	**759**	**734**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
Total A	**8,843**	**8,413**
B) DERIVATIVES		
a) Banks	10,231	11,191
b) Customers	3,898	4,471
Total B	**14,129**	**15,662**
TOTAL (A+B)	**22,972**	**24,075**

Amounts referring to "Quotas of UCI" mainly regard hedge fund positions.

SECTION 3 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS - CAPTION 30

3.1 Financial assets designated at fair value through profit and loss: breakdown

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	-	185	61	-	243	-
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	-	*185*	*61*	-	*243*	-
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	-	-	101	-	-	101
4. Loans	-	9	-	-	1	-
4.1 structured	-	*8*	-	-	-	-
4.2 other	-	*1*	-	-	*1*	-
Total	**-**	**194**	**162**	**-**	**244**	**101**
Cost	**-**	**185**	**159**	**-**	**232**	**106**

In this category the Bank has classified debt securities with embedded derivatives, debt securities subject to financial hedging, equity investments held, directly or through funds, in companies involved in the venture capital business and loans connected to the LECOIP for the employment agreements, terminated early, of its employees and those of Group companies, which the Bank manages based on fair value.

On the basis of the loans included in the aggregate, no hedges were arranged and no credit derivatives or similar instruments exist to mitigate the relevant credit risk. The amount of relevant annual and total fair value change attributable to the credit risk changes occurred in the period is immaterial.

3.2 Financial assets designated at fair value through profit and loss: borrower/issuer breakdown

(millions of euro)

	31.12.2015	31.12.2014
1. Debt securities	**246**	**243**
a) Governments and Central Banks	1	1
b) Other public entities	-	-
c) Banks	245	242
d) Other issuers	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other issuers	-	-
- insurance companies	-	-
- financial institutions	-	-
- non-financial companies	-	-
- other	-	-
3. Quotas of UCI	**101**	**101**
4. Loans	**9**	**1**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	8	-
d) Other counterparties	1	1
TOTAL	**356**	**345**

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(millions of euro)

	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	26,411	190	24	26,527	439	139
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	*26,411*	*190*	*24*	*26,527*	*439*	*139*
2. Equities	66	2,111	521	147	437	2,888
2.1 Measured at fair value	*66*	*2,111*	*515*	*147*	*437*	*2,881*
2.2 Measured at cost	-	-	*6*	-	-	*7*
3. Quotas of UCI	12	-	415	11	-	375
4. Loans	-	41	3	-	8	4
TOTAL	**26,489**	**2,342**	**963**	**26,685**	**884**	**3,406**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

Financial assets available for sale (subcaption 2.1 - level 2) include 1,920 million euro referring to the stake issued by the Bank of Italy in application of Law Decree 133 of 30 November 2013, converted into Law 5 of 29 January 2014, following amendments to the Statute approved by the Meeting of Bank of Italy's Shareholders on 23 December 2013, effective 31 December 2013.
It should be noted that during the year the stake in the Bank of Italy was reclassified from fair value level 3 to level 2, as the recognition was based on the direct transaction method.
For the valuation of the above-mentioned stake, the related checks made and further information, reference is made to the contents of Section 4 – Part B of the Notes to the consolidated financial statements.
Debt securities include the junior securities connected with securitisation transactions for a total amount of 11 million euro.

With reference to the equities measured at cost, investments mainly refer to non-financial companies featuring individual immaterial amounts.

4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

	31.12.2015	31.12.2014
1. Debt securities	**26,625**	**27,105**
a) Governments and Central Banks	26,135	26,606
b) Other public entities	29	84
c) Banks	201	24
d) Other issuers	260	391
2. Equities	**2,698**	**3,472**
a) Banks	1,990	2,424
b) Other issuers	708	1,048
- insurance companies	-	-
- financial institutions	*122*	*128*
- non-financial companies	*586*	*920*
- other	-	-
3. Quotas of UCI	**427**	**386**
4. Loans	**44**	**12**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	3	4
d) Other counterparties	41	8
TOTAL	**29,794**	**30,975**

The aggregate includes positions resulting from the conversion of loans for 127 million euro, including equities issued by non-financial companies and quotas of UCI for 6 million euro.
Equities include instruments issued by borrowers classified as doubtful or unlikely to pay with a total carrying amount of 13 million euro; such positions were subject to cumulated write downs for 33 million euro, of which 2 million were recognized during the year.

4.3 Financial assets available for sale: assets with specific hedges

(millions of euro)

	31.12.2015	31.12.2014
1. Financial assets with specific fair value hedges	**20,869**	**26,024**
a) Interest rate risk	20,811	25,968
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Various risks	58	56
2. Financial assets with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**20,869**	**26,024**

Impairment tests for financial assets available for sale

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
For further details on the criteria for impairment testing of financial assets available for sale, reference should be made to Part A - Accounting policies of the Notes to the consolidated and Parent Company's financial statements and to Part B – Information on the consolidated balance sheet – Assets of the Notes to the consolidated financial statements.

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	299	-	274	-	299	-	250	-
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	*299*	-	*274*	-	*299*	-	*250*	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**299**	**-**	**274**	**-**	**299**	**-**	**250**	**-**

5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

	31.12.2015	31.12.2014
1. Debt securities	**299**	**299**
a) Governments and Central Banks	299	298
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	1
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
TOTAL	**299**	**299**
TOTAL FAIR VALUE	**-**	**-**

5.3 Investments held to maturity with specific hedges

As at 31 December 2015, no investments held to maturity with specific hedges were recorded.

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**3,413**	**-**	**181**	**3,232**	**1,312**	**-**	**-**	**1,312**
1. Time deposits	-				-			
2. Compulsory reserve	3,413				1,312			
3. Repurchase agreements	-				-			
4. Other	-				-			
B. Due from banks	**118,631**	**58**	**81,267**	**37,386**	**115,877**	**58**	**78,515**	**37,524**
1. Loans	114,837	-	77,962	37,017	109,665	-	72,405	37,524
1.1 Current accounts and deposits	*7,143*				*8,690*			
1.2 Time deposits	*75,458*				*64,930*			
1.3 Other loans	*32,236*				*36,045*			
- Reverse repurchase agreements	*4,682*				*9,152*			
- Financial leases	-				-			
- Other	*27,554*				*26,893*			
2. Debt securities	3,794	58	3,305	369	6,212	58	6,110	-
2.1 Structured	-				-			
2.2 Other	*3,794*				*6,212*			
TOTAL	**122,044**	**58**	**81,448**	**40,618**	**117,189**	**58**	**78,515**	**38,836**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

Non-performing loans due from banks amounted to 3 million euro as at 31 December 2015 and 26 million euro as at 31 December 2014.

6.2 Due from banks with specific hedges

(millions of euro)

	31.12.2015	31.12.2014
1. Due from banks with specific fair value hedges	**365**	**287**
a) Interest rate risk	326	252
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	39	35
2. Due from banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**365**	**287**

6.3 Financial leases

Intesa Sanpaolo has no financial leases with banks.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(millions of euro)

	31.12.2015						31.12.2014					
	Book value			Fair value			Book value			Fair value		
	Performing	Non-performing					Performing	Non-performing				
		purchased	other	Level 1	Level 2	Level 3		purchased	other	Level 1	Level 2	Level 3
Loans	**158,270**	**523**	**14,808**	**-**	**112,304**	**67,681**	**142,380**	**710**	**12,601**	**-**	**87,403**	**75,270**
1. Current accounts	9,969	14	2,177				11,579	16	1,947			
2. Reverse repurchase agreements	12,367	-	-				7,673	-	-			
3. Mortgages	81,400	506	9,844				76,010	561	8,109			
4. Credit card loans, personal loans and transfer of one fifth of salaries	6,946	-	233				1,252	-	21			
5. Finance leases	-	-	-				-	-	-			
6. Factoring	-	-	-				-	-	-			
7. Other loans	47,588	3	2,554				45,866	133	2,524			
Debt securities	**12,775**	**-**	**51**	**975**	**8,847**	**1,701**	**12,908**	**-**	**32**	**1,274**	**8,746**	**871**
8. Structured securities	*6*	-	*10*				*5*	-	*1*			
9. Other debt securities	*12,769*	-	*41*				*12,903*	-	*31*			
TOTAL	**171,045**	**523**	**14,859**	**975**	**121,151**	**69,382**	**155,288**	**710**	**12,633**	**1,274**	**96,149**	**76,141**

The fair value is indicated only where required by specific instructions from the Bank of Italy.

Loans to customers include loans disbursed on public funds under administration for which the Bank holds the risk in the amount of 14 million euro.

Debt securities include the securities connected with securitisation transactions for a total amount of approximately 3,811 million euro, of which 3,737 million euro is senior, 63 million euro is mezzanine and 11 million euro is junior.

7.2 Loans to customers: borrower/issuer breakdown

(millions of euro)

	31.12.2015			31.12.2014		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Debt securities	**12,775**	**-**	**51**	**12,908**	**-**	**32**
a) Governments	2,121	-	-	2,492	-	-
b) Other public entities	4,788	-	28	5,219	-	31
c) Other issuers	5,866	-	23	5,197	-	1
- non-financial companies	*1,189*	-	*23*	*1,328*	-	*1*
- financial institutions	*4,626*	-	-	*3,869*	-	-
- insurance companies	*51*	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans	**158,270**	**523**	**14,808**	**142,380**	**710**	**12,601**
a) Governments	5,370	-	7	6,645	-	1
b) Other public entities	8,013	-	208	8,413	-	222
c) Other counterparties	144,887	523	14,593	127,322	710	12,378
- non-financial companies	*68,138*	*515*	*12,096*	*61,827*	*699*	*10,258*
- financial institutions	*33,646*	*5*	*362*	*29,987*	*7*	*442*
- insurance companies	*968*	-	-	*927*	-	-
- other	*42,135*	*3*	*2,135*	*34,581*	*4*	*1,678*
TOTAL	**171,045**	**523**	**14,859**	**155,288**	**710**	**12,633**

7.3 Loans to customers with specific hedges

(millions of euro)

	31.12.2015	31.12.2014
1. Loans to customers with specific fair value hedges	**15,031**	**20,348**
a) Interest rate risk	14,418	19,768
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	613	580
2. Loans to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**15,031**	**20,348**

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are hedged via specific fair value hedges of the interest rate risk as well as via the stabilisation of the interest flows (cash flow hedges) of floating rate funding, to the extent that this is used to finance fixed rate loans, and via macro fair value hedges.

7.4 Financial leases

Intesa Sanpaolo has no financial leases with customers.

SECTION 8 - HEDGING DERIVATIVES – CAPTION 80

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.
Only derivatives traded on regulated markets are considered quoted derivatives.

8.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2015			Notional value 31.12.2015	Fair value 31.12.2014			Notional value 31.12.2014
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**6,367**	**20**	**120,643**	**-**	**8,246**	**4**	**120,607**
1) fair value	-	6,358	20	117,293	-	8,234	4	117,457
2) cash flows	-	9	-	3,350	-	12	-	3,150
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,367**	**20**	**120,643**	**-**	**8,246**	**4**	**120,607**

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	99	-	-	-	-	X	-	X	X
2. Loans	62	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	15	X	9	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**161**	**-**	**-**	**-**	**-**	**15**	**-**	**9**	**-**
1. Financial liabilities	5,232	-	-	X	518	X	1	X	X
2. Portfolio	X	X	X	X	X	451	X	-	X
Total liabilities	**5,232**	**-**	**-**	**-**	**518**	**451**	**1**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.
These mainly refer to specific fair value hedges of liabilities issued, as well as generic fair value hedges of demand positions under liabilities (core deposits).

SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

	31.12.2015	31.12.2014
1. Positive fair value change	**66**	**57**
1.1. of specific portfolios	66	57
a) loans	*66*	*57*
b) assets available for sale	-	-
1.2. overall	-	-
2. Negative fair value change	**-**	**-**
2.1. of specific portfolios	-	-
a) loans	-	-
b) assets available for sale	-	-
2.2. overall	-	-
TOTAL	**66**	**57**

The balance of the changes in value of assets subject to macrohedging (MCH) against interest rate risk is recorded in this caption. For the above macrohedging, the Bank took advantage of the option emerged after the definition of the IAS 39 carve out.

9.2 Assets hedged by macrohedging of interest rate risk

(millions of euro)

Hedged assets	31.12.2015	31.12.2014
1. Loans	15,409	10,839
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**15,409**	**10,839**

The table shows assets hedged by macrohedging of interest rate risk.
The increase is attributable to further extension of the activation, in 2015, of macro hedges of the interest rate risk on the loans.
Additional information on fair value hedging is available in Part E – Information on risks and relative hedging policies of the Notes to the consolidated financial statements.

SECTION 10 – EQUITY INVESTMENTS – CAPTION 100

10.1 Equity investments: information on equity interests

		Registered office	Place of business	% held	Votes available %
A. WHOLLY-OWNED SUBSIDIARIES					
1	08 GENNAIO S.r.l.	Milano	Milano	100.00	100.00
2	ACCEDO S.p.A.	Bologna	Bologna	100.00	100.00
3	BANCA DELL'ADRIATICO S.p.A.	Ascoli Piceno	Pesaro	100.00	100.00
4	BANCA IMI S.p.A.	Milano	Milano	100.00	100.00
5	BANCA INTESA A.D. - BEOGRAD (a)	Novi Beograd	Novi Beograd	15.21	15.21
6	BANCA INTESA JOINT-STOCK COMPANY (a)	Moscow	Moscow	46.98	46.98
7	BANCA PROSSIMA S.p.A. (b)	Milano	Milano	80.16	80.16
8	BANCO DI NAPOLI S.p.A.	Napoli	Napoli	100.00	100.00
9	BANK OF ALEXANDRIA S.A.E. (c)	Cairo	Cairo	80.00	70.25
10	BANKA KOPER D.D. (d)	Koper	Koper	98.38	98.38
11	CASSA DEI RISPARMI DI FORLI' E DELLA ROMAGNA S.p.A. - CARIROMAGNA	Forlì	Forlì	83.38	83.38
12	CASSA DI RISPARMIO DEL FRIULI VENEZIA GIULIA S.p.A. - CariFVG	Gorizia	Udine	100.00	100.00
13	CASSA DI RISPARMIO DEL VENETO S.p.A.	Padova	Padova	100.00	100.00
14	CASSA DI RISPARMIO DI FIRENZE S.p.A.	Firenze	Firenze	100.00	100.00
15	CASSA DI RISPARMIO DI PISTOIA E DELLA LUCCHESIA S.P.A. (a)	Pistoia	Pistoia	8.11	8.11
16	CASSA DI RISPARMIO IN BOLOGNA S.p.A.	Bologna	Bologna	100.00	100.00
17	CASSE DI RISPARMIO DELL'UMBRIA S.p.A.	Terni	Terni	98.71	98.71
18	CIB BANK LTD. (a)	Budapest	Budapest	32.31	32.31
19	CONSORZIO STUDI E RICERCHE FISCALI - GRUPPO INTESA SANPAOLO	Roma	Roma	60.00	60.00
20	EURIZON CAPITAL SGR S.p.A.	Milano	Milano	100.00	100.00
21	FIDEURAM - Intesa Sanpaolo Private Banking S.p.A.	Roma	Roma	100.00	100.00
22	FIDEURAM VITA S.p.A.	Roma	Roma	80.01	80.01
23	IMI INVESTIMENTI S.p.A.	Bologna	Bologna	100.00	100.00
24	IMMIT - IMMOBILI ITALIANI S.R.L.	Torino	Torino	100.00	100.00
25	IN.FRA - INVESTIRE NELLE INFRASTRUTTURE S.p.A.	Milano	Milano	100.00	100.00
26	INFOGROUP S.c.p.A. (a)	Firenze	Firenze	31.76	31.76
27	INTESA FUNDING LLC	Wilmington - Delaware	New York	100.00	100.00
28	INTESA SANPAOLO BANK ALBANIA SH.A.	Tirana	Tirana	100.00	100.00
29	INTESA SANPAOLO BANK IRELAND PLC	Dublin	Dublin	100.00	100.00
30	INTESA SANPAOLO BRASIL S.A. - BANCO MULTIPLO	Sao Paulo	Sao Paulo	99.90	99.90
31	INTESA SANPAOLO CASA S.p.A.	Milano	Milano	100.00	100.00
32	INTESA SANPAOLO EXPO Institutional Contact S.r.l.	Milano	Milano	100.00	100.00
33	INTESA SANPAOLO FORMAZIONE Società Consortile per Azioni	Napoli	Napoli	64.61	64.61
34	INTESA SANPAOLO GROUP SERVICES S.c.p.A.	Torino	Torino	99.90	99.90
35	INTESA SANPAOLO HIGHLINE S.r.l.	Torino	Torino	100.00	100.00
36	INTESA SANPAOLO HOLDING INTERNATIONAL S.A.	Luxembourg	Luxembourg	100.00	100.00
37	INTESA SANPAOLO PROVIS S.p.A.	Milano	Milano	100.00	100.00
38	INTESA SANPAOLO RE.O.CO. S.P.A.	Milano	Milano	100.00	100.00
39	INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	Bucharest	Bucharest	91.47	91.47
40	INTESA SANPAOLO SEC S.A.	Luxembourg	Luxembourg	100.00	100.00
41	INTESA SANPAOLO SECURITISATION VEHICLE S.r.l.	Milano	Milano	100.00	100.00
42	INTESA SANPAOLO SERVICOS E EMPREENDIMENTOS LTDA	Sao Paulo	Sao Paulo	99.82	99.82
43	INTESA SANPAOLO VITA S.p.A.	Torino	Milano	99.99	99.99
44	INTESA SEC. 3 S.r.l.	Milano	Milano	60.00	60.00
45	INTESA SEC. NPL S.p.A.	Milano	Milano	60.00	60.00
46	INTESA SEC. S.p.A.	Milano	Milano	60.00	60.00
47	ISP CB IPOTECARIO S.r.l.	Milano	Milano	60.00	60.00
48	ISP CB PUBBLICO S.r.l.	Milano	Milano	60.00	60.00
49	ISP OBG S.r.l.	Milano	Milano	60.00	60.00
50	MEDIOCREDITO ITALIANO S.p.A.	Milano	Milano	100.00	100.00
51	OLDEQUITER S.p.A.	Torino	Torino	100.00	100.00
52	OOO INTESA REALTY RUSSIA	Moscow	Moscow	100.00	100.00
53	OTTOBRE 2008 S.r.l.	Milano	Milano	100.00	100.00
54	PRAVEX BANK Public Joint-Stock Company Commercial Bank	Kiev	Kiev	100.00	100.00
55	PRIVATE EQUITY INTERNATIONAL S.A.	Luxembourg	Luxembourg	90.90	90.90
56	RISANAMENTO S.p.A. (e)	Milano	Milano	48.88	48.88

		Registered office	Place of business	% held	Votes available %
57	SETEFI - SERVIZI TELEMATICI FINANZIARI PER IL TERZIARIO S.p.A.	Milano	Milano	100.00	100.00
58	STUDI E RICERCHE PER IL MEZZOGIORNO (a)	Napoli	Napoli	33.33	33.33
59	TELCO IS S.r.l. - in liquidation	Milano	Milano	100.00	100.00
B. COMPANIES SUBJECT TO JOINT CONTROL					
1	AUGUSTO S.r.l.	Milano	Milano	5.00	5.00
2	COLOMBO S.r.l.	Milano	Milano	5.00	5.00
3	DIOCLEZIANO S.r.l.	Milano	Milano	5.00	5.00
4	MANUCOR S.p.A.	Milano	Sessa Aurunca	72.75	45.50
5	TANGENZIALE ESTERNA S.p.A.	Milano	Milano	2.58	2.58
6	TANGENZIALI ESTERNE DI MILANO S.p.A.	Milano	Milano	17.53	17.53
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (*)					
1	AUTOSTRADA PEDEMONTANA LOMBARDA S.p.A.	Assago	Assago	4.01	4.01
2	AUTOSTRADE LOMBARDE S.p.A.	Brescia	Brescia	42.51	42.51
3	BANK OF QINGDAO CO. LTD.	Qingdao	Qingdao	15.33	15.33
4	CARGOITALIA S.p.A. In liquidation	Milano	Milano	33.33	33.33
5	CASSA DI RISPARMIO DI FERMO S.p.A.	Fermo	Fermo	33.33	33.33
6	CLASS DIGITAL SERVICE S.r.l.	Milano	Milano	31.25	31.25
7	COMPAGNIA AEREA ITALIANA S.p.A.	Fiumicino	Fiumicino	31.12	31.12
8	CONSORZIO BANCARIO SIR S.p.A in liquidation	Roma	Roma	38.49	38.49
9	EUROMILANO S.p.A.	Milano	Milano	43.43	43.43
10	EUROPROGETTI E FINANZA In Liquidazione S.p.A.	Roma	Roma	15.97	15.97
11	FENICE S.r.l.	Milano	Milano	9.08	9.08
12	IMPIANTI S.r.l. in liquidation	Milano	Milano	27.95	27.95
13	ITALCONSULT S.p.A.	Roma	Roma	40.00	40.00
14	ITALFONDIARIO S.p.A.	Roma	Roma	11.25	11.25
15	LEONARDO TECHNOLOGY S.p.A.	Milano	Milano	26.60	26.60
16	NUOVO TRASPORTO VIAGGIATORI S.p.A.	Roma	Roma	23.92	23.92
17	PIETRA S.r.l.	Milano	Milano	22.22	22.22
18	PORTOCITTA' S.r.l.	Trieste	Pozzuolo del Friuli	12.50	12.50
19	PRELIOS SGR S.p.A.	Milano	Milano	10.00	10.00
20	R.C.N. FINANZIARIA S.p.A.	Mantova	Mantova	23.96	23.96
21	SICILY INVESTMENTS S.A.R.L.	Luxembourg	Luxembourg	25.20	25.20
22	SMIA S.p.A.	Roma	Roma	38.49	38.49
23	SOCIETA' DI PROGETTO AUTOSTRADA DIRETTA BRESCIA MILANO S.p.A.	Brescia	Brescia	0.05	0.05
24	SOLAR EXPRESS S.r.l.	Firenze	Firenze	40.00	40.00
25	TRINACRIA CAPITAL S.A.R.L.	Luxembourg	Luxembourg	25.20	25.20
26	VARESE INVESTIMENTI S.p.A.	Varese	Varese	40.00	40.00

(a) Company included among significant equity investments as, in total, the Group holds a controlling share.

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

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

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

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

(*) Intesa Sanpaolo holds 5% of the capital of Adriano Lease Sec. S.r.l., vehicle used for Group securitisations.

The illustration of the reasons determining whether a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

Equity investments include relations with borrowers classified as doubtful or unlikely to pay, with a total carrying amount of 157 million euro; such positions were subject to cumulated write downs for 297 million euro, of which 47 million euro recognized during the year.

10.2 Individually material equity investments: book value, fair value and dividends received

For the information relating to this paragraph, not required by the instructions provided by the Bank of Italy concerning the financial statements, reference should be made to the relevant section of the Notes to the consolidated financial statements.

10.3 Individually material equity investments: financial information

For the information relating to this paragraph, not required by the instructions provided by the Bank of Italy concerning the financial statements, reference should be made to the relevant section of the Notes to the consolidated financial statements.

10.4 Individually immaterial equity investments: financial information

For the information relating to this paragraph, not required by the instructions provided by the Bank of Italy concerning the financial statements, reference should be made to the relevant section of the Notes to the consolidated financial statements.

10.5 Equity investments: annual changes

(millions of euro)

	31.12.2015	31.12.2014
A. Initial amount	**28,940**	**29,092**
B. Increases	**2,031**	**3,310**
B.1 purchases	1,173	690
of which business combinations	*653*	*1*
B.2 write-backs	80	-
B.3 revaluations	-	-
B.4 other changes	778	2,620
C. Decreases	**-2,389**	**-3,462**
C.1 sales	-263	-228
C.2 impairment losses	-217	-502
C.3 other changes	-1,909	-2,732
D. Final amount	**28,582**	**28,940**
E. Total revaluations	**26**	**26**
F. Total impairment losses	**-12,972**	**-13,521**

Subcaption B.1 "Purchases" primarily includes the following transactions:
- purchase of 85,276,948 shares of Cassa di Risparmio di Firenze S.p.A. for 183 million euro;
- subscription to a share capital increase of Intesa Sanpaolo Provis S.p.A. for 100 million euro;
- subscription to a share capital increase of Intesa Sanpaolo Brasil S.A. - Banco Multiplo for 92 million euro;
- subscription to a share capital increase of Pravex Bank Public Joint-Stock Company Commercial Bank for 82 million euro;
- subscription to a share capital increase of Compagnia Aerea Italiana S.p.A. for 16 million euro;
- subscription to a share capital increase of Nuovo Trasporto Viaggiatori S.p.A. for 15 million euro.

Subcaption B.4 "Other changes" essentially refers to the following transactions:
- contribution of a business line to Mazoni S.r.l. for 251 million euro;
- partial proportional demerger of a business line from Manzoni S.r.l. to Melville S.r.l. for 140 million euro;
- contribution of a business line to Fideuram – Intesa Sanpaolo Private Banking S.p.A. for 272 million euro, of which 258 million euro relating to the entire investment in Intesa Sanpaolo Private Banking S.p.A. and 14 million euro relating to the entire investment in Sirefid S.p.A..

Subcaption C.1 "Purchases" primarily includes the following transactions:
- sale of Melville S.r.l. for a total value of 145 million euro;
- sale of Manzoni S.r.l. for a total value of 115 million euro;

Subcaption C.3 "Other changes" essentially includes the following transactions:
- non-proportional partial demerger of Cassa di Risparmio di Firenze S.p.A. for 460 million euro;
- contribution of a business line to Fideuram – Intesa Sanpaolo Private Banking S.p.A. for 272 million euro, of which 258 million euro relating to the entire investment in Intesa Sanpaolo Private Banking S.p.A. and 14 million euro relating to the entire investment in Sirefid S.p.A.;
- merger by incorporation of Banca Monte Parma S.p.A. for 220 million euro;
- merger by incorporation of Cassa di Risparmio di Rieti S.p.A. for 182 million euro;
- merger by incorporation of Banca di Trento e Bolzano S.p.A. for 140 million euro;
- partial proportional demerger of a business line from Manzoni S.r.l. to Melville S.r.l. for 140 million euro;
- merger by incorporation of Cassa di Risparmio della Provincia di Viterbo S.p.A. for 110 million euro;
- merger by incorporation of Cassa di Risparmio di Civitavecchia S.p.A. for 92 million euro;
- partial proportional demerger of Accedo S.p.A., for 78 million euro;
- partial demerger of Telco S.p.A., for 67 million euro.

10.6 Commitments referred to investments in companies subject to joint control

For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

10.7 Commitments referred to investments in companies subject to significant influence

For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

10.8 Significant restrictions

For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

10.9 Other information

For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

Impairment tests of investments

As required under IAS/IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.
With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected the recoverable amount, represented by the higher of the fair value less costs to sell and the value in use, is calculated and if it proves lower than the carrying value, impairment is recognised.
With regard to investments in associates or companies subject to joint control, impairment testing led to the need to adjust the values of certain companies. Specifically, write-downs were recorded mainly for the investments in Compagnia Aerea italiana (former Alitalia) (47 million euro), and Autostrade Lombarde (34 million euro).
Individual investments in subsidiaries, while material as individual assets from an accounting standpoint, do not present independent cash flow generation and governance capacity, given the organisational model, which calls for CGUs larger than the individual legal entities. Accordingly, controlling interests are not individually material for the purposes of conducting impairment tests in the financial statements of the Parent Company, but rather are aggregated (along with the operating activities conducted directly by the Parent Company) into CGUs consistent with those identified at the level of the consolidated financial statements. This approach is tied to the organisational model applied by the Group. According to that model, individual investments belonging to a given CGU are not capable of generating cash flows independently from the other investments. Therefore, their recoverable amounts cannot be calculated individually, as required by IAS 36.
In view of the consistency that must be preserved between the impairment tests conducted in the consolidated financial statements and the financial statements of the Parent Company, in addition to the homogeneity of the composition of CGUs, the correlation between the items tested in the two sets of financial statements must be carefully considered: the goodwill attributed to the various CGUs in the consolidated financial statements and the financial statements of the Parent Company partly reflects the goodwill associated solely with the Parent Company and partly the carrying amounts of investments in subsidiaries. The goodwill associated with the latter is implicit in the carrying amounts of the investments in the financial statements of the Parent Company and emerges in the consolidated financial statements following the consolidation process on the basis of the values determined during the purchase process pursuant to IFRS 3.
If a need to recognise an impairment loss on goodwill attributable to a given CGU is identified at the level of the consolidated financial statements, in the Parent Company's financial statements that impairment loss is attributed to the assets pertaining to the same CGU not subject to testing individually, namely goodwill, the brand name and investments in subsidiaries. As described in Part B – Information on the consolidated balance sheet - Assets, impairment tests on Cash Generating Units did not lead to the need to recognise in the consolidated financial statements impairment of goodwill, accordingly no impairment losses were recognised in relation to investments in subsidiaries.
Companies that did not present goodwill values in the consolidated financial statements but that closed 2015 with a loss were treated differently. For such companies, it was prudentially verified that the latter was due to contingent and non-structural factors; from this analysis the need emerged to write down the investments in Intesa Sanpaolo Romania S.A. Commercial Bank for 49 million euro, in CIB Bank for 38 million euro, in Pravex Bank for 22 million euro and in Banca Intesa Joint Stock Company for 17 million euro, aligning the carrying amount of the investments to the proportional share of equity of the subsidiaries.

SECTION 11 – PROPERTY AND EQUIPMENT – CAPTION 110

11.1 Property and equipment used in operations: breakdown of assets measured at cost

(millions of euro)

	31.12.2015	31.12.2014
1. Property and equipment owned	**2,855**	**2,630**
a) land	1,083	955
b) buildings	1,543	1,447
c) furniture	171	167
d) electronic equipment	54	57
e) other	4	4
2. Property and equipment acquired under finance lease	**9**	**9**
a) land	4	4
b) buildings	5	5
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**2,864**	**2,639**

11.2 Investment property: breakdown of assets measured at cost

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property and equipment owned	**3**	**-**	**-**	**14**	**3**	**-**	**-**	**11**
a) land	*1*	-	-	*7*	*1*	-	-	*5*
b) buildings	*2*	-	-	*7*	*2*	-	-	*6*
2. Property and equipment acquired under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
TOTAL	**3**	**-**	**-**	**14**	**3**	**-**	**-**	**11**

11.3 Property and equipment used in operations: breakdown of revalued assets

As at the reporting date there were no assets used in operations measured at fair value or revalued.

11.4 Investment property: breakdown of assets measured at fair value

As at the reporting date there was no investment property measured at fair value.

11.5 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**959**	**2,387**	**962**	**1,224**	**32**	**5,564**
A.1 Total net adjustments	-	-935	-795	-1,167	-28	-2,925
A.2 Net initial carrying amount	**959**	**1,452**	**167**	**57**	**4**	**2,639**
B. Increases	**130**	**247**	**29**	**20**	**-**	**426**
B.1 Purchases	130	161	29	20	-	340
of which business combinations	*49*	*71*	*6*	*3*	-	*129*
B.2 Capitalised improvement costs	-	20	-	-	-	20
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	-	66	-	-	-	66
C. Decreases	**-1**	**-151**	**-25**	**-24**	**-**	**-201**
C.1 Sales	-1	-69	-	-	-	-70
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-70	-25	-24	-	-119
C.3 Impairment losses recognised in	-	-12	-	-	-	-12
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	*-12*	-	-	-	*-12*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**1,088**	**1,548**	**171**	**53**	**4**	**2,864**
D.1 Total net adjustments	21	1,084	854	1,231	30	3,220
D.2 Gross final carrying amount	**1,109**	**2,632**	**1,025**	**1,284**	**34**	**6,084**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Total net adjustments (A1 and D1) include the amounts relating to depreciation and to adjustments recorded for the purpose of aligning the book value of an asset to its recoverable amount.
Subcaption E - Measurement at cost does not present any value since, as per instructions issued by the Bank of Italy, it must be completed only for property and equipment measured at fair value.

11.6 Investment property: annual changes

(millions of euro)

	TOTAL	
	Land	Buildings
A. Gross initial carrying amount	**1**	**4**
A.1 Total net adjustments	-	-2
A.2 Net initial carrying amount	**1**	**2**
B. Increases	**-**	**-**
B.1 Purchases	-	-
of which business combinations	-	-
B.2 Capitalised improvement costs	-	-
B.3 Positive fair value differences	-	-
B.4 Write-backs	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from property used in operations	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
of which business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-	-
C.4 Impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to other assets	-	-
a) property used in operations	-	-
b) non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	-
D. Final carrying amount	**1**	**2**
D.1 Total net adjustments	-	4
D.2 Gross final carrying amount	**1**	**6**
E. Fair value measurement	7	7

11.7 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2015 came to approximately 20 million euro and mostly referred to the construction of the new Headquarters in Torino.

SECTION 12 – INTANGIBLE ASSETS - CAPTION 120

12.1 Intangible assets: breakdown by type of asset

(millions of euro)

	31.12.2015		31.12.2014	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**820**	**X**	**815**
A.2 Other intangible assets	**16**	**1,507**	**18**	**1,507**
A.2.1 Assets measured at cost	16	1,507	18	1,507
a) Internally generated intangible assets	-	-	-	-
b) Other assets	*16*	*1,507*	*18*	*1,507*
A.2.2 Assets measured at fair value	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**16**	**2,327**	**18**	**2,322**

Other intangible assets and goodwill essentially reflect components from the purchase price allocation process, as per IFRS 3, as part of the merger by incorporation of Sanpaolo IMI into Banca Intesa.

The caption also includes software owned by international branches.

12.2 Intangible assets: annual changes

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		TOTAL
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**6,046**	**-**	**-**	**1,492**	**2,009**	**9,547**
A.1 Total net adjustments	-5,231	-	-	-1,474	-502	-7,207
A.2 Net initial carrying amount	**815**	**-**	**-**	**18**	**1,507**	**2,340**
B. Increases	**5**	**-**	**-**	**-**	**-**	**5**
B.1 Purchases	5	-	-	-	-	5
of which business combinations	*5*	-	-	-	-	*5*
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-2**	**-**	**-2**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-2	-	-2
- Amortisation	X	-	-	-2	-	-2
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**820**	**-**	**-**	**16**	**1,507**	**2,343**
D.1 Total net adjustments	5,231	-	-	1,468	502	7,201
E. Gross final carrying amount	**6,051**	**-**	**-**	**1,484**	**2,009**	**9,544**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3 Intangible assets: other information

There were no commitments to purchase intangible assets as at 31 December 2015.

Information on intangible assets and goodwill

Intangible assets and goodwill recognised to the Intesa Sanpaolo balance sheet derive mainly from the merger between Banca Intesa and Sanpaolo IMI completed on 1 January 2007.
Reference should be made to Part B – Information on the consolidated balance sheet – Assets of the consolidated financial statements for further details of the various components and measurement criteria.
The following table summarises the different values recorded for changes occurring during 2015.

(millions of euro)

	Financial statements as at 31.12.2014	Other changes (a)	Amortisation	Financial statements as at 31.12.2015
BANCA DEI TERRITORI				
- Intangible asset management - distribution	-	-	-	-
- Intangible assets insurance - distribution	18	-	-2	16
- Intangible core deposits	-	-	-	-
- Intangible brand name	1,507	-	-	1,507
- Goodwill	815	5	-	820
CORPORATE AND INVESTMENT BANKING				
- Intangible brand name	-	-	-	-
- Goodwill	-	-	-	-
TOTAL	**2,340**	**5**	**-2**	**2,343**
- Intangible asset management - distribution	-	-	-	-
- Intangible assets insurance - distribution	18	-	-2	16
- Intangible core deposits	-	-	-	-
- Intangible brand name	1,507	-	-	1,507
- Goodwill	815	5	-	820

(a) The values include the effects of the merger by incorporation of Banca di Trento e Bolzano into Intesa Sanpaolo.

Intangible assets recognised include intangible assets related to customers, represented by the measurement of the insurance portfolio (for the value component attributable to distribution).
The intangible assets with a finite life are originally measured by discounting the income margin cash flows over a period representing the residual life, contractual and estimated, of relationships existing at the time of the business combination. The brand name, an intangible asset linked to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.
For the intangible assets with a finite useful life, the amortisation for the year was recognised to the income statement (under 180. Net adjustments to/recoveries on intangible assets) for a total of 2 million euro.

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. For intangible assets with a finite useful life, impairment must be calculated each time there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.

Lastly, it should be mentioned that IAS 36, for the purpose of calculating the Value in use of intangibles subject to impairment testing, states that reference must be made to cash flows for the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those deriving from later changes, improvements or developments since its acquisition. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others. This concept can also be applied in impairment testing of goodwill to calculate the Value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3. As in previous financial statements, given the instbility of the financial markets and the available market values for calculation of the recoverable amount, which generally remain depressed, values in use were used in the impairment tests for the 2015 financial statements.

Furthermore, the methods and assumptions of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Management Board prior to approval of the draft financial statements for 2015.

Impairment testing of intangibles

Insurance portfolio

For the 2015 financial statements, the amortisation of the asset for the year was recognised to the income statement.
The amortisation for the year, which for the insurance portfolio is calculated on a variable basis corresponding to the residual lives of the policies, slightly exceeded 10% of the value of the asset recognised at the end of 2014 (equal to 2 million euro gross of the tax effect).
The analyses conducted during the year on the main impairment indicators were updated and extended for this type of intangible as well. However, a thorough recalculation of value of the intangible asset was not performed since in 2015 the performance of

the insurance business did not present any particular critical issues or indicators of impairment deriving from the performances of the various variables subject to constant monitoring on a periodic basis.

Brand name

IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process for business combinations.
For this purpose please note that the term "brand" is used in accounting standards with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.
The value recorded in the Intesa Sanpaolo financial statements refers to the Sanpaolo IMI brand recognised at the time of the Banca Intesa-Sanpaolo IMI merger.
As this intangible asset has no independent cash flows, for impairment testing purposes for the 2015 financial statements, similarly to previous financial statements, it was included in the verification of the retention of
goodwill for the various CGUs. No need for impairment was identified on the basis of the verification conducted.

Impairment testing of CGUs and goodwill

For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them. In IAS/IFRS terminology such business units are known as Cash-Generating Units (CGUs).
Specifically, the allocation of goodwill as at the date of the business combination takes into account the benefits produced by the synergies expected from the combination.
In the Intesa Sanpaolo Group, the CGUs which in the long-term benefit from the synergies of the business combinations performed and which to various extents have recognised goodwill values are:

- Banca dei Territori;
- Corporate and Investment Banking;
- Insurance;
- Asset Management;
- Private Banking;
- International Subsidiary Banks;
- Bank of Alexandria;
- Pravex Bank.

For a description of the criteria relating to the definition of the Group's CGUs reference is made to Part B - Information on the Consolidated financial statements – Assets.
More specifically, goodwill recognised to Intesa Sanpaolo financial statements has been entirely allocated to the Banca dei Territori CGU.
As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent Company is that of the Group as a whole and not only that of the Parent Company as an individual entity, the CGUs are identified in the consolidated financial statements.
Furthermore, as illustrated in the Accounting Policies, controlling investments are not treated, for impairment test purposes, as single assets to be individually subjected to testing. Considering the organisational model adopted by Intesa Sanpaolo, CGUs are defined without regard to the structure of legal entities, inasmuch as investments are aggregated, along with the operating activities performed directly by the Parent Company, into CGUs of greater size or different structure. Accordingly, the impairment test performed at the consolidated level is also relevant at the Parent Company's financial statements level.
For an illustration of impairment tests for this caption, reference should be made to Part B - Information on the consolidated balance sheet - Assets of the consolidated financial statements.
If a need to recognise an impairment loss on goodwill attributable to a given CGU is identified at the level of the consolidated financial statements, in the Parent Company's financial statements that impairment loss is attributed to the assets pertaining to the same CGU not subject to testing individually, namely goodwill, the brand name and investments in subsidiaries. As described in Part B – Information on the consolidated balance sheet - Assets, no value adjustments were identified at the CGU level in the consolidated financial statements. Therefore, on the basis of the results of the impairment test conducted at the level of the consolidated financial statements, there was no need for adjustments recognised in the Parent Company's financial statements.

SECTION 13 – TAX ASSETS AND LIABILITIES – CAPTION 130 OF ASSETS AND CAPTION 80 OF LIABILITIES

13.1 Deferred tax assets: breakdown

(millions of euro)

	31.12.2015		31.12.2014	
Corresponding caption in income statement	**IRES (27.5%)**	**IRAP (5.56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
A. Temporary deductible differences				
Adjustment to/Impairment of loans deductible in future years	1,599	179	1,587	153
of which pertaining to countries of foreign branches	*8*	-	*6*	-
Provisions for future charges	321	41	345	-
Higher tax value of equity investments, securities and other assets	101	10	54	9
of which pertaining to countries of foreign branches	-	-	-	-
Extraordinary charges for incentive-driven exit plans	23	4	23	-
Goodwill, trademarks and other intangible assets	4,128	831	4,083	866
Other	25	3	13	-
B. Taxable temporary differences				
Costs deducted off balance sheet	-	-	-	-
Capital gains in instalments	-	-	-	-
Lower tax value of equity investments, securities and other assets	95	21	124	20
Other	41	-	52	-
TOTAL	**6,061**	**1,047**	**5,929**	**1,008**
Corresponding caption in Shareholders' equity	**IRES (27.5%)**	**IRAP (5.56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
Cash flow hedge	437	89	521	105
Recognition of actuarial gains/losses	226	46	221	-
Assets available for sale	50	5	26	1
Other reserves	-	-	-	-
TOTAL	**713**	**140**	**768**	**106**
Total deferred tax assets	**6,774**	**1,187**	**6,697**	**1,114**

13.2 Deferred tax liabilities: breakdown

(millions of euro)

	31.12.2015		31.12.2014	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (5,56%)**	**IRES (27,5%)**	**IRAP (5,56%)**
A. Taxable temporary differences				
Costs deducted off balance sheet	210	40	148	28
Lower tax value of securities and other assets	225	22	217	24
of which pertaining to countries of foreign branches	*1*	-	-	-
Other	2	-	1	-
B. Temporary deductible differences				
Adjustment to/Impairment of loans deductible in future years	-	-	-	-
Higher tax value of securities and other assets	-	-	-	-
Other	-	-	-	-
TOTAL	**437**	**62**	**366**	**52**
Corresponding caption in Shareholders' equity	**IRES (27.5%)**	**IRAP (5.56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
Cash flow hedge	-	-	-	-
Recognition of actuarial gains/losses	102	21	17	-
Assets available for sale	33	4	60	19
TOTAL	**135**	**25**	**77**	**19**
Total deferred tax liabilities	**572**	**87**	**443**	**71**

13.3 Changes in deferred tax assets (through profit and loss)

(millions of euro)

	31.12.2015	31.12.2014
1. Initial amount	**6,937**	**6,704**
2. Increases	**665**	**1,197**
2.1 Deferred tax assets recognised in the period	194	526
a) related to previous years	*50*	-
b) due to changes in accounting criteria	-	-
c) writebacks	-	-
d) other	*144*	*526*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	204	360
2.4 Business combinations	267	311
3. Decreases	**-494**	**-964**
3.1 Deferred tax assets eliminated in the period	-141	-87
a) reversals	*-138*	*-87*
b) write-offs due to expired recoverability	-	-
c) changes in accounting criteria	-	-
d) other	*-3*	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-353	-871
a) changes into tax credits pursuant to Law no. 214/2011	-	*-666*
b) other	*-353*	*-205*
3.4 Business combinations	-	-6
4. Final amount	**7,108**	**6,937**

Other increases refer to write-off of netting against deferred tax liabilities, applied as at 31 December 2014, amounting to 196 million euro.
"Other decreases – other" as at 31 December 2015 include 157 million euro attributable to the netting against deferred tax liabilities for the year.

13.3.1 Changes in deferred tax assets eligible for transformation into tax credits (through profit and loss) (Law 214/2011)

(millions of euro)

	31.12.2015	31.12.2014
1. Initial amount	**6,623**	**6,403**
2. Increases	**320**	**916**
3. Decreases	**-214**	**-696**
3.1 Reversals	-19	-30
3.2 Changes into tax credits	-	-666
a) from losses for the year	-	-666
b) from fiscal losses	-	-
3.3 Other decreases	-195	-
4. Final amount	**6,729**	**6,623**

13.4 Changes in deferred tax liabilities (through profit and loss)

(millions of euro)

	31.12.2015	31.12.2014
1. Initial amount	**418**	**348**
2. Increases	**290**	**284**
2.1 Deferred tax liabilities recognised in the period	74	72
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*74*	*72*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	196	192
2.4 Business combinations	20	20
3. Decreases	**-209**	**-214**
3.1 Deferred tax liabilities eliminated in the period	-26	-11
a) reversals	*-9*	*-11*
b) due to changes in accounting criteria	-	-
c) other	*-17*	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-183	-203
3.4 Business combinations	-	-
4. Final amount	**499**	**418**

Other increases refer to write-off of netting against deferred tax assets performed as at 31 December 2014, amounting to 196 million euro.
Other decreases as at 31 December 2015 include 157 million euro attributable to the netting against deferred tax assets for the year.

13.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2015	31.12.2014
1. Initial amount	**874**	**532**
2. Increases	**212**	**396**
2.1 Deferred tax assets recognised in the period	90	383
a) related to previous years	*33*	-
b) due to changes in accounting criteria	-	-
c) other	*57*	*383*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	122	11
2.4 Business combinations	-	2
3. Decreases	**-233**	**-54**
3.1 Deferred tax assets eliminated in the period	-226	-37
a) reversals	*-226*	*-37*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-7	-17
3.4 Business combinations	-	-
4. Final amount	**853**	**874**

13.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2015	31.12.2014
1. Initial amount	**96**	**27**
2. Increases	**245**	**223**
2.1 Deferred tax liabilities recognised in the period	130	177
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*130*	*177*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	115	46
2.4 Business combinations	-	-
3. Decreases	**-181**	**-154**
3.1 Deferred tax liabilities eliminated in the period	-130	-108
a) reversals	*-130*	*-108*
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-51	-46
3.4 Business combinations	-	-
4. Final amount	**160**	**96**

Probability test on deferred taxation

For information concerning the probability test on deferred taxation, refer to the contents of Part B – Assets of the Notes to the consolidated financial statements.
The test performed showed a taxable base that was more than sufficient and adequate to allow recovery of the deferred taxes carried in the financial statements as at 31 December 2015.

13.7 Other information

There is no other information to be provided in addition to that already contained in this Section.

SECTION 14 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 140 OF ASSETS AND CAPTION 90 OF LIABILITIES

14.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

In 2015 a book value of 1 million euro relative to property and equipment deriving from business combinations was reclassified to Non-current assets held for sale and discontinued operations; the fair value (level 3) of these assets as at 31 December 2015 amounts to 4 million euro.

14.2 Other information

There is no other information to be provided.

14.3 Information on companies subject to significant influence not carried at shareholders' equity

This caption is not present.

SECTION 15 – OTHER ASSETS – CAPTION 150

15.1 Other assets: breakdown

(millions of euro)

	TOTAL
Amounts to be debited - under processing	340
Amounts to be debited - deriving from securities transactions	22
Bank cheques drawn on third parties to be settled	100
Transit items	15
Checks and other instruments held	24
Leasehold improvements	37
Due from Group companies on fiscal consolidation	145
Other	1,678
TOTAL 31.12.2015	**2,361**
TOTAL 31.12.2014	**2,829**

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(millions of euro)

	31.12.2015	31.12.2014
1. Due to Central Banks	**31,265**	**25,314**
2. Due to banks	**94,252**	**81,207**
2.1 Current accounts and deposits	15,683	17,043
2,2 Time deposits	71,727	57,217
2.3 Loans	6,782	6,931
2.3.1 Repurchase agreements	*2,336*	*2,385*
2.3.2 Other	*4,446*	*4,546*
2.4 Debts for commitments to repurchase own equity instruments	-	-
2.5 Other debts	60	16
TOTAL (book value)	**125,517**	**106,521**
Fair value - Level 1	-	-
Fair value - Level 2	68,397	48,944
Fair value - Level 3	57,518	58,237
TOTAL (Fair value)	**125,915**	**107,181**

The illustration of the criteria, used to determine the fair value is contained in Part A – Accounting policies.
Repurchase agreements related to financial assets sold not derecognised are detailed in Part E – Section C.2.
With regard to long term repurchase agreements, reference should be made to the information reported under Table 1.1 of Section 1 - Liabilities of the Notes to the consolidated financial statements.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

As at 31 December 2015 Intesa Sanpaolo had no subordinated debts to banks.

1.3 Breakdown of caption 10 Due to banks: structured debts

As at 31 December 2015 Intesa Sanpaolo has structured debts totalling 229 million euro.

1.4 Due to banks with specific hedges

(millions of euro)

	31.12.2015	31.12.2014
1. Due to banks with specific fair value hedges	**26,013**	**15,495**
a) Interest rate risk	25,861	15,358
b) Foreign exchange risk	-	-
c) Various risks	152	137
2. Due to banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**26,013**	**15,495**

1.5 Financial lease payables

1.5.1 Financial lease payables: breakdown by time interval

(millions of euro)

	31.12.2015	31.12.2014
Finance lease payables		
a) within 1 year	1	1
b) between 1 and 5 years	5	5
c) over 5 years	1	1
TOTAL	**7**	**7**

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(millions of euro)

	31.12.2015	31.12.2014
1. Current accounts and deposits	95,686	82,200
2. Time deposits	16,806	11,752
3. Loans	9,711	14,601
3.1 Repurchase agreements	*6,324*	*10,155*
3.2 Other	*3,387*	*4,446*
4. Debts for commitments to repurchase own equity instruments	-	-
5. Other debts	2,042	2,362
TOTAL (book value)	**124,245**	**110,915**
Fair value - Livello 1	-	-
Fair value - Livello 2	113,843	99,793
Fair value - Livello 3	10,553	11,253
TOTAL (Fair value)	**124,396**	**111,046**

Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section E.
Loans - Other includes 471 million euro regarding the exposure on the sale of loans related to the Sec 3 securitisation and 2 million euro regarding the K-Equity securitisation. For additional details, see Part E - Section C of the Notes.

2.2 Breakdown of caption 20 Due to customers: subordinated debts

As at 31 December 2015 Intesa Sanpaolo had no subordinated debts to customers.

2.3 Breakdown of caption 20 Due to customers: structured debts

As at 31 December 2015 Intesa Sanpaolo had no structured debts to customers.

2.4 Due to customers with specific hedges

As at 31 December 2015 Intesa Sanpaolo had no debts to customers with specific hedges.

2.5 Financial lease payables

2.5.1 Financial lease payables: breakdown by time interval

As at 31 December 2015 Intesa Sanpaolo has no financial leases with customers.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(millions of euro)

	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	94,899	49,920	46,937	56	104,441	63,699	43,525	-
1.1 structured	*1,195*	-	*1,231*	*15*	*3,327*	*2,052*	*1,232*	-
1.2 other	*93,704*	*49,920*	*45,706*	*41*	*101,114*	*61,647*	*42,293*	-
2. other	4,546	-	4,540	7	5,480	-	5,480	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*4,546*	-	*4,540*	*7*	*5,480*	-	*5,480*	-
TOTAL	**99,445**	**49,920**	**51,477**	**63**	**109,921**	**63,699**	**49,005**	**-**

Embedded derivatives that, as at their issue date, have satisfied the conditions set forth by IAS 39 for separation from the host contract as at 31 December 2015, have a net negative fair value of 230 million euro, compared to a net negative fair value as at 31 December 2014 amounting to 263 million euro.
The illustration of the criteria, used to determine the fair value is contained in Part A – Accounting policies.

3.2 Breakdown of caption 30 Securities issued: subordinated securities

Securities issued includes subordinated securities amounting to 13,721 million euro.

3.3 Breakdown of caption 30 Securities issued: securities with specific hedges

(millions of euro)

	31.12.2015	31.12.2014
1. Securities with specific fair value hedges	**69,935**	**80,317**
a) Interest rate risk	67,990	77,584
b) Foreign exchange risk	-	-
c) Various risks	1,945	2,733
2. Securities with specific cash flow hedges	**54**	**53**
a) Interest rate risk	54	53
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**69,989**	**80,370**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(millions of euro)

	31.12.2015					31.12.2014				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. CASH LIABILITIES										
1. Due to banks	**215**	**213**	**-**	**-**	**213**	**-**	**-**	**-**	**-**	**-**
2. Due to customers	**545**	**542**	**-**	**-**	**542**	**227**	**229**	**-**	**-**	**229**
3. Debt securities	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	-	-	-	-	X	-	-	-	-	X
3.2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**760**	**755**	**-**	**-**	**755**	**227**	**229**	**-**	**-**	**229**
B. DERIVATIVES										
1. Financial derivatives	**X**	**-**	**14,945**	**128**	**X**	**X**	**-**	**16,222**	**114**	**X**
1.1 Trading	X	-	14,699	-	X	X	-	15,888	1	X
1.2 Fair value option	X	-	37	-	X	X	-	37	-	X
1.3 Other	X	-	209	128	X	X	-	297	113	X
2. Credit derivatives	**X**	**-**	**75**	**18**	**X**	**X**	**-**	**96**	**17**	**X**
2.1 Trading	X	-	75	18	X	X	-	96	17	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**15,020**	**146**	**X**	**X**	**-**	**16,318**	**131**	**X**
TOTAL (A+B)	**X**	**755**	**15,020**	**146**	**X**	**X**	**229**	**16,318**	**131**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

A.1 Due to banks and A.2 Due to customers consist entirely of short selling.

4.2 Breakdown of caption 40 Financial liabilities held for trading: subordinated liabilities

Intesa Sanpaolo has no subordinated liabilities classified under Financial liabilities held for trading.

4.3 Breakdown of caption 40 Financial liabilities held for trading: structured debts

Intesa Sanpaolo has no structured debts classified under Financial liabilities held for trading.

SECTION 5 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – CAPTION 50

5.1 Financial liabilities designated at fair value: breakdown

(millions of euro)

	31.12.2015					31.12.2014				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1.Due to banks	3	-	3	-	3	-	-	-	-	-
1.1 structured	*3*	-	*3*	-	*X*	-	-	-	-	*X*
1.2 other	-	-	-	-	*X*	-	-	-	-	*X*
2. Due to customers	2	-	1	-	1	-	-	-	-	-
2.1 structured	*2*	-	*1*	-	*X*	-	-	-	-	*X*
2.2 other	-	-	-	-	*X*	-	-	-	-	*X*
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
3.2 other	-	-	-	-	*X*	-	-	-	-	*X*
TOTAL	**5**	**-**	**4**	**-**	**4**	**-**	**-**	**-**	**-**	**-**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

The Bank has classified in this category debts connected to the LECOIP for the employment agreements, terminated early, of employees of Group companies, managed by the Bank based on fair value.

The amount of relevant annual and total fair value change attributable to the changes in its own credit rating occurred in the year is immaterial.

5.2 Breakdown of caption 50 Financial liabilities designated at fair value: subordinated liabilities

Intesa Sanpaolo has no subordinated liabilities classified under Financial liabilities designated at fair value.

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

6.1. Hedging derivatives: breakdown by type of hedge and hierarchical level

(millions of euro)

	Fair value 31.12.2015			Notional value	Fair value 31.12.2014			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**5,954**	**6**	**60,137**	**-**	**7,230**	**5**	**72,874**
1. Fair value	-	4,022	6	53,350	-	4,975	5	65,292
2. Cash flows	-	1,932	-	6,787	-	2,255	-	7,582
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**5,954**	**6**	**60,137**	**-**	**7,230**	**5**	**72,874**

6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN INVESTM.
	Specific					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	267	-	-	-	15	X	-	X	X
2. Loans	2,800	-	-	X	291	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	296	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**3,067**	**-**	**-**	**-**	**306**	**296**	**-**	**-**	**-**
1. Financial liabilities	314	-	-	X	42	X	8	X	X
2. Portfolio	X	X	X	X	X	4	X	1,923	X
Total liabilities	**314**	**-**	**-**	**-**	**42**	**4**	**8**	**1,923**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	X	-	-

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.
These mainly refer to specific fair value hedges of loans disbursed and generic cash flow hedge derivatives of portfolios of liabilities. These cash flow hedges refer to floating rate securities used to fund fixed rate investments.
There are also specific fair value hedges of financial liabilities and financial assets available for sale and generic fair value hedges of loans.

SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS - CAPTION 70

7.1. Fair value change of financial liabilities in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

	31.12.2015	31.12.2014
1. Positive fair value change of financial liabilities	683	1,006
2. Negative fair value change of financial liabilities	-3	-6
TOTAL	**680**	**1,000**

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. For the above macrohedging, the Bank took advantage of the option emerged after the definition of the IAS 39 carve out.

7.2. Financial liabilities hedged by macro-hedging of interest rate risk: breakdown

(millions of euro)

	31.12.2015	31.12.2014
1. Debts	-	-
2. Portfolio	9,600	22,398
TOTAL	**9,600**	**22,398**

The table shows liabilities hedged by macrohedging of interest risk; the Bank adopted macro-hedging only for the hedging of core deposits.

SECTION 8 – TAX LIABILITIES – CAPTION 80

For information on this section, see Section 13 of Assets.

SECTION 9 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 90

There are no liabilities associated with non-current assets held for sale and discontinued operations as at the reference date.

SECTION 10 – OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities: breakdown

(millions of euro)

	31.12.2015
Due to suppliers	263
Amounts due to third parties	76
Transit items	11
Adjustments for portfolio items to be settled	418
Amounts to be credited and items under processing	470
Personnel charges	139
Due to social security entities	80
Guarantees given and commitments	290
Due to Group companies on fiscal consolidation	186
Due to tax authorities	645
Other	1,557
TOTAL 31.12.2015	**4,135**
TOTAL 31.12.2014	**4,814**

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2015	31.12.2014
A. Initial amount	**660**	**546**
B. Increases	**68**	**167**
B.1 Provisions in the year	9	17
B.2 Other	59	150
of which business combinations	*-*	*58*
C. Decreases	**-83**	**-53**
C.1 Benefits paid	-27	-21
C.2 Other	-56	-32
of which business combinations	*-1*	*-8*
D. Final amount	**645**	**660**

C.1 refers to benefits paid as at 31 December 2015.

11.2 Other information

The value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 645 million euro as at December 2015, while at the end of 2014 it amounted to 660 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(millions of euro)

	31.12.2015	31.12.2014
1. Post employment benefits	**700**	**946**
2. Other allowances for risks and charges	**1,166**	**1,009**
2.1 Legal disputes	402	398
2.2 Personnel charges	257	262
2.3 Other	507	349
TOTAL	**1,866**	**1,955**

The contents of 2. Other allowances for risks and charges are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(millions of euro)

	Post employment benefits	Other allowances	Total
A. Initial amount	**946**	**1,009**	**1,955**
B. Increases	**157**	**441**	**598**
B.1 Provisions in the year	20	401	421
B.2 Time value changes	15	2	17
B.3 Changes due to discount rate variations	-	1	1
B.4 Other	122	37	159
of which business combinations	*2*	*-*	*2*
C. Decreases	**-403**	**-284**	**-687**
C.1 Uses in the year	-56	-203	-259
C.2 Changes due to discount rate variations	-	-	-
C.3 Other	-347	-81	-428
of which business combinations	-	-	-
D. Final amount	**700**	**1,166**	**1,866**

Other allowances include net provisions of 264 million euro to caption 160 of the income statement and net provisions to other income statement captions.

12.3 Post employment defined benefit plans

1. Illustration of the characteristics of the funds and related risks

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 "Employee Benefits", is determined via the "projected unit credit method" by an independent actuary.

The defined benefit plans, in which Intesa Sanpaolo S.p.A. is jointly responsible, can be distinguished in:

- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:

- three defined benefit plans in force for the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
- Supplementary pension fund for the personnel of Banca Monte Parma: this is a corporate pension fund for the company's personnel and it is addressed towards all employees of the lending unit, banks and pledge sections, in service as at 31 October 1991.

External funds include:

- Supplementary pension fund for employees of Istituto Bancario San Paolo di Torino "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino", a fund with legal status, full economic independence and

independent asset management;
- Supplementary pension fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il Personale del Banco di Napoli – Sezione A", an entity with legal status and independent asset management. The Fund includes several separate management assets and Intesa Sanpaolo is jointly responsible for: employees enrolled in the plan and other beneficiaries from former Banco di Napoli; retired employees receiving Supplementary Pension Cheques, formerly the SANPAOLO IMI internal fund; current and retired employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary pension fund for the Employees of said Cassa, transferred to the Complementary pension fund for the employees of the Banco di Napoli in 2004; current and retired employees of the Banca Popolare dell'Adriatico, formerly enrolled in the Company pension fund for the employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30 June 2006; retired employees of the former Carive internal Fund, transferred to that fund on 1 January 2008; retired tax-collection personnel of the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo; retired employees formerly enrolled in the supplementary pension fund for employees of Mediocredito Lombardo S.p.A.; retired employees formerly enrolled in the Pension Fund for key Managers, former Key Managers and entitled parties of former Comit; retired employees formerly enrolled in the supplementary fund of SIL – Società Italiana Leasing S.p.A.; Supplementary/complementary pension fund for the mandatory pension for employees of Cassa di Risparmio di Rieti; Pension fund for the Employees of Cassa di Risparmio della Provincia di Viterbo and retired employees already formerly enrolled in the Company Supplementary pension of INPS benefits for employees of Cassa di Risparmio di Civitavecchia, transferred to the Fund in question on 1 January 2015. It is necessary to specify that if the Fund, after approval of the financial statements, shows a technical imbalance according to the statutory method, the Articles of Association envisage immediate settlement by the Banks jointly responsible;
- Pension fund for employees of former Crediop hired before 30 September 1989, a fund with legal status and full economic independence; Intesa Sanpaolo and Dexia (which are the two banks jointly responsible) must, in the event of an imbalance, proceed to pay the capital necessary to cover the imbalance and, in the event of an insufficient yield, integrate it in an amount commensurate with the difference between actual return and the TUS (official discounting rate);
- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- A defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated based on the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, based on the average wage in the last three years of service. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);
- Pension fund of Cassa di Risparmio di Firenze: fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment to Cassa employees in service as at 31 December 1990 and already enrolled in the former "contracted-out" fund.

With regard to the investment and integrated risk management policies, the Funds verify the level of coverage and the possible outcomes under various scenarios. For this purpose, various investment configurations and portfolio mixes and allocations are defined to satisfy the pension and profitability objectives as adequately as possible.

2. Changes in the year of net liabilities (assets) with defined benefits and redemption rights

(millions of euro)

Pension plan liabilities defined benefit obligations	**31.12.2015**			**31.12.2014**		
	Employee termination indemnities	**Internal plans**	**External plans**	**Employee termination indemnities**	**Internal plans**	**External plans**
Initial amount	**660**	**204**	**3,265**	**546**	**180**	**2,813**
Current service costs	2	2	28	1	2	30
Recognised past service costs	-	-	-	-	-	-
Interest expense	7	5	55	16	6	84
Actuarial losses due to changes in financial assumptions	-	-	-	78	18	548
Actuarial losses due to changes in demographic assumptions	6	-	24	-	8	279
Actuarial losses based on past experience	-	-	132	-	-	-
Positive exchange differences	-	8	3	-	8	3
Increases - business combinations	38	-	-	58	-	-
Participants' contributions	X	-	-	X	-	-
Actuarial profits due to changes in financial assumptions	-41	-8	-348	-	-	-
Actuarial profits due to changes in demographic assumptions	-	-	-55	-	-	-14
Actuarial profits based on past experience	-5	-	-63	-13	-8	-307
Negative exchange differences	-	-	-	-	-	-
Benefits paid	-27	-2	-213	-21	-10	-171
Decreases - business combinations	-1	-	-	-8	-	-
Curtailments of the fund	X	-	-	X	-	-
Settlements of the fund	X	-72	-	X	-	-
Other increases	15	-	538	14	-	-
Other decreases	**-9**	**-**	**-**	**-11**	**-**	**-**
Final amount	**645**	**137**	**3,366**	**660**	**204**	**3,265**

Liabilities of the defined benefit obligations pension plan	**31.12.2015**			**31.12.2014**		
	Employee termination indemnities	**Internal plans**	**External plans**	**Employee termination indemnities**	**Internal plans**	**External plans**
Unfunded plans	645	-	-	660	44	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	137	3,366	-	160	3,265

The high increase in actuarial gains recorded for variations in financial assumptions is due to the rate performance. The trend of the Eur Composite AA curve used for calculating the current value of defined benefit obligations, showed, compared to the previous year, an average increase ranging between 0.5% and 1% for the various deadlines, resulting in a considerable decrease in liabilities.

On the basis of actuarial calculations, the present value of the defined benefit obligations, excluding Employee termination indemnities, was as follows.

Internal plans:
– 137 million euro referred to defined benefit plans at the London branch, entirely contributed by Intesa Sanpaolo S.p.A.;
– 0.26 million euro referred to the Supplementary pension fund for the personnel of Banca Monte Parma, entirely contributed by Intesa Sanpaolo.

External plans:
– 1,661 million euro referred to the Pension fund "Cassa di Previdenza" for employees of Istituto Bancario San Paolo di Torino (1,376 million euro pertaining to Intesa Sanpaolo S.p.A.);
– 600 million euro referred to the Supplementary Pension Fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il Personale del Banco di Napoli – Sezione A" (464 million euro pertaining to Intesa Sanpaolo S.p.A.);
– 33 million euro referred to the Pension fund for employees of former Crediop hired before 30 September 1989; entirely contributed by Intesa Sanpaolo S.p.A.;
– 721 million euro referred to the Pension fund for employees of Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.;
– 25 million euro referred to defined benefit plans at the New York branch, entirely contributed by Intesa Sanpaolo S.p.A.;
– 326 million euro referred to the Pension Fund of Cassa di Risparmio di Firenze (4 million euro pertaining to Intesa Sanpaolo).

3. Information on the fair value of plan assets

(millions of euro)

Plan assets	31.12.2015		31.12.2014	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**128**	**2,257**	**107**	**2,219**
Return on assets net of interest	-1	54	13	140
Interest income	4	38	4	64
Positive exchange differences	6	2	6	2
Increases - business combinations	-	-	-	-
Employer contributions	3	-	3	3
Participants' contributions	-	-	-	-
Negative exchange differences	-	-	-	-
Decreases - business combinations	-	-	-	-
Benefits paid	-3	-213	-5	-171
Curtailments of the fund	-	-	-	-
Settlements of the fund	-25	-	-	-
Other changes	-	559	-	-
Final amount	**112**	**2,697**	**128**	**2,257**

The final amount of internal plans was broken down as follows:
– 112 million euro referred to defined benefit plans at the London branch.

The final amount of external plans was broken down as follows:
– 987 million euro referred to the Pension Fund for employees of the Istituto Bancario San Paolo di Torino;
– 493 million euro referred to the Supplementary Pension Fund for the employees of Banco di Napoli – Section A;
– 33 million euro referred to the Pension fund for employees of former Crediop hired before 30 September 1989;
– 700 million euro referred to the Pension fund for employees of Cariplo;
– 22 million euro referred to defined benefit plans at the New York branch;
– 462 million euro referred to the Pension fund of Cassa di Risparmio di Firenze.

(millions of euro)

	31.12.2015				31.12.2014			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**57**	**51.0**	**402**	**15.0**	**55**	**43.0**	**355**	**15.7**
- of which level-1 fair value	57		402		55		355	
Mutual funds	**-**	**-**	**197**	**7.0**	**17**	**13.3**	**120**	**5.3**
- of which level-1 fair value	-		196		17		120	
Debt securities	**44**	**39.0**	**1,337**	**50.0**	**19**	**14.8**	**1,300**	**57.6**
- of which level-1 fair value	44		1,323		19		1,295	
Real estate assets and investments in real estate companies	**8**	**7.0**	**605**	**22.0**	**7**	**5.5**	**390**	**17.3**
- of which level-1 fair value	-		-		-		-	
Insurance business	**2**	**2.0**	**-**	**-**	**2**	**1.6**	**-**	**-**
- of which level-1 fair value	2		-		-		-	
Other assets	**1**	**1.0**	**156**	**6.0**	**28**	**21.8**	**92**	**4.1**
- of which level-1 fair value	-		-		-		-	
TOTAL	**112**	**100.0**	**2,697**	**100.0**	**128**	**100.0**	**2,257**	**100.0**

(millions of euro)

	31.12.2015				31.12.2014			
	Internal plans	**%**	**External plans**	**%**	**Internal plans**	**%**	**External plans**	**%**
Equities	**57**	**51.0**	**402**	**15.0**	**55**	**43.0**	**355**	**15.7**
- of which financial companies	57		75		55		62	
- of which non financial companies	-		327		-		293	
Mutual funds	**-**	**-**	**197**	**7.0**	**17**	**13.3**	**120**	**5.3**
Debt securities	**44**	**39.0**	**1,337**	**50.0**	**19**	**14.8**	**1,300**	**57.6**
Government bonds	44		1,049		-		1,041	
- of which investment grade	*44*		*1,042*		-		*1,034*	
- of which speculative grade	-		*7*		-		*7*	
Financial companies	-		157		7		147	
- of which investment grade	-		*141*		*7*		*134*	
- of which speculative grade	-		*16*		-		*13*	
Non Financial companies	-		131		12		112	
- of which investment grade	-		*111*		*12*		*97*	
- of which speculative grade	-		*20*		-		*15*	
Real estate assets and investments in real estate	**8**	**7.0**	**605**	**22.0**	**7**	**5.5**	**390**	**17.3**
Insurance business	**2**	**2.0**	**-**	**-**	**2**	**1.6**	**-**	**-**
Other assets	**1**	**1.0**	**156**	**6.0**	**28**	**21.8**	**92**	**4.1**
TOTAL ASSETS	**112**	**100.0**	**2,697**	**100.0**	**128**	**100.0**	**2,257**	**100.0**

The difference between net defined benefit liabilities (Table 12.3.2) and the plan assets (Table 12.3.3) is recognised in the post-employment plans.

4. Description of the main actuarial assumptions

Actuarial assumptions	31.12.2015				31.12.2014			
	Discount rate	**Expected yield rates**	**Expected increase in salaries (a)**	**Annual inflation rate**	**Discount rate**	**Expected yield rates**	**Expected increase in salaries**	**Annual inflation rate**
EMPLOYEE TERMINATION INDEMNITIES	1.6%	X	2.7%	1.5%	1.0%	X	2.6%	1.5%
INTERNAL PLANS	2.9%	3.7%	2.2%	1.9%	1.4%	2.6%	3.2%	1.6%
EXTERNAL PLANS	2.2%	2.9%	2.6%	1.5%	1.9%	3.2%	2.4%	1.4%

(a) Net of career developments.

Starting from 2013, Intesa Sanpaolo primarily uses the Eur Composite AA rate as its discounting rate, weighted by the ratio of payments and advances referring to each maturity, on the one hand, and the total amount of payments and advances to be made for the final fulfilment of the entire obligation, on the other. In the case of defined-benefit plans in particular, the rate used is the average rate that reflects the market parameters covered by the plan. The Eur Composite AA curve is obtained daily from Bloomberg's information provider and refers to a basket of securities issued by investment-grade corporate issuers included in the AA rating class, residing in the Eurozone and belonging to various sectors.

5. Information on amount, timing and uncertainty of cash flows

Sensitivity analysis	31.12.2015					
	EMPLOYEE TERMINATION INDEMNITIES		**INTERNAL PLANS**		**EXTERNAL PLANS**	
	+50 bps	**-50 bps**	**+50 bps**	**-50 bps**	**+50 bps**	**-50 bps**
Discount rate	613	676	134	140	3,156	3,600
Rate of wage rises	643	643	137	137	3,449	3,290
Inflation rate	663	624	138	136	3,565	3,183

The sensitivity analysis is not conducted on the expected rate of return as it has no effect on the calculation of the liabilities.

The sensitivity analysis was carried out on the net defined benefit liabilities pursuant to Table 12.3.2. The absolute values of the data presented indicate the possible amount of net defined benefit liabilities in the event of a change in rate of +/- 50 bps.
The average duration of the defined benefit obligation is 14.77 years for pension funds and 10 years for employee

termination indemnities.

Any outflows to be carried out over the next year (settlement of the technical imbalance envisaged by the Articles of Association of the former Banco di Napoli and former Crediop Funds) shall be determined upon preparation of the financial statements of said Funds, which will take place in the upcoming months of May/June.

6. Plans regarding more than one employer

Intesa Sanpaolo has a defined benefit plan regarding more than one employer. It is the Pension Fund for employees of former Crediop hired before 30 September 1989.
The commitments of Dexia – Crediop and the former Sanpaolo IMI (now Intesa Sanpaolo) with regard to the Fund are governed by the agreement stipulated between the parties on 28 May 1999.
The agreement provides that, in the event of an imbalance from an actuarial valuation, as well as in the case of an annual effective yield of the assets used lower than the official discounting rate, Dexia-Crediop and Intesa Sanpaolo will have to pay the capital necessary to cover the imbalance and, and in the presence of an insufficient yield, the integration of the fund by an amount commensurate with the difference between the actual return obtained and the official discounting rate.
These payments must be made in proportion to the weight of mathematical reserves of the amounts recognised by each company over the total Fund assets.

7. Defined benefit plans that share risks among entities under joint control

The Supplementary Pension Fund for Employees of Istituto Bancario San Paolo di Torino, the Complementary Pension Fund for Employees of the former Banco di Napoli – Section A, the Pension fund for employees of the former Crediop hired before 30 September 1989 and the Pension fund of Cassa di Risparmio di Firenze are defined benefit plans that share the risks among the various Group Companies. These Companies issue a joint guarantee for their registered employees and pensioners with respect to the subject pension entities.
The liabilities of each jointly responsible Company are determined by an Independent Actuary through the "projected unit credit method" and are recorded in the financial statements net of the plan assets. Similarly, the current service cost, which represents the average present value at the measurement date of the benefits accrued by workers in service during the year, is calculated for each Company by said Actuary.
Each jointly responsible company reports in this section, for each table, the total liabilities/assets of the Funds for which it is jointly responsible, highlighting at the bottom of said tables the liability/asset amount under their responsibility.

12.4 Allowances for risks and charges – Other allowances

(millions of euro)

	31.12.2015	31.12.2014
2. Other allowances		
2.1 legal disputes	402	398
2.2 personnel charges	257	262
incentive-driven exit plans	*83*	*83*
employee seniority bonuses	*70*	*72*
other personnel expenses	*104*	*107*
2.3 other risks and charges	507	349
TOTAL	**1,166**	**1,009**

Other allowances refers to:
- legal disputes: the allowance was set up mainly to cover expected outlay for litigation and other revocatory action;
- personnel charges: the allowance includes charges for employee seniority bonuses, calculated on the basis of actuarial assumptions, provisions for annual bonuses, charges for voluntary incentive-driven exit plans and other charges;
- other risks and charges: these refer to provisions to cover tax litigations, frauds and other litigation charges.

Other allowances include outstanding provisions for the intervention by the National Interbank Deposit Guarantee Fund in the case of Banca Tercas.

SECTION 13 – REDEEMABLE SHARES – CAPTION 140

Not applicable to Intesa Sanpaolo.

SECTION 14 – PARENT COMPANY'S SHAREHOLDERS' EQUITY – CAPTIONS 130, 150, 160, 170, 180, 190 AND 200

14.1 Share capital and Treasury shares: breakdown

As at 31 December 2015 the Bank's portfolio amounts to 7,097,593 ordinary shares fully liberated.
For information on share capital, see point 14.3 below.

14.2 Share capital – Parent Company's number of shares: annual changes

(millions of euro)

	Ordinary	Other
A. Initial number of shares	**15,846,089,783**	**932,490,561**
- fully paid-in	15,846,089,783	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-8,701,239**	**-**
A.2 Shares outstanding: initial number	**15,837,388,544**	**932,490,561**
B. Increases	**17,503,250**	**-**
B.1 New issues	13,485,999	-
- for consideration	13,485,999	-
business combinations	*13,485,999*	-
conversion of bonds	-	-
exercise of warrants	-	-
other	-	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other	4,017,251	-
C. Decreases	**-2,413,605**	**-**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-2,392,970	-
C.3 Disposal of companies	-	-
C.4 Other	-20,635	-
D. Shares outstanding: final number	**15,852,478,189**	**932,490,561**
D.1 Treasury shares (+)	7,097,593	-
D.2 Final number of shares	15,859,575,782	932,490,561
- fully paid-in	15,859,575,782	932,490,561
- not paid-in	-	-

14.3 Share capital: other information

The share capital of the Bank as at 31 December 2015 amounted to 8,732 million euro, divided into 15,859,575,782 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of 0.52 euro per share. Each ordinary share gives the right to one vote in the Shareholders' Meeting.
Savings shares, which may be in bearer form, entitle the holder to attend and vote at the Special Meeting of savings shareholders.
Savings shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per non-convertible savings share will be 2% of nominal value higher than for ordinary shares.
In case of distribution of reserves the savings shares have the same rights as other shares. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.
At the date of this document, the share capital was fully paid-in and liberated.

Entries made in accordance with IFRS 3 regarding the merger between Banca Intesa and SANPAOLO IMI generated a reserve of 27,144 million euro as at 31 December 2015, equal to the difference between the acquisition cost of the Sanpaolo IMI Group and the nominal value of the shares issued to service the exchange.
In the 2007 financial statements it was reported under share premium reserve, based on the opinions expressed by legal experts.
This reserve will be reported differently should the Law or Supervisory Authorities indicate a different solution.

14.4 Reserves from retained earnings: other information

Reserves amounted to 3,577 million euro and included: legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, Art. 7, par. 3, and Law 218 of 30 July 1990, Art. 7) and other reserves.
The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.
Concentration reserves ex Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.
Valuation reserves amounted to -258 million euro and included valuation reserves of financial assets available for sale, cash flow hedge derivatives, and revaluations of net defined benefit liabilities (assets), as well as legally-required revaluations.

(millions of euro)

	Amount as at 31.12.2015	Principal	Portion of net income	Portion of net income subject to a suspended tax regime (a)	Portion available (b)	Uses in the past three years
Shareholders' equity						
– Share capital	8,732	6,211	1,338	1,183	-	-
– Equity instruments	877	884	-7	-	-	-
– Share premium reserve (c)	27,508	11,689	15,372	447	A, B, C	3,913
– Legal reserve	2,065	520	1,545	-	A(1), B	-
– Extraordinary reserve	768	45	723	-	A, B, C	822
– Concentration reserve (Law 218 of 30/7/1990, art. 7, par. 3)	232	-	-	232	A, B(2), C(3)	-
– Concentration reserve (Law 218 of 30/7/1990, art. 7)	302	-	-	302	A, B(2), C(3)	-
– Legal Reserve Branches abroad	15	-	15	-	A, B, C	-
– Reserve for stock option plans	13	-	13	-	A	-
– Oper. reserve under common control	48	-	48	-	A, B, C	-
– FTA tax rate revision reserve on property	25	-	25	-	A, B, C	-
– Lecoip contribution reserve	99	-	99	-	A	-
– Other reserves	9	13	-8	4	A, B, C	-
Valuation reserves						
– Realuation reserve (Law 576 of 2/12/1975)	4	-	-	4	A, B(2), C(3)	-
– Revaluation reserve (Law 72 of 19/3/1983)	146	-	-	146	A, B(2), C(3)	-
– Revaluation reserve (Law 408 of 29/12/1990)	8	-	-	8	A, B(2), C(3)	-
– Revaluation reserve (Law 413 of 30/12/1991)	380	-	-	380	A, B(2), C(3)	-
– Revaluation reserve (Law 342 of 22/11/2000)	456	-	-	456	A, B(2), C(3)	-
– AFS valuation reserve	131	-	131	-	(4)	-
– CFH valuation reserve	-1,064	-	-1,064	-	(4)	-
– Defined benefit plans valuation reserve	-319	-	-319	-	(4)	-
– Treasury shares	-17	-17	-	-	-	-
Total Capital and Reserves	**40,418**	**19,345**	**17,911**	**3,162**	(5)	-
Non-distributable portion (d)	5,982	-	-	-	-	-

[a] Restricted reserves for tax purposes pursuant to art. 109, par. 4 of the Combined Tax Regulations as amended by Legislative Decree no. 247/2005 amount to 7 million euro.

[b] A = capital increase; B = loss coverage; C = distribution to shareholders.

[c] The reserve for 27,144 million euro derives from the merger between Banca Intesa and Sanpaolo IMI, as a result of the application of IFRS 3 relating to business combinations.
Pending the issue of legal measures concerning the qualitification of the reserve posted in application of said accounting standard, the reserve is considered unavailable up to the amount of goodwill and intangible assets recognised in the financial statements.

[d] In accordance with art. 16, par. 1 of Legislative Decree no. 87/92, the non-distributable portion refers to revaluation reserves, share premium reserve for 2,343 million euro and valuation reserves, which can be decreased only in compliance with the provisions of art. 2445 of the Italian Civil Code, as well as a share of net income for 8 million euro corresponding to capital gains recognised in the income statement of the previous year, net of the related tax charge, arising from application of the fair value criterion, pursuant to art. 6, par. 1, letter a) of Legislative Decree no. 38/2005 and to a share of reserves under letter (a).

[1] May be used to increase capital (A) for the portion exceeding one fifth of the share capital.

[2] In case of use of the reserve to cover losses, net income may not be distributed unless the reserve is integrated or correspondingly reduced.

[3] The reserve, if it is not recorded under shareholders' equity, may be reduced only in compliance with the provisions of par. 2 and 3 of art. 2445 of the Italian Civil Code. If it is distributed to shareholders, it is recorded in the Company's taxable income.

[4] The reserve is unavailable pursuant to art. 6 of Legislative Decree no. 38/2005.

[5] Pursuant to art. 47, par. 1 of the Combined Tax Regulations, the portion of net income includes retained earnings reserves for 4,208 million euro classified for tax purposes as capital reserves.

The valuation reserves have been included under retained earnings reserves given that these are either reserves destined to be reversed to the income statement at the time of sale or discharge of the corresponding assets or liabilities, i.e. reserves essentially similar to retained earnings reserves.

14.5 Equity instruments: breakdown and annual changes

During 2015 Intesa Sanpaolo issued a U.S.$1 billion Additional Tier 1 instrument targeted at the US and Canadian markets. The instrument has characteristics in line with CRD IV provisions. For more information please refer to Part F – Information on capital.

14.6 Other information

There is no other information to be provided in addition to that already contained in this Section.

OTHER INFORMATION

1. Guarantees and commitments

(millions of euro)

	31.12.2015	31.12.2014
1) Financial guarantees given	**31,094**	**24,789**
a) Banks	17,649	11,858
b) Customers	13,445	12,931
2) Commercial guarantees given	**27,954**	**27,412**
a) Banks	6,913	6,942
b) Customers	21,041	20,470
3) Irrevocable commitments to lend funds	**42,592**	**34,975**
a) Banks	1,624	1,087
- of certain use	*797*	*349*
- of uncertain use	*827*	*738*
b) Customers	40,968	33,888
- of certain use	*1,016*	*661*
- of uncertain use	*39,952*	*33,227*
4) Underlying commitments on credit derivatives: protection sales	**632**	**1,603**
5) Assets pledged as collateral of third party commitments	**80**	**78**
6) Other commitments	**105**	**216**
TOTAL	**102,457**	**89,073**

2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

	31.12.2015	31.12.2014
1. Financial assets held for trading	1,038	1,434
2. Financial assets designated at fair value through profit and loss	-	-
3. Financial assets available for sale	10,663	9,393
4. Investments held to maturity	214	194
5. Due from banks	2,788	4,589
6. Loans to customers	54,886	59,403
7. Property and equipment	-	-
TOTAL	**69,589**	**75,013**

3. Information on operating leases

As at 31 December 2015, there are no longer any operating leases.

4. Management and dealing on behalf of third parties

(millions of euro)

	31.12.2015	31.12.2014
1. Trading on behalf of customers		
a) Purchases	307	608
1. settled	*307*	*608*
2. to be settled	-	-
b) Sales	418	666
1. settled	*418*	*666*
2. to be settled	-	-
2. Portfolio management		
a) individual	-	-
b) collective	-	-
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	-	-
1. securities issued by the reporting bank	-	-
2. other securities	-	-
b) third party securities held in deposit (excluding portfolio management): other	311,338	354,019
1. securities issued by the reporting bank	*23,167*	*55,958*
2. other securities	*288,171*	*298,061*
c) third party securities deposited with third parties	304,061	268,973
d) portfolio securities deposited with third parties	44,679	135,300
4. Other	**34,424**	**52,613**

Note regarding financial payables

For details, reference should be made to the relevant section of the Notes to the Consolidated Financial Statements.

5. Financial assets subject to offsetting in the financial statements or subject to netting framework arrangements or similar agreements

(millions of euro)

Types	Gross amount of financial assets (a)	Amount of financial liabilities offset in statement of financial position (b)	Net amount of financial assets presented in statement of financial position (c = a-b)	Amounts available to be offset but not offset in the statement of financial position		Net amount 31.12.2015 (f = c-d-e)	Net amount 31.12.2014
				Financial instruments (d)	Cash collateral (e)		
1. Derivatives	17,335	-	17,335	15,352	1,156	827	1,759
2. Repurchase agreements	15,755	-	15,755	15,610	-	145	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2015	**33,090**	**-**	**33,090**	**30,962**	**1,156**	**972**	**X**
TOTAL 31.12.2014	**28,900**	**-**	**28,900**	**25,595**	**1,546**	**X**	**1,759**

6. Financial liabilities subject to offsetting in the financial statements or subject to netting framework arrangements or similar agreements

(millions of euro)

Types	Gross amount of financial liabilities (a)	Amount of financial assets offset in statement of financial position (b)	Net amount of financial liabilities presented in statement of financial position (c = a-b)	Amounts available to be offset but not offset in the statement of financial position		Net amount 31.12.2015 (f = c-d-e)	Net amount 31.12.2014
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	19,028	-	19,028	15,506	2,452	1,070	672
2. Repurchase agreements	7,782	-	7,782	7,765	-	17	47
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2015	**26,810**	**-**	**26,810**	**23,271**	**2,452**	**1,087**	**X**
TOTAL 31.12.2014	**33,999**	**-**	**33,999**	**29,951**	**3,329**	**X**	**719**

IFRS 7, amended in 2013, requires specific disclosure for financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting since they are regulated by "netting framework arrangements or similar" that do not respect all of the criteria set forth by IAS 32, paragraph 42.
In this respect, Intesa Sanpaolo does not have any netting arrangements that meet the requirements envisaged by IAS 32.42 for offsetting in the financial statements.
In terms of instruments that may be potentially offset upon occurrence of such events and to be presented in Tables 5 and 6, it is noted that Intesa Sanpaolo uses bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to financial and credit derivatives, as well as securities financing transactions (SFTs). In particular, there are ISDA agreements (for transactions in derivatives) and GMRAs (for repurchase agreements).

With regard to securities lending transactions, only those transactions that require the payment of a cash guarantee fully available to the lender must be reported in tables 5 and 6, as this is the only type of transaction recognised in the Balance Sheet. Intesa Sanpaolo did not have any such transactions as at 31 December 2015.

For the purposes of preparing the tables and in compliance with the provisions of IFRS 7 and the new provisions that govern the financial statements of banks, the following are noted:
– the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) "Financial instruments", together with the fair value of financial collateral consisting of securities;
– the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) "Cash deposits received/provided as collateral";
– repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value;
– Derivatives transactions are recognised at fair value.

These effects are calculated for each individual counterparty included in a netting framework arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) "Net amount".

7. Securities lending transactions
It is noted that Intesa Sanpaolo carried out a securities lending transaction with a major bank for approximately 2 billion euro, with the objective of increasing the portfolio available for refinancing transactions.

8. Disclosure on joint-control assets
Intesa Sanpaolo has no joint-control assets.

Part C – Information on the Parent Company’s income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1 Interest and similar income: breakdown

(millions of euro)

	Debt securities	Loans	Other transactions	2015	2014
1. Financial assets held for trading	103	-	-	103	109
2. Financial assets designated at fair value through profit and loss	5	-	-	5	5
3. Financial assets available for sale	259	1	3	263	879
4. Investments held to maturity	1	-	-	1	1
5. Due from banks	39	820	-	859	1,131
6. Loans to customers	205	4,480	1	4,686	5,028
7. Hedging derivatives	X	X	825	825	614
8. Other assets	X	X	30	30	23
TOTAL	**612**	**5,301**	**859**	**6,772**	**7,790**

Interest and similar income also includes interest income on securities relating to repurchase agreements.
Loans to customers include interest of 40 million euro on doubtful loans, 307 million euro on exposures included in the unlikely to pay category and 23 million euro on past due non-performing loans.

1.2. Interest and similar income: differentials on hedging transactions

(millions of euro)

	2015	2014
A. Positive differentials on hedging transactions	3,944	5,485
B. Negative differentials on hedging transactions	-3,119	-4,871
BALANCE (A - B)	**825**	**614**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

As at 31 December 2015, interest income on foreign currency financial assets amounted to 960 million euro.

1.3.2 Interest income on financial lease receivables

This caption is not present.

1.4 Interest and similar expense: breakdown

(millions of euro)

	Debts	Securities	Other transactions	2015	2014
1. Due to Central Banks	47	X	-	47	34
2. Due to banks	885	X	-	885	1,257
3. Due to customers	165	X	-	165	346
4. Securities issued	X	3,524	-	3,524	4,120
5. Financial liabilities held for trading	-	-	6	6	2
6. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and allowances	X	X	13	13	3
8. Hedging derivatives	X	X	-	-	-
TOTAL	**1,097**	**3,524**	**19**	**4,640**	**5,762**

The caption "2 Due to banks" and "3. Due to customers" also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets.

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.2, since the balance is included under interest income.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31 December 2015 included 661 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

The amount of interest expense on financial lease payables as at 31 December 2015 was immaterial.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

	2015	2014
A) Guarantees given	**299**	**288**
B) Credit derivatives	**26**	**46**
C) Management, dealing and consultancy services	**1,456**	**1,240**
1. trading in financial instruments	1	1
2. currency dealing	24	22
3. portfolio management	-	20
3.1. individual	-	-
3.2. collective	-	*20*
4. custody and administration of securities	43	47
5. depositary bank	5	3
6. placement of securities	648	553
7. reception and transmission of orders	73	84
8. consultancy services	1	-
8.1. on investments	1	-
8.2. on financial structure	-	-
9. distribution of third party services	661	510
9.1. portfolio management	*154*	*86*
9.1.1. individual	*148*	*85*
9.1.2. collective	*6*	*1*
9.2. insurance products	*460*	*357*
9.3. other products	*47*	*67*
D) Collection and payment services	**180**	**170**
E) Servicing related to securitisations	**-**	**-**
F) Services related to factoring	**-**	**68**
G) Tax collection services	**-**	**-**
H) Management of multilateral trading facilities	**-**	**-**
I) Management of current accounts	**499**	**505**
J) Other services	**707**	**632**
TOTAL	**3,167**	**2,949**

J) Other services recorded fees on credit and debit cards of 289 million euro, commissions on medium-/long-term loans of 265 million euro, commissions on short-term loans of 55 million euro and commissions on sundry services rendered to customers and banks of 98 million euro.

2.2 Fee and commission income: distribution channels of products and services

(millions of euro)

	2015	2014
A) Group branches	**1,309**	**1,083**
1. portfolio management	-	20
2. placement of securities	648	553
3. third party services and products	661	510
B) "Door-to-door" sales	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-
C) Other distribution channels	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

(millions of euro)

	2015	2014
A) Guarantees received	**32**	**46**
B) Credit derivatives	**15**	**16**
C) Management, dealing and consultancy services	**30**	**37**
1. trading in financial instruments	2	2
2. currency dealing	2	1
3. portfolio management:	-	6
3.1 own portfolio	-	*6*
3.2 third party portfolio	-	-
4. custody and administration of securities	26	28
5. placement of financial instruments	-	-
6. "door-to-door" sale of financial instruments, products and services	-	-
D) Collection and payment services	**40**	**39**
E) Other services	**374**	**287**
TOTAL	**491**	**425**

E) Other services includes 62 million euro fees on credit and debit cards, 127 million euro fees on credit cards and use of international circuits, 9 million euro securities lending operations, 7 million euro services rendered by banks and 169 million euro intermediation on other banking operations.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

	2015		2014	
	Dividends	Income from quotas of UCI	Dividends	Income from quotas of UCI
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	124	1	128	5
C. Financial assets designated at fair value through profit and loss	-	-	-	-
D. Equity investments	2,954	X	2,277	X
TOTAL	**3,078**	**1**	**2,405**	**5**

D – Equity investments includes the dividends distributed by:
- Banca IMI S.p.A. for 808 million euro;
- Fideuram – Intesa Sanpaolo Private Banking S.p.A. for 543 million euro;
- Intesa Sanpaolo Vita S.p.A. for 452 million euro;
- Eurizon Capital SGR S.p.A. for 320 million euro;
- Banco di Napoli S.p.A. for 180 million euro;
- Setefi – Servizi Telematici Finanziari per il Terziario S.p.A. for 141 million euro;
- Cassa di Risparmio in Bologna S.p.A. for 100 million euro;
- Intesa Sanpaolo Private Banking S.p.A. for 80 million euro;
- Cassa di Risparmio di Firenze S.p.A. for 62 million euro;
- Intesa Sanpaolo Bank Ireland Plc. for 57 million euro;
- Cassa di Risparmio del Veneto S.p.A. for 50 million euro;
- Bank of Alexandria S.A.E. for 49 million euro;
- Accedo S.p.A. for 47 million euro;
- Bank of Qingdao Co. Ltd. for 23 million euro;
- other equity investments for 42 million euro.

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**62**	**63**	**-81**	**-59**	**-15**
1.1 Debt securities	29	58	-40	-57	-10
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	33	5	-41	-2	-5
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**3**	**-**	**-**	**-**	**3**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	3	-	-	-	3
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**235**
4. Derivatives	**3,460**	**8,629**	**-3,377**	**-8,830**	**-333**
4.1 Financial derivatives :	3,419	8,605	-3,323	-8,802	-316
- on debt securities and interest rates	*2,587*	*7,887*	*-2,490*	*-8,029*	*-45*
- on equities and stock indexes	*8*	*20*	*-8*	*-79*	*-59*
- on currencies and gold	*X*	*X*	*X*	*X*	*-215*
- other	*824*	*698*	*-825*	*-694*	*3*
4.2 Credit derivatives	41	24	-54	-28	-17
TOTAL	**3,525**	**8,692**	**-3,458**	**-8,889**	**-110**

Net result includes profits, losses, revaluations and write-downs on currency and gold derivatives.

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

	2015	2014
A. Income from:		
A.1 fair value hedge derivatives	791	1,846
A.2 financial assets hedged (fair value)	797	1,651
A.3 financial liabilities hedged (fair value)	1,518	-
A.4 cash flow hedge: derivatives	-	-
A.5 currency assets and liabilities	-	-
Total income from hedging (A)	**3,106**	**3,497**
B. Expenses for:		
B.1 fair value hedge derivatives	-1,269	-1,409
B.2 financial assets hedged (fair value)	-1,527	-17
B.3 financial liabilities hedged (fair value)	-320	-2,140
B.4 cash flow hedge: derivatives	-	-
B.5 currency assets and liabilities	-	-
Total expense from hedging (B)	**-3,116**	**-3,566**
C. Fair value adjustments in hedge accounting (A - B)	**-10**	**-69**

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

	2015			2014		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	28	-	28
2. Loans to customers	40	-32	8	86	-9	77
3. Financial assets available for sale	390	-17	373	220	-7	213
3.1 Debt securities	*371*	*-9*	*362*	*208*	*-4*	*204*
3.2 Equities	*19*	*-8*	*11*	*9*	*-*	*9*
3.3 Quotas of UCI	*-*	*-*	*-*	*3*	*-3*	*-*
3.4 Loans	*-*	*-*	*-*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**430**	**-49**	**381**	**334**	**-16**	**318**
Financial liabilities						
1. Due to banks	15	-36	-21	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-38	-38	1	-56	-55
Total liabilities	**15**	**-74**	**-59**	**1**	**-56**	**-55**

Profits on disposal of equities classified as financial assets available for sale include the results of the sale of:
– NH Hotel Group S.A. for 14 million euro;
– Giochi Preziosi S.p.A. for 3 million euro;
– other minority interests for 2 million euro.

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 110

7.1 Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**-**	**-**	**-4**	**-**	**-4**
1.1 Debt securities	-	-	-3	-	-3
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	-	-	-	-	-
1.4 Loans	-	-	-1	-	-1
2. Financial liabilities	**1**	**-**	**-**	**-**	**1**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	1	-	-	-	1
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**3**	**-**	**-**	**-**	**3**
TOTAL	**4**	**-**	**-4**	**-**	**-**

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(millions of euro)

	IMPAIRMENT LOSSES			RECOVERIES				2015	2014
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-**	**-18**	**-**	**6**	**-**	**-**	**-12**	**-9**
- Loans	-	-	*-15*	-	*6*	-	-	*-9*	*-6*
- Debt securities	-	-	*-3*	-	-	-	-	*-3*	*-3*
B. Loans to customers	**-71**	**-2,246**	**-9**	**265**	**978**	**239**	**-**	**-844**	**-1,566**
Non-performing loans purchased	-	-53	-	14	5	-	-	-34	-20
- Loans	-	*-53*	*X*	*14*	*5*	*X*	*X*	*-34*	*-20*
- Debt securities	-	-	*X*	-	-	*X*	*X*	-	-
Other	-71	-2,193	-9	251	973	239	-	-810	-1,546
- Loans	*-71*	*-2,192*	*-3*	*251*	*971*	*223*	-	*-821*	*-1,523*
- Debt securities	-	*-1*	*-6*	-	*2*	*16*	-	*11*	*-23*
C. Total	**-71**	**-2,246**	**-27**	**265**	**984**	**239**	**-**	**-856**	**-1,575**

The financial effects due to release of time value on discounted non-performing loans, recognised under "Recoveries - Individual – of interest", amount to a total of 265 million euro. Of this amount, 186 million euro relates to doubtful loans and 79 million euro to exposures included in the unlikely to pay category.

8.2 Net impairment losses on financial assets available for sale: breakdown

(millions of euro)

	IMPAIRMENT LOSSES Individual		RECOVERIES Individual		2015	2014
	write-offs	other	of interest	other		
A. Debt securities	-	-	-	2	2	-2
B. Equities	-	-69	X	X	-69	-158
C. Quotas of UCI	-	-3	X	-	-3	-1
D. Due from banks	-1	-	-	-	-1	-6
E. Loans to customers	-	-	-	-	-	-
F. Total	**-1**	**-72**	**-**	**2**	**-71**	**-167**

The valuation of equities classified under financial assets available for sale led to impairment losses in 2015 mostly referred to:
- Cassa di Risparmio della Provincia di Chieti S.p.A. in extraordinary administration for 17 million euro;
- Carlo Tassara S.p.A. for 16 million euro;
- Vei Capital S.p.A. for 8 million euro;
- Rizzoli Corriere della Sera MediaGroup S.p.A. for 7 million euro;
- Tasnch Holding S.p.A. for 6 million euro;
- Quattroduedue S.p.A. for 6 million euro;
- Gwm Renewable Energy II S.p.A. for 4 million euro;
- Eurofidi S.c. a r.l. for 2 million euro;
- other minority interests for 3 million euro.

8.3 Net impairment losses on investments held to maturity: breakdown

As at 31 December 2015, Intesa Sanpaolo recorded net impairment losses on investments held to maturity of immaterial amounts.

8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

	IMPAIRMENT LOSSES Individual		IMPAIRMENT LOSSES Collective	RECOVERIES Individual		RECOVERIES Collective		2015	2014
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-4	-1	-	46	-	72	113	-25
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-	-	-	-	-	-	-	-
D. Other operations	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-4**	**-1**	**-**	**46**	**-**	**72**	**113**	**-25**

SECTION 9 - ADMINISTRATIVE EXPENSES - CAPTION 150

9.1 Personnel expenses: breakdown

(millions of euro)

	2015	2014
1) Personnel employed	**2,259**	**2,077**
a) wages and salaries	1,489	1,375
b) social security charges	397	365
c) termination indemnities	22	20
d) supplementary benefits	-	-
e) provisions for termination indemnities	9	17
f) provisions for post employment benefits:	35	42
- defined contribution plans	-	-
- defined benefit plans	*35*	*42*
g) payments to external pension funds:	126	114
- defined contribution plans	*126*	*114*
- defined benefit plans	-	-
h) costs from share-based payments	*72*	11
i) other benefits in favour of employees	109	133
2) Other non-retired personnel	**3**	**2**
3) Directors and statutory auditors	**8**	**8**
4) Early retirement costs	**-**	**-**
5) Recovery of expenses for employees of the Bank seconded to other entities	**-59**	**-46**
6) Reimbursement of expenses for employees of other entities seconded to the Bank	**78**	**47**
TOTAL	**2,289**	**2,088**

Provisions to employee termination indemnities determined on the basis of Art. 2120 of the Italian Civil Code amounted to 9 million euro.

9.2 Average number of employees by categories

	2015	2014
Personnel employed	**27,917**	**25,696**
a) managers	487	480
b) total officers	12,328	11,666
c) other employees	15,102	13,550
Other personnel	**21**	**16**
TOTAL	**27,938**	**25,712**

9.3 Post employment defined benefit plans costs and revenues

(millions of euro)

	2015			2014		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-2	-2	-28	-1	-2	-30
Interest expense	-7	-5	-55	-16	-6	-84
Interest income	-	4	38	-	4	64
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	X	-	-	X	-	-
Settlement of the fund	X	-	-	X	-	-

9.4 Other benefits in favour of employees

The balance as at 31 December 2015 amounted to 109 million euro, of which 29 million euro referred to charges for incentive-driven exit plans. The residual 80 million euro essentially referred to contributions for health assistance, lunch vouchers and provisions for seniority bonuses.

9.5 Other administrative expenses: breakdown

(millions of euro)

	2015	2014
Expenses for maintenance of information technology and electronic equipment	33	18
Telephonic, teletransmission and transmission expenses	4	4
Information technology expenses	**37**	**22**
Rentals and service charges - real estate	111	112
Security services	16	16
Cleaning of premises	21	18
Expenses for maintenance of real estate assets, furniture and equipment	38	39
Energy costs	45	41
Property costs	6	7
Management of real estate assets	**237**	**233**
Printing, stationery and consumables expenses	18	17
Transport and related services expenses (including counting of valuables)	56	48
Information expenses	18	19
Postal and telegraphic expenses	33	37
Other rental charges	-	1
General structure costs	**125**	**122**
Expenses for consultancy fees	165	130
Legal and judiciary expenses	82	73
Insurance premiums - banks and customers	26	26
Professional and legal expenses	**273**	**229**
Advertising and promotional expenses	**82**	**85**
Services rendered by third parties	**92**	**66**
Indirect personnel costs	**33**	**28**
Costs reimbursed to Group companies	**912**	**859**
Other costs	**317**	**34**
Indirect taxes and duties	**367**	**367**
Recovery of other expenses	**-39**	**-33**
TOTAL	**2,436**	**2,012**

Other expenses include 281 million euro concerning contributions to the Single Resolution Fund for Banking Crisis and the Deposit Guarantee Fund.

Administrative expenses for 2015, included in tables 9.1 "Personnel expenses: breakdown" and 9.5 "Other administrative expenses: breakdown", include charges for integration and exit incentives, gross of the tax effect detailed below, for 29 million euro.

Charges for integration and exit incentives: breakdown

(millions of euro)

	2015	2014
Personnel expenses	**30**	**60**
- charges for integration and exit incentives	30	60
Other administrative expenses	**58**	**26**
- information technology expenses	28	9
- management of real estate assets	-	-
- professional and legal expenses	28	12
- advertising and promotional expenses	-	-
- indirect personnel costs	-	-
- other costs	2	5
TOTAL	**88**	**86**

SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 160

10.1 Net provisions for risks and charges: breakdown

(millions of euro)

	Provisions	Reallocations	2015
Net provisions for legal disputes	-65	8	-57
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-228	21	-207
TOTAL	**-293**	**29**	**-264**

"Net provisions for risks and charges", which amounted to 264 million euro, recorded the provisions attributable to the year relating to:
- litigation, including revocatory actions and other disputes;
- guarantees issued for the sale of equity investments and other loan transactions.

The above provisions include the interest expense due to time value (1 million euro).

SECTION 11 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT – CAPTION 170

11.1 Net adjustments to property and equipment: breakdown

(millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-119	-12	-	-131
- used in operations	*-119*	*-12*	-	*-131*
- investment	-	-	-	-
A.2 Acquired under finance lease	-	-	-	-
- used in operations	-	-	-	-
- investment	-	-	-	-
TOTAL	**-119**	**-12**	**-**	**-131**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

SECTION 12 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 180

12.1 Net adjustments to intangible assets: breakdown

(millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-2	-	-	-2
- internally generated	-	-	-	-
- other	-2	-	-	-2
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-2**	**-**	**-**	**-2**

SECTION 13 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 190

13.1 Other operating expenses: breakdown

(millions of euro)

	2015	2014
Charges for litigations and provisions for customer restorations	5	5
Burglaries and robberies	-	2
Amortisation of leasehold improvements	17	15
Other non-recurring expenses	30	42
Other	5	-
TOTAL	**57**	**64**

13.2 Other operating income: breakdown

(millions of euro)

	2015	2014
Income on securitisations	-	-
Recovery of insurance costs	1	1
Recovery of other expenses	17	7
Recovery of taxes and interest of previous years	-	-
Cheques prescribed	-	-
Recovery of rents paid	75	70
Recovery of services rendered to Group companies	108	112
Recovery of services rendered to third parties	1	1
Recovery of taxes and duties	303	304
Other	251	67
Total	**756**	**562**

Other income includes 211 million euro relative to the positive performance of positions for disputes. For more detailed information, reference should be made to the section on legal risks of Part E of the Notes to the consolidated financial statements.

SECTION 14 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 210

14.1 Profits (Losses) on equity investments: breakdown

(millions of euro)

	2015	2014
A. Revenues	107	399
1. Revaluations	-	*17*
2. Profits on disposal	*27*	*382*
3. Write-backs	*80*	-
4. Other	-	-
B. Charges	-222	-576
1. Write-downs	-	*-17*
2. Impairment losses	*-217*	*-559*
3. Losses on disposal	*-5*	-
4. Other	-	-
Net result	**-115**	**-177**

The "recoveries" amount refers to Telco S.p.A. for 67 million euro and to Telco Is S.r.l. in liquidation for 13 million euro. "Profits on disposal" refer to the price change relating to the disposal of Intesa Sanpaolo Servizi Transazionali S.p.A. for 15 million euro, the disposal of Melville S.r.l. for 5 million euro, the disposal of Manzoni S.r.l. for 4 million euro and other disposals for 3 million euro.

Impairment losses refer to: Intesa Sanpaolo Romania S.A. Commercial Bank for 49 million euro, Compagnia Aerea Italiana S.p.A. for 47 million euro, CIB Bank LTD. for 38 million euro, Autostrade Lombarde S.p.A. for 34 million euro, Pravex Bank Public Joint-Stock Company Commercial Bank for 22 million euro, Banca Intesa Joint Stock Company for 17 million euro and other minor losses for 10 million euro.

SECTION 15 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 220

Not applicable to Intesa Sanpaolo.

SECTION 16 – GOODWILL IMPAIRMENT - CAPTION 230

16.1 Goodwill impairment: breakdown

During the year, no impairment of goodwill was recognised.
For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 13 – Intangible Assets in the Notes to the consolidated financial statements.

SECTION 17 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 240

17.1 Profits (Losses) on disposal of investments: breakdown

(millions of euro)

	2015	2014
A. Real estate assets	66	113
- profits on disposal	*66*	*119*
- losses on disposal	-	*-6*
B. Other assets	-	-
- profits on disposal	-	-
- losses on disposal	-	-
Net result	**66**	**113**

SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 260

18.1 Taxes on income from continuing operations: breakdown

(millions of euro)

	2015	2014
1. Current taxes (-)	-84	-395
2. Changes in current taxes of previous years (+/-)	54	-239
3. Reduction in current taxes of the year (+)	-	-
3bis. Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	-	666
4. Changes in deferred tax assets (+/-)	53	-227
5. Changes in deferred tax liabilities (+/-)	-48	-61
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**-25**	**-256**

18.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

	2015	2014
Income before tax from continuing operations	2,803	1,469
Income before tax from discontinued operations	-	-
Theoretical taxable income	**2,803**	**1,469**

(millions of euro)

		%
Income taxes - theoretical tax charge	**880**	**31.4**
Increases of taxes	**212**	**7.6**
Greater base and actual IRAP rate	5	0.2
Non-deductible interest expense	51	1.8
Non-deductible costs (goodwill and equity investments impairment)	-	-
Other non-deductible costs (losses on equity investments, municipal property tax (IMU), personnel expenses, etc.)	147	5.2
Other	9	0.4
Decreases of taxes	**-1,067**	**-38.1**
Non-taxed capital gains on equity investments	-36	-1.3
Capital gains on equity investments subject to substitute tax	-	-
Tax-exempt portion of dividends	-832	-29.7
Other	-199	-7.1
Total change in taxes	**-855**	**-30.5**
Total income tax expense for the period	**25**	**0.9**
of which: - total income tax expense from continuing operations	**25**	**0.9**
- total income tax expense from discontinued operations	**-**	**-**

SECTION 19 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 280

19.1 Income (Loss) after tax from discontinued operations: breakdown

As at 31 December 2015, there was no income (loss) after tax from discontinued operations.

19.2 Breakdown of taxes on discontinued operations

As at 31 December 2015, there were no taxes on discontinued operations.

SECTION 20 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 21 – EARNINGS PER SHARE

Earnings per share

For details, reference should be made to the relevant section of the Notes to the consolidated financial statements.

Part D - Comprehensive income

DETAILED STATEMENT OF COMPREHENSIVE INCOME

(millions of euro)

		Gross amount	Income tax	Net amount
10.	**NET INCOME (LOSS)**	**X**	**X**	**2,778**
	Other comprehensive income that may not be reclassified to the income statement:	**277**	**-56**	**221**
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	277	-56	221
50.	Non current assets held for sale	-	-	-
60.	Share of valuation reserves connected with investments carried at equity	-	-	-
	Other comprehensive income that may be reclassified to the income statement:	**140**	**-30**	**110**
70.	Hedges of foreign investments:	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
80.	Foreign exchange differences:	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
90.	Cash flow hedges:	303	-100	203
	a) fair value changes	303	-100	203
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
100.	Property and equipment	-163	70	-217
	a) fair value changes	158	-34	-
	b) reclassification to the income statement	-321	104	-217
	- impairment losses	*36*	*-12*	*24*
	- gains/losses from disposals	*-357*	*116*	*-241*
	c) other changes	-	-	-
110.	Non current assets held for sale	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	c) other changes	-	-	-
120.	Share of valuation reserves connected with investments carried at equity:	-	-	-
	a) fair value changes	-	-	-
	b) reclassification to the income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	-	-	-
130.	**Total other comprehensive income**	**417**	**-86**	**331**
140.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +130)**	**X**	**X**	**3,109**

Part E – Information on risks and relative hedging policies

INTRODUCTION

This part of the Notes to the Parent Company's financial statements provides the quantitative information on risks relative to the Parent Company, Intesa Sanpaolo. For qualitative information regarding the methods whereby risks are managed and monitored, the organisation of the Bank's risk governance, the associated processes and key functions, the culture of risk-awareness at the Bank and the methods whereby it is ensured that this culture is spread, the main risks associated with the Bank's business model, the risk appetite and the methods whereby such risks are managed and the use of stress tests within risk governance strategies, refer to Part E of the Notes to the consolidated financial statements.

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

Qualitative information on Intesa Sanpaolo's credit quality is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI, whereas "exposures" includes these items. The only exception is table A.2.1 related to credit exposures by external rating classes, which includes quotas of UCI.

A.1. Performing and non-performing credit exposures: amounts, adjustments, changes, economic and geographical breakdown

In the tables in this section, the information related to country risk is not presented separately in compliance with the methodological decision for collective measurement of performing loans based on parameters that include "country risk".

A.1.1. Breakdown of credit exposures by portfolio classification and credit quality (book values)

(millions of euro)

Portfolio/quality	Doubtful loans	Unlikely to pay	Non performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets available for sale	1	-	-	2	26,666	26,669
2. Investments held to maturity	-	-	-	-	299	299
3. Due from banks	-	3	-	-	122,041	122,044
4. Loans to customers	7,071	7,934	376	3,095	167,951	186,427
5. Financial assets designated at fair value through profit and loss	-	-	-	-	255	255
6. Financial assets under disposal	-	-	-	-	-	-
Total 31.12.2015	**7,072**	**7,937**	**376**	**3,097**	**317,212**	**335,694**

The "Loans to customers" portfolio includes forborne exposures amounting to 221 million euro amongst doubtful loans, 3,126 million euro amongst loans classified as unlikely to pay, 29 million euro amongst non-performing past due exposures, 234 million euro amongst performing past due exposures and 2,946 million amongst other performing exposures.

A.1.2. Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

(millions of euro)

Portfolio/quality	NON-PERFORMING ASSETS			PERFORMING ASSETS			TOTAL
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	(net exposure)
A. Banking group							
1. Financial assets available for sale	32	-31	1	26,668	-	26,668	26,669
2. Investments held to maturity	-	-	-	299	-	299	299
3. Due from banks	14	-11	3	122,086	-45	122,041	122,044
4. Loans to customers	28,812	-13,431	15,381	171,843	-797	171,046	186,427
5. Financial assets designated at fair value through profit and loss	-	-	-	X	X	255	255
6. Financial assets under disposal	-	-	-	-	-	-	-
Total 31.12.2015	**28,858**	**-13,473**	**15,385**	**320,896**	**-842**	**320,309**	**335,694**

Portfolio/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	51	112	28,488
2. Hedging derivatives	-	-	-
Total 31.12.2015	**51**	**112**	**- 28,488**

Partial derecognition of Loans to customers came to 844 million euro for doubtful loans, 1,030 million euro for loans classified as unlikely to pay and 4 million euro for past due loans.
As at 31 December 2014, cumulative capital losses on Financial assets held for trading featuring poor credit quality amounted to 53 million euro, with a net exposure of 132 million euro.

Performing financial assets may be broken down by portfolio and past due bracket as follows:

(millions of euro)

Credit exposures	Past due up to 3 months	Past due from 3 months up to 6 months	Past due from over 6 months up to 1 year	Past due by over 1 year	Total
1. Financial assets available for sale	-	-	1	1	2
2. Investments held to maturity	-	-	-	-	-
3. Due from banks	-	-	-	-	-
4. Loans to customers	1,576	377	679	461	3,093
5. Financial assets designated at fair value through profit and loss	-	-	-	-	-
6. Financial assets under disposal	-	-	-	-	-
Total performing exposures (net exposure)	**1,576**	**377**	**680**	**462**	**3,095**

Past due loans shown in the tables include 1,006 million euro in assets past due by up to three months, 167 million euro in assets past due by over three months up to six months, 189 million euro in assets past due by over six months up to one year and 53 million euro in assets past due by over one year, as well as the share of the debt not yet past due, which amounted to 570 million euro, 211 million euro, 491 million euro and 409 million euro, respectively.

A.1.3. On- and off-balance sheet credit exposures to banks: gross and net values and past-due brackets

(millions of euro)

Type of exposure/value	GROSS EXPOSURE					INDIVIDUAL ADJUSTMENTS	COLLECTIVE ADJUSTMENTS	NET EXPOSURE
	Non-performing assets				Performing assets			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Doubtful loans	**-**	**-**	**-**	**5**	**X**	**-5**	**X**	**-**
Of which: forborne exposures	-	-	-	-	*X*	-	*X*	-
b) Unlikely to pay	**3**	**-**	**6**	**-**	**X**	**-6**	**X**	**3**
Of which: forborne exposures	-	-	-	-	*X*	-	*X*	-
c) Non-performing past due exposures	**-**	**-**	**-**	**-**	**X**	**-**	**X**	**-**
Of which: forborne exposures	-	-	-	-	*X*	-	*X*	-
d) Performing past due exposures	**X**	**X**	**X**	**X**	**-**	**X**	**-**	**-**
Of which: forborne exposures	*X*	*X*	*X*	*X*	-	*X*	-	-
e) Other performing exposures	**X**	**X**	**X**	**X**	**125,694**	**X**	**-45**	**125,649**
Of which: forborne exposures	*X*	*X*	*X*	*X*	-	*X*	-	-
TOTAL A	**3**	**-**	**6**	**5**	**125,694**	**-11**	**-45**	**125,652**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	**-**	**-**	**-**	**-**	**X**	**-**	**X**	**-**
b) Performing	**X**	**X**	**X**	**X**	**30,534**	**X**	**-35**	**30,499**
TOTAL B	**-**	**-**	**-**	**-**	**30,534**	**-**	**-35**	**30,499**
TOTAL (A + B)	**3**	**-**	**6**	**5**	**156,228**	**-11**	**-80**	**156,151**

On-balance sheet exposures include all on-balance sheet financial assets claimed from banks, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.). Off-balance sheet exposures also include counterparty risk associated with securities lending operations, repurchase agreements and lending transactions with margins within the notion of SFTs (Securities Financing Transactions) defined in prudential regulations.

A.1.4. On-balance sheet credit exposures to banks: changes in gross non-performing exposures

(millions of euro)

Reason/Categories	Doubtful loans	Unlikely to pay	Non performing past due
A. Initial gross exposure	**30**	**14**	**-**
- of which exposures sold not derecognised	-	-	-
B. Increases	**-**	**4**	**-**
B.1 inflows from performing exposures	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-
B.3 other increases	-	4	-
B.4 business combinations	-	-	-
C. Decreases	**-25**	**-9**	**-**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	-1	-	-
C.3 repayments	-24	-9	-
C.4 credit disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other non-performing exposure categories	-	-	-
C.7 other decreases	-	-	-
C.8 business combinations	-	-	-
D. Final gross exposure	**5**	**9**	**-**
- of which exposures sold not derecognised	-	-	-

A.1.5. On-balance sheet non-performing credit exposures to banks: changes in total adjustments

(millions of euro)

Reason/Categories	Doubtful loans	Unlikely to pay	Non performing past due exposures
A. Initial total adjustments	**12**	**6**	**-**
- of which exposures sold not derecognised	-	-	-
B. Increases	**-**	**-**	**-**
B.1 impairment losses	-	-	-
B.2 losses on disposal	-	-	-
B.3 transfers from other non-performing exposure categories	-	-	-
B.4 other increases	-	-	-
B.5 business combinations	-	-	-
C. Decreases	**-7**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-
C.2 recoveries on repayments	-6	-	-
C.3 profits on disposal	-	-	-
C.4 write-offs	-1	-	-
C.5 transfers to other non-performing exposure categories	-	-	-
C.6 other decreases	-	-	-
C.7 business combinations	-	-	-
D. Final total adjustments	**5**	**6**	**-**
- of which exposures sold not derecognised	-	-	-

A.1.6. On- and off-balance sheet credit exposures to customers: gross and net values and past-due brackets

(millions of euro)

Type of exposure/value	GROSS EXPOSURE					INDIVIDUAL ADJUSTMENTS	COLLECTIVE ADJUSTMENTS	NET EXPOSURE
	Non-performing assets				Performing assets			
	Up to 3 months	*Between 3 and 6 months*	*Between 6 months and 1 year*	*Over 1 year*				
A. ON-BALANCE SHEET EXPOSURES								
a) Doubtful loans	**29**	**9**	**34**	**18,158**	**X**	**-11,158**	**X**	**7,072**
Of which: forborne exposures	*17*	*-*	*7*	*439*	*X*	*-242*	*X*	*221*
b) Unlikely to pay	**4,526**	**292**	**1,842**	**3,497**	**X**	**-2,223**	**X**	**7,934**
Of which: forborne exposures	*2,686*	*142*	*472*	*672*	*X*	*-845*	*X*	*3,127*
c) Non-performing past due exposures	**58**	**164**	**191**	**45**	**X**	**-82**	**X**	**376**
Of which: forborne exposures	*3*	*11*	*17*	*2*	*X*	*-4*	*X*	*29*
d) Performing past due exposures	**X**	**X**	**X**	**X**	**3,182**	**X**	**-85**	**3,097**
Of which: forborne exposures	*X*	*X*	*X*	*X*	*252*	*X*	*-16*	*236*
e) Other performing exposures	**X**	**X**	**X**	**X**	**200,359**	**X**	**-712**	**199,647**
Of which: forborne exposures	*X*	*X*	*X*	*X*	*3,001*	*X*	*-53*	*2,948*
TOTAL A	**4,613**	**465**	**2,067**	**21,700**	**203,541**	**-13,463**	**-797**	**218,126**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	**902**	**-**	**-**	**-**	**X**	**-139**	**X**	**763**
b) Other	**X**	**X**	**X**	**X**	**78,941**	**X**	**-116**	**78,825**
TOTAL B	**902**	**-**	**-**	**-**	**78,941**	**-139**	**-116**	**79,588**
TOTAL (A + B)	**5,515**	**465**	**2,067**	**21,700**	**282,482**	**-13,602**	**-913**	**297,714**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.). Off-balance sheet exposures also include counterparty risk associated with securities lending operations, repurchase agreements and lending transactions with margins within the notion of SFTs (Securities Financing Transactions) defined in prudential regulations.
Non-performing exposures with forbearance measures in the past-due bracket by "up to three months" include 2,388 million euro that do not present past-due amounts during the "cure period".

A.1.7. On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

Reason/Categories	Doubtful loans	Unlikely to pay	Non performing past due exposures
A. Initial gross exposure	**14,756**	**9,600**	**384**
- of which exposures sold not derecognised	*20*	*24*	*2*
B. Increases	**5,361**	**4,912**	**1,995**
B.1 inflows from performing exposures	43	1,870	1,800
B.2 transfers from other non-performing exposure categories	1,982	1,533	83
B.3 other increases	508	566	37
B.4 business combinations	2,828	943	75
C. Decreases	**-1,887**	**-4,355**	**-1,921**
C.1 outflows to performing exposures	-23	-876	-446
C.2 write-offs	-1,070	-192	-1
C.3 repayments	-467	-1,153	-112
C.4 credit disposals	-21	-14	-
C.5. losses from disposals	-26	-	-
C.6 transfers to other non-performing exposure categories	-219	-2,022	-1,357
C.7 other decreases	-61	-98	-5
C.8 business combinations	-	-	-
D. Final gross exposure	**18,230**	**10,157**	**458**
- of which exposures sold not derecognised	-	-	-

The "other increases" mainly include increases in exposures for charges, the application of penalty interest and increases in balances in foreign currency following the change in the exchange rate.

A.1.8. On-balance sheet non-performing credit exposures to customers: changes in total adjustments

Reason/Categories	Doubtful loans	Unlikely to pay	Non performing past due exposures
A. Initial total adjustments	**9,346**	**2,008**	**41**
- of which exposures sold not derecognised	*6*	*4*	-
B. Increases	**3,981**	**1,497**	**246**
B.1 impairment losses	1,229	890	199
B.2. losses on disposal	26	-	-
B.3 transfers from other non-performing exposure categories	711	314	19
B.4 other increases	372	51	8
B.5 business combinations	1,643	242	20
C. Decreases	**-2,169**	**-1,282**	**-205**
C.1 recoveries on impairment losses	-790	-335	-
C.2 recoveries on repayments	-82	-34	-2
C.3 profits on disposal	-3	-	-
C.4 write-offs	-1,070	-192	-1
C.5 transfers to other non-performing exposure categories	-141	-707	-196
C.6 other decreases	-83	-14	-6
C.7 business combinations	-	-	-
D. Final total adjustments	**11,158**	**2,223**	**82**
- of which exposures sold not derecognised	-	-	-

The "other increases" mainly include the application of penalty interest and the increases in funds in foreign currency following changes in the exchange rate.

Conversion of loans into equity instruments

During the year, loans were converted into equity instruments as part of restructuring agreements for non-performing positions. Gross loans converted into equity instruments and shares amounted to 119 million euro. The adjustments directly attributable to the conversion process amounted to 104 million euro, essentially provisions in previous years.

Equity instruments were recognised at their fair value of 15 million euro at the execution date among assets available for sale.

Loans amounting to approximately 19 million euro, classified among loans to customers represented by debt securities were transformed into mandatory convertible bonds.

A.2. Classification of exposures based on external and internal ratings

A.2.1. Breakdown of on- and off-balance sheet credit exposures by external rating classes

Intesa Sanpaolo uses the ratings supplied by the following external rating agencies for all portfolios subject to reporting: Standard & Poor's Ratings Services, Moody's Investors Service, Fitch Ratings and DBRS Ratings.

Where two ratings are available for a single customer, the more conservative is adopted; where three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken .

The Class 6 rating column includes non-performing loans.

For the mapping of the risk classes and agency ratings employed, see the corresponding section of the Notes to the consolidated financial statements.

(millions of euro)

	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**14,127**	**5,993**	**167,247**	**4,859**	**1,034**	**15,538**	**136,266**	**345,064**
B. Derivatives	**1,050**	**741**	**1,030**	**370**	**88**	**1**	**1,883**	**5,163**
B.1. Financial derivatives	1,050	741	1,030	305	88	1	1,881	5,096
B.2. Credit derivatives	-	-	-	65	-	-	2	67
C. Guarantees given	**3,035**	**4,242**	**22,228**	**1,530**	**1,125**	**473**	**26,417**	**59,050**
D. Commitments to lend funds	**1,467**	**6,763**	**16,908**	**2,756**	**198**	**328**	**14,851**	**43,271**
E. Other	**-**	**-**	**2,001**	**-**	**-**	**-**	**602**	**2,603**
Total	**19,679**	**17,739**	**209,414**	**9,515**	**2,445**	**16,340**	**180,019**	**455,151**

It should be noted that the exposures presented in the table also include quotas of UCI of 1,286 million euro.

A.2.2. Breakdown of on- and off-balance sheet exposures by internal rating classes

The breakdown of exposures by internal rating class shown in the following table is based on all ratings available in the credit risk management system. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available. Unrated loans essentially refer to customer segments for which a rating model is not yet available (personal loans to individual customers).

(millions of euro)

	INTERNAL RATING CLASSES							UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**15,569**	**33,400**	**218,648**	**37,069**	**13,640**	**1,513**	**15,385**	**8,554**	**343,778**
B. Derivatives	**942**	**1,314**	**1,092**	**1,047**	**386**	**47**	**-**	**335**	**5,163**
B.1. Financial derivatives	942	1,314	1,092	982	386	47	-	333	5,096
B.2. Credit derivatives	-	-	-	65	-	-	-	2	67
C. Guarantees given	**6,223**	**7,493**	**33,821**	**8,159**	**1,873**	**89**	**440**	**952**	**59,050**
D. Commitments to lend funds	**1,992**	**9,775**	**21,982**	**6,654**	**1,396**	**288**	**323**	**861**	**43,271**
E. Other	**-**	**-**	**2,001**	**-**	**-**	**-**	**-**	**602**	**2,603**
Total	**24,726**	**51,982**	**277,544**	**52,929**	**17,295**	**1,937**	**16,148**	**11,304**	**453,865**

A.3. Breakdown of guaranteed credit exposures by type of guarantee

A.3.1. Guaranteed credit exposures to banks

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**4,755**	3	**153**	-	**844**	-	**317**	-	**6,069**
COLLATERAL[1]									
Real estate assets	6	-	1	-	-	-	-	-	7
Mortgages	*6*	-	*1*	-	-	-	-	-	*7*
Financial leases	-	-	-	-	-	-	-	-	-
Securities	4,608	-	-	-	2	-	-	-	4,610
Other	-	-	-	-	821	-	216	-	1,037
GUARANTEES [1]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*3*	*3*	-	-	-	-	-	-	*3*
Other public entities	-	-	-	-	-	-	-	-	-
Banks	*59*	-	*117*	-	*16*	-	*8*	-	*200*
Other counterparties	*5*	-	-	-	*4*	-	*37*	-	*46*
TOTAL	**4,681**	***3***	**118**	-	**843**	-	**261**	-	**5,903**

[1] Fair value of the guarantee or, if difficult to determine, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

A.3.2. Guaranteed credit exposures to customers

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**90,589**	10,358	**6,024**	1,133	**12,016**	330	**1,212**	35	**109,841**
COLLATERAL[1]									
Real estate assets	59,905	***8,293***	483	***141***	1,502	***125***	28	-	61,918
Mortgages	*59,905*	***8,293***	*483*	***141***	*1,502*	***125***	*28*	-	*61,918*
Financial leases	-	-	-	-	-	-	-	-	-
Securities	13,798	***188***	463	***220***	158	***13***	51	***1***	14,470
Other	2,225	***133***	267	***19***	416	***2***	134	***13***	3,042
GUARANTEES [1]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*1,198*	***64***	*169*	***6***	*516*	-	*2*	-	*1,885*
Other public entities	*121*	***11***	*221*	***3***	*1*	-	-	-	*343*
Banks	*299*	***11***	*24*	***2***	*178*	***2***	*39*	-	*540*
Other counterparties	*12,563*	***1,518***	*2,288*	***402***	*8,624*	***80***	*492*	***4***	*23,967*
TOTAL	**90,109**	***10,218***	**3,915**	***793***	**11,395**	***222***	**746**	***18***	**106,165**

[1] Fair value of the guarantee or, if difficult to determine, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Breakdown of on- and off-balance sheet credit exposures to customers by sector (book value)

(millions of euro)

Exposures/Counterparties	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES			INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES		
	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments	Net exposure	Individual adjustments	Portfolio adjustments
A. ON-BALANCE SHEET EXPOSURES																		
A.1. Doubtful loans	7	-3	X	173	-61	X	66	-228	X	-	-	X	5,634	-9,333	X	1,192	-1,533	X
- *of which forborne exposures*	-	-	X	-	-	X	-	-	X	-	-	X	193	-231	X	28	-11	X
A.2. Unlikely to pay	-	-	X	62	-7	X	303	-117	X	-	-	X	6,727	-1,929	X	842	-170	X
- *of which forborne exposures*	-	-	X	54	-3	X	188	-68	X	-	-	X	2,742	-759	X	143	-15	X
A.3. Non-performing past due exposures	-	-	X	-	-	X	-	-	X	-	-	X	271	-46	X	105	-36	X
- *of which forborne exposures*	-	-	X	-	-	X	-	-	X	-	-	X	23	-3	X	6	-1	X
A.4. Performing exposures	36,847	X	-9	13,202	X	-12	39,513	X	-113	1,038	X	-	70,008	X	-574	42,136	X	-89
- *of which forborne exposures*	8	X	-	182	X	-	284	X	-8	-	X	-	2,278	X	-	432	X	-
Total A	**36,854**	**-3**	**-9**	**13,437**	**-68**	**-12**	**39,882**	**-345**	**-113**	**1,038**	**-**	**-**	**82,640**	**-11,308**	**-574**	**44,275**	**-1,739**	**-89**
B. OFF-BALANCE SHEET EXPOSURES																		
B.1. Doubtful loans	-	-	X	-	-	X	1	-	X	-	-	X	120	-54	X	-	-	X
B.2. Unlikely to pay	-	-	X	-	-	X	8	-26	X	-	-	X	605	-58	X	1	-	X
B.3. Other non-performing assets	-	-	X	-	-	X	-	-	X	-	-	X	28	-1	X	-	-	X
B.4. Other exposures	1,235	X	-	1,567	X	-	9,076	X	-4	857	X	-1	65,592	X	-111	282	X	-
Total B	**1,235**	**-**	**-**	**1,567**	**-**	**-**	**9,085**	**-26**	**-4**	**857**	**-**	**-1**	**66,345**	**-113**	**-111**	**283**	**-**	**-**
TOTAL (A+B) 31.12.2015	**38,089**	**-3**	**-9**	**15,004**	**-68**	**-12**	**48,967**	**-371**	**-117**	**1,895**	**-**	**-1**	**148,985**	**-11,421**	**-685**	**44,558**	**-1,739**	**-89**
Total 31.12.2014	**39,256**	**-9**	**-8**	**15,974**	**-70**	**-29**	**43,987**	**-512**	**-71**	**1,135**	**-**	**-**	**135,854**	**-10,012**	**-934**	**36,611**	**-1,009**	**-74**

B.2. Breakdown of on- and off-balance sheet credit exposures to customers by geographical area (book value)

(millions of euro)

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	7,033	-10,972	36	-140	1	-23	2	-21	-	-2
A.2. Unlikely to pay	7,333	-2,031	384	-142	173	-38	39	-9	5	-3
A.3. Non-performing past due exposures	343	-77	28	-4	1	-	4	-1	-	-
A.4. Performing exposures	153,301	-657	32,792	-75	12,317	-42	3,278	-11	1,056	-12
Total A	**168,010**	**-13,737**	**33,240**	**-361**	**12,492**	**-103**	**3,323**	**-42**	**1,061**	**-17**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	121	-54	-	-	-	-	-	-	-	-
B.2. Unlikely to pay	606	-83	8	-1	-	-	-	-	-	-
B.3. Other non-performing assets	27	-1	-	-	-	-	1	-	-	-
B.4. Performing exposures	39,049	-88	23,172	-17	14,688	-9	932	-1	768	-1
Total B	**39,803**	**-226**	**23,180**	**-18**	**14,688**	**-9**	**933**	**-1**	**768**	**-1**
TOTAL (A+B) 31.12.2015	**207,813**	**-13,963**	**56,420**	**-379**	**27,180**	**-112**	**4,256**	**-43**	**1,829**	**-18**
TOTAL 31.12.2014	**198,530**	**-11,889**	**49,533**	**-649**	**19,123**	**-107**	**4,440**	**-56**	**1,189**	**-27**

B.2 Bis Breakdown of relations with customers resident in Italy by geographical area (book value)

(millions of euro)

Exposures/Geographical areas	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	3,724	-6,323	713	-1,010	1,074	-1,698	1,522	-1,941
A.2. Unlikely to pay	4,336	-1,165	815	-210	1,192	-369	990	-287
A.3. Non-performing past due exposures	170	-36	34	-9	66	-12	73	-20
A.4. Performing exposures	68,354	-403	15,375	-64	56,075	-123	13,497	-67
Total A	**76,584**	**-7,927**	**16,937**	**-1,293**	**58,407**	**-2,202**	**16,082**	**-2,315**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	68	-37	21	-3	30	-13	2	-1
B.2. Unlikely to pay	427	-50	42	-25	100	-7	37	-1
B.3. Other non-performing assets	23	-1	2	-	1	-	1	-
B.4. Performing exposures	18,650	-54	4,253	-8	14,273	-22	1,873	-4
Total B	**19,168**	**-142**	**4,318**	**-36**	**14,404**	**-42**	**1,913**	**-6**
TOTAL (A+B) 31.12.2015	**95,752**	**-8,069**	**21,255**	**-1,329**	**72,811**	**-2,244**	**17,995**	**-2,321**
TOTAL 31.12.2014	**92,580**	**-7,532**	**20,222**	**-762**	**70,255**	**-1,732**	**15,473**	**-1,863**

B.3. Breakdown of on- and off-balance sheet credit exposures to banks by geographical area (book value)

(millions of euro)

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	-	-	-	-5	-	-	-	-	-	-
A.2. Unlikely to pay	-	-	-	-	-	-	3	-6	-	-
A.3. Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4. Performing exposures	110,550	-7	9,734	-20	2,562	-9	2,288	-8	515	-1
Total A	**110,550**	**-7**	**9,734**	**-25**	**2,562**	**-9**	**2,291**	**-14**	**515**	**-1**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Performing exposures	3,322	-	21,530	-10	540	-5	2,173	-10	546	-10
Total B	**3,322**	**-**	**21,530**	**-10**	**540**	**-5**	**2,173**	**-10**	**546**	**-10**
TOTAL (A+B) 31.12.2015	**113,872**	**-7**	**31,264**	**-35**	**3,102**	**-14**	**4,464**	**-24**	**1,061**	**-11**
31.12.2014	**107,581**	**-14**	**25,496**	**-28**	**2,173**	**-10**	**7,678**	**-29**	**599**	**-9**

B.3. Bis. Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

Exposures/Geographical areas	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	-	-	-	-	-	-	-	-
A.2. Unlikely to pay	-	-	-	-	-	-	-	-
A.3. Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4. Performing exposures	97,796	-4	4,703	-2	7,587	-	464	-1
Total A	**97,796**	**-4**	**4,703**	**-2**	**7,587**	**-**	**464**	**-1**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Unlikely to pay	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Performing exposures	717	-	1,241	-	1,218	-	146	-
Total B	**717**	**-**	**1,241**	**-**	**1,218**	**-**	**146**	**-**
TOTAL (A+B) 31.12.2015	**98,513**	**-4**	**5,944**	**-2**	**8,805**	**-**	**610**	**-1**
TOTAL 31.12.2014	**91,333**	**-13**	**7,869**	**-**	**7,766**	**-1**	**613**	**-**

B.4. Large exposures

Large exposures	
a) Book value (millions of euro)	318,790
b) Weighted value (millions of euro)	5,390
b) Number	6

On the basis of regulatory provisions, the number of large exposures presented in the table was determined by reference to unweighted "exposures", including those to the Group's counterparties, in excess of 10% of eligible capital as defined by EU Regulation no. 575/2013 (CRR). The "exposures" are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from eligible capital) with a customer or a group of related customers, without applying weighting factors.

Such presentation criteria result in the inclusion in the financial statement table for large exposures of entities that - even with a weighting of 0% - present an unweighted exposure in excess of 10% of the entity's eligible capital.

C. SECURITISATIONS

This section does not include securitisations where the originator is the Bank and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by the Bank. For a description of these types of transactions, see the section on liquidity risk in Part E of the Notes to the Parent Company's financial statements.

Qualitative information

The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

Quantitative information

C.1. Breakdown of exposures deriving from the main "originated" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**-**	**-**	**-**	**-**	**17**	**-**
– Residential mortgage loans [(a)]	-	-	-	-	17	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**1,546**	**-**	**53**	**-**	**106**	**-**
– Residential mortgage loans	-	-	-	-	49	-
– Loans to businesses (including SMEs) [(b)]	1,546	-	53	-	57	-
TOTAL	**1,546**	**-**	**53**	**-**	**123**	**-**

[(a)] The amount is entirely referred to non-performing financial assets.

[(b)] Mezzanine and Junior exposures include non-performing financial assets equal to 53 million euro and 50 million euro, respectively. "Loans to businesses (including SMEs)" also includes the amounts for GARC synthetic securitisation operations, referring to performing exposures.

The securitisations in the above table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on this exemption, assets or liabilities sold and derecognised, based on previous accounting principles and deriving from securitisations prior to 1 January 2004, have not been recorded in the financial statements, even if derecognition does not meet the requirements of IAS 39.

Off-balance sheet

This type of exposure did not exist as at 31 December 2015.

C.2. Breakdown of exposures deriving from main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

Type of underlying assets/Exposures	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Other assets [(*)]	3,288	-	-	-	-	-
Trade receivables	234	-	-	-	-	-
Residential mortgage loans	224	1	55	-	-	-
Securitisations	187	16	-	-	-	-
Consumer credit	30	-	-	-	-	-
Commercial mortgage loans	11	-	28	-2	11	-
Loans to businesses (including SMEs)	4	-	2	-	-	-
TOTAL	**3,978**	**17**	**85**	**-2**	**11**	**-**

[(*)] The amount also includes the 3,170 million euro in Romulus securities held in the portfolio of the Banking Group, generally shown under third party securitisations. For more details regarding the type of underlying assets, refer to section 3 - Risks of other companies in Part E of the Notes to the consolidated financial statements

Off-balance sheet

(millions of euro)

Type of underlying assets/Exposures	GUARANTEES GIVEN						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
Duomo - ABCP Conduit transaction	-	-	-	-	-	-	3,360	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**3,360**	**-**	**-**	**-**	**-**	**-**

C.3. Securitisation vehicles

(millions of euro)

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION [a]	ASSETS			LIABILITIES		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Intesa Sanpaolo Securitisation Vehicle Srl [b]	Milano	Consolidated	130	-	31	143	-	159
Intesa Sanpaolo Sec SA [b]	Luxembourg	Consolidated	80	-	245	309	-	16
Intesa Sec 3 Srl	Milano	Consolidated	470	-	174	-	398	119
Intesa Sec Npl Spa	Milano	Consolidated	15	-	6	-	-	155
Augusto Srl [c]	Milano	Not consolidated [d]	3	-	2	16	-	-
Colombo Srl [c]	Milano	Not consolidated [d]	36	-	9	12	35	10
Diocleziano Srl [c]	Milano	Not consolidated [d]	10	-	3	64	-	-
ISP CB Ipotecario Srl [e]	Milano	Consolidated	15,404	-	4,271	17,991		
ISP CB Pubblico Srl [e]	Milano	Consolidated	5,059	2,508	3,793	10,862		
ISP OBG S.r.l. (ex ISP Sec 4 srl) [e]	Milano	Consolidated	20,565	-	3,264	23,423		

[a] Consolidation method referring to the "prudential" scope applied to the Group financial statements.

[b] Self-securitisation vehicle described in Section 3 - Liquidity Risk, Quantitative Information, paragraph 4.

[c] The amounts shown under assets and liabilities refer to the latest financial statement data available (31.12.2014).

[d] Not consolidated line by line, but using the equity method.

[e] ISP CB Ipotecario, ISP CB Pubblico and ISP OBG are not traditional securitisation vehicles that issue notes; rather, they are involved in COVERED BOND issues. For information, refer to Section C.3 of Part E of these Notes to the Financial Statements.

C.4. Unconsolidated securitisation vehicles

The information set out in this section is not provided by the banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.

C.5. Servicer activities – originated securitisations: collection of securitised loans and repayment of securities issued by the securitisation vehicle

SPECIAL PURPOSE VEHICLES	SECURITISED ASSETS (period-end figure) (millions of euro)		COLLECTIONS OF LOANS IN THE YEAR (millions of euro)		PERCENTAGE OF REIMBURSED SECURITIES (period-end figure)					
					Senior		Mezzanine		Junior	
	Non-performing	Performing	Non-performing	Performing	Non-performing loans	Performing loans	Non-performing loans	Performing loans	Non-performing loans	Performing loans
Intesa Sec 3 Srl	38	432	7	159	-	100%	-	83%	-	0%
Intesa Sanpaolo Securitisation Vehicle Srl	93	38	69	6	-	41%	-	0%	-	0%
Total	**131**	**470**	**76**	**165**	**-**					

D. INFORMATION ON STRUCTURED ENTITIES NOT CONSOLIDATED IN THE ACCOUNTS (OTHER THAN SECURITISATION VEHICLES)

The qualitative and quantitative information set out in this section is not provided by the banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.

E. SALES

A. Financial assets sold not fully derecognised

Qualitative information

For a description of the operations shown in tables E.1, E.2 and E.3, refer to the information shown below the relevant tables. Conversely, for operations in debt securities against medium-/long-term repurchase agreements, refer to the information in Part B of the Notes to the consolidated financial statements.

Quantitative information

E.1. Financial assets sold not derecognised: book value and full value

(millions of euro)

Type / Portfolio	CASH ASSETS				DERIVA-TIVES	31.12.2015		31.12.2014	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**982**	**-**	**-**	**-**	**-**	**982**	**-**	**1,433**	**-**
- Financial assets sold totally recognised (book value)	982	-	-	-	-	982	-	1,433	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**4,605**	**-**	**-**	**-**	**X**	**4,605**	**-**	**6,686**	**-**
- Financial assets sold totally recognised (book value)	4,605	-	-	-	X	4,605	-	6,686	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**402**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	402	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**1,397**	**X**	**X**	**573**	**X**	**1,970**	***140***	**2,152**	***37***
- Financial assets sold totally recognised (book value)	1,397	X	X	573	X	1,970	*140*	2,152	*37*
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2015	**6,984**	**-**	**-**	**573**	**-**	**7,557**	***140***	**X**	***X***
Total 31.12.2014	**9,857**	**-**	**-**	**816**	**-**	**X**	**X**	**10,673**	**37**

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.

Operations mainly refer to the use of securities held for short and medium/long-term repurchase agreements and loans to customers assigned mainly as part of the SEC 3 securitisation and, to a lesser extent, as part of the K-Equity securitisation.

E.2. Financial liabilities corresponding to financial assets sold not derecognised: book value

(millions of euro)

	DUE TO CUSTOMERS		DUE TO BANKS		TOTAL 31.12.2015	TOTAL 31.12.2014
	Fully recognised	Partly recognised	Fully recognised	Partly recognised		
Financial assets held for trading	468	-	494	-	962	1,427
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	4,440	-	161	-	4,601	6,682
Investments held to maturity	-	-	-	-	-	-
Due from banks	-	-	181	-	181	401
Loans to customers	690	-	766	-	1,456	1,754
TOTAL	**5,598**	**-**	**1,602**	**-**	**7,200**	**10,264**

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.

The financial liabilities associated to financial assets sold not derecognised relate to both securitisations and repurchase agreements for securities recorded under assets. They do not, however, include repurchase agreements relating to securities received under reverse repurchase agreements.
The caption "Due to customers" associated to Loans to customers mainly includes liabilities recorded for SEC 3 securitisation and, to a lesser extent, K-Equity securitisation.

E.3. Sales with liabilities having recourse exclusively on the assets sold: fair value

(millions of euro)

Type / Portfolio	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS		FINANCIAL ASSETS AVAILABLE FOR SALE		INVESTMENTS HELD TO MATURITY (fair value)		DUE FROM BANKS (fair value)		LOANS TO CUSTOMERS (fair value)		TOTAL 31.12.2015	TOTAL 31.12.2014
	Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:		Financial Assets sold:			
	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised	fully recognised	partly recognised		
A. Cash assets	**982**	**-**	**-**	**-**	**4,605**	**-**	**-**	**-**	**-**	**-**	**1,796**	**-**	**7,383**	**10,326**
1. Debt securities	982	-	-	-	4,605	-	-	-	-	-	1,204	-	6,791	9,676
2. Equities	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCI	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	592	-	592	650
B. Derivatives	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total Assets	**982**	**-**	**-**	**-**	**4,605**	**-**	**-**	**-**	**-**	**-**	**1,796**	**-**	**7,383**	**10,326**
C. Associated liabilities	**962**	**-**	**-**	**-**	**4,601**	**-**	**-**	**-**	**181**	**-**	**1,463**	**-**	**X**	**X**
1. Due to customers	468	-	-	-	4,440	-	-	-	-	-	678	-	X	X
2. Due to banks	494	-	-	-	161	-	-	-	181	-	785	-	X	X
Total Liabilities	**962**	**-**	**-**	**-**	**4,601**	**-**	**-**	**-**	**181**	**-**	**1,463**	**-**	**7,207**	**9,271**
Net Value 2015	**20**	**-**	**-**	**-**	**4**	**-**	**-**	**-**	**-181**	**-**	**333**	**-**	**176**	**X**
Net Value 2014	**1,018**	**-**	**-**	**-**	**4**	**-**	**-**	**-**	**24**	**-**	**57**	**-**	**X**	**1,055**

Covered bond transactions where the selling bank and the lending bank are the same are not included in this caption.

B. Financial assets sold fully derecognised with recognition of continuing involvement

This type of exposure did not exist as at 31 December 2015.

E.4. Covered bond transactions

Covered bond transactions where the selling Bank and the lending Bank are the same must be reported under this section. Intesa Sanpaolo uses covered bonds mainly as a type of funding through securities guaranteed by assets originated by Intesa Sanpaolo or by other companies of the Group.
Intesa Sanpaolo has arranged three programmes for the issue of Covered Bonds (CB).
The first programme, launched at the end of July 2009, had an amount of 20 billion euro (the original amount was 10 billion euro). The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. In detail, performing loans and securities to the public sector with a total original nominal value of around 14.3 billion euro (net of retrocessions of assets of 0.5 billion euro) were sold, the last of which (amounting to around 1 billion euro) in April 2013. As at 31 December 2015 loans and securities sold to the vehicle had a book value of 7.6 billion euro.
Against these sales, Covered Bonds were issued over time for a total nominal value of 18.5 billion euro (of which 3 billion euro relating to a covered bond which matured in the fourth quarter of 2011, 6.8 billion euro relating to issues acquired by the Parent Company and cancelled or subject to early redemption and 3.2 billion euro relating to an exchange offer to investors during 2012). During 2015:

– the early repayment of the seventh series of CB was carried out, for a nominal value of 2 billion euro which, as it was fully subscribed by the Parent Company Intesa Sanpaolo, was already cancelled from the accounts;
– The tenth series of Covered Bonds was issued, for a nominal value of 1.7 billion euro. The notes, with floating rate and 7-year maturity, were fully subscribed by the Parent Company. The bonds are listed on the Luxembourg Stock Exchange with Moody's A2 rating, and are eligible for Eurosystem transactions;

Therefore, as at 31 December 2015 a total nominal amount of 5.2 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Pubblico was outstanding, of which 4.9 billion repurchased and 0.3 billion placed with third party investors.

In the second programme, amounting to a maximum of 20 billion euro, the guarantor of the Covered Bonds is the vehicle ISP CB Ipotecario S.r.l., to which Italian residential mortgage loans originated by Intesa Sanpaolo were transferred with a total original nominal value of 18.5 billion euro (net of retrocessions). During 2015, Intesa Sanpaolo transferred residential mortgage loans to the vehicle in April and October, for a total original nominal value of approximately 3 billion euro.
As at 31 December 2015 loans sold to the vehicle had a book value of 15.4 billion euro.
Over time, against the sale of these assets, Intesa Sanpaolo carried out issues of Covered Bonds for a total nominal value of approximately 20.7 billion euro (of which 8.2 billion euro subject to early redemption in 2012). During 2015:
– the first series of CB reached maturity, with a nominal value of 1 billion euro;
– in January, series 17 of CB was issued in the form of a fixed-rate bond (0.625%) for a nominal value of 1 billion euro, with a 7-year maturity, listed on the Luxembourg Stock Exchange with Moody's Aa2 rating. The bond was placed with institutional investors;
– in December, series 18 of CB was issued in the form of a fixed-rate bond (1.375%) for a nominal value of 1.25 billion euro, with a 10-year maturity, listed on the Luxembourg Stock Exchange with Moody's Aa2 rating. The bond was placed with institutional investors;

As at 31 December 2015 a total nominal amount of 13.8 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Ipotecario was outstanding, placed with third party investors.

In 2012 the new multi-originator CB issue programme was launched, secured by mortgages totalling 30 billion euro. Aimed at retained issues, the programme provides for the issue of unrated securities which thus benefit from the rating of the issuer Intesa Sanpaolo. The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli, Cassa di Risparmio del Veneto, Banca dell'Adriatico, Cassa di Risparmio in Bologna and, starting from May 2015, Banca CR Firenze. In particular, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 13.1 billion euro (net of exclusions). No sales were made during 2015. As at 31 December 2015 the loans sold to the vehicle by Intesa Sanpaolo had a book value of 8.3 billion euro.
The other Group Banks sold assets to the vehicle for a total original nominal value of 16 billion euro, of which 3.7 billion euro sold in 2015.
Over time, against the sales of these assets, Intesa Sanpaolo carried out issues of Covered Bonds for a total nominal value of approximately 40.4 billion euro (of which 20.7 billion euro subject to early redemption in 2014). During 2015:
– in May early redemption was carried out of the fifth series of CB issued, for 1.5 billion euro;
– in November the 19th series of CB was issued with a nominal value of 1.375 billion euro. This is a 7-year, floating-rate bond.

All securities issued as part of the multi-originator programme are listed on the Luxembourg Stock Exchange and, as noted above, benefit from the rating of the issuer Intesa Sanpaolo. The characteristics of the issues make them eligible for Eurosystem refinancing transactions.
As at 31 December 2015 a total nominal amount of 19.6 billion euro of issues made as part of the Covered Bond Programme of the vehicle ISP OBG was outstanding, fully repurchased by Intesa Sanpaolo.

The main features of the issues are shown in the table below.

(millions of euro)

VEHICLE	NAME	TYPE OF UNDERLYING ASSET	ISSUE	MATURITY	RATING	VEHICLE DATA		SUBORDINATED FINANCING (1)	COVERED BOND ISSUED			
						Total assets	Cumulated write-downs to the securitised portfolio	amount	nominal amount (2)	book value (2)	IAS classification	Valuation
ISP CB PUBBLICO						11,360	-	10,862	284	319		
	Intesa Sanpaolo 10/17 - 3.25%	Bonds and loans to the public sector	28/04/2010	28/04/2017	A3				137	144 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 11/21 - 5.0%	Bonds and loans to the public sector	27/01/2011	27/01/2021	A3				147	175 [3]	Securities issued	Amortised cost
ISP CB IPOTECARIO						19,675	91	17,991	13,826	14,881		
	Intesa Sanpaolo 11/16 - 4.375%	RMBSs from self-securitisation - Mortgages	16/02/2011	16/08/2016	A2				2,500	2,586 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 11/26 - 5.25%	RMBSs from self-securitisation - Mortgages	17/02/2011	17/02/2026	A2				100	130 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 11/31 - 5.375%	RMBSs from self-securitisation - Mortgages	17/02/2011	17/02/2031	A2				300	406 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 11/27 - 5.25%	RMBSs from self-securitisation - Mortgages	16/09/2011	16/09/2027	A2				210	250 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 12/17 - 3.25%	RMBSs from self-securitisation - Mortgages	16/07/2012 26/9/2012	28/04/2017	A2				1,863	1,971 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 12/21 - 5 %	Mortgages	16/07/2012 26/9/2012	27/01/2021	A2				1,353	1,606 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 12/19 - 3.75%	Mortgages	25/09/2012	25/09/2019	A2				1,000	1,050 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 12/22 - 3.625%	Mortgages	03/12/2012	05/12/2022	A2				1,250	1,338 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 13/25 - 3.375%	Mortgages	24/01/2013	24/01/2025	A2				1,000	1,119 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 13/18 - 2.25%	Mortgages	24/09/2013	24/09/2018	A2				750	780 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 14/26 3.25%	Mortgages	10/02/2014	10/02/2026	A2				1,250	1,422 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 15/22 0.625%	Mortgages	23/01/2015	20/01/2022	Aa2				1,000	996 [3]	Securities issued	Amortised cost
	Intesa Sanpaolo 15/25 1.375%	Mortgages	18/12/2015	18/12/2025	Aa2				1,250	1,227 [3]	Securities issued	Amortised cost
ISP OBG						23,828 [4]	197 [5]	9,557				

(1) This caption includes the subordinated loan granted by ISP SpA to the vehicles for the purchase of the portfolio lodged as collateral for the CB. This loan is derecognised in the IAS-compliant separate financial statements. The amount of the loan refers to the issue already executed as part of an issue programme with a higher maximum amount.

(2) The nominal amount and the book value shown in the table are to be considered net of securities repurchased.

(3) The covered bonds (CB) issued by Intesa Sanpaolo were placed on the market with professional investors and international financial intermediaries, for the entire amount issued.

(4) The assets of the vehicle of Isp Spa amount to 9,829 million euro; of the remaining, 6,541 million euro is comprised of securitised assets of Banco Napoli, 2,962 million euro is comprised of securitised assets of CR Veneto, 1,640 million euro is comprised of securitised assets of Banca dell'Adriatico, 1,633 million euro is comprised of securitised assets of CR Firenze e 1.223 million euro is comprised of securitised assets of Carisbo.

(5) The write-downs to the securitised portfolio of Isp Spa amount to 108 million euro; of the remaining, 60 million euro relate to the Banco Napoli portfolio, 16 million euro relate to assets of CR Veneto, 7 million euro relate to assets of Banca dell'Adriatico, 3 million euro relate to assets of Carisbo and 2 million euro relate to assets of CR Firenze.

The additional information required by IFRS 12 is not provided by banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.

F. MODELS FOR THE MEASUREMENT OF CREDIT RISK

At year-end, the expected loss amounted to 0.55% of disbursed loans. The indicator is essentially in line with the figure at the end of 2014 (0.56%).

The internal rating and LGD models are subject to internal validation process by the Internal Validation Service and a level three control by the Internal Auditing Department. The control functions produce a report for the Supervisory Authority on the compliance of the models with the supervisory regulations, which also verifies deviations of the ex-ante estimates and the effective ex post values. This report, approved by the Management Board and the Supervisory Board of Intesa Sanpaolo, confirms the existence of the compliance requirements.

SECTION 2 – MARKET RISKS

2.1. INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

QUALITATIVE INFORMATION
Qualitative information about measurement criteria of financial risks of Intesa Sanpaolo's regulatory trading book is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION
Operational quantitative information on Intesa Sanpaolo's market risks is contained in Part E of the Notes to the consolidated financial statements.

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

QUALITATIVE INFORMATION
Qualitative information on the measurement of financial risks in Intesa Sanpaolo's banking book is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies
Interest margin sensitivity – assuming a 100 basis point change in interest rates and a twelve-month holding period – amounted to 217 million euro at the end of 2015.
The above potential impact would be reflected, in the case of invariance of the other income components, also in the Bank's year-end profit and loss net of tax.
Interest rate risk, generated by Intesa Sanpaolo's banking book, measured through shift sensitivity analysis (sensitivity of portfolio value to a parallel and uniform shift in the yield curve of ±100 basis points), recorded an average of 329 million euro during 2015 and amounted to 509 million euro at year-end.
Interest rate risk, measured in terms of VaR (99% confidence level, 10-day holding period), amounted to an average of 50 million euro during 2015, with a minimum value of 11 million euro and a maximum value of 124 million euro. The latter was equal to the value recorded at the end of 2015.
Price risk generated by minority stakes in quoted companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level during 2015 of 34 million euro (25 million euro at the end of 2014), with minimum and maximum values of 20 million euro and 49 million euro respectively. The VaR at the end of 2015 amounted to 25 million euro.
The table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock for the abovementioned quoted assets recorded in the AFS portfolio.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity
Price shock	+10%	4
Price shock	-10%	-4

2.3. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

Qualitative information, including hedging activities of foreign exchange risk, is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and of derivatives

(millions of euro)

	CURRENCIES				
	US dollar	GB pound	Swiss franc	Yen	Other currencies
A. FINANCIAL ASSETS	**26,907**	**1,726**	**531**	**1,429**	**2,350**
A.1 Debt securities	4,225	541	-	854	171
A.2 Equities	572	-	6	-	41
A.3 Loans to banks	9,906	388	253	177	751
A.4 Loans to customers	12,204	797	272	398	1,387
A.5 Other financial assets	-	-	-	-	-
B. OTHER ASSETS	**5,923**	**23**	**16**	**253**	**212**
C. FINANCIAL LIABILITIES	**30,808**	**1,632**	**79**	**255**	**1,149**
C.1 Due to banks	11,276	890	54	74	671
C.2 Due to customers	7,686	302	25	19	221
C.3 Debt securities	11,846	440	-	162	257
C.4 Other financial liabilities	-	-	-	-	-
D. OTHER LIABILITIES	**436**	**20**	**-**	**6**	**150**
E. FINANCIAL DERIVATIVES					
- Options					
long positions	*828*	*30*	*8*	*6*	*71*
short positions	*672*	*30*	*12*	*6*	*69*
- Other derivatives					
long positions	*40,689*	*5,883*	*1,422*	*4,193*	*6,018*
short positions	*42,682*	*5,724*	*1,919*	*5,590*	*7,271*
TOTAL ASSETS	**74,347**	**7,662**	**1,977**	**5,881**	**8,651**
TOTAL LIABILITIES	**74,598**	**7,406**	**2,010**	**5,857**	**8,639**
DIFFERENCE (+/-)	**-251**	**256**	**-33**	**24**	**12**

2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is included within the operating procedures and the estimation methodologies of the internal model based on VaR calculations, as described in Part E of the Notes to the consolidated financial statements.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 22 million euro as at 31 December 2015. This potential impact would only affect Shareholders' Equity, until disposal.

2.4. DERIVATIVES

Starting from 2014, the Bank was authorised to use EPE (Expected Positive Exposure) internal models to determine the requirement for counterparty risk.
The Bank uses these approaches for almost the entire trading portfolio (as shown in the table below, as at 31 December 2015 approximately 98% of the total EAD of financial and credit derivatives is measured using EPE models).
Derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2015 accounting for approximately 2% of overall EAD) and refer to residual contracts of the Bank to which EPE is not applied (in compliance with the insignificance of the EBA thresholds).
Moreover, with the entry into force of the new rules of Basel 3, the scope of counterparty risk is expected to also include Exchange Traded Derivatives (ETD) and contracts with central counterparties (CCP).

The table below shows the overall EAD of exposures in financial and credit derivatives, broken down by measurement approach (EPE internal models or mark-to-market approach).

(millions of euro)

Categories of transactions	31.12.2015		31.12.2014	
	Current Exposure Method	EPE Internal Method	Current Exposure Method	EPE Internal Method
Derivative contracts	121	6,493	204	8,644

Using the EPE internal model, it is possible to consider the collateral collected to mitigate credit exposure and any excess collateral paid in the simulation. The value of guarantees received and included in the calculation of the EAD amounted to over 1.8 billion euro for Intesa Sanpaolo, while the collateral paid amounted to 4.2 billion euro.

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end notional amounts

(millions of euro)

Underlying assets / Type of derivatives	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**312,717**	**-**	**247,989**	**-**
a) Options	8,258	-	8,375	-
b) Swaps	298,836	-	234,716	-
c) Forwards	43	-	85	-
d) Futures	5,580	-	4,813	-
e) Others	-	-	-	-
2. Equities and stock indices	**418**	**28**	**496**	**28**
a) Options	356	28	496	28
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	62	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**95,124**	**-**	**97,631**	**-**
a) Options	3,986	-	5,293	-
b) Swaps	22,184	-	20,996	-
c) Forwards	67,669	-	69,830	-
d) Futures	-	-	-	-
e) Others	1,285	-	1,512	-
4. Commodities	**7,748**	**-**	**7,868**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**416,007**	**28**	**353,984**	**28**

The Bank has traded on organised futures markets through direct participants mainly belonging to the Group Investment Bank.

A.2. Banking book: period-end notional amounts

A.2.1. Hedging derivatives

(millions of euro)

Underlying assets / Type of derivatives	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**178,112**	**-**	**190,203**	**-**
a) Options	2,783	-	2,766	-
b) Swaps	175,329	-	187,437	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**2,668**	**-**	**3,279**	**-**
a) Options	-	-	-	-
b) Swaps	2,668	-	3,279	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**180,780**	**-**	**193,482**	**-**

A.2.2. Other derivatives

(millions of euro)

Underlying assets / Type of derivatives	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**3,589**	**-**	**8,054**	**-**
a) Options	2,645	-	6,866	-
b) Swaps	944	-	1,188	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**565**	**-**	**1,679**	**-**
a) Options	565	-	1,679	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**4,154**	**-**	**9,733**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments, the derivatives used to hedge debt securities measured at fair value through profit and loss and the put and call options relating to commitments on equity investments.

Tables A.3 to A.9 were not filled in as the financial derivatives whose counterparty risk is measured using methods other than internal models represent a residual portion of the portfolio.
Information on derivatives is shown below, in the section relating to internal models. Based on the financial statement instructions issued by the Bank of Italy, tables A.3 to A.9 do not have to be filled in by banks which use EPE internal models to calculate counterparty risk if this approach covers a significant portion of the portfolio.

A.3. Financial derivatives gross positive fair value – breakdown by product

A.4. Financial derivatives gross negative fair value – breakdown by product

A.5. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

A.6. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

A.7. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

A.8. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

A.9. Residual maturity of over the counter financial derivatives: notional amounts

A.10 Over the counter financial derivatives: counterparty risk/financial risk – internal models
As stated in the initial part of the section on derivatives, the Bank was authorised to use EPE internal models to determine the requirement for counterparty risk, which is used for most of the portfolio.
Financial derivatives whose counterparty risk is measured using mark-to-market methods represent a residual portion of the portfolio. For this reason, the data relating to these derivatives was included in the tables below, for the purpose of summarising all the information on derivatives.

Financial derivatives gross positive fair value – breakdown by product

(millions of euro)

Portfolios /Types of derivatives	POSITIVE FAIR VALUE			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**13,690**	**1**	**15,099**	**1**
a) Options	455	1	522	1
b) Interest rate swaps	9,306	-	10,585	-
c) Cross currency swaps	2,041	-	1,775	-
d) Equity swaps	-	-	-	-
e) Forwards	874	-	1,421	-
f) Futures	-	-	-	-
g) Others	1,014	-	796	-
B. Banking book - hedging	**6,387**	**-**	**8,250**	**-**
a) Options	68	-	78	-
b) Interest rate swaps	5,801	-	7,681	-
c) Cross currency swaps	518	-	491	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**346**	**-**	**428**	**-**
a) Options	265	-	313	-
b) Interest rate swaps	81	-	115	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**20,423**	**1**	**23,777**	**1**

Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

Portfolios /Types of derivatives	NEGATIVE FAIR VALUE			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**14,688**	**-**	**15,871**	**-**
a) Options	408	-	481	-
b) Interest rate swaps	10,252	-	11,270	-
c) Cross currency swaps	2,081	-	1,856	-
d) Equity swaps	-	-	-	-
e) Forwards	933	-	1,450	-
f) Futures	-	-	-	-
g) Others	1,014	-	814	-
B. Banking book - hedging	**5,960**	**-**	**7,235**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	5,612	-	6,919	-
c) Cross currency swaps	348	-	316	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**385**	**-**	**463**	**-**
a) Options	266	-	310	-
b) Interest rate swaps	119	-	153	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**21,033**	**-**	**23,569**	**-**

Over the counter financial derivatives: regulatory trading book – notional amounts, fair value gross positive and negative fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	2,507	281,578	5,906	1	22,634	91
- positive fair value	-	606	7,367	403	-	1,226	11
- negative fair value	-	-21	-9,644	-223	-1	-630	-
2. Equities and stock indices							
- notional amount	-	-	310	-	108	-	-
- positive fair value	-	-	2	-	-	-	-
- negative fair value	-	-	-	-	-2	-	-
3. Foreign exchange rates and gold							
- notional amount	324	189	66,882	14,420	418	12,887	4
- positive fair value	-	-	2,430	167	1	426	-
- negative fair value	-8	-98	-1,854	-535	-3	-617	-
4. Other values							
- notional amount	-	-	3,880	201	-	3,667	-
- positive fair value	-	-	193	7	-	851	-
- negative fair value	-	-	-862	-1	-	-189	-

Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	423	171,833	8,433	-	34	978
- positive fair value	-	4	5,929	209	-	5	1
- negative fair value	-	-	-5,208	-549	-	-	-176
2. Equities and stock indices							
- notional amount	-	-	249	62	-	19	235
- positive fair value	-	-	56	11	-	-	-
- negative fair value	-	-	-8	-	-	-	-56
3. Foreign exchange rates and gold							
- notional amount	-	-	2,433	235	-	-	-
- positive fair value	-	-	516	2	-	-	-
- negative fair value	-	-	-187	-161	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

The data in the tables "Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty" and "Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty" refer exclusively to operations in Over the Counter derivatives.

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end notional amounts

(millions of euro)

Categories of transactions	REGULATORY TRADING BOOK		BANKING BOOK	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
- Credit default products	547	122	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	-	-	-	-
Total 31.12.2015	**547**	**122**	**-**	**-**
Total 31.12.2014	**674**	**955**	**-**	**-**
2. Protection sales				
- Credit default products	509	122	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	-	-	-	-
Total 31.12.2015	**509**	**122**	**-**	**-**
Total 31.12.2014	**649**	**955**	**-**	**-**

Part of the contracts in force as at 31 December 2015, shown in the table above, has been included within the structured credit products, namely: 94 million euro of protection purchases and 43 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Also tables B.2 to B.6 were not filled in as the credit derivatives whose counterparty risk is measured using methods other than internal models represent a residual portion of the portfolio.
Information on derivatives is shown below, in the section relating to internal models. Based on the financial statement instructions issued by the Bank of Italy, tables B.2 to B.6 do not have to be filled in by banks which use EPE internal models to calculate counterparty risk if this approach covers a significant portion of the portfolio.

B.2. Over the counter credit derivatives: gross positive fair value – breakdown by product

B.3. Over the counter credit derivatives: gross negative fair value – breakdown by product

B.4. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts not included under netting arrangements

B.5. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts included under netting arrangements

B.6. Residual maturity of credit derivatives: notional amounts

B.7. Credit derivatives: counterparty risk/financial risk – Internal models

As stated in the initial part of the section on derivatives, the Bank was authorised to use EPE internal models to determine the requirement for counterparty risk, which is used for most of the portfolio.
Credit derivatives whose counterparty risk is measured using mark-to-market methods represent a residual portion of the portfolio. For this reason, the data relating to these derivatives was included in the tables below, for the purpose of summarising all the information on derivatives.

Over the counter credit derivatives: gross positive fair value – breakdown by product

(millions of euro)

Portfolios /Types of derivatives	POSITIVE FAIR VALUE	
	31.12.2015	31.12.2014
A. Regulatory trading book	**70**	**107**
a) Credit default products	70	107
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**70**	**107**

Part of the positive fair values, recognised as at 31 December 2015, and shown in the table above, has been included within the structured credit products, namely: 8 million attributable to short positions taken on creditworthiness indexes and protection purchases as part of structured packages.
For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Over the counter credit derivatives: gross negative fair value – breakdown by product

(millions of euro)

Portfolios /Types of derivatives	NEGATIVE FAIR VALUE	
	31.12.2015	31.12.2014
A. Regulatory trading book	**93**	**114**
a) Credit default products	93	114
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**93**	**114**

Part of the negative fair values, recognised as at 31 December 2015, and shown in the table above, has been included within the structured credit products, namely: 18 million attributable to long positions on creditworthiness indexes and protection sales not included under the US subprime category.
For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Over the counter credit derivatives: gross (positive and negative) fair values by counterparty

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	129	339	201	-	-	-
- positive fair value	-	66	-	2	-	-	-
- negative fair value	-	-	-2	-1	-	-	-
2. Protection sales							
- notional amount	-	-	507	124	-	-	-
- positive fair value	-	-	2	-	-	-	-
- negative fair value	-	-	-78	-12	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

The data exclusively refers to operations in Over the counter credit derivatives.

C. CREDIT AND FINANCIAL DERIVATIVES

C.1. Over the counter credit and financial derivatives: net fair values and future exposure by counterparty

This table was not filled in because, as previously illustrated, the Bank primarily calculates counterparty risk using the EPE approach, which is not based on the concept of future exposure. According to the internal models approach, the EPE is calculated as a statistical-time-based average of the future mark-to-market evolution of the derivatives, strengthened by conservative restrictions on the mark-to-market profiles that do not decrease over time.

SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

The breakdown by maturity of financial assets and liabilities is shown in the tables below according to the rules set forth in financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity.

Therefore, no operational data was used that would require, for example, the modelling of demand liabilities and the representation of cash items according to their level of liquidability.

Currency of denomination: Euro

(millions of euro)

Type / Residual maturity	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**27,487**	**15,835**	**6,576**	**11,258**	**23,936**	**21,082**	**36,964**	**99,195**	**66,720**	**3,413**
A.1 Government bonds	7	-	-	33	219	94	2,281	12,791	12,267	-
A.2 Other debt securities	53	601	1,016	1,749	79	609	1,459	5,673	5,322	-
A.3 Quotas of UCI	715	-	-	-	-	-	-	-	-	-
A.4 Loans	26,712	15,234	5,560	9,476	23,638	20,379	33,224	80,731	49,131	3,413
- Banks	*7,234*	*3,005*	*1,902*	*6,092*	*17,486*	*14,168*	*15,358*	*32,017*	*6,512*	*3,413*
- Customers	*19,478*	*12,229*	*3,658*	*3,384*	*6,152*	*6,211*	*17,866*	*48,714*	*42,619*	-
Cash liabilities	**108,837**	**6,190**	**4,942**	**4,351**	**15,348**	**19,796**	**22,487**	**104,126**	**26,393**	**2,100**
B.1 Deposits and current accounts	106,723	949	560	3,674	12,789	15,721	10,922	30,302	3,126	-
- Banks	*12,684*	*381*	*240*	*3,119*	*9,625*	*13,064*	*9,315*	*28,048*	*3,058*	-
- Customers	*94,039*	*568*	*320*	*555*	*3,164*	*2,657*	*1,607*	*2,254*	*68*	-
B.2 Debt securities	85	9	3,257	573	1,098	3,391	10,881	42,861	20,868	2,100
B.3 Other liabilities	2,029	5,232	1,125	104	1,461	684	684	30,963	2,399	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*4,078*	*2,956*	*6,237*	*8,504*	*4,580*	*4,842*	*7,495*	*6,013*	-
- Short positions	*3*	*4,004*	*2,836*	*6,455*	*7,089*	*4,415*	*3,581*	*4,795*	*6,789*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*8,629*	*9*	*57*	*221*	*334*	*681*	*1,373*	-	-	-
- Short positions	*9,764*	*36*	*43*	*99*	*275*	*519*	*1,053*	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*8,796*	-	-	-	-	-	-	-	-	-
- Short positions	-	*8,756*	-	-	*40*	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*25,611*	*50*	*373*	*341*	*50*	*612*	*9,142*	*730*	-
- Short positions	*36,886*	*23*	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	73	-	-	-	1	-	1	34	1	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	*68*	-	-	-	-	-	-	-	-	-
- Short positions	*74*	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

Type / Residual maturity	**On demand**	**Between 1 and 7 days**	**Between 7 and 15 days**	**Between 15 days and 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Unspecified maturity**
Cash assets	**4,159**	**1,883**	**1,139**	**1,286**	**3,420**	**3,422**	**4,213**	**9,877**	**3,787**	**-**
A.1 Government bonds	3	-	198	1	84	-	332	787	911	-
A.2 Other debt securities	8	45	10	21	41	34	133	2,564	748	-
A.3 Quotas of UCI	572	-	-	-	-	-	-	-	-	-
A.4 Loans	3,576	1,838	931	1,264	3,295	3,388	3,748	6,526	2,128	-
- Banks	*3,074*	*551*	*559*	*635*	*1,378*	*2,343*	*2,483*	*470*	*59*	-
- Customers	*502*	*1,287*	*372*	*629*	*1,917*	*1,045*	*1,265*	*6,056*	*2,069*	-
Cash liabilities	**5,581**	**2,301**	**3,500**	**3,828**	**4,527**	**2,309**	**970**	**5,920**	**4,846**	**-**
B.1 Deposits and current accounts	5,446	1,370	1,188	2,884	906	1,350	856	991	706	-
- Banks	*3,258*	*573*	*233*	*990*	*181*	*1,249*	*723*	*766*	*453*	-
- Customers	*2,188*	*797*	*955*	*1,894*	*725*	*101*	*133*	*225*	*253*	-
B.2 Debt securities	9	87	1,883	848	377	959	104	4,092	4,140	-
B.3 Other liabilities	126	844	429	96	3,244	-	10	837	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*3*	*8,982*	*4,190*	*7,880*	*11,123*	*5,550*	*5,763*	*6,559*	*6,866*	-
- Short positions	*12*	*9,078*	*4,329*	*7,656*	*12,297*	*5,745*	*7,010*	*9,350*	*6,121*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*2,101*	-	*92*	*27*	*17*	*48*	*146*	-	-	-
- Short positions	*1,874*	-	*36*	*12*	*34*	*53*	*131*	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*317*	-	-	-	-	-	-	-	-	-
- Short positions	*69*	*216*	*20*	*1*	-	-	*11*	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	*3,673*	-	*13*	*3*	*138*	*461*	*1,251*	*10,316*	*1,426*	-
- Short positions	*15,034*	*65*	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	*2*	-	-	-	-	-	-	-	-	-
- Short positions	*7*	-	-	-	-	-	-	-	-	-

2. Self-securitisations carried out by Intesa Sanpaolo S.p.A.

The securitisations originated by Intesa Sanpaolo S.p.A. in which it underwrote all the securities issued by the related vehicle (self-securitisations) need not be shown in the tables of Part E, section C "Securitisation and asset sales" of the Notes to the Parent Company's financial statements.

Intesa Sanpaolo SEC S.A.

The securitisation of loans issued to large international corporate customers by some international branches of Intesa Sanpaolo (Frankfurt, Hong Kong, Madrid and New York) was finalised in August 2013. The securitisation was conducted through the Luxembourg-based vehicle company Intesa Sanpaolo SEC. SA.
The securities issued, with a total value of about 325 million euro, were subscribed by Intesa Sanpaolo and used for a value of about 308 million euro (corresponding to the most senior class of notes issued, representing the principal of the securitised loans) as collateral of a loan received by a primary European bank.

Intesa Sanpaolo Securitisation Vehicle S.r.l.

In December 2014 a new securitisation was approved, involving three portfolios of loans originated by CIB Bank ZRT, primarily non-performing positions, secured by guarantees and mortgages and denominated in euro, Hungarian forints and Swiss francs. Those portfolios were transferred without recourse to Intesa Sanpaolo, which on 30 December 2014 in turn sold the three portfolios without recourse to the vehicle for 241 million euro, 17.1 billion Hungarian forints and 57.2 million Swiss francs, respectively.
Intesa Sanpaolo is the servicer of the portfolio and CIB Bank ZRT the sub-servicer, in accordance with applicable legislation.
In February 2015, Intesa Sanpaolo Securitisation Vehicle S.r.l. issued two classes of notes for each of the three separate asset pools. All classes of notes, which are unlisted and unrated, were subscribed for by Intesa Sanpaolo, as summarised below:

– class-A (senior) notes of 138.2 million euro and class-J (junior) notes of 103.3 million euro were issued for the portfolio of securitised loans in euro;
– class-A (senior) notes of 7.8 billion forints and class-J (junior) notes of 9.3 billion forints were issued for the portfolio of securitised loans in Hungarian forints;
– class-A (senior) notes of 29.4 million francs and class-J (junior) notes of 27.9 million francs were issued for the portfolio of securitised loans in Swiss francs.

As at 31 December 2015, the asset pools held by the vehicle were composed as follows:

– securitised assets in euro of 105.8 million, in addition to cash of 19 million euro. The securities in issue had a residual value of 115.5 million euro (class A) and 103.3 million euro (class J);
– securitised assets in Hungarian forints with a value in euro of 17.6 million and cash with a value in euro of 1 million euro. The securities in issue had a residual value of 14.5 million euro (class A) and 29.5 million euro (class J);
– securitised assets in Swiss francs with a value in euro of 7.3 million euro and cash with a value in euro of 11.2 million euro. The securities in issue had a residual value of 13.1 million euro (class A) and 25.7 million euro (class J);

The table below shows the characteristics of the securities issued by the vehicles and subscribed by the Group companies.

(millions of euro)

Vehicle		Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2015
INTESA SANPAOLO SEC SA					
of which issued in EURO					**291**
	SECURED PRINCIPAL NOTES	Senior	Receivables from large international corporate customers	no rating	276
	SECURED INCOME NOTES	Junior	Receivables from large international corporate customers	no rating	15
of wich issued in USD					**34**
	SECURED PRINCIPAL NOTES	Senior	Receivables from large international corporate customers	no rating	32
	SECURED INCOME NOTES	Junior	Receivables from large international corporate customers	no rating	2
INTESA SANPAOLO SECURITISATION VEHICLE SRL					
of which issued in EURO					**241**
	CLASS A ABS F/R NOTES	Senior	Commercial mortgage loans	no rating	138
	CLASS J ABS F/R AND ADDITIONAL RETURN NOTES	Junior	Commercial mortgage loans	no rating	103
of which issued in CHF					**53**
	CLASS A ABS F/R NOTES	Senior	Commercial mortgage loans	no rating	27
	CLASS J ABS F/R AND ADDITIONAL RETURN NOTES	Junior	Commercial mortgage loans	no rating	26
of which issued in HUF					**54**
	CLASS A ABS F/R NOTES	Senior	Commercial mortgage loans	no rating	25
	CLASS J ABS F/R AND ADDITIONAL RETURN NOTES	Junior	Commercial mortgage loans	no rating	29
TOTAL					**673**

SECTION 4 – OPERATIONAL RISK

QUALITATIVE INFORMATION
The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION
From 31 December 2010, Intesa Sanpaolo uses the full AMA Method to determine its capital requirements and the resulting capital absorption amounted to 645 million euro.

Part F – Information on capital

SECTION 1 – PARENT COMPANY'S SHAREHOLDERS' EQUITY

A. Qualitative information

Qualitative information on capital and capital management policies is contained in Part F of the Notes to the consolidated financial statements.

Own funds, risk weighted assets (RWA) and the capital ratios at 31 December 2015 were calculated according to the new harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285, 286 and 154.

Regulatory provisions governing own funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from Common Equity when the framework is fully phased-in, will only have a partial percentage effect on Common Equity Tier 1 capital (CET1). Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets.
Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).
Accordingly, the prudential ratios as at 31 December 2015 take account of the adjustments envisaged by the transitional provisions for 2015.

B. Quantitative information

B.1. Parent Company's shareholders' equity: breakdown

(millions of euro)

	31.12.2015	31.12.2014
1. Share capital	**8,732**	**8,725**
Ordinary shares	8,247	8,240
Savings shares	485	485
2. Share premium reserve	**27,508**	**27,508**
3. Reserves	**3,576**	**3,551**
retained earnings:	2,998	2,986
a) legal reserve	*2,065*	*1,710*
b) statutory reserve	-	-
c) treasury shares	*17*	*17*
d) other	*916*	*1,259*
other	578	565
4. Equity instruments	**877**	**-**
5. (Treasury shares)	**-17**	**-17**
6. Valuation reserves:	**-258**	**-597**
Financial assets available for sale	131	224
Property and equipment	-	-
Intangible assets	-	-
Hedges of foreign investments	-	-
Cash flow hedges	-1,064	-1,268
Foreign exchange differences	-	-
Non current assets held for sale	-	-
Actuarial gains (losses) on defined benefit plans	-319	-540
Share of valuation reserves connected with investments carried at equity	-	-
Legally-required revaluations	994	987
7. Net income (loss)	**2,778**	**1,213**
Total	**43,196**	**40,383**

The share capital increased by 7 million euro. This change is due to the merger by incorporation of Banca Monte Parma, Banca di Trento e Bolzano and Cassa di Risparmio della Provincia di Viterbo into Intesa Sanpaolo.

Trading on treasury shares
By virtue of special authorisation from the Shareholders' Meeting, 2,392,970 treasury shares were purchased during the year.

B.2. Valuation reserves of financial assets available for sale: breakdown

(millions of euro)

	TOTAL 31.12.2015		TOTAL 31.12.2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	69	-159	106	-142
2. Equities	224	-46	265	-25
3. Quotas of UCI	57	-16	31	-11
4. Loans	3	-1	14	-14
Total	**353**	**-222**	**416**	**-192**

B.3. Valuation reserves of financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans
1. Initial amount	**-36**	**240**	**20**	**-**
2. Positive fair value differences	**258**	**101**	**29**	**17**
2.1 Fair value increases	246	73	27	3
2.2 Reversal to the income statement of negative reserves	12	28	2	-
- impairment	-	*23*	*2*	-
- disposal	*12*	*5*	-	-
2.3 Other changes	-	-	-	14
3. Negative fair value differences	**-312**	**-163**	**-8**	**-15**
3.1 Fair value decreases	-62	-153	-8	-1
3.2 Impairment losses	-2	-	-	-
3.3 Reversal to the income statement of positive reserves:disposal	*-248*	*-10*	-	-
3.4 Other changes	-	-	-	-14
4. Closing amount	**-90**	**178**	**41**	**2**

B.4. Valuation reserves relating to the defined benefit plans: annual changes

During the year the reserves in question recorded a positive change of 221 million euro (197 million euro of which referring to pension funds and 24 million euro to employee termination indemnities). As at 31 December 2015 there is an overall negative reserve equal to 319 million euro for defined benefit plans.

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS

2.1. Own funds

A. Qualitative information

As at 31 December 2015, the bank's own funds were calculated according to the new harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285, 286 and 154.

1. Common Equity Tier 1 Capital (CET1)

The Common Equity Tier 1 only includes listed ordinary shares, for an amount equal to 8,247 million euro, including 27,508 million euro of share premium reserve.

2. Additional Tier 1 Capital (AT1)

The Additional Tier 1 includes listed savings shares for 485 million euro, in addition to the subordinated liabilities listed below.

Additional Tier 1 Capital (AT1) equity instruments eligible for grandfathering

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early redemption	Currency	Subject to grandfathering	Original amount in currency (millions)	Contribution to regulatory capital (millions of euro)
Notes	up to14/10/2019: 8.375%; thereafter 3-month Euribor + 6.87%	YES	14-Oct-2009	perpetual	14-Oct-2019	Euro	YES	1,500	519
Notes	up to 20/6/2018 (excluded): 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Euro	YES	1,250	406
Notes	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Euro	YES	1,000	335
Notes	up to 24/9/2018 (excluded): 8.698%; thereafter 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Euro	YES	250	175
Total Additional Tier 1 capital instruments									**1,435**

3. Tier 2 capital (T2).

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early redemption	Currency	Subject to grandfathering	Original amount in currency (millions)	Contribution to regulatory capital (millions of euro)
Notes (*)	up to 14/10/2019: 8.375%; thereafter 3-month Euribor + 6.87%	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	YES	1,500	223
Notes (*)	up to 20/6/2018 (excluded): 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	YES	1,250	174
Notes (*)	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2016	Eur	YES	1,000	131
Subordinated bonds	quarterly interests according to the formula: (3-month Euribor + 1,6%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Euro	YES	805	113
Subordinated bonds	quarterly interests according to the formula: (3-month Euribor + 2%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Euro	YES	373	101
Notes (*)	up to 24/9/2018 (excluded) 8.698%; thereafter 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	YES	250	75
Subordinated bonds	quarterly interests according to the formula: (3-month Euribor + 1,6%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Euro	YES	479	71
Notes	up to 18/03/2019 (excluded): 5.625% p.a. thereafter: 3-month Sterling LIBOR + 1.125% p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	YES	165	17
Subordinated bonds	quarterly interests according to the formula: (3-month Euribor + 4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Euro	YES	635	4
Subordinated bonds	quarterly interests according to the formula: (3-month Euribor + 4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Euro	YES	165	1
Total Tier 2 capital instruments subject to transition requirements									**910**
Notes	5.017% fixed rate	NO	26-Jun-2014	26-Jun-2024	NO	USD	NO	2,000	1,837
Notes	up to 12/11/2012 6.375%; thereafter 3m GBP Libor + 135 bps".	NO	13-Sep-2013	13-Sep-2023	NO	Euro	NO	1,446	1,436
Notes	3.928% fixed rate	NO	15-Sep-2014	15-Sep-2026	NO	Euro	NO	1,000	1,000
Notes	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Euro	NO	1,250	836
Notes	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Euro	NO	1,500	781
Subordinated bonds	3-month Euribor + 237 b.p /4	NO	30-Jun-2015	30-Jun-2022	NO	Euro	NO	782	746
Notes	2,855% fixed rate	NO	23-Apr-2015	23-Apr-2025	NO	Euro	NO	500	500
Notes	6,625% fixed rate	NO	08-May-2008	08-May-2018	NO	Euro	NO	1,250	396
Notes	5.75% fixed rate; from 28/05/2013 3-month Euribor +1.98%	YES	28-May-2008	28-May-2018	NO	Euro	NO	1,000	121
Notes	up to 20/2/2013 excluded: 3-month Euribor + 0.25% p.a.; thereafter: 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	NO	Euro	NO	750	63
Notes	6,16% fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Euro	NO	120	60
Notes	up to 26/6/2013 excluded: 4.375% p.a.; thereafter: 3-month Euribor + 1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	NO	Euro	NO	500	54
Notes	3-month Euribor + 0,85%	NO	17-Jul-2007	17-Jul-2017	NO	Euro	NO	30	9
Notes	6.375% fixed rate ; from 12/11/2012 3-month gpb libor	YES	12-Oct-2007	12-Nov-2017	NO	Gbp	NO	250	3
Prestito obbligazionario	3,5% fisso	NO	11-Aug-2009	11-Aug-2016	NO	Euro	NO	5	1
Prestito obbligazionario	3,2% fisso	NO	25-Sep-2009	25-Sep-2016	NO	Euro	NO	5	1
Total Tier 2 capital instruments not subject to transition requirements									**7,844**
TOTAL									**8,754**

(*) Instrument subject to "Grandfathering" in Additional Tier 1 capital, portion subject to cap pursuant to Art. 486 of EU Regulation 575/2013 (CRR).

B. Quantitative information

(millions of euro)

	31.12.2015	31.12.2014
A. Common Equity Tier 1 (CET1) before the application of prudential filters	**39,034**	**38,684**
of which CET1 instruments subject to transitional adjustments	-	-
B. CET1 prudential filters (+ / -)	**956**	**1,143**
C. CET1 before items to be deducted and effects of transitional period (A +/- B)	**39,990**	**39,827**
D. Items to be deducted from CET 1	**3,119**	**2,784**
E. Transitional period - Impact on CET1 (+/-)	**654**	**681**
F. Total Common Equity Tier 1 (CET1) (C-D +/-E)	**37,525**	**37,724**
G. Additional Tier 1 (AT1) before items to be deducted and effects of transitional period	**2,804**	**2,124**
of which AT1 instruments subject to transitional adjustments	1,435	1,640
H. Items to be deducted from AT1	**-**	**-**
I. Transitional period - Impact on AT1 (+/-)	**-324**	**-201**
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**2,480**	**1,923**
M. Tier 2 (T2) before items to be deducted and effects of transitional period	**8,753**	**9,306**
of which T2 instruments subject to transitional adjustments	910	1,468
N. Items to be deducted from T2	**135**	**161**
O. Transitional period- Impact on T2 (+ / -)	**-202**	**-129**
P. Total Tier 2 (T2) (M - N +/- O)	**8,416**	**9,016**
Q. Total own funds (F + L + P)	**48,421**	**48,663**

Figures as at 31 December 2015 were calculated according to the method envisaged by the Basel 3 Capital Accord.

According to the current regulatory provisions, Intesa Sanpaolo applies the prudential filter, which permits the gradual recognition in the calculation of own funds of the effects deriving from application of IAS 19 on valuation reserves for actuarial gains or losses on defined benefit plans. The amount subject to the prudential filter as at 31 December 2015 is equal to 285 million euro.

In addition, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, Intesa Sanpaolo has opted not to include in any element of own funds unrealised gains or losses on exposures to central governments classified in the “Available for Sale” category. The effect on Common Equity Tier 1 capital as at 31 December 2015 is equal to 34 million euro.

2.2. Capital adequacy

A. Qualitative information

According to the regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 and subsequent amendments), which adopt the provisions on capital measurement and capital ratios (Basel 3), the Bank’s capital as at 31 December 2015 (including the capital retention reserve, equal to 0.625% at year-end) must amount to at least 8,625% [17] of total risk-weighted assets (total capital ratio) arising from the risks typically associated with banking and financial activity (credit, market, counterparty and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques and the decrease in operational risk following insurance coverage.

Following authorisation from the Supervisory Authority, Intesa Sanpaolo began to calculate the capital requirements for credit risk and counterparty risk, respectively, according to the IRB approach for the Retail SME (Small Medium Enterprise) segment effective 31 December 2012, the IRB approach for the Retail Mortgages segment (Residential mortgages for private individuals) effective 30 June 2010 and the Advanced Internal Rating Based approach (AIRB) for the regulatory portfolio "Exposures to corporates" effective 31 December 2010. The latter approach is based on the use of internal estimates of both PD - probability of default and LGD - loss given default.

Banks must also comply with capital requirements for market risks calculated on the whole trading book separately for the various types of risk: position risk on debt securities and equities and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk, settlement risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo applies the internal model to calculate the general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and the general position risk (rate fluctuation risk) for debt securities. Subsequently, Intesa Sanpaolo has been authorised by the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks. Furthermore, since December 2011 Intesa Sanpaolo has used the Stressed VaR to calculate the requirement covering the market risks.

Lastly, as from June 2014, capital requirements for the Parent Company's Hedge Fund portfolios are reported according to the internal model. Standardised approaches are used for the other types of risk.

[17] From 1 January 2019 the minimum requirement for banks belonging to banking groups will be 10.5%.

Counterparty risk is calculated independently of the portfolio of allocation.

Starting from the disclosure of 31 March 2014, Intesa Sanpaolo received the authorisation from the Bank of Italy to use the internal counterparty risk model for regulatory purposes (EPE – Expected Positive Exposure methodology) to calculate the EAD component of the requirement with respect to default risk and to calculate the new CVA capital charge.

Starting from the disclosure of 31 December 2015, Intesa Sanpaolo received the authorisation from the European Central Bank to apply the abovementioned modified model to manage negative rates.

In 2010, following the obtainment of authorisation from the Supervisory Authority, Intesa Sanpaolo began to use the advanced AMA approach to calculate capital requirements for operating risks.

As indicated in the table on the regulatory capital and capital ratios requirements, as at 31 December 2015 Intesa Sanpaolo had a Tier 1 capital/risk-weighted assets ratio equal to 20.6% and an own funds/risk-weighted assets ratio equal to 24.9%.

B. Quantitative information

(millions of euro)

	31.12.2015		31.12.2014	
	Un-weighted amounts	**Weighted amounts/ requirements**	**Un-weighted amounts**	**Weighted amounts/ requirements**
A. RISK ASSETS				
A.1 Credit and counterparty risk	**459,410**	**180,497**	**430,470**	**166,582**
1. Standardised approach	284,478	94,350	266,720	82,947
2. Internal rating based approach	168,954	80,781	158,564	78,540
2.1 Basic	*3,576*	*12,394*	*4,232*	*14,746*
2.2 Advanced	*165,378*	*68,387*	*154,332*	*63,794*
3. Securitisations	5,978	5,366	5,186	5,095
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks		**14,440**		**13,327**
B.2 Credit valuation adjustment risk		**27**		**35**
B.3 Settlement risk		**-**		**-**
B.4 Market risk		**416**		**564**
1. Standardised approach		77		99
2. Internal models		339		465
3. Concentration risk		-		-
B.5 Operational risk		**645**		**577**
1. Basic indicator approach		-		-
2. Standardised approach		-		-
3. Advanced measurement approach		645		577
B.6 Other calculation elements		**44**		**-**
B.7 Total capital requirements		**15,572**		**14,503**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets		**194,650**		**181,288**
C.2 Common Equity Tier 1 /Risk-weighted assets (CET1 capital ratio)		**19.3%**		**20.8%**
C.3 Tier 1 Capital / Risk-weighted assets (Tier 1 capital ratio)		**20.6%**		**21.9%**
C.4 Total own funds / Risk-weighted assets (Total capital ratio)		**24.9%**		**26.8%**

Please note that, in the case of the standardised approach, "unweighted amounts" correspond – in accordance with regulatory provisions – to the exposure value, which takes into account prudential filters, risk mitigation techniques and credit conversion factors for off-balance sheet transactions. In the case of the internal rating based approach, "unweighted amounts" correspond to "exposure at default" (EAD). For guarantees given and commitments to disburse funds, credit conversion factors are included when determining EAD.

Part G - Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

During the year no business combinations were undertaken pursuant to IFRS 3.

Several extraordinary intragroup transactions were carried out, which are not included in the scope of application of IFRS 3 and had no effects on the Consolidated financial statements. They consisted in transfers of business lines or legal entities between Intesa Sanpaolo Group companies or business combinations (under common control).
Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded applying book value accounting in the individual statements of the companies involved, without recognition of any economic effect.
The main intragroup transactions completed during the year concerned:

- the contributions of business lines from Intesa Sanpaolo and IMI Investimenti to Manzoni;
- the partial proportional demerger of Manzoni in Melville;
- the acquisition by Intesa Sanpaolo of the shares held by Banco di Napoli in Banca Prossima;
- the partial non proportional demergers of Intesa Sanpaolo Group Services in Intesa Sanpaolo;
- the partial proportional demerger of Accedo (formerly Intesa Sanpaolo Personal Finance) in Intesa Sanpaolo;
- the contribution of a business line from Intesa Sanpaolo to Intesa Sanpaolo Group Services;
- the contribution of a business line from Intesa Sanpaolo Private Banking to FIDEURAM – Intesa Sanpaolo Private Banking (formerly Banca Fideuram) and the subsequent sale of shares issued for the purpose of the contribution to Intesa Sanpaolo;
- the contribution of the entire investment in Intesa Sanpaolo Private Banking from Intesa Sanpaolo to FIDEURAM – Intesa Sanpaolo Private Banking (formerly Banca Fideuram);
- the contribution of the entire investment in Sirefid from Intesa Sanpaolo to FIDEURAM – Intesa Sanpaolo Private Banking (formerly Banca Fideuram);
- the merger by incorporation of Banca di Trento e Bolzano into Intesa Sanpaolo;
- the merger by incorporation of Banca Monte Parma into Intesa Sanpaolo;
- the partial demerger of Cassa di Risparmio di Firenze in Intesa Sanpaolo of the investments in Cassa di Risparmio della provincia di Viterbo, Cassa di Risparmio di Rieti, Cassa di Risparmio di Civitavecchia and Cassa di Risparmio dell'Umbria;
- the merger by incorporation of Cassa di Risparmio della provincia di Viterbo, Cassa di Risparmio di Rieti and Cassa di Risparmio di Civitavecchia into Intesa Sanpaolo;
- the partial demerger of Mediocredito in Intesa Sanpaolo and Intesa Sanpaolo Provis.

Annual changes in goodwill

(millions of euro)

	31.12.2015
Initial goodwill	**815**
Increases	**5**
- Goodwill recorded in the year	-
- Intragroup transactions	5
- Other changes	-
Decreases	**-**
- Impairment recorded in the year	-
- Disinvestments	-
- Intragroup transactions	-
- Other changes	-
Final goodwill	**820**

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

No business combinations in the scope of IFRS 3 have been undertaken since the end of 2015.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current year that relate to business combinations that occurred in previous reporting periods.

Part H – Information on compensation and transactions with related parties

A) TRANSACTIONS WITH RELATED PARTIES

1. Procedural features

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

The Regulations apply to the entire Intesa Sanpaolo Group and govern the deals with Related Parties of Intesa Sanpaolo and Associated Entities of the Intesa Sanpaolo Group with respect to the following aspects:

- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to Associated Entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by board members and general managers, employees and company staff, including other than Associated Entities.

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

The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each significant intermediary monitored with regulatory capital greater than 2% of the consolidated shareholders' equity. The following are considered to be Associated Entities for each monitored significant bank or intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) board members and general managers and their relative close family members up to the second degree and significant subsidiary entities.

As a form of self-regulation, the Bank has extended the regulations in terms of transactions with Related Parties, as well as those on activities involving risk and conflicts of interest with respect to Associated Entities, to shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital of over 2%, calculated only based on shares owned or under management. This approach allows closer monitoring of transactions with the main shareholders - by subjecting them to the same requirements for analysis, decision-making process and subsequent disclosure to the Corporate Bodies and the market as for transactions with Related Parties and Associated Entities - and by keeping the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.

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

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full and partial exemptions from the application of the regulations is also envisaged.
With regard to decision-making, the procedure distinguishes between:

- transactions involving smaller amounts: with a value of less than or equal to 250,000 euro for individuals and 1 million euro for entities (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250,000 euro for individuals and 1 million euro for entities) but lower or equal to the most significant thresholds indicated below;
- more significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2 billion euro for Intesa Sanpaolo);
- strategic transactions pursuant to the Articles of Association;
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Regulations – undertaken by the Parent Company with one of its Related Parties or Associated Entities are subject to approval by the Management Board upon recommendation by the Committee for transactions with Related Parties, and, for strategic transactions, authorisation of the Supervisory Board is also required.
The Regulations envisage specific controls in cases where the Management Board approves a more or less significant transaction and the Supervisory Board authorises a strategic transaction, despite the negative opinion of the independent Committee.

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

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

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

For the sake of completeness, note that the Italian banks of the Intesa Sanpaolo Group are required to apply Article 136 of the Consolidated Law on Banking, The version of this regulation in force since 27 June 2015, following the amendment introduced by Legislative Decree no. 72 of 12 May 2015, requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank officers to contract obligations, directly or indirectly, with the bank of which they act as officers.
In Intesa Sanpaolo - even regarding Related Parties or Associated Entities - the operation requires a prior resolution adopted unanimously by the Management Board, excluding the vote of the interested member, with the unanimous approval of the members of the Supervisory Board. Without the approval of all the members of the control body, it is strictly prohibited for the transaction in question to go ahead.

Furthermore, the requirements envisaged by the Italian Civil Code (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.
Article 2391, paragraph 1 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per Article 2391 of the Italian Civil Code.

In addition, the version of Article 53 of the Consolidated Law on Banking in force since 27 June 2015, following the amendment introduced by Legislative Decree no. 72/2015, requires banks' shareholders and directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

2. Information on balances with related parties

Receivable and payable balances with related parties as at 31 December 2015 – other than those intragroup – amount to a total that is insignificant compared to the size of the Bank's capital base. Likewise, the weight of income and charges with related parties on the Parent Company's operating margin is insignificant.

	31.12.2015 Amount (millions of euro)	Impact (%)
Total financial assets	128,980	35.0
Total other assets	447	18.9
Total financial liabilities	94,795	25.5
Total other liabilities	385	8.1

	31.12.2015 Amount (millions of euro)	Impact (%)
Total interest income	1,825	26.9
Total interest expense	-799	17.2
Total fee and commission income	1,405	44.4
Total fee and commission expense	-250	50.9
Total operating costs	-1,047	22.2

During the year there were provisions for non-performing loans for 3 million euro on cash loans and 1 million euro on existing guarantees towards associates and companies subject to joint control.

The table below sets out the main terms of reference of transactions with each category of related party, as identified by IAS 24 (please see the next paragraph for information on compensation to Supervisory and Management Board Members), and with the category of significant Shareholders of Intesa Sanpaolo and their corporate groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the Bank's voting share capital greater than 2% (calculated considering only shares owned), which are not related parties pursuant to IAS 24 but are nevertheless included as a form of self-regulation.
With regard to Investments in subsidiaries, associates and companies subject to joint control, please see the tables in the Notes to the Parent Company's financial statements – Part B – Information on the Parent Company's balance sheet – Assets – Section 10.

The table does not show the impact of related party transactions on Group's cash flows, as this was not significant.
For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate columns by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments totalling 91 billion euro, of which 90 billion euro to subsidiaries.

(millions of euro)

	Financial assets held for trading	Financial assets available for sale	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees and committments given	Guarantees and committments received
Subsidiaries	5,840	175	104,769	17,334	5,368	82	5	8	5	111,183	254
- 100%-owned subsidiaries belonging to the banking group	*5,827*	*175*	*101,993*	*12,287*	*5,200*	*-*	*1*	*8*	*5*	*104,083*	*238*
- subsidiaries not 100%-owned and belonging to the banking group	*9*	*-*	*2,755*	*322*	*144*	*80*	*-*	*-*	*-*	*3,053*	*16*
- subsidiaries not belonging to the banking group	*4*	*-*	*21*	*4,725*	*24*	*2*	*4*	*-*	*-*	*4,047*	*-*
Joint ventures and their subsidiaries	17	-	-	234	-	-	128	-	1	28	288
Associates and their subsidiaries	190	132	-	730	-	4	210	-	15	891	271
Officers, Key Managers and related parties	-	-	-	6	-	-	6	-	-	1	11
Pension funds	-	-	-	-	2	-	152	-	1	1	1
Total	**6,047**	**307**	**104,769**	**18,304**	**5,370**	**86**	**501**	**8**	**22**	**112,104**	**825**
Shareholders (*)	-	-	-	-	-	-	14	-	-	60	-

(*) Shareholders and their groups that hold a stake in the Bank's voting share capital exceeding 2% (calculated considering only shares owned).

For the sake of completeness, the Group's most significant associates – and the companies controlled by them – are: Bank of Qingdao Co. Ltd, Autostrade Lombarde S.p.A., Cassa di Risparmio di Fermo S.p.A., Nuovo Trasporto Viaggiatori S.p.A., Autostrada Pedemontana Lombarda S.p.A., Smia S.p.A., Italconsult S.p.A., Fenice S.r.l. and Prelios Sgr S.p.A., Pietra S.r.l.. The main companies subject to joint control (joint venture) include Tangenziali Esterne di Milano S.p.A. and Tangenziale Esterna S.p.A..
A detailed list of subsidiaries and companies subject to significant influence as at 31 December 2015 is provided in the Notes to the consolidated financial statements (Part B – Assets – Section 10).
For the illustration of the associated companies and companies under joint control - and the companies controlled by them - most significant at Group level, see the description in the corresponding paragraph of the Notes to the consolidated financial statements.

3. Information on transactions with related parties

More significant transactions

During the year the Parent Company has not carried out any transactions qualifying as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Intesa Sanpaolo Group Regulations on the management of transactions with related parties – in an obligation to publish a market disclosure document.

More significant intragroup transactions

With regard to more significant intragroup transactions – exempt, pursuant to the aforementioned internal Regulations, from the special decision-making procedure and from the obligation to publish a market disclosure document, unless other related parties hold significant interests in the subsidiary – several securitisation transactions took place during the year, as well as transactions aimed at the issue of Covered Bonds. These transactions are described in the Notes to the consolidated financial statements - Part E – Information on risks and relative hedging policies, to which reference is made.

Other significant transactions

The transactions entered into with related parties fall within the scope of Intesa Sanpaolo's ordinary activities and are usually performed at market or standard conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.

Relations between the Intesa Sanpaolo Group and board members and general managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. The salary due to the quality of corporate officers is shown in the section concerning remuneration.

With reference to the scope of the Significant Shareholders, please note the establishment of a partnership between Sanpaolo, via its subsidiary Oldequiter, and Compagnia di San Paolo for the development of investments in the territory. In this context, a business line was contributed by Oldequiter to Equiter.

Concerning the transactions with subsidiaries carried out in 2015, please note that these are normal internal business activities of a multifunctional banking group. They are usually regulated at the conditions at which the Parent Company accesses the reference markets, which are not necessarily the same conditions that would be applicable if the counterparties operated independently. These conditions are, in any case, applied in compliance with criteria of substantial correctness and with the aim of creating value for the Group.

Intragroup transactions concerned mainly:
- the support given by Parent Company to the financial needs of the other Group companies by providing risk capital and loans and by subscribing securities issued by the subsidiaries;
- the channelling of foreign funding by specialist Group companies in favour of the Parent Company and, in part, of other subsidiaries;
- the Parent Company's investment of subsidiaries' liquidity;
- structured finance transactions within the Group carried out through Banca IMI;
- outsourcing arrangements, which govern services of an auxiliary nature rendered by the Parent Company and Intesa Sanpaolo Group Services S.c.p.A., primarily to banks of the Banca dei Territori Division and the Parent Company;
- the agreements with Group companies on distribution of products and/or services (certain agreements are extended to some associates/joint ventures) or, more generally, intragroup support and consultancy;
- financial settlements provided for by agreements entered into with Group companies taking part in national fiscal consolidation.

The following is an account of some less significant transactions finalised in 2015 by the Parent Company or its subsidiaries with intragroup related parties, carried out as part of the Business plan to rationalise the Group, maintaining consistency of book values and, as a rule, with the support of independent appraisals when necessary.

As part of the capital and liquidity optimisation strategy of the Business Plan 2014-2017, the Parent Company resolved on the establishment of an organisational structure called Capital Light Bank (CLB), responsible for loan recovery activities, the disposal of non strategic investments and other assets as well as the management of the subsidiary Intesa Sanpaolo RE.O.CO. S.P.A. and Intesa Sanpaolo PROVIS. In this latter area, in particular, with the mission of:

(i) pro-actively managing and valorising the underlying assets by maximising their attractiveness and optimising their sale;
(ii) managing the stock and the new flows (in servicing) of doubtful leasing positions;
(iii) supporting the value of the collateral of the Parent Company's portfolio of non-performing loans.

The transfer of the assets from the business units of origin to the CLB was realised according to various methods.
In particular, regarding Mediocredito Italiano, through its partial demerger in favour of:
- Provis of the doubtful leasing positions (approximately 3.1 billion euro);
- the Parent Company of doubtful medium-/long-term loans (approximately 1.4 billion euro).

As part of the "Multicanalità Integrata" project, already during 2014 the Management Board had authorised the establishment of a structure, directly reporting to Banca dei Territori, specialised in performing consulting and product placement activities to be offered remotely to a panel of select customers and by transforming some of the requests coming from the customers into commercial opportunities. This transaction was performed to allow the Contact Unit to implement its operations also with regard to services of a commercial nature, such as the proposal and sale of banking, financial and insurance products. In accordance with

the guidelines of the Surveillance Body a decision was made to position this business in the Parent Company; in order to set up this structure, an initial partial non proportional demerger of the line of the current Contact Unit of Intesa Sanpaolo Group Services in favour of Intesa Sanpaolo S.p.A. had been authorised. The tax-neutral demerger was realised by maintaining consistency with the book values and constituting a business combination between subjects under common control.
Given the positive commercial results obtained, a second line of the Contact Unit was transferred.
Subsequently to this operation, an agreement was signed for the provision of banking, investment, insurance intermediation and telephone assistance services to govern the performance of the services provided by the Banca dei Territori Contact Unit of Intesa Sanpaolo on behalf of the Banche dei Territori Division.

With reference to the consumer credit business, reference is made to the Business Plan and in particular to the concept of the "New Growth Bank", which aims to seize the additional growth potential achievable through the synergies with the new Retail value chain of Banca dei Territori.
The Project is structured as follows:
- Demerger of the "Captive" business line from Intesa Sanpaolo Personal Finance (ISPF) to Intesa Sanpaolo, beneficiary of loans, assets and resources of ISPF dedicated to managing the "captive" business, and change of the company name from ISPF to Accedo S.p.A., effective from 1 June 2015;
- Simultaneous contribution by Intesa Sanpaolo to Intesa Sanpaolo Group Services S.c.p.A. (ISGS) of the scope consisting of the aggregate of the assets, liabilities and accounts pertaining to the provision of support services, in particular of the resources necessary to ensure the management in service by ISGS of all the consortium activities previously carried out by ISPF, in line with the operating model of the Group;

The contribution to ISGS of the resources necessary to ensure the management in service by ISGS of all the consortium activities previously carried out by ISPF, allows the optimisation of the service level and of the operating costs, in line with the Group's operating model. The effective date of the corporate transaction is 1 June 2015.
It is noted that, following the demerger of the Intesa Sanpaolo Personal Finance business line relating to the activities addressing captive customers in favour of the Parent Company, for the Network Banks of the Banca dei Territori Division it was necessary to sign the new partnership agreement with Intesa Sanpaolo replacing the similar agreement previously signed with Intesa Sanpaolo Personal Finance.

Still in line with the Intesa Sanpaolo 2014-2017 Business Plan which, among others, envisages a significant simplification of the corporate breakdown of the Banca dei Territori Division of Intesa Sanpaolo, the achievement of a gradual and notable reduction in the number of legal entities is expected and, with this view, the mergers of Banca Monte Parma, Banca di Trento e Bolzano, CR Rieti, CR Civitavecchia and CR Viterbo were launched.
With reference to the first two mergers, on 10 July 2015 the merger deeds of Banca Monte Parma S.p.A. and Banca di Trento e Bolzano S.p.A. into Intesa Sanpaolo S.p.A. were signed. The mergers took effect in relation to third parties from 20 July 2015, the date from which the merged companies ceased. The operations conducted by the incorporated companies were posted to the financial statements of the incorporating Intesa Sanpaolo, effective from 1 January 2015, also for tax purposes.
Preliminarily to the corporate simplification of the Casse of Lazio, the Parent Company assumed the total direct control of Banca CR Firenze by purchasing the share already owned by Ente Cassa di Risparmio di Firenze (significant shareholder of the Parent Company): for a description of the operation reference is made to the similar section of the Consolidated Financial Statements.
Regarding the Casse of Lazio, during 2015 Intesa Sanpaolo purchased Cassa di Risparmio di Viterbo shares held in the portfolio by the same issuing bank. In particular on 6 November 2015, the Parent Company purchased 2,808,772 treasury shares for approximately 4 million euro corresponding to 2.90% of Cassa's capital.
Subsequently Banca CR Firenze demerged in favour of Intesa Sanpaolo a line containing the controlling stakes held in Cassa di Risparmio di Rieti, Cassa di Risparmio di Civitavecchia, Cassa di Risparmio di Viterbo and Casse di Risparmio dell'Umbria. The demerger was carried out with the transfer of equity of CR Firenze consisting, in terms of assets, of the controlling stake in the four Casse. Consequently to the operation, the separate shareholders' equity of Cassa di Risparmio di Firenze reduced by 460 million euro.
The operation was followed, on 23 November, by the incorporation in the Parent Company of the three Casse of Lazio, while Cassa di Risparmio dell'Umbria maintained its legal autonomy. The date stated is the one starting from when the merger became effective towards third parties and when the incorporated companies ceased.
The operations conducted by the incorporated companies were posted to the financial statements of the incorporating company, effective from 1 January 2015, also for tax purposes.

In line with the reorganisation programme of the private banking division approved by the Management Board on 17 March 2015, the related implementing terms were set and the following operations were actually performed:
(i) The contribution from Intesa Sanpaolo to Banca Fideuram of the total controlling stakes held in Intesa Sanpaolo Private Banking (ISPB) and in Sirefid;
(ii) The purchase/sale between Banca Fideuram (buyer) and Intesa Sanpaolo Holding International (seller) of 100% of Intesa Sanpaolo Private Banking Suisse (PB Suisse);
(iii) The contribution by Intesa Sanpaolo Private Banking to Banca Fideuram of the business line referred to the "governance" activities, essentially comprising the steering, governance and control functions so as to reorganise Banca Fideuram into an operating sub-holding of the segment. The Parent Company acquired Banca Fideuram shares issued to serve the contribution by Intesa Sanpaolo Private Banking.

The transactions became effective 20 June 2015, when Banca Fideuram S.p.A. changed its name to Fideuram – Intesa Sanpaolo Private Banking S.p.A..
The purchase by Banca Fideuram of the 100% investments in Intesa Sanpaolo Private Banking and Sirefid, as well as the contribution of the business line, were performed by maintaining consistency of book values. Amongst other things, a service contract is also highlighted that was entered into for the provision of governance activities between Intesa Sanpaolo Private Banking S.p.A. and Fideuram S.p.A., in addition to the contract between the Parent Company and Intesa Sanpaolo Private Banking S.p.A..

With regard to the international portfolio, as part of the operations to simplify and rationalise the equity investment portfolio of the Group, on 1 October the merger by incorporation of Finor Leasing into Banka Koper was carried out, while it became necessary for Intesa Sanpaolo Bank Luxembourg S.a. to issue a subordinated loan towards Banca Intesa Joint-Stock Company for 40 million dollars with maturity in December 2022 to allow compliance with the regulations of the Central Bank of the Russian Federation that requires the regulatory capital to be constantly above the share capital.

Privredna Banka Zagreb d.d. purchased from Intesa Sanpaolo Holding International S.a. 425,053 ordinary shares of Intesa Sanpaolo Banka d.d. Bosna I Hercegovina (ISP BIH) that account for almost 95% of the capital.
As regards the transactions regarding the subscription and other capital measures, please note that the capital increase was subscribed by the Parent Company towards Pravex. The overall increase equal to 90 million euro will take place in several tranches, of which 82 already recorded in 2015. The increase allows compliance with the local regulations that require the regulatory capital not to be lower than the equity capital.

As already mentioned in last year's report, reference is made to the increase in the share capital of Fideuram Bank Luxembourg without any outlay by the member Banca Fideuram as a consequence of the merger by incorporation of Fideuram Gestions S.A. into the former.

Finally, please note the subscription of the capital increase by the Parent Company and Intesa Sanpaolo Holding International S.a. towards Intesa Sanpaolo Brasil s.a. - Banco Multiplo. Intesa Sanpaolo S.p.A. (which holds 99.9% of the capital) subscribed 9,513,002 new ordinary shares for 92 million euro while Intesa Sanpaolo Holding International S.a. (which holds the residual stake) subscribed 9,487 new ordinary shares for approximately 92,000 euro. This capital increase is aimed at transforming the company from DTVM (asset management company under Brazilian law) into BANCO MULTIPLO (universal bank with licence for each type of banking operation).

Another operation related to corporate investments concerns the establishment, on 17 June 2015, of Telco IS S.r.l., a vehicle used for the completion of the partial demerger of the company Telco S.p.A..
Telco IS S.r.l. was assigned the portion of the shareholders' equity of the demerged company Telco S.p.A., comprising 220,482,123 Telecom Italia ordinary shares (equal to 1.64% of its ordinary share capital) and the debt of 188 million euro deriving from the shareholders' loan to Telco by the Parent Company. Intesa Sanpaolo purchased all of Telecom Italia ordinary shares based on the closing market price of 18 June, equal to 1.155 euro per share.

With regard to the non-profit sector, it should be noted that, following the concentration with Banca Prossima of the Group's non-profit activities via the contribution to this subsidiary of the business lines consisting of the set of assets and legal transactions required to perform the activities linked to the non-profit business of Banco di Napoli and the Parent Company, the shares assigned to Banco di Napoli as a result of the contribution were transferred to Intesa Sanpaolo.

However, with reference to the transactions in financial instruments it was necessary to restore the appropriateness of the cover pool to allow new issues as part of the multi-originator programme of covered bonds guaranteed by Intesa Sanpaolo S.p.A. and collateralised by mortgages guaranteed by ISP OBG S.r.l.. CB's retained issues are used by the Parent Company in the refinancing transactions on the Eurosystem.
As a consequence, a portfolio of performing residential and commercial mortgage loans was transferred without recourse to the vehicle company for an amount of:
- 2.9 billion euro from Intesa Sanpaolo;
- 1.6 billion euro from Banca Cr Firenze;
- 872 million euro from Cassa di Risparmio del Veneto;
- 531 million euro from Banca dell`Adriatico;
- 634 million euro from Banco di Napoli;

The capital injection required for the payment of the purchase price of the portfolios was obtained from the SPV through a subordinated loan disbursed by the counterparties. An accessory to the purchase of the portfolio of assets above was the signing by the SPV of some hedging agreements again towards the same counterparties used to transform the disparate cash flows coming from the loan portfolio subject to assignment into homogeneous cash flows like those of the CBs.
The conditions of the assignment may not be considered as "market" conditions given the lack of a specific reference market.
The associated derivative transactions consist of total balance guaranteed interest rate swaps that, as such, are not traded at market conditions since the related pricing does not take into account the optional component that is implicit in a "total balance guaranteed" structure.

Similarly to what has just been described, mention should be made of the assignment by the Parent Company of a portfolio of receivables deriving from mortgage loans to ISP CB Ipotecario S.r.l., the related granting of a subordinated loan for the payment of the sale price and the hedging derivative of the assigned portfolio. The transaction was finalised for 1.6 billion euro. Also in this case, it was necessary to restore the appropriateness of the cover pool to allow new covered bond issues as part of the programme guaranteed by ISP CB Ipotecario S.r.L..
In the same way, the conditions of the assignment may not be considered as "market" conditions given the lack of a specific reference market.

In January 2015, "large corporate" loans were assigned to the Luxembourg-based vehicle company Intesa Sanpaolo Sec. S.a. by the branches of New York, Madrid, Frankfurt and Hong Kong of the Parent Company, for a total amount of 95 million euro and 21 million dollars.
Instead on 1 April, the same company was assigned a large corporate loan by the Madrid branch, for 34 million euro.
Lastly, on 23 October, a revolving large corporate loan granted by the Hong-Kong branch of the Parent Company was acquired by Intesa Sanpaolo Sec for 27 million dollars.

The transactions described above concern revolving acquisitions which Intesa Sanpaolo Sec. S.a. settles through the liquidity in its accounts as part of the securitisation transaction existing since 2013. The conditions are not considered to be in line with the market since there is no reference market.

Regarding the Risanamento group, subsidiaries without management and coordination, worth noting are the deferral and the extensions granted by the lending banks for the loans under the Restructuring Agreements pursuant to art. 182 bis of the Bankruptcy Law, endorsed on 15 October 2009 and maturing on 31 December 2014.
The actions aim to maintain the Risanamento Group's positive financial balance while the definition of the project to promote the area of Milano Santa Giulia (the Group most valuable residual asset) is pending, also by maximising the transfer price and/or the entry of new industrial and/or financial partners, at the most profitable conditions possible for Risanamento and its stakeholders.

With reference to the intragroup distribution agreements, the following is highlighted:
- the Intesa Sanpaolo Group started a project to simplify the business model relating to the placement of policies under Irish law of the company Intesa Sanpaolo Life Limited;
- with effect from 1 July 2015, as a consequence the company signed directly with Intesa Sanpaolo S.p.A. a partnership agreement due to which the Bank brokers the company's products towards its customers.

The task of brokerage under the mentioned Agreement concerns all the insurance policies marketed by the company, i.e. life insurance contracts compatible with the notion of insurance financial products (art.1, paragraph 1, letter w-bis) of the Consolidated Law on Finance.
The Agreement, with effect from 31 December 2015, is intended automatically renewed each year notwithstanding withdrawal.

As for the Group's most significant relations with associates and companies controlled by them, during the year loans were granted to: the Pirelli Group, Alitalia-Società Aerea Italiana S.r.l., Italconsult S.p.A., Euromilano S.p.A., Intermarine S.p.A., Manucor S.p.A., Camfin S.p.A., Società di Progetto Autostrada Diretta Brescia Milano S.p.A., Prelios S.g.r. S.p.A., Nuovo Trasporto Viaggiatori, Be Think, Solve, Execute S.p.A., Iren S.p.A., Sirti S.p.A., Termomeccanica S.p.A., Telco S.pA. and other minor companies. The transactions in question were carried out at market interest rates. In addition, attention should also be drawn to the loans at conditions of mutual convenience for the parties – taking account of the complexity of the circumstances and in the Group's interest – to Autostrada Pedemontana Lombarda and Manucor. Loans were also granted to Tangenziale Esterna S.p.A., Re.Consult Infrastrutture S.p.A. and Allfunds Bank S.a., companies subject to joint control.

Share capital increases were subscribed or payments were made for future capital increases in favour of Leonardo Technology S.p.A., Nuovo Trasporto Viaggiatori S.p.A., Tangenziale esterna S.p.A..

Additional information on the Intesa Sanpaolo Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent Company's financial statements. For more information on investments in associates, reference should be made to Part H of the Consolidated Financial Statements, while for details on the changes in the Parent Company's equity investment portfolio, reference should be made to Section 10 of the Notes to the Parent Company's financial statements – Part B – Information on the Parent Company's balance sheet – Assets.
The operations with the Special Purpose Entities over which the Group exercises control, and consolidated in accordance with the new IFRS 10, in addition to the indications already reported in relation to More significant transactions, is illustrated in the Notes to the Consolidated financial statements - Part E – Information on risks and the relative hedging policies, to which reference should be made.

Other significant information
With reference to the investments in associates or companies subject to joint control, value adjustments/impairment losses were recognised for 90 million euro (Compagnia Aerea Italiana S.p.A., Autostrade Lombarde S.p.A., Italconsult S.p.A., Smia S.p.A, Prelios SGR S.p.A. and other minor companies). Please refer to Part C – Income Statement – Section 14 of the Parent Company's Financial Statements for more information on the income (loss) of investments.

For Pension Funds in which Intesa Sanpaolo is co-obliged by virtue of guarantees given, during the year provisions were made for the settlement of the technical imbalance of said Funds, as indicated in the Notes to the Parent company's financial statements – Part B – Information on the balance sheet – Liabilities, Point 12.3 Post employment defined-benefit plans, to which reference is made. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

Lastly, the main transactions resolved upon by the Bodies of Intesa Sanpaolo but not yet finalised are the merger by incorporation of Banca dell`Adriatico with Intesa Sanpaolo resolved by the Board on 3 November 2015.

Other significant subsequent events
Among the events finalised after the end of the accounting period, which consequently did not have an effect on the balances in the tables, it is noted that, as from 1 January 2016, Intesa Sanpaolo incorporated the commercial acquiring activities (special arrangements, management of the Corporate Investment Banking and Banca dei Territori customers, product marketing and pricing) that were previously under the responsibility of Setefi S.p.A.. The transaction consisted of a partial proportional demerger in favour of Intesa Sanpaolo of a Setefi business line referring to commercial acquiring. Post-demerger Setefi will continue to carry out, under an outsourcing regime, the activities of:
- operational and accounting management of collections and payments (processing activities) on behalf of Intesa Sanpaolo;
- procurement, installation, maintenance/substitution and management of the POS terminals (specialist assistance, call center and fraud prevention).

The new organisational structure, thanks to which Intesa Sanpaolo acquired the contractual relationship with the merchants, encourages the integration of the commercial and marketing activities for all the Group's customers with the objective of increasing the effectiveness of the commercial action.

B) INFORMATION REGARDING COMPENSATION OF SUPERVISORY AND MANAGEMENT BOARD MEMBERS AND KEY MANAGERS

Pursuant to IAS 24, "key managers" are considered to be the members of the Management Board and Supervisory Board, the General Managers, the Manager responsible for preparing the Company's financial reports, the Heads of Business Units and the Heads of Head Office Departments that report directly to the Managing Director/CEO or to the Chairman of the Management Board, as well as the Head of the General Secretariat of the Supervisory Board, the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Lending Officer and the Chief Governance Officer.
The following table shows the amounts of the main benefits paid in 2015 to Supervisory and Management Board Members, as well as to other Key Managers who fall within the notion of "related party". This also includes the maximum amounts of the variable portion of remuneration which shall be paid in cash and/or shares of the Parent Company, based on the Group's remuneration and incentive policy, subject to the verification of achievement of the assigned targets and the decisions of the competent bodies of the Parent Company.

(millions of euro)

	SUPERVISORY BOARD [1]		MANAGEMENT BOARD [2]		OTHER MANAGERS [3]		TOTAL as at 31.12.2015	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Short-term benefits [4]	5	5	3	3	16	14	24	22
Post-employement benefits [5]	-	-	-	-	1	1	1	1
Other long-term benefits [6]	-	-	-	-	5	-	5	-
Termination benefits [7]	-	-	-	-	2	2	2	2
Share-based payments [8]	-	-	-	-	5	-	5	-
Total	**5**	**5**	**3**	**3**	**29**	**17**	**37**	**25**

[1] Includes 19 members

[2] Includes 8 members

[3] Includes 18 members

[4] Includes fixed and variable remuneration of Directors that may be treated as equivalent to labour cost and social security charges paid by the company for its employees

[5] Includes company contribution to pension funds and provision for employee termination indemnities pursuant to law and company regulations

[6] Includes an estimate of provisions for employee seniority bonuses

[7] Includes benefits due under the employment contract for termination of employment and non-compete agreements

[8] The cost refers to the variable portion of short/long term remuneration to be paid in Intesa Sanpaolo shares/through LECOIPs

As previously noted in Part H of the Notes to the consolidated financial statements, for detailed information on remuneration policies, pursuant to Art. 123 ter of the Consolidated Law on Finance, refer to the separate document "Report on Corporate Governance and Ownership Structures – Report on Remuneration" which sets forth data previously reported in the financial statements, specifically:
– a detailed indication of the compensation paid to Supervisory and Management Board Members and General Managers and, in aggregate, Key Managers, as well as the stock option plans reserved for Management Board Members, General Managers and Key Managers;
– the details and changes in the stock option plans for Key Managers, the Parent Company's and subsidiary companies' shares held by Supervisory and Management Board Members, General Managers, Key Managers and other associated entities.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Incentive Plan based on financial instruments

The Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, issued on 30 March 2011 required, inter alia, that a portion of incentives paid (50%) to "Risk Takers" be granted through the assignment of financial instruments, over a multi-year time horizon.
As a result:
– with regard to the results for 2011, and in implementation of the Shareholders' Meeting resolution of 28 May 2012, on 26 June 2012 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 12,894,692 Intesa Sanpaolo ordinary shares (representing approximately 0.08% of the ordinary share capital) at an average purchase price of 0.97969 euro per share, for a total value of 12,632,743 euro;
– with regard to the results for 2012, and in implementation of the Shareholders' Meeting resolution of 22 April 2013, on 8 October 2013 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 8,920,413 Intesa Sanpaolo ordinary shares (representing approximately 0.06% of the ordinary share capital) at an average purchase price of 1.72775 euro per share, for a total value of 15,412,287 euro;
– with regard to the results for 2014, and in implementation of the Shareholders' Meeting resolution of 27 April 2015, on 9 October 2015 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 4,501,521 Intesa Sanpaolo ordinary shares (representing approximately 0.03% of the ordinary share capital) at an average purchase price of 3.18822 euro per share, for a total value of 14,389,260 euro.

The above Shareholders' Meetings also authorised the sale on the regulated market of any shares exceeding requirements, or their retention for any future incentive plans.
The above shares shall be assigned to the beneficiaries in compliance with the implementing regulations set forth in the above incentive system. Generally, according to these regulations, the beneficiaries must remain in service up to the time the shares are actually delivered to them, and the deferred portion (either in cash or in financial instruments) of the incentive is subject to an ex post correction mechanism – the "malus condition" – according to which the relative amount paid and the number of shares assigned, if any, may be reduced by the level of achievement, in the year to which the deferred portion refers, of specific income statement-balance sheet targets which measure the sustainability of the results achieved over time.

1.2 Long-term share-based instruments: PAD and LECOIP

The long-term employee shareholding instruments aim to support the motivation and loyalty of all the Group's resources, at the time of launching the 2014-2017 Business Plan. In particular, these instruments have the aim of encouraging the identification (ownership), the alignment to the medium/long-term objectives and the sharing of the value created over time.

There have been two long-term instruments offered to employees during 2014: an Employee Share Ownership Plan (PAD) and the Leveraged Employee Co – Investment Plans (LECOIP) because there is the desire, on one side, to strengthen the sense of belonging and cohesion (PAD) and, on the other, to search for the explicit sharing of the "challenge to create value" represented by the Business Plan (LECOIP).
The share ownership proposal is subdivided into two phases:
1. launch of an Employee Share Ownership Plan that allows each employee to share equally in the value of Intesa Sanpaolo through ownership and, therefore, to increase their sense of belonging;
2. the possibility for each employee to use the shares received and:
   - maintain them in their securities account, in order to sell them subsequently or transfer them immediately;
   - invest them in Co-Investment Plans through long-term financial instruments, the "LECOIP Certificates", with the duration aligned to the Business Plan.

These financial instruments originate from purchases in the market and from capital increases.
As a matter of fact, the free assignment of Intesa Sanpaolo ordinary shares (PAD) implied the purchase of these shares on the market – Free Shares – while the Lecoip Certificates - issued by a third-party financial company not belonging to the Group – use as underlying some additional newly issued Intesa Sanpaolo ordinary shares assigned to the employee against a free capital increase - Matching shares - and the subscription, by the same employee, of newly issued Intesa Sanpaolo ordinary shares deriving from a paid capital increase reserved to employees, at a discounted price compared to the market value – Discounted shares.
Based on the Plan's operating methods, the Bank purchased ISP ordinary shares on the market to the benefit of its employees (similar purchases of ISP shares were carried out by Group companies to the benefit of their employees). However, with regard to Matching shares and discounted shares Intesa Sanpaolo undertook to assign shares also to beneficiary employees of Group companies.

The Lecoip Certificates are subdivided into three categories and have different characteristics, depending on whether these are addressed to so-called Risk Takers, Executives or all employees. Lecoip Certificates in general incorporate:
– the right to receive an amount in cash (or in Intesa Sanpaolo ordinary shares) upon maturity, equal to the original reference value (calculated as the average of the market values recorded during November 2014) of the Free Shares and Matching Shares ("protected capital") and
– the right to receive, always upon maturity, a portion of any appreciation in the value of the shares (Free Shares, Matching Shares and Discounted Shares) compared to the original reference value described above.

Adhesion to the plans did not imply any outlay for the employees. At the time of signing the Certificates, the employees entered into a forward agreement with the counterparty issuing the Certificates for the sale of the Free Shares, the Matching Shares and the discounted Shares. The sale consideration was used by the employees to subscribe the discounted shares and, for the remaining part, for the purchase of the Certificates.

The Co-Investment Plans were subject to the approval of the ordinary Shareholders' Meeting of Intesa Sanpaolo of 8 May 2014. The ordinary meeting of the Bank also resolved on the purchase of treasury shares (pursuant to Art. 2357, paragraph 2 of the Italian Civil Code) to confer the free shares (Free Shares). On 8 May 2014, ISP's extraordinary meeting resolved on the Board of Directors' mandate to:
– increase the capital (free share capital increase) to grant the employees the free shares (Matching Shares) and
– increase the paid capital in favour of the employees, without option rights, through the issue of shares at a discounted price compared to the market price of ISP ordinary shares.

To serve the free assignment plans reserved for employees, the Bank was authorised by the Shareholder's Meeting held on 8 May 2014 to purchase Intesa Sanpaolo ordinary shares.
The Co-Investment Plans were authorised by the Bank of Italy on 30 September 2014; after this measure, the Management Board took the necessary resolutions on 2 October 2014 to implement the plan.

The offer period for the employees to adhere to the Co-Investment Plan ended on 31 October 2014. The date for the assignment of the shares to the employees is 1 December 2014, which corresponds to the start of the vesting period, which will end in April 2018.

In compliance with IFRS 2 Share-based payment, the PAD and the LECOIP are represented in the Intesa Sanpaolo financial statements as "equity settled" plans since the Bank has assigned its own equity instruments as additional remuneration for the services received (the work performed). Instead the Bank did not assume any liability to be settled with cash equivalents or other assets towards the employees.
Due to the impossibility of reliably estimating the fair value of the services received from employees, the cost of the benefit to employees is given by the fair value of the assigned shares, calculated on the assignment date, to be recognised in the income statement under caption 150a "Administrative expenses: personnel expenses", as a balancing entry for an increase in the shareholders' equity by valorising a specific reserve. The fair value of the Free Shares and Matching Shares was calculated on the basis of the market price of the shares on the date of assignment. As regards the Discounted shares, the fair value of the subscription discount was determined in consideration of the market price of the shares on the assignment date. For the shares assigned to Risk Takers only, the market price was adjusted to account for the constraint to the subsequent transfer upon the accrual period (holding period).
For the employees who only adhered to the Employee Share Ownership Plan, without adhering to the LECOIP investment plans (and who, thus, received the Free Shares only), the cost was entirely charged at the time of the assignment, as the shares are not subject to accrual conditions (vesting period).
For the employees who adhered to the LECOIPs, on the other hand, the condition applies of continuation of employment for the duration of the Plan, plus the additional performance conditions for Risk Takers and Executives (i.e. the achievement of certain objectives associated to the company capitalisation and the achievement of income results). If the accrual conditions fail to be respected, the Bank shall take over the rights that would have been recognised to the employees by virtue of the Certificates.
The component deriving from the Bank assigning the shares to the employees of other Group companies (for a portion of the Matching Shares and the discounted shares) is recorded as a contribution in favour of the subsidiaries whose employees are beneficiaries of the Plan, and as a consequence recorded as an increase in the related equity investments, with balancing entry recorded directly in equity.

The economic and financial effects of the Plan, estimated by suitably weighing the vesting conditions defined (including the probability of the employees continuing employment within the Group for the duration of the Plan), will be recognised during the period of accrual of the benefit and throughout the duration of the Plan.

B. QUANTITATIVE INFORMATION

1. *Share-based incentive plan in 2015*

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2014	7,387,712	-	Mar - Jun 2015 / Mar - Jun 2017
Financial instruments granted during the year	2,424,069	-	Mar - Oct 2017 / Sep - Oct 2019
Financial instruments no longer assignable (a)	582,308	-	Mar - Jun 2015 / Sep - Oct 2019
Financial instruments vested during the year and assigned	4,017,251	-	-
Financial instruments outstanding as at 31 December 2015	5,212,222	-	Mar - Jun 2016 / Sep - Oct 2019
of which: vested and assigned as at 31 December 2015	-	-	-

(a) Shares no longer deliverable to the beneficiaries following the related employment agreement ceasing and/or due to the application of the so-called malus conditions

Breakdown by residual life

Residual life	Number of shares
Mar - Jun 2016	2,078,634
Mar - Oct 2017	2,487,620
Sep - Oct 2018	469,605
Sep - Oct 2019	176,363

2.2 Long-term share-based instruments: LECOIP

The economic effects for 2015 connected to the Plans amount to about 72 million euro, amounting to 12/40 of the overall value of the Plan (approximately 221 million euro overall).

This being an equity settled plan, payables for cash settled payments are not recorded.

	LECOIP									
	Free Shares		Matching Shares		Discounted Shares		Sell to cover shares (a)		Total number of shares assigned	Number of LECOIP Certificates (c)
	Number of shares	Average unit fair value	Number of shares	Average unit fair value	Number of shares	Average unit fair value (b)	Number of shares	Average unit fair value (b)		
Total employees	10,126,532	2.3205	18,984,007	2.2986	116,442,156	0.3689	20,814,178	2.4007	166,366,873	29,110,539

(a) Assigned shares allocated to cover the payment relating to the employee's tax burden.
(b) Fair value of the subscription discount.
(c) Number of Certificates subscribed at 1 December by the Group employees who participate in the LECOIP Co – Investment Plan.

	Number of LECOIP Certificates 31.12.2014	Changes in the year (d)	**Number of LECOIP Certificates 31.12.2015**	Average fair value 31.12.2015
Total employees	29,110,539	-645,080	28,465,459	5.0279

(d) Number of Certificates for which Intesa Sanpaolo shall take over the rights that would have been recognised to the employees by virtue of the Certificates due to failure to comply with the condition of continuation of employment for the duration of the Plan

Part L – Segment reporting

Segment reporting is provided in the Notes to the consolidated financial statements.

Certification of the Parent Company's financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

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

   of the administrative and accounting procedures employed to draw up the Parent Company's financial statements during 2015.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the Parent Company's financial statements as at 31 December 2015 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems. [18]

3.

4. The undersigned also certify that:

   3.1 The Parent Company's financial statements as at 31 December 2015:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer, together with a description of the main risks and uncertainties.

23 February 2016

Carlo Messina	Fabrizio Dabbene
Managing Director and CEO	Manager responsible for preparing the Company's financial reports

[18] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors' Report on the Parent Company's financial statements

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI

Telefono +39 02 6763.1
Telefax +39 02 67632445
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

Report on the separate financial statements

We have audited the accompanying separate financial statements of Intesa Sanpaolo S.p.A. (the "bank"), which comprise the balance sheet as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and notes thereto.

Management board's responsibility for the separate financial statements

The bank's management board is responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the bank's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the bank's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 31 of Legislative decree no. 2015/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the bank's directors, with the separate financial statements at 31 December 2015. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Intesa Sanpaolo S.p.A. as at and for the year ended 31 December 2015.

Milan, 3 March 2016

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments to the Parent Company's financial statements

Intesa Sanpaolo reconciliation statements

Reconciliation between published Intesa Sanpaolo financial statements and restated Intesa Sanpaolo financial statements

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

Reconciliation between published Intesa Sanpaolo income statement for 2014 and restated Intesa Sanpaolo income statement for 2014

Restated Intesa Sanpaolo financial statements

Restated Intesa Sanpaolo balance sheet

Restated Intesa Sanpaolo income statement

Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between restated Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

Reconciliation between Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

Other Attachments

Statement of Intesa Sanpaolo property, equipment and financial assets subject to revaluation

Statement of Intesa Sanpaolo pension funds

Fees for auditing and services other than auditing pursuant to Article 149-duodecies of Consob Regulation 11971

Reconciliation between published financial statements and restated financial statements

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

(millions of euro)

Assets	31.12.2014 Published (*)	Changes							31.12.2014 Restated
		Partial demerger of Accedo (a)	Merger by incorporation of Banca Monte Parma (b)	Merger by incorporation of Banca di Trento e Bolzano (c)	Merger by incorporation of Cassa di Risparmio di Civitavecchia (d)	Merger by incorporation of Cassa di Risparmio di Rieti (e)	Merger by incorporation of Cassa di Risparmio della Provincia di Viterbo (f)	Netting of intragroup transactions (g)	
10. Cash and cash equivalents	4,383	-	28	34	15	22	15	-	4,497
20. Financial assets held for trading	24,075	-	1	14	-	3	4	-	24,097
30. Financial assets designated at fair value through profit and loss	345	-	-	-	-	-	-	-	- 345
40. Financial assets available for sale	30,975	-	14	28	6	-	6	-	31,029
50. Investments held to maturity	299	-	-	-	-	-	-	-	299
60. Due from banks	117,189	-	16	172	41	133	152	-1,987	115,716
70. Loans to customers	168,631	4,771	1,955	1,996	610	838	800	-4,058	175,543
80. Hedging derivatives	8,250	-	6	7	4	6	5	-	8,278
90. Fair value change of financial assets in hedged portfolios (+/-)	57	-	2	-	-	-	-	-	- 59
100. Equity investments	28,940	-77	-220	-140	-52	-33	-19	-	28,399
110. Property and equipment	2,642	31	60	19	7	10	7	-	2,776
120. Intangible assets	2,340	-	-	5	-	-	-	-	2,345
of which									-
- goodwill	*815*	-	-	*5*	-	-	-	-	*820*
130. Tax assets	9,795	54	70	43	17	17	19	-	10,015
a) current	*1,984*	-	*9*	*8*	*3*	*3*	*4*	-	*2,011*
b) deferred	*7,811*	*54*	*61*	*35*	*14*	*14*	*15*	-	*8,004*
- of which convertible into tax credit (Law no. 214/2011)	*6,623*	*54*	*55*	*29*	*12*	*9*	*13*	-	*6,795*
140. Non-current assets held for sale and discontinued operations	-	-	-	-	-	1	-	-	- 1
150. Other assets	2,829	24	19	81	9	10	12	-18	2,966
Total Assets	**400,750**	**4,803**	**1,951**	**2,259**	**657**	**1,007**	**1,001**	**-6,063**	**406,365**

(*) Historic data originally published in the 2014 Annual Report in euro.

(a) Partial demerger within Intesa Sanpaolo S.p.A. of the business line Accedo S.p.A. (former Intesa Sanpaolo Personal Finance S.p.A.) which took place on 1 June 2015.

(b) Merger by incorporation of Banca Monte Parma S.p.A., legally effective as of 20 July 2015 and effective for accounting and tax purposes as of 1 January 2015.

(c) Merger by incorporation of Banca di Trento e Bolzano S.p.A., legally effective as of 20 July 2015 and effective for accounting and tax purposes as of 1 January 2015.

(d) Merger by incorporation of Cassa di Risparmio di Civitavecchia S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

(e) Merger by incorporation of Cassa di Risparmio di Rieti S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

(f) Merger by incorporation of Cassa di Risparmio della Provincia di Viterbo S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

(g) Netting of intragroup transactions between Intesa Sanpaolo S.p.A. and incorporated companies.

(millions of euro)

Liabilities and Shareholders' Equity	31.12.2014 Published (*)	Changes										31.12.2014 Restated
		Partial demerger of Accedo (a)	Merger by incorporation of Banca Monte Parma (b)	Merger by incorporation of Banca di Trento e Bolzano (c)	Merger by incorporation of Cassa di Risparmio di Civitavecchia (d)	Merger by incorporation of Cassa di Risparmio di Rieti (e)	Merger by incorporation of Cassa di Risparmio di Viterbo (f)	**Write-off of effects of the merger of Mediofactoring /Contribution to Mediocredito (g)**	**Contribution of non-profit business line to Banca Prossima (h)**	**Write-off of effects of the merger of Intesa Sanpaolo Previdenza SIM / Contribution to Intesa Vita (i)**	Netting of intragroup transactions (j)	
10. Due to banks	106,521	4,741	695	937	72	33	157	-	-	-	-6,045	107,111
20. Due to customers	110,915	-	1,088	1,115	526	764	658	-	-	-	-	115,066
30. Securities issued	109,921	-	103	41	-	-	2	-	-	-	-	110,067
40. Financial liabilities held for trading	16,678	-	-	14	-	2	3	-	-	-	-	16,697
50. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-	-	-	-
60. Hedging derivatives	7,235	-	9	17	7	5	14	-	-	-	-	7,287
70. Fair value change of financial liabilities in hedged portfolios (+/-)	1,000	-	3	5	2	4	3	-	-	-	-	1,017
80. Tax liabilities	668	1	14	-	-	1	-	-	-	-	-	684
a) current	*154*	-	-	-	-	-	-	-	-	-	-	*154*
b) deferred	*514*	*1*	*14*	-	-	*1*	-	-	-	-	-	*530*
90. Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
100. Other liabilities	4,814	5	63	112	20	29	32	113	4	4	-18	5,178
110. Employee termination indemnities	660	4	7	8	2	9	10	-	-	-	-	700
120. Allowances for risks and charges	1,955	1	11	6	4	20	6	-	-	-	-	2,003
a) post employment benefits	*946*	-	-	*1*	-	*11*	-	-	-	-	-	*958*
b) other allowances	*1,009*	*1*	*11*	*5*	*4*	*9*	*6*	-	-	-	-	*1,045*
130. Valuation reserves	-597	1	1	-8	-	4	-1	-	-	-	-	-600
140. Redeemable shares	-	-	-	-	-	-	-	-	-	-	-	-
150. Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
160. Reserves	3,551	15	-33	12	21	130	120	-	-	-	-	3,816
170. Share premium reserve	27,508	-	-	-	-	-	-	-	-	-	-	27,508
180. Share capital	8,725	-	-	-	-	-	-	-	-	-	-	8,725
190. Treasury shares (-)	-17	-	-	-	-	-	-	-	-	-	-	-17
200. Net income (loss)	1,213	35	-10	-	3	6	-3	-113	-4	-4	-	1,123
Total Liabilities and Shareholders' Equity	**400,750**	**4,803**	**1,951**	**2,259**	**657**	**1,007**	**1,001**	**-**	**-**	**-**	**-6,063**	**406,365**

(*) Historic data originally published in the 2014 Annual Report in euro.

(a) Partial demerger within Intesa Sanpaolo S.p.A. of the business line Accedo S.p.A. (former Intesa Sanpaolo Personal Finance S.p.A.) which took place on 1 June 2015.

(b) Merger by incorporation of Banca Monte Parma S.p.A., legally effective as of 20 July 2015 and effective for accounting and tax purposes as of 1 January 2015.

(c) Merger by incorporation of Banca di Trento e Bolzano S.p.A., legally effective as of 20 July 2015 and effective for accounting and tax purposes as of 1 January 2015.

(d) Merger by incorporation of Cassa di Risparmio di Civitavecchia S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

(e) Merger by incorporation of Cassa di Risparmio di Rieti S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

(f) Merger by incorporation of Cassa di Risparmio della Provincia di Viterbo S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

(g) Write-off of the contribution of the merger of Mediofactoring S.p.A. (legally effective as of 1 July 2014) given the concurrent contribution of the factoring segment to Mediocredito S.p.A..

(h) Write-off of revenues and costs accrued from 1/1 to 23/11/2014 and relating to the contribution, on 24 November 2014, of the non-profit business line to Banca Prossima S.p.A..

(i) Write-off of the contribution of the merger of Intesa Previdenza SIM S.p.A. (legally effective as of 1 December 2014) given the subsequent contribution to Intesa Vita S.p.A.

(j) Netting of intragroup transactions between Intesa Sanpaolo S.p.A. and incorporated companies.

Reconciliation between published Intesa Sanpaolo income statement for 2014 and restated Intesa Sanpaolo income statement for 2014

(millions of euro)

	2014 Published	Changes										Total change in scope	2014 Restated
		Partial demerger of Accedo (a)	Merger by incorporation of Banca Monte Parma (b)	Merger by incorporation of Banca di Trento e Bolzano (c)	Merger by incorporation of Cassa di Risparmio di Civitavecchia (d)	Merger by incorporation of Cassa di Risparmio di Rieti (e)	Merger by incorporation of Cassa di Risparmio di Viterbo (f)	Netting of intragroup transactions (g)	Write-off of effects of the merger of Mediofactoring / Contribution to Mediocredito (h)	Contribution of non-profit business line to Banca Prossima (i)	Write-off of effects of the merger of Intesa Sanpaolo Previdenza SIM / Contribution to Intesa Vita (j)		
10. Interest and similar income	7,790	220	61	68	27	38	34	-13	-131	-8	-1	295	8,085
20. Interest and similar expense	-5,762	-73	-14	-14	-2	-3	-6	13	1	2	-	-96	-5,858
30. Interest margin	**2,028**	**147**	**47**	**54**	**25**	**35**	**28**	**-**	**-130**	**-6**	**-1**	**199**	**2,227**
40. Fee and commission income	2,949	10	35	34	15	21	19	-	-69	-8	-21	36	2,985
50. Fee and commission expense	-425	-71	-1	-2	-1	-1	-1	-	5	-	9	-63	-488
60. Net fee and commission income	**2,524**	**-61**	**34**	**32**	**14**	**20**	**18**	**-**	**-64**	**-8**	**-12**	**-27**	**2,497**
70. Dividend and similar income	2,410	-	-	2	-	-	-	-	-	-	-	2	2,412
80. Profits (Losses) on trading	-4	-	-	-	-	-	-	-	-	-	1	1	-3
90. Fair value adjustments in hedge accounting	-69	-	-	-	-	-	-1	-	-	-	-	-1	-70
100. Profits (Losses) on disposal or repurchase of:	263	-	-1	-	-	-	-	-	-	-	-	-1	262
a) loans	*105*	-	*-1*	-	-	-	-	-	-	-	-	*-1*	*104*
b) financial assets available for sale	*213*	-	-	-	-	-	-	-	-	-	-	-	*213*
c) investments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-
d) financial liabilities	*-55*	-	-	-	-	-	-	-	-	-	-	-	*-55*
110. Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-
120. Net interest and other banking income	**7,152**	**86**	**80**	**88**	**39**	**55**	**45**	**-**	**-194**	**-14**	**-12**	**173**	**7,325**
130. Net losses / recoveries on impairment:	-1,767	-13	-36	-28	-10	-10	-16	-	8	-	-	-105	-1,872
a) loans	*-1,575*	*-13*	*-36*	*-27*	*-10*	*-10*	*-16*	-	*8*	-	-	*-104*	*-1,679*
b) financial assets available for sale	*-167*	-	-	*-1*	-	-	-	-	-	-	-	*-1*	*-168*
c) investments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-
d) other financial activities	*-25*	-	-	-	-	-	-	-	-	-	-	-	*-25*
140. Net income from banking activities	**5,385**	**73**	**44**	**60**	**29**	**45**	**29**	**-**	**-186**	**-14**	**-12**	**68**	**5,453**
150. Administrative expenses:	-4,100	-33	-59	-58	-25	-37	-32	11	30	10	6	-187	-4,287
a) personnel expenses	*-2,088*	*-15*	*-31*	*-32*	*-13*	*-20*	*-18*	-	*15*	*6*	*1*	*-107*	*-2,195*
b) other administrative expenses	*-2,012*	*-18*	*-28*	*-26*	*-12*	*-17*	*-14*	*11*	*15*	*4*	*5*	*-80*	*-2,092*
160. Net provisions for risks and charges	-98	-	-2	-1	-	-	-	-	2	-	-	-1	-99
170. Net adjustments to / recoveries on property and equipment	-116	-	-2	-2	-1	-1	-1	-	-	-	-	-7	-123
180. Net adjustments to / recoveries on intangible assets	-36	-	-	-	-	-	-	-	-	-	-	-	-36
190. Other operating expenses (income)	498	13	4	2	2	3	2	-11	-1	-2	-	12	510
200. Operating expenses	**-3,852**	**-20**	**-59**	**-59**	**-24**	**-35**	**-31**	**-**	**31**	**8**	**6**	**-183**	**-4,035**
210. Profits (Losses) on equity investments	-177	-	-	1	-	-	-	-	-	-	-	1	-176
220. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-
230. Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
240. Profits (Losses) on disposal of investments	113	-	-	-	-	-	-	-	-	-	-	-	113
250. Income (Loss) before tax from continuing operations	**1,469**	**53**	**-15**	**2**	**5**	**10**	**-2**	**-**	**-155**	**-6**	**-6**	**-114**	**1,355**
260. Taxes on income from continuing operations	-256	-18	5	-2	-2	-4	-1	-	42	2	2	24	-232
270. Income (Loss) after tax from continuing operations	**1,213**	**35**	**-10**	**-**	**3**	**6**	**-3**	**-**	**-113**	**-4**	**-4**	**-90**	**1,123**
280. Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
290. Net income (loss)	**1,213**	**35**	**-10**	**-**	**3**	**6**	**-3**	**-**	**-113**	**-4**	**-4**	**-90**	**1,123**

[*] Historic data originally published in the 2014 Annual Report in euro. Since no other discontinued operations were classified under Income (Loss) after tax from discontinued operations, the published 2014 income statement was not restated in accordance with IFRS 5.

[a] Partial demerger within Intesa Sanpaolo S.p.A. of the business line Accedo S.p.A. (former Intesa Sanpaolo Personal Finance S.p.A.) which took place on 1 June 2015.

[b] Merger by incorporation of Banca Monte Parma S.p.A., legally effective as of 20 July 2015 and effective for accounting and tax purposes as of 1 January 2015.

[c] Merger by incorporation of Banca di Trento e Bolzano S.p.A., legally effective as of 20 July 2015 and effective for accounting and tax purposes as of 1 January 2015.

[d] Merger by incorporation of Cassa di Risparmio di Civitavecchia S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

[e] Merger by incorporation of Cassa di Risparmio di Rieti S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

[f] Merger by incorporation of Cassa di Risparmio della Provincia di Viterbo S.p.A., legally effective as of 23 November 2015 and effective for accounting and tax purposes as of 1 January 2015.

[g] Netting of intragroup transactions of Intesa Sanpaolo S.p.A. to incorporated companies.

[h] Write-off of the contribution of the merger of Mediofactoring S.p.A. (legally effective as of 1 July 2014) given the concurrent contribution of the factoring segment to Mediocredito S.p.A..

[i] Write-off of revenues and costs accrued from 1/1 to 23/11/2014 and relating to the contribution, on 24 November 2014, of the non-profit business line to Banca Prossima S.p.A..

[j] Write off of the contribution of the merger of Intesa Previdenza SIM S.p.A. (legally effective as of 1 December 2014) given the subsequent contribution to Intesa Vita S.p.A.

Restated Intesa Sanpaolo financial statements

Restated Intesa Sanpaolo balance sheet

(millions of euro)

Assets		31.12.2015	31.12.2014 restated	Changes amount	Changes %
10.	Cash and cash equivalents	7,478	4,497	2,981	66.3
20.	Financial assets held for trading	22,972	24,097	-1,125	-4.7
30.	Financial assets designated at fair value through profit and loss	356	345	11	3.2
40.	Financial assets available for sale	29,794	31,029	-1,235	-4.0
50.	Investments held to maturity	299	299	-	-
60.	Due from banks	122,044	115,716	6,328	5.5
70.	Loans to customers	186,427	175,543	10,884	6.2
80.	Hedging derivatives	6,387	8,278	-1,891	-22.8
90.	Fair value change of financial assets in hedged portfolios (+/-)	66	59	7	11.9
100.	Equity investments	28,582	28,399	183	0.6
110.	Property and equipment	2,867	2,776	91	3.3
120.	Intangible assets	2,343	2,345	-2	-0.1
	of which				
	- goodwill	*820*	*820*	-	-
130.	Tax assets	10,383	10,015	368	3.7
	a) current	*2,422*	*2,011*	*411*	*20.4*
	b) deferred	*7,961*	*8,004*	*-43*	*-0.5*
	- of which convertible into tax credit (Law no. 214/2011)	*6,729*	*6,795*	*-66*	*-1.0*
140.	Non-current assets held for sale and discontinued operations	1	1	-	-
150.	Other assets	2,361	2,966	-605	-20.4
Total Assets		**422,360**	**406,365**	**15,995**	**3.9**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2015	31.12.2014 restated	Changes amount	Changes %
10.	Due to banks	125,517	107,111	18,406	17.2
20.	Due to customers	124,245	115,066	9,179	8.0
30.	Securities issued	99,445	110,067	-10,622	-9.7
40.	Financial liabilities held for trading	15,921	16,697	-776	-4.6
50.	Financial liabilities designated at fair value through profit and loss	4	-	4	
60.	Hedging derivatives	5,960	7,287	-1,327	-18.2
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	680	1,017	-337	-33.1
80.	Tax liabilities	745	684	61	8.9
	a) current	*86*	*154*	*-68*	*-44.2*
	b) deferred	*659*	*530*	*129*	*24.3*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	4,135	5,178	-1,043	-20.1
110.	Employee termination indemnities	645	700	-55	-7.9
120.	Allowances for risks and charges	1,866	2,003	-137	-6.8
	a) post employment benefits	*700*	*958*	*-258*	*-26.9*
	b) other allowances	*1,166*	*1,045*	*121*	*11.6*
130.	Valuation reserves	-258	-600	-342	-57.0
140.	Redeemable shares	-	-	-	
150.	Equity instruments	877	-	877	
160.	Reserves	3,577	3,816	-239	-6.3
170.	Share premium reserve	27,508	27,508	-	-
180.	Share capital	8,732	8,725	7	0.1
190.	Treasury shares (-)	-17	-17	-	-
200.	Net income (loss)	2,778	1,123	1,655	
Total Liabilities and Shareholders' Equity		**422,360**	**406,365**	**15,995**	**3.9**

Restated Intesa Sanpaolo income statement

(millions of euro)

		2015 restated	2014 restated	Changes amount	Changes %
10.	Interest and similar income	6,772	8,085	-1,313	-16.2
20.	Interest and similar expense	-4,640	-5,858	-1,218	-20.8
30.	**Interest margin**	**2,132**	**2,227**	**-95**	**-4.3**
40.	Fee and commission income	3,167	2,985	182	6.1
50.	Fee and commission expense	-491	-488	3	0.6
60.	**Net fee and commission income**	**2,676**	**2,497**	**179**	**7.2**
70.	Dividend and similar income	3,079	2,412	667	27.7
80.	Profits (Losses) on trading	-110	-3	107	
90.	Fair value adjustments in hedge accounting	-10	-70	-60	-85.7
100.	Profits (Losses) on disposal or repurchase of:	322	262	60	22.9
	a) loans	*8*	*104*	*-96*	*-92.3*
	b) financial assets available for sale	*373*	*213*	*160*	*75.1*
	c) investments held to maturity	-	-	-	-
	d) financial liabilities	*-59*	*-55*	*4*	*7.3*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
120.	**Net interest and other banking income**	**8,089**	**7,325**	**764**	**10.4**
130.	Net losses / recoveries on impairment:	-814	-1,872	-1,058	-56.5
	a) loans	*-856*	*-1,679*	*-823*	*-49.0*
	b) financial assets available for sale	*-71*	*-168*	*-97*	*-57.7*
	c) investments held to maturity	-	-	-	-
	d) other financial activities	*113*	*-25*	*138*	
140.	**Net income from banking activities**	**7,275**	**5,453**	**1,822**	**33.4**
150.	Administrative expenses:	-4,725	-4,287	*438*	*10.2*
	a) personnel expenses	*-2,289*	*-2,195*	*94*	*4.3*
	b) other administrative expenses	*-2,436*	*-2,092*	*344*	*16.4*
160.	Net provisions for risks and charges	-264	-99	165	
170.	Net adjustments to / recoveries on property and equipment	-131	-123	8	6.5
180.	Net adjustments to / recoveries on intangible assets	-2	-36	-34	-94.4
190.	Other operating expenses (income)	699	510	189	37.1
200.	**Operating expenses**	**-4,423**	**-4,035**	**388**	**9.6**
210.	Profits (Losses) on equity investments	-115	-176	-61	-34.7
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
230.	Goodwill impairment	-	-	-	-
240.	Profits (Losses) on disposal of investments	66	113	-47	-41.6
250.	**Income (Loss) before tax from continuing operations**	**2,803**	**1,355**	**1,448**	
260.	Taxes on income from continuing operations	-25	-232	-207	-89.2
270.	**Income (Loss) after tax from continuing operations**	**2,778**	**1,123**	**1,655**	
280.	Income (Loss) after tax from discontinued operations	-	-	-	-
290.	**Net income (loss)**	**2,778**	**1,123**	**1,655**	

Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between restated Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

(millions of euro)

Captions of the reclassified balance sheet - Assets	Captions of the restated balance sheet - Assets	31.12.2015	31.12.2014 restated
Financial assets held for trading		22,972	24,097
	Caption 20 - Financial assets held for trading	*22,972*	*24,097*
Financial assets designated at fair value through profit and loss		356	345
	Caption 30 - Financial assets designated at fair value through profit and loss	*356*	*345*
Financial assets available for sale		29,794	31,029
	Caption 40 - Financial assets available for sale	*29,794*	*31,029*
Investments held to maturity		299	299
	Caption 50 - Investments held to maturity	*299*	*299*
Due from banks		122,044	115,716
	Caption 60 - Due from banks	*122,044*	*115,716*
Loans to customers		186,427	175,543
	Caption 70 - Loans to customers	*186,427*	*175,543*
Equity investments		28,582	28,399
	Caption 100 - Equity investments	*28,582*	*28,399*
Property, equipment and intangible assets		5,210	5,121
	Caption 110 - Property and equipment	*2,867*	*2,776*
	+ Caption 120 - Intangible assets	*2,343*	*2,345*
Tax assets		10,383	10,015
	Caption 130 - Tax assets	*10,383*	*10,015*
Non-current assets held for sale and discontinued operations		1	1
	Caption 140 - Non-current assets held for sale and discontinued operations	*1*	*1*
Other assets		16,292	15,800
	Caption 10 - Cash and cash equivalents	*7,478*	*4,497*
	+ Caption 150 - Other assets	*2,361*	*2,966*
	+ Caption 80 - Hedging derivatives	*6,387*	*8,278*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*66*	*59*
Total Assets	**Total Assets**	**422,360**	**406,365**

Captions of the reclassified balance sheet - Liabilities and Shareholders' Equity	Captions of the restated balance sheet - Liabilities and Shareholders' Equity	31.12.2015	31.12.2014 restated
Due to banks		125,517	107,111
	Caption 10 - Due to banks	*125,517*	*107,111*
Due to customers and securities issued		223,690	225,133
	Caption 20 - Due to customers	*124,245*	*115,066*
	+ Caption 30 - Securities issued	*99,445*	*110,067*
Financial liabilities held for trading		15,921	16,697
	Caption 40 - Financial liabilities held for trading	*15,921*	*16,697*
Financial liabilities designated at fair value through profit and loss		4	-
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*4*	*-*
Tax liabilities		745	684
	Caption 80 - Tax liabilities	*745*	*684*
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		10,775	13,482
	Caption 100 - Other liabilities	*4,135*	*5,178*
	+ Caption 60 - Hedging derivatives	*5,960*	*7,287*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*680*	*1,017*
Allowances for specific purpose		2,511	2,703
	Caption 110 - Employee termination indemnities	*645*	*700*
	Caption 120 - Allowances for risks and charges	*1,866*	*2,003*
Share capital		8,732	8,725
	Caption 180 - Share capital	*8,732*	*8,725*
Reserves (net of treasury shares)		31,068	31,307
	Caption 160 - Reserves	*3,577*	*3,816*
	Caption 170 - Share premium reserve	*27,508*	*27,508*
	– Caption 190 - Treasury shares	*-17*	*-17*
Valuation reserves		-258	-600
	Caption 130 - Valuation reserves	*-258*	*-600*
Equity instruments		877	-
	Caption 150 - Equity instruments	*877*	*-*
Net income (loss)		2,778	1,123
	Caption 200 - Net income (loss)	*2,778*	*1,123*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**422,360**	**406,365**

Reconciliation between Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

(millions of euro)

Captions of the reclassified income statement	Captions of the restated income statement	2015	2014 restated
Net interest income		2,382	2,391
	Caption 30 - Interest margin	*2,132*	*2,227*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*7*	*3*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*266*	*200*
	+ Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-22*	*-37*
	+ Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-1*	*-2*
Dividends		2,954	2,277
	Caption 70 - Dividend and similar income	*3,079*	*2,412*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-125*	*-135*
Net fee and commission income		2,659	2,487
	Caption 60 - Net fee and commission income	*2,676*	*2,497*
	- Caption 150 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*-17*	*-10*
Profits (losses) on trading		319	220
	Caption 80 - Profits (Losses) on trading	*-110*	*-3*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-10*	*-70*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*373*	*213*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-59*	*-55*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*-*	*-*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*125*	*135*
Other operating income (expenses)		31	118
	Caption 190 - Other operating income (expenses)	*699*	*510*
	- Caption 190 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*-387*	*-392*
	+ Caption 150 (partial) - Other administrative expenses (Resolution fund and deposit guarantee scheme)	*-281*	*-*
Operating income		**8,345**	**7,493**
Personnel expenses		-2,237	-2,095
	Caption 150 a) - Personnel expenses	*-2,289*	*-2,196*
	- Caption 150 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*30*	*64*
	- Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*22*	*37*
Other administrative expenses		-1,693	-1,665
	Caption 150 b) - Other administrative expenses	*-2,436*	*-2,091*
	- Caption 150 b) (partial) - Other administrative expenses (Charges for integration)	*58*	*24*
	+ Caption 150 b) (partial) - Other administrative expenses (Recovery of other expenses)	*17*	*10*
	- Caption 150 (partial) - Other administrative expenses (Resolution fund and deposit guarantee scheme)	*281*	*-*
	+ Caption 190 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*387*	*392*
Adjustments to property, equipment and intangible assets		-134	-136
	Caption 170 - Net adjustments to/recoveries on property and equipment	*-131*	*-123*
	- Caption 170 (partial) - Net adjustments to property and equipment (Effect of purchase price allocation)	*-14*	*-14*
	+ Caption 180 - Net adjustments to/recoveries on intangible assets	*-2*	*-36*
	- Caption 180 (partial) - Net adjustments to intangible assets (Effect of purchase price allocation)	*2*	*35*
	- Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Other Intangible assets)	*-*	*-*
	- Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*11*	*2*
	- Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-*	*-*
	- Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)	*-*	*-*
	- Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-*	*-*
Operating costs		**-4,064**	**-3,896**
Operating margin		**4,281**	**3,597**

(millions of euro)

Captions of the reclassified income statement	Captions of the restated income statement	2015	2014 restated
Operating margin		**4,281**	**3,597**
Net provisions for risks and charges		-128	-97
	Caption 160 - Net provisions for risks and charges	*-264*	*-99*
	- Caption 160 (partial) - Net provisions for risks and charges (tax charges)	*135*	*-*
	- Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*1*	*2*
Net adjustments to loans		-1,001	-1,800
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*8*	*104*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*-*	*-*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-856*	*-1,679*
	- Caption 130 a) - Net losses/recoveries on impairment of loans (Time value loans)	*-266*	*-200*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*113*	*-25*
Net impairment losses on other assets		-82	-170
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-71*	*-168*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*-*	*-*
	+ Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-11*	*-2*
	+ Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-*	*-*
Profits (Losses) on investments held to maturity and on other investments		77	394
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-*
	+ Caption 210 - Profits (Losses) on equity investments	*-115*	*-176*
	- Caption 210 - (partial) - Profits (Losses) on controlling interests	*126*	*457*
	+ Caption 220 - Valuation differences on property, equipment and intangible assets measured at fair value	*-*	*-*
	+ Caption 240 - Profits (Losses) on disposal of investments	*66*	*113*
Income (Loss) before tax from continuing operations		**3,147**	**1,924**
Taxes on income from continuing operations		-185	-265
	Caption 260 - Taxes on income from continuing operations	*-25*	*-232*
	+ Caption 160 (partial) - Net provisions for risks and charges (tax charges)	*-135*	*-*
	- Caption 260 (partial) - Taxes on income from continuing operations (Charges for integration and exit incentives)	*-27*	*-25*
	- Caption 260 (partial) - Taxes on income from continuing operations (Goodwill, other intangible assets and controlling interests impairment)	*-*	*-*
	- Caption 260 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*2*	*-8*
Charges (net of taxes) for integration and exit incentives		-61	-63
	+ Caption 150 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*-30*	*-64*
	+ Caption 150 b) (partial) - Other administrative expenses (Charges for integration)	*-58*	*-24*
	+ Caption 260 (partial) - Taxes on income from continuing operations (Charges for integration and exit incentives)	*27*	*25*
	+ Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)	*-*	*-*
	+ Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-*	*-*
Effect of purchase price allocation (net of tax)		3	-16
	+ Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*-7*	*-3*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*-*	*-*
	+ Caption 170 (partial) - Net adjustments to property and equipment (Effect of purchase price allocation)	*14*	*14*
	+ Caption 180 (partial) - Net adjustments to intangible assets (Effect of purchase price allocation)	*-2*	*-35*
	+ Caption 260 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*-2*	*8*
Impairment (net of tax) of goodwill, other intangible assets and controlling interests		-126	-457
	Caption 230 - Goodwill impairment	*-*	*-*
	+ Caption 210 (partial) - Profits (Losses) on equity investments	*-126*	*-457*
	+ Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Other Intangible assets)	*-*	*-*
	+ Caption 260 (partial) - Taxes on income from continuing operations (Goodwill, other intangible assets and controlling interests impairment)	*-*	*-*
Income (Loss) after tax from discontinued operations		-	-
	- Caption 280 - Income (Loss) after tax from non-current assets held for sale	*-*	*-*
Net income (loss)	**Caption 290 - Net income (loss)**	**2,778**	**1,123**

Other attachments

Statement of Intesa Sanpaolo property, equipment and financial assets subject to revaluation

(millions of euro)

	REVALUATIONS						Total
	Royal Law Decree 1729 of 19.10.1937	Law 823 of 19.12.1973	Law 576 of 02.12.1975	Law 72 of 19.03.1983	Law 413 of 30.12.1991	Law 218 of 30.07.1990	
Real estate assets	**-**	**20**	**13**	**53**	**160**	**188**	**434**
Equity investments	**-**	**-**	**-**	**-**	**-**	**26**	**26**
a) Subsidiaries	-	-	-	-	-	26	26
b) Other	-	-	-	-	-	-	-
Total	**-**	**20**	**13**	**53**	**160**	**214**	**460**

Statement of Intesa Sanpaolo pension funds

Statement of the supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo "Fondo oneri integrativi previdenziali per il personale esattoriale già dipendente Cariplo"

For the supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo – established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo and transferred to Esatri Esazioni Tributi S.p.A. - accounting records for the related transactions are segregated in accordance with corporate agreements requiring that gains on its own investments are provisioned, and with regulations contained in Italian Legislative Decree no. 124 of 21 April 1993, reviewed by Law no. 335 of 8 August 1995.
Based on the corporate agreements and special authorisation of the Bank of Italy, in 2002 procedures were completed for transformation of treatment from defined benefit to defined contribution. Following individual requests from all the personnel in service, the related individual positions were transferred to other external pension funds. As a result of these transactions the fund once again began to operate as a defined benefit plan for personnel already retired as at 31 December 2000.
Following trade union agreements signed in autumn 2014 with the founders of the fund, on 1 January 2015 the Fund was transferred to Section "A" of the Complementary Pension Fund for the personnel of Banco di Napoli - an external Fund with independent legal status. The transition took place by transferring the assets corresponding to the value of the mathematical reserve of registered pensioners.
Therefore, as of that date, the internal Fund in question has no more reason to exist.

Supplementary pension fund for employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo", final regulation approved on 8 March 1996

The fund's resources for personnel formerly employed by Mediocredito Lombardo were used as part of the Bank's securities.

Starting from 24 April 1993, with the enactment of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump sum has been determined which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position;

Following trade union agreements signed in autumn 2014 with the founders of the fund, on 1 January 2015 the Fund was transferred to Section "A" of the Complementary Pension Fund for the personnel of Banco di Napoli - an external Fund with independent legal status. The transition took place by transferring the assets corresponding to the value of the mathematical reserve of registered pensioners.
Therefore, as of that date, the internal Fund in question has no more reason to exist.

Supplementary pension fund for top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana"

The fund referred to integrative provisions allocated up to a certain date on the basis of specific bilateral agreements in favour of top management of Banca Commerciale Italiana.

The related provisions – which do not represent segregated funds – were invested without distinction (in a non-specific manner) as an assets component.

In 2006, following the start of the liquidation of "Fondo pensione per il personale della Banca Commerciale Italiana", the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment for the beneficiaries requesting liquidation; The increased value of the mathematical reserve as at 31 December 2006 was offset by disposal to the company in settlement of the entire amount due from the Comit Fund.

Following trade union agreements signed in autumn 2014 with the founders of the fund, on 1 January 2015 the Fund was transferred to Section "A" of the Complementary Pension Fund for the personnel of Banco di Napoli - an external Fund with independent legal status. The transition took place by transferring the assets corresponding to the value of the mathematical reserve of registered pensioners.
Therefore, as of that date, the internal Fund in question has no more reason to exist.

Fees for auditing and services other than auditing pursuant to Article 149-duodecies of Consob Regulation 11971

(millions of euro)

Type of service	INTESA SANPAOLO		GROUP COMPANIES[(*)]	
	KPMG	KPMG Network	KPMG	KPMG Network
Independent audit (**)	4.95	-	11.86	-
Release of attestations (***)	1.62	-	0.52	-
Tax consulting services	-	-	-	-
Other services:				
agreed audit procedures	*0.43*	-	*0.66*	-
social report audit	*0.05*	-	*0.07*	-
other	-	-	*0.30*	-
TOTAL	**7.05**	**-**	**13.41**	**-**

[(*)] Group companies and other consolidated subsidiaries.

[(**)] Including costs for audit of Parent Company international branches for local purposes, of the Corporate Governance Report and other (National Guarantee Fund, mandatory fiscal obligations); costs for audit of non-consolidated funds (carried by the funds) for about 4,9 million euro are not included

[(***)] Including assignments granted to implement the EMTN programme authorised by the Management Board as part of the credit limit resolved on 13 November 2012 (Comfort Letter) and audit costs, on a voluntary basis, for the "Pillar 3" disclosure.

Amounts net of VAT and reimbursed expenses and Consob contribution

Glossary

GLOSSARY

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

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

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

Acquisition finance
Leveraged buy-out financing.

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

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

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

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

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

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

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

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

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

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

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

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

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

AT1
Additional Tier 1 (AT1) In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds (e.g. savings shares).

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

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

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

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

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

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

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

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

Bookrunner
See Lead manager and Joint lead manager.

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is used in accounting principles with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

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

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

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

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

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

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

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

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

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

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

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

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

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging

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

Certificates
Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date - an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the optional structure to obtain full or partial protection of the invested capital, which takes the form of full or partial returns of the premiums paid, irrespective of the performance of the parameters set in the contracts.
Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - market managed by Borsa Italiana, and on the EuroTLX market).

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

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

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

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

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

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

Common equity tier 1 ratio (CET1 Ratio)
The ratio of Common Equity Tier 1 (CET1) to total risk-weighted assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit Risk Adjustment (CRA)
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Duration
An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a

weighted average of the due dates of interest and principal payments associated with a bond.

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

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

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

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair value
The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

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

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

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

FICO Score
In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an

individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the "score" to assess borrower default risk and to correctly price risk.

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

Forward Rate Agreement
See "Forwards".

Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

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

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

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

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

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

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

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

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

Grandfathering
The new composition of own funds according to Basel 3 and other less significant measures shall enter into force following a transitional period. Specifically, old instruments included in Basel 2 regulatory capital which are not included as per Basel 3 shall be gradually eliminated (known as the grandfathering period).

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

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

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

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

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

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

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

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

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

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

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

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

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LDA - Loss Distribution Approach
Method for quantitative assessment of the risk profile through the actuarial analysis of single events of internal and external loss; by extension, Loss Distribution Approach shall also include the historical capital calculation model by Business Unit

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

Leveraged & acquisition finance
See "Acquisition finance".

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

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

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

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

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

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

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

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

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

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

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

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate clients for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

Non-performing
Term generally referring to loans for which payments are overdue.

Operational risk
The risk of 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 tortious liability or other disputes, ICT (Information and Communication Technology) risk and model risk. Strategic and reputational risks are not included.

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

Outsourcing
The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed

during the term of the contract, with compound interest.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

Past due loans
"Past due loans" are non-performing loans on which payments are past due on a continuing basis for over 90/180 days, in accordance with the definition set forth in current supervisory reporting rules.

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

Pool (transactions)
See "Syndicated lending".

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk, and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Ratings
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

Risk-free
Return on risk-free investments. For the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on ten-year Bunds has been adopted, while for countries with "strong" growth prospects, the return on 30-year Bunds has been used.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

Risk Weighted Assets (RWA)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)
It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (strike price).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export sector.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or doubtful loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate swap, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g).

Tier 1
Tier 1 equity includes Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1).

Tier 1 ratio
The ratio of Tier 1 capital, which includes Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) to total risk-weighted assets.

Tier 2
Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.
Specific transitional provisions (grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to own funds components (Tier 1 plus Tier 2).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change in or underestimation of volatility.

Vega01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO’s cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See “Asset management”.

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

Contacts

Intesa Sanpaolo S.p.A.

Registered office
Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office
Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations & Price-Sensitive Communication
Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

Financial calendar

Approval of the Interim Statement as at 31 March 2016:	6 May 2016
Approval of the half-yearly report as at 30 June 2016:	2 August 2016
Approval of the Interim Statement as at 30 September 2016:	4 November 2016