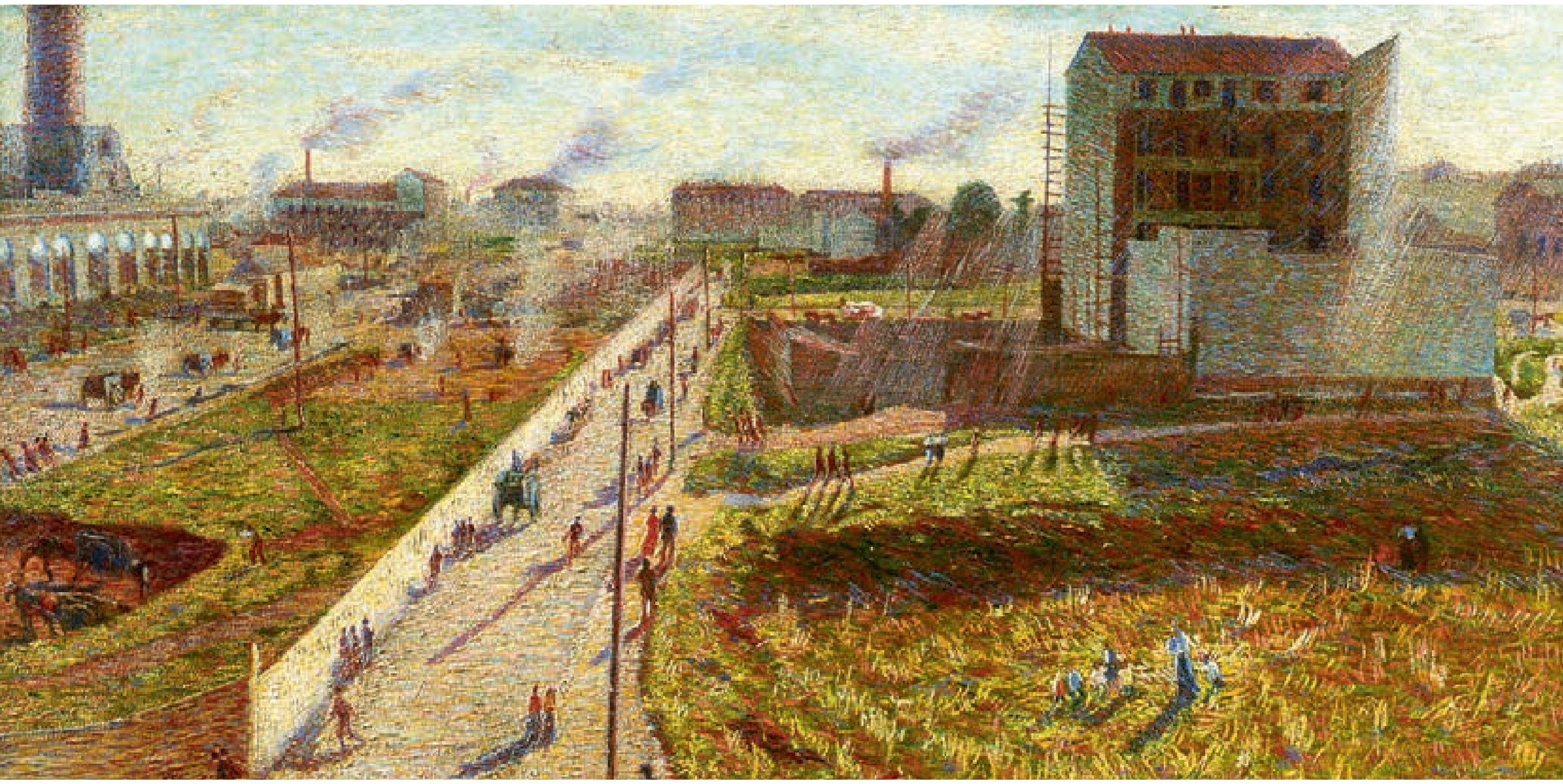
Half-yearly report as at 30 June 2013



This is an English translation of the Italian language original "Relazione semestrale al 30 giugno 2013" that has been prepared solely for the convenience of the reader. The Italian language original "Relazione semestrale al 30 giugno 2013" was approved by the Management Board of Intesa Sanpaolo on 2 August 2013 and is available on group.intesasanpaolo.com

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

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

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

Half-yearly report as at 30 June 2013

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,545,681,412.32 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

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

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

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

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

NORTH WEST

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
1,473	Intesa Sanpaolo Private Banking	57
	Banca Fideuram	37
	Banca Prossima	22
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
19	CR del Veneto	394
	CR in Bologna	192
	CR del Friuli Venezia Giulia	124
	CR di Forlì e della Romagna	104
	CR Venezia	103
	Banca di Trento e Bolzano	79
	Banca Monte Parma	67
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	13
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
247	Banca CR Firenze	618
	Banca dell'Adriatico	131
	Banca Fideuram	22
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	7
	Banco di Napoli	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
9	Banco di Napoli	689
	Banca dell'Adriatico	112
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	15
	Banca Fideuram	11
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO Branches	Subsidiaries Company	Branches
170	Banca di Credito Sardo	93
	Banca Prossima	7
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Mediocredito Italiano	1

Figures as at 30 June 2013

Product Companies

INTESA SANPAOLO VITA

Bancassurance

Eurizon Capital

Asset Management

INTESA SANPAOLO PERSONAL FINANCE

Consumer Credit

LEASINT

Leasing

INTESA SANPAOLO PREVIDENZA

Pension Funds

SIREFID

Fiduciary Services

SETEFI

Electronic Payments

MEDIOFACTORING

Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

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

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

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

VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

OCEANIA

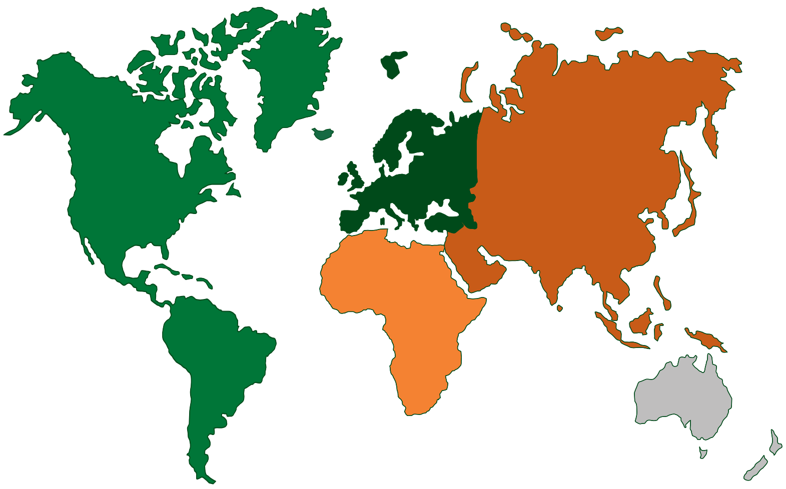
Representative Offices
Sydney

ASIA

Direct Branches	Representative Offices
Dubai	Abu Dhabi
Hong Kong	Beijing
Shanghai	Beirut
Singapore	Ho Chi Minh City
Tokyo	Mumbai
	Seoul
	Tehran(3)

EUROPE

Direct Branches	Representative Offices
Amsterdam	Athens
Frankfurt	Brussels(2)
Innsbruck(1)	Istanbul
London	Moscow
Madrid	Stockholm
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	53
Croatia	Privredna Banka Zagreb	206
Czech Republic	VUB Banka	1
Hungary	CIB Bank	107
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	78
Russian Federation	Banca Intesa	73
Serbia	Banca Intesa Beograd	194
Slovakia	VUB Banka	238
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	260
United Kingdom	Banca IMI	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	200
Casablanca			
Tunis			

Figures as at 30 June 2013
(1) Branch of Italian subsidiary Banca di Trento e Bolzano
(2) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(3) Suspended business

Product Companies

CONSUMER FINANCE HOLDING | INTESA SANPAOLO CARD

Consumer Credit, E-money and Payment Systems

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

Asset Management

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

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Supervisory Board

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

Management Board

Chairman	Gian Maria GROS-PIETRO
Senior Deputy Chairperson	Marcello SALA
Deputy Chairperson	Giovanni COSTA
Managing Director and Chief Executive Officer	Enrico Tommaso CUCCHIANI
Members	Carla Patrizia FERRARI Piera FILIPPI Carlo MESSINA Gaetano MICCICHE' Giuseppe MORBIDELLI Bruno PICCA

General Managers	Enrico Tommaso CUCCHIANI Carlo MESSINA (*) Gaetano MICCICHÈ
Manager responsible for preparing the Company's financial reports	Ernesto RIVA
Independent Auditors	KPMG S.p.A.

(*) Deputy to the CEO

HALF-YEARLY REPORT ON OPERATIONS

Introduction

The "Half-yearly Report as at 30 June 2013" is made up of the Half-yearly report on operations and the Half-yearly condensed consolidated financial statements including the financial statements and related explanatory notes.

The "Half-yearly condensed consolidated financial statements as at 30 June 2013" have been prepared in compliance with art. 154-ter of Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission in EC Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements, subject to limited review, have been drawn up in compliance with IAS 34 requirements, which regulate interim reports.

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

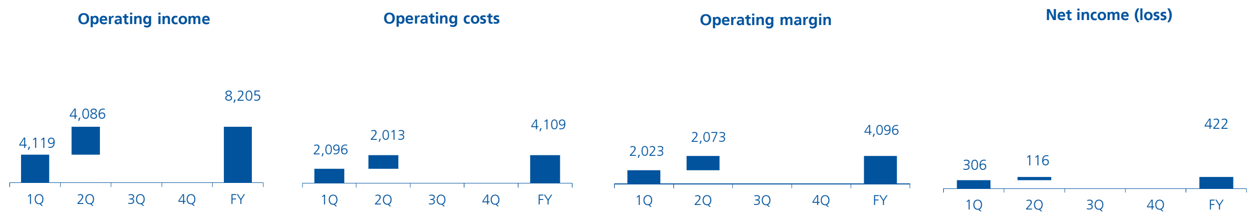
The website of Intesa Sanpaolo, at www.group.intesasanpaolo.com, contains the press releases issued during the period together with other financial documents.

OVERVIEW OF THE FIRST HALF 2013

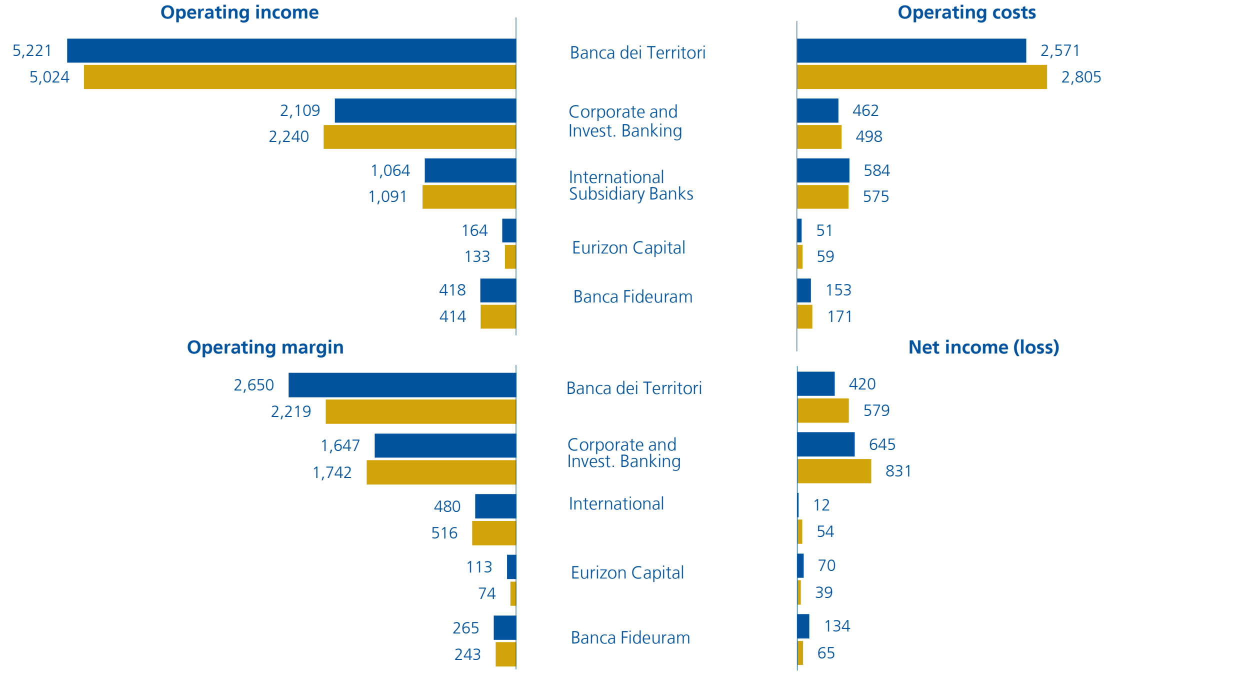
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	30.06.2013	30.06.2012	Changes amount	Changes %
Net interest income	4,063	4,932	-869	-17.6
Net fee and commission income	3,041	2,639	402	15.2
Profits (losses) on trading	690	877	-187	-21.3
Income from insurance business	449	453	-4	-0.9
Operating income	8,205	8,944	-739	-8.3
Operating costs	-4,109	-4,450	-341	-7.7
Operating margin	4,096	4,494	-398	-8.9
Net adjustments to loans	-2,564	-2,055	509	24.8
Income after tax from discontinued operations	-	-	-	-
Net income (loss)	422	1,274	-852	-66.9

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



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



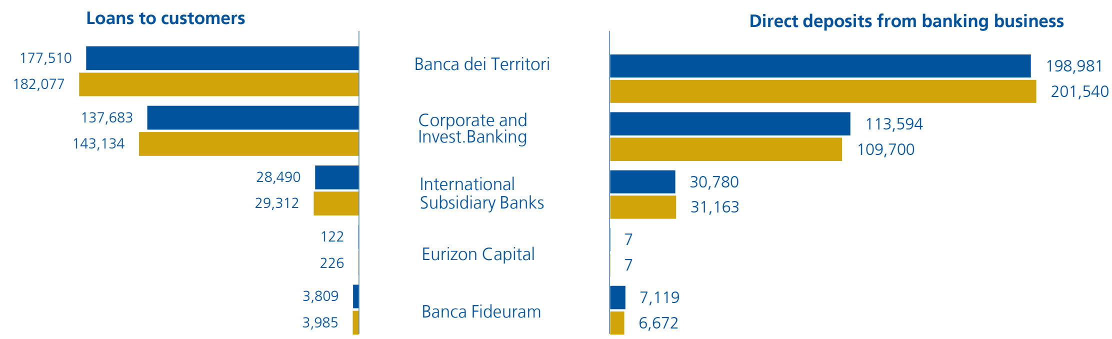
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

30.06.2013
30.06.2012

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	30.06.2013	31.12.2012	Changes amount	Changes %
Financial assets	199,031	199,790	-759	-0.4
of which: Insurance Companies	*82,050*	*80,400*	*1,650*	*2.1*
Loans to customers	358,404	376,625	-18,221	-4.8
Total assets	647,785	673,582	-25,797	-3.8
Direct deposits from banking business	372,252	380,353	-8,101	-2.1
Direct deposits from insurance business and technical reserves	85,960	81,766	4,194	5.1
Indirect deposits:	414,254	413,796	458	0.1
of which: Assets under management	*243,087*	*231,491*	*11,596*	*5.0*
Shareholders' equity	49,088	49,320	-232	-0.5

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



Operating structure	30.06.2013	30.06.2012	Changes amount
Number of employees	**94,558**	**96,170**	**-1,612**
Italy	65,492	66,485	-993
Abroad	29,066	29,685	-619
Number of financial advisors	**5,097**	**5,082**	**15**
Number of branches [(a)]	**6,452**	**6,841**	**-389**
Italy	4,939	5,302	-363
Abroad	1,513	1,539	-26

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

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

30.06.2013
31.12.2012

Other alternative performance measures

Consolidated profitability ratios (%)	30.06.2013	30.06.2012
Cost / Income	50.1	49.8
Net income / Average shareholders' equity (ROE) [a]	1.6	4.3

Earnings per share (euro)	30.06.2013	30.06.2012
Basic earnings per share (basic EPS) [b]	0.03	0.08
Diluted earnings per share (diluted EPS)	0.03	0.08

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

[a] Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves. The figure for the period with the exception of non-recurring components, has been annualised.

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

30.06.2013
30.06.2012

Consolidated risk ratios (%)

	30.06.2013	31.12.2012
Net doubtful loans / Loans to customers	3.4	3.0
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	61.1	60.5

Consolidated capital ratios (%) [c]

	30.06.2013	31.12.2012
Tier 1 capital [d] net of ineligible instruments / Risk-weighted assets (Core Tier 1)	11.1	11.2
Tier 1 capital [d] / Risk-weighted assets	12.0	12.1
Total capital [e] / Risk-weighted assets	14.1	13.6
Risk-weighted assets (millions of euro)	287,333	298,619

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

[c] Ratios are determined using the methodology set out in the Basel 2 Capital Accord. The figure for comparison are not restated.

[d] Paid-in share capital, share premium reserve and reserves and retained earnings minus treasury shares, goodwill, intangible assets and after the application of prudential filters set out by supervisory regulations.

[e] Tier 1 capital plus eligible subordinated liabilities, valuation reserves, with the application of "prudential filters", net of equity investments as set out by supervisory regulations.

30.06.2013
31.12.2012

Executive summary

The macroeconomic context

The economy and the financial and currency markets

In the first half of 2013 the world's economy continued to expand at a moderate and uneven pace. In the United States, the recovery of growth has given a boost to employment trends; in Japan, economic activity indices have responded positively to the expansionary economic policy launched by the new government, which includes an aggressive monetary stimulus. The Federal Reserve reacted to the strengthening of this economic recovery by announcing an imminent downsizing of the massive securities purchase programme currently underway; this announcement by the Fed prompted price realignment on the US bond and money markets, the consequences of which have also been felt in Europe.

The economic situation in the Eurozone remained weak. In the first quarter, GDP contracted by 0.2%; in the second quarter, economic cycle surveys recorded some slight improvements, and industrial production started to grow once again. The prevailing direction of European fiscal policies remained restrictive, albeit less so than in 2012; in the Mediterranean countries, financial conditions continue to be more unfavourable compared to the countries in Northern Europe. As concerns the debt crisis, the difficult negotiations on the bailout package for Cyprus were completed: they involved drastic restructuring of the two main banks and recourse to the deposits exceeding the European deposit guarantee level. Reviews of the other programmes in progress (Greece, Portugal, Ireland and Spain) ended positively.

The Italian economy's recessive phase continued into the first quarter of 2013, with a deeper-than-expected drop in GDP (-0.6% from the previous quarter), but easing up from the end of 2012. Industrial production data and economic surveys signal further slowing down of the decline in the second quarter. Nevertheless, the overall situation continues to be penalised by a sharp reduction in the income levels of households, accompanied by highly unfavourable employment trends. Fiscal policy remains on a mainly restrictive course: however, over the past few months, some measures designed to assist economic recovery have been approved, such as payment of the public administration's overdue debts.

In May, the European Central Bank (ECB) cut rates on main refinancing operations from 0.75% to 0.50% and lowered the marginal refinancing rate from 1.50% to 1.00%; the deposit rate remains at zero. The ECB did not rule out the possibility of new measures being adopted in the future, although no new action was announced in June. Money market returns remained stable, with modest signs of recovery in June. IRS rate trends were uneven, albeit remaining almost always above year-end 2012 levels; starting in May, they have taken a marked upward swing, due especially to correlation with the US market. A similar trend was recorded on bond yields of high-rated countries and peripheral countries, including the Italian market. The Italian BTP market saw a sharp fall in yields in January, followed by a return to higher levels, owing to the uncertainties surrounding the late-February elections. The political stalemate that followed had relatively limited negative repercussions on risk premiums and rates, and did not prevent a cautious new inflow of foreign capital into the Italian market at the end of the first quarter. From the end of May, a fast rebound started, in parallel to the global one, peaking at the end of the second quarter. The spread of ten-year maturities with Germany peaked in the difficult post-election period, but then fell stably below 305 basis points.

The expansionary monetary policy adopted by the Bank of Japan led to strong depreciation of the yen on the currency markets. The exchange rate against the euro rose by approximately 20% between December 2012 and May 2013, and thereafter underwent strong fluctuations without a clear direction. The euro remained at on-average weaker levels than at year-end 2012, with small swings between USD 1.27 and 1.36.

The international stock markets started the year by generally strengthening further the progress made in previous months, in a context of greater risk appetite by investors and gradual refocusing of attention back on fundamentals performance.

In particular, the turn for the better in the US economy, the new policies put in place by Japan and the continued growth of Germany propped up international stock indices in the early weeks of the year, together with monetary policies that were still expansionary at the time.

Subsequently, the crisis of the banking and financial system in Cyprus, coupled with growing political uncertainty in Italy after the general elections held last February, once again heightened tensions in the Eurozone, causing a growing divergence of its stock market performance: this had an impact on the Eurozone stock markets, which was compounded by uncertainties surrounding the economic outlook and the time needed to emerge from the recession.

In early April the announcement by the Central Bank of Japan of a strongly expansionary monetary policy, combined with the easing course adopted by the FED and the ECB, triggered a rebound in international stock indices. However, this trend was suddenly cut short after mid May, owing to investors' growing concerns about the timing of the Federal Reserve's exit from its expansionary monetary policy, which peaked with Chairman Bernanke's statements of 19 June. Thus, the stock indices correction lowered, and in some cases completely erased, the gains made from the start of the year.

The S&P 500 index rose by 12.6% at the end of June. Asia's main stock markets continued to show strongly diverging performances: China's SSE Composite index closed the first half of the year with a sharp drop (-12.8%). By contrast, the Nikkei 225 index made strong gains (+31.6%), reflecting the positive impacts of expansionary monetary and fiscal policies, despite a strong downward correction in the final part of the period.

The performances of the main European stock exchanges were highly diverse during the first half of 2013: the main non-Eurozone indices recorded better performances than those within the Euro area, whereas peripheral markets' indices performed worse than the Eurozone's.

The index of the UK FTSE 100 market gained 5.4% in the first half of the year, whereas the Swiss market index (SMI) grew by +12.6% at mid year.
In the Eurozone, the DAX 30 index closed the first six months up by 4.6%, while the value gains of CAC 40 were much slighter (+2.7%). The Euro Stoxx 50 index closed the January - June period with a small contraction (-1.3%); the Spanish market remained in negative territory, with IBEX 35 down by 5.0% at the end of June, reflecting the spread of renewed tensions in the Eurozone.
Against this background, the Italian stock market performed worse than all the main European markets, reflecting the continuing weakness of the national economic cycle, and the renewed tensions in the Eurozone, especially in the weeks coming up to the half-year mark, accompanied by the lengthy post-election stalemate. The FTSE MIB index closed the first half of the year down by 6.4%, after reaching its peak in the period on 28 January (+10,0%). Similarly, FTSE Italia All Share recorded a 5.4% contraction at the end of June. On the other hand, mid-cap stocks strongly outperformed blue chips, with the FTSE Italia STAR index ending the half year up 14.0%.

As to corporate bond markets, the first six months of 2013 closed with widely differing performances on the European lending markets, reflecting investors' expectations concerning the world's central banks' monetary policies, in a composite global macro environment: exit from the recession is farther off in the future than expected for the Eurozone, while recovery is underway for the US economy.
After a first quarter affected by the uncertain post-election scenario in Italy and by the Cyprus banks' bailout, the start of the second quarter saw acceleration of the trend towards a narrowing of risk premiums, in response to technical factors, first and foremost the ongoing easing monetary policies by the world's central banks, including the announcement of new super-expansionary measures by the Bank of Japan, and the still abundant cash in search of returns, as interest rates on risk-free securities hit all-time lows.
However, this strongly positive trend ground to a halt during the month of May, as volatility once again rose sharply, driven by the renewed fears of early downsizing of the securities purchasing programme by the Federal Reserve. This generated a marked correction across all asset classes. European credit markets displayed widening risk premiums, especially with regard to derivatives and speculative-grade rated securities.
Despite the correction recorded between May and June, the Investment Grade cash segment closed the first half of the year with a positive balance, if only slightly, with the narrowing being more marked in the industrial than in the financial bond segment. The performance of speculative-grade rated bonds was negative, with widening of the risk premiums which erased the progress made between the start of the year and early May. The derivatives segment, on its part, showed more pronounced weakness, ending the first six months of the year with an overall rise in spreads: this was affected by the negative performance of the Crossover Index (representing the average cost of default risk hedging with respect to lower-rated issuers), and of financial securities, including both subordinated and senior notes.

The emerging economies and markets

In the first half of 2013 the performance of the main emerging economies weakened compared to 2012. Based on the latest available data, concerning the first quarter of the year, the trend GDP growth rate was slowing down from the fourth quarter of 2012 both in the large Asian processing-based economies such as China (which over the two quarters went from +7.9% to +7.7%) and India (from 4.1% to 3%), and in those economies that rely more on the commodity cycle, such as Russia (from +2.1% to +1.6%), South Africa (from 2.5% to +1.9%) and Mexico (from 3.2% to 0.8%). Among BRIC countries, only in Brazil growth, boosted by demand-supporting accounting policies, recorded a slight upswing (from +1.4% to +1.9%) but with a flatter curve than expected.
As to Central and South-Eastern European countries where Intesa Sanpaolo Group subsidiaries are based, in the first quarter GDP performance remained negative in Slovenia and Ukraine (with a steepening drop compared to the fourth quarter of 2012) and in Croatia and Hungary (which did however record an improvement on the previous quarter). In the Middle East and Northern Africa area (MENA), the growth of Egypt's GDP was positive in the first quarter (+2.4%), but slowed down from 2012.
Industrial production, calculated on a sample of countries representing 75% of the emerging countries' GDP, picked up steam from 3.7% in the first quarter of 2013 to 4.7% in the two months April-May. As to the services segment, in the BRIC countries, the PMI (Purchasing Managers Index) contracted in June from the previous month in Russia (48.8 from 51.4) and India (51.7 from 53.6), while it remained largely unchanged, slightly above the critical value of 50, in China and Brazil.
Overall, price trends were under control. The trend inflation rate for the already mentioned sample of emerging countries was 5% in June 2013, improving only slightly from the 4.8% of December 2012. Zooming in on the countries where ISP Group subsidiaries operate, price increases slowed down in the CEE and SEE countries, owing both to the weak domestic demand and, in several cases, to the base effect due to previous rises in regulated prices or in indirect taxes, while it remained negative in Ukraine (-0.1%). On the other hand, the trend inflation rate rose (temporarily) in Russia (reaching 6.9% in June from 6.5% in December 2012), due to the stair effect induced by the rise in utility and gas rates which occurred in 2012, and in Egypt (9.8% in June 2013 from 6.2% in December 2012), driven by partial review of subsidies.
The sluggish performance of the economies and the lack of particular inflationary pressures led the central banks to notch down further their benchmark rates in the first half of 2013 in several emerging countries in Asia (India, Korea and Thailand), Latin America (Mexico and Colombia) and Central-Eastern Europe (Serbia, Hungary and Ukraine). By contrast, currency depreciations and inflation upswings led to rate rises in certain MENA countries, such as Egypt, Tunisia and Jordan. In Brazil too, where inflation rose above its target value, the monetary authority upticked the benchmark rates. In China, a temporary liquidity shortage in the second half of June triggered spikes in the interbank rates, which later subsided. When managing the market pressures, PBOC - the People's Bank Of China sent signals of being less available than in the past to grant the liquidity injections expected by the market to accommodate operators' demands, while confirming its intention of containing the growth in lending.
The emerging countries' financial markets, in particular the more vulnerable ones, were adversely hit by the worse-than-expected performance of the real economy in the main world regions, together with the tensions experienced by the mature countries' financial markets. As a consequence, May and June saw an overall rise in long-term rate levels and volatilities. Bond markets experienced a partial upswing in risk premiums, while stock markets suffered steep drops.

In greater detail, EMBI – the global Emerging Market Bond Index – rose to 336 basis points at the end of June 2013 from 248 bp at the end of December 2012, while remaining below the peaks recorded last year. Spreads widened more in the countries with greater problems, such as Egypt, due to its greater political instability, Slovenia, as a consequence of the difficulties affecting its banking system, and Ukraine, owing to its deteriorating external financial position.
In parallel, the MSCI – the Morgan Stanley Capital International index for emerging countries – fell by 6.3%, performing worse than both EuroStoxx (+0.9%) and S&P USA (+12.9%). Several emerging markets recorded double-digit falls, especially Shanghai (-12.8%), Moscow (-16.5%) and São Paulo (-22.1%). Some signals in the opposite direction were also recorded, for instance in certain Central-Eastern Europe indices – specifically Budapest (+4.7%), Bucharest (+2.2%) and Zagreb (+3.7%) but also and most strongly, the stock indices of the Gulf countries (+39% Dubai; +10% Saudi Tadawul).
In the first half of the year, on the currency markets the US dollar gained ground in weighted terms on both the advanced countries' currencies (+5.6%, mainly owing to the tumble of the yen) and on the emerging countries' currencies (OITP – Other Important Trading Partners index up by 1.8%). The upswing of the OITP index was more pronounced in the second quarter, reflecting the outflow of capitals from emerging countries. The US dollar appreciated, inter alia, against the currencies of Latin American countries (such as Brazil) and of other commodity exporters (such as Russia and South Africa). The depreciation of the Egyptian pound (EGP), over 10% against the USD, was influenced by local factors.

The banking system

Rates and spreads

In the second quarter of 2013, the reduction in the cost of customer deposits continued at a moderate pace. Against the increase in deposit volumes, the average rate on deposits continued to decline, benefiting especially from the contraction of rates on time deposits. In particular, the average rate on new time deposits fell in May to 2.1%, hitting a two-year low.
The marginal cost of the fixed-rate issues made in the first half of 2013 also dropped. By contrast, the rate on outstanding bonds proved resilient, at slightly above the average recorded in the first quarter of 2013 and over the whole of the previous year, likely reflecting the growing weight of past high-rate issues. Over time, the lower-cost new issues should gradually drive down the rate on outstanding bonds as well.
Thanks to easing of the average rate on the stock of deposits, the total cost of existing funding[1] declined slightly all along the first half of 2013, after being mostly stable at high levels last year.

However, conditions on the credit market continued to be affected by the high credit risk which resulted in lending rates remaining largely unyielding. The overall rate on new loans to non-financial companies followed an uneven course: on average, up to May its level was in line with that of the second half of 2012. The development of the average rate was affected by changes in the rate on new larger loans, which in the first five months fluctuated around 3%. By contrast, the rate on new loans of up to 1 million euro was slightly lower than in the second half of 2012, although it also tended to be sticky during the first half of 2013. A similar trend was recorded in the average rate on new home-purchase loans to households, which was largely stable in the first six months of 2013, but slightly lower than the average in the second half of 2012.
The rates on outstanding loans also stabilised largely at end-2012 levels, after declining over the previous months. In the second quarter of 2013, the average rate on the stock of loans to households and businesses was on average in line with that of the first three months of the year, although down from the highs recorded at the beginning of 2012.

Thanks to the drop in the cost of funding and to the stickiness of rates on loans, the overall margin on lending and deposit collection activities continued its moderate upward trend in the second quarter too, after the small progress already made in the previous three months. The spread between average rates on the stock of loans and the rates on deposits made a modest recovery from the trough levels hit in the last part of 2012, but remained at historically very low levels. The spread on funding, measured on short-term interest rates, remained in negative territory, where it had been since March 2012, but the second quarter confirmed a moderate recovery from its trough levels, driven by a slight decrease in rates on current accounts (mark-down[2] on the 1-month Euribor estimated at -0.37% for the second quarter, in line with -0.38% in the first quarter, from -0.43% in the last quarter of 2012). The mark-up[3] on the 1-month Euribor remained at high levels, close to its average value in the second half of 2012, but slightly down from the first months of 2013, when it hit the peak of the historical series from 2003 (5.0% is the estimated average for the second quarter of 2013, from 5.07% in the first three months and 5.01% in the second half of 2012). As a result of these trends, the short-term spread remained high, albeit slightly down from the peaks recorded during the first quarter of 2012 (4.63% estimated average for the second quarter of 2013, -11 basis points compared to the same period in 2012).

[1] Average cost of deposits calculated by weighting with the volumes net of the bonds held by Italian Monetary Financial Institutions, the deposits of central counterparties and those associated with loans sold and not derecognised.
[2] Difference between the 1-month Euribor and interest rates on household and business current accounts.
[3] Difference between the interest rates applied to households and businesses on loans with maturity under one year and the 1-month Euribor.

Loans

Lending activity remained weak. The drop in loans to non-financial companies steepened in the second quarter, pushed down by the continuing contraction in short-term loans, resulting from the decreased working capital requirements of businesses, and by the further decline in medium-long term loans. The drop of the latter type of loans is unprecedented, and stems from the fall in the demand for investment loans. In the second quarter, the level of the contraction in loans to businesses showed no significant differences according to borrower size, indeed, the decline in loans to smaller businesses was largely similar to that in loans to larger businesses.
Loans to households continued to drop very slightly. Breakdown of household loans shows that the monthly disbursements of new home-purchase loans to households remained at trough levels.
Overall, the drop in loans to households and businesses steepened slightly in the second quarter.
The contraction in loans was driven by weakening of demand due to the downturn and by the uncertain economic outlook. On the supply side, the prevailing factors were the fears of deterioration of borrowers' creditworthiness and the worsening of credit quality, as signalled by the faster increase in doubtful loans. Consequently, the credit market maintained its very cautious tone.

Direct deposits

The recovery of bank funding observed in the last part of 2012 gained strength, confirming a moderate growth trend, driven by the upswing in deposits by residents. All along the first six months of the year, deposits followed an upward course, thanks to the stability of household deposits and the marked growth of deposits by non-financial businesses. This trend also benefited from the recovery of current accounts, which returned to positive growth at the start of 2013 after more than two years of negative postings. The upswing in demand deposits was accompanied by continuing growth in time deposits, albeit at a gradually slackening pace, following on the sharp rise which started in the last part of 2011. By contrast, the decline in the stock of bank bonds steepened, with the only exception of bonds held in portfolio by the banks themselves. This trend is driven on the one hand by the uneven performance of placements of securities for institutional customers on the wholesale market and, on the other, by the substitution effect affecting issues for households, to the benefit of time deposits.

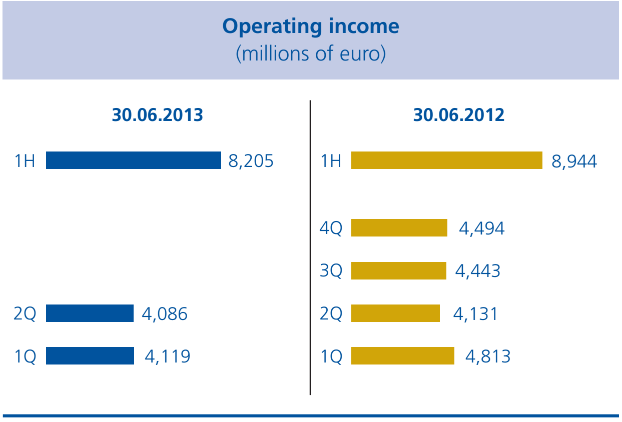
Indirect deposits and asset management

As to assets under administration by banks, the drop in customers' debt securities held in custody by banks continued, driven by the strong growth in bank deposits and the renewed interest for mutual funds. In particular, the declining trend in debt securities held in custody for consumer households steepened substantially. In absolute terms, these securities continued to experience significant monthly drops, on top of the contraction already recorded throughout 2012.
As to assets under management, the Italian market for open-ended mutual funds, after a good start in the early months of 2013, continued to record markedly positive net inflows in the second quarter. The strongly positive balance was obtained thanks to the net inflows from flexible funds and bond funds. By contrast, outflows prevailed for stock funds and hedge funds. The positive result was also driven by the excellent performance of Italian funds, albeit lower than that of foreign funds.
The total assets managed by the open-end mutual funds industry was 517 billion euro at the end of June, up by about 10 billion euro from March and by some 34 billion euro from the end of 2012.
As to insurance, in the second quarter of 2013 the new life insurance business continued the upward trend in collected premiums which had started in the early months of the year. This result reflects the positive trend of policies with higher "linked" financial content and the rebound of traditional policies.

Intesa Sanpaolo in the first six months of 2013

Consolidated results

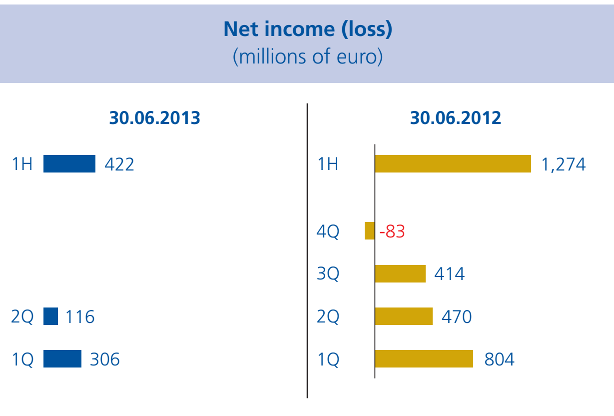
In the first half of 2013 the world's economy continued to expand at a moderate pace, while the Eurozone economy remained weak, but did start to show some signs of improvement in the second quarter. In Italy the recession continued, but benchmarks show that the speed of the decline has slowed down. In May, the European Central Bank cut the interest rate on main refinancing operations from 0.75% to 0.50%. Money market interest rates remained low. The Italian bond market started to rebound at the end of May, in parallel to the global upswing, which peaked at the end of the second quarter.
Results of the Intesa Sanpaolo Group for the first half of 2013 were positive, albeit down compared to the same period of the previous year. Indeed, the first half of the year closed with a net income of 422 million euro, compared to 1,274 million euro in the first six months of 2012. Operating income was down. The positive trend in net fee and commission income was not sufficient to offset the decline in the interest margin and in profits on trading, which during the first half of 2012 had included non-recurring income linked to the repurchase of the Bank's securities for 274 million euro. The operating margin was down as well, despite benefiting from the effects of the structural cost containment measures, in particular those relating to staff costs. Income before tax from continuing operations was further penalised by the greater need for adjustments, particularly following the worsening credit quality resulting from deterioration of the real economy.



A detailed breakdown of operating income items as at June 2013 shows net interest income of 4,063 million euro, down 17.6% compared to the first six months of 2012, mainly due to lower contribution of operations with customers, which were especially hard hit by the difficult market environment, and to the prudential choice to maintain high liquidity levels.
The services segment generated net fee and commission income of 3,041 million euro, up by 15.2%, mainly driven by the positive contribution from financial instrument dealing and management activities (+25%), but also from the other components: retail banking activities (+9%), and other commission income (+4.7%).

Profits on trading amounted to 690 million euro, down from 877 million euro in the first six months of 2012, which however had benefited, inter alia, from the positive effect - in the amount of 274 million euro - of the Parent Company's buyback of subordinated Tier 1 notes (183 million euro net of the tax effect).
Income from insurance business, which aggregates costs and revenue items specific to the insurance business pursued by the Group companies operating in the life and non-life segments, amounted to 449 million euro, largely in line with the results of the first half of 2012, as growth of the technical margin was entirely offset by the contraction in income from financial management.

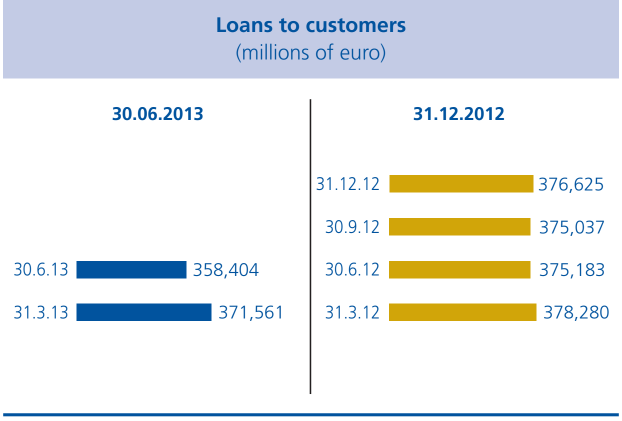
As a result of the above trends, operating income amounted to 8,205 million euro, down 8.3%.
Operating costs, which are constantly monitored and subject to structural containment measures, decreased (-7.7% to 4,109 million euro), mainly as a result of personnel cost reductions (-10.6%), reflecting the continuing economic downturn making staff cost cuts a widespread necessity, but also the better-than-expected positive effects of the recent trade union agreements introducing new labour cost containment measures. Other administrative expenses also decreased (-5.5%), while amortisation and depreciation rose moderately (+7.7%) as a consequence of investments in technology and infrastructure.
The operating margin came to 4,096 million euro, down 8.9% on the first six months of 2012.



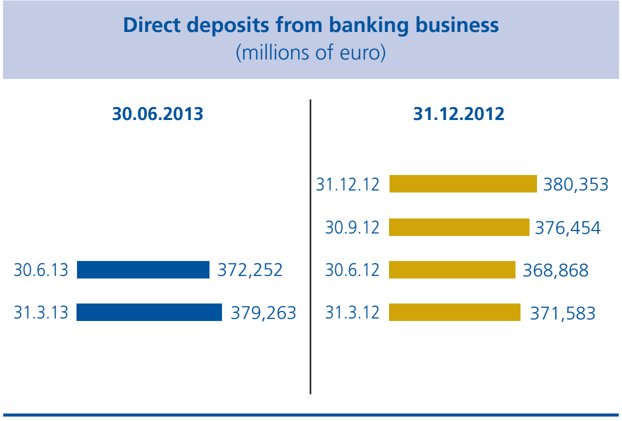
Adjustments and provisions for risks, as a whole, were up around 28%, due to greater net adjustments to loans (2,564 million euro, approximately +25%), attributable to the general deterioration in credit quality as a result of the worsening economic situation.
Income before tax from continuing operations came to 1,255 million euro, down by 44.5% on the first six months of the previous year.
After recognition of income tax for the period of 638 million euro, charges for integration and exit incentives of 33 million euro and the effects of purchase price allocation of 147 million euro, as well as minority interests of 15 million euro, the Group's income statement for the first half of 2013 closed, as already noted, with a net income of 422 million euro, compared to 1,274 million euro for the first six months of 2012.

Two performance indicators should be noted: the cost/income ratio which, despite the drop in revenues remained slightly above 50% and the Group-wide effective tax rate, which is higher than 50%.

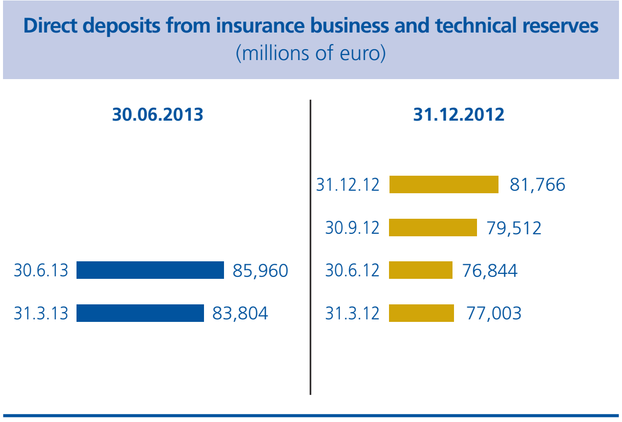
A breakdown by quarter shows a net income of 116 million euro in the second quarter of 2013 compared to 306 million euro in the first three months. In greater detail, operating income was largely stable (-0.8%) and operating costs improved (-4%), generating an operating margin growth of 2.5%; this contrasts with the growth in adjustments and provisions for risks (+25.6% overall), in particular adjustments to loans (about +20%). Consequently, income before tax from continuing operations declined in the second quarter (-36.6% to 487 million euro).



As to balance sheet aggregates, loans to customers totalled around 358 billion euro (-4.8% compared to the end of 2012). The decline in commercial banking loans (advances and loans, mortgages and current accounts, down 4.7% overall), and in loans represented by securities (-5.3%) was compounded by the decline in reverse purchase agreements at the end of the period (-24.5%). Performance of the various types of loans to customers was also impacted by the increase in non-performing loans, in particular doubtful and substandard loans, while past due loans dropped slightly, following the increase recorded during the previous year following the reduction by the Bank of Italy of the period for their classification under non-performing loans from over 180 to over 90 days, effective from 2012.



With regard to funding, direct deposits from banking business amounted to 372 billion euro, down (-2.1%) compared to the end of 2012. The aggregate result is mainly attributable to the reduction in repurchase agreements (approximately -53%). Indeed, the demand component, consisting of current accounts and deposits, was significantly up (+5.1%) but was offset by the decline in bonds (-5.5%), subordinated liabilities (-5.7%), certificates of deposit (-22.2%) and other deposits (-3.8%).



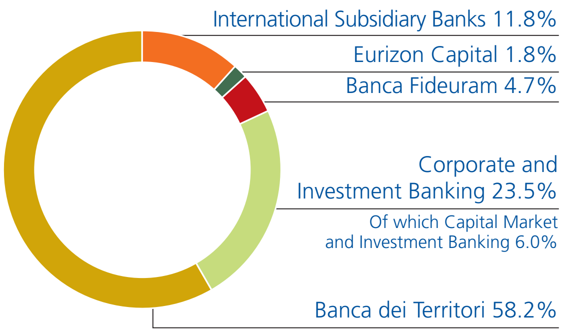
Direct deposits from insurance business, which include technical reserves, increased (+5.1% to approximately 86 billion euro).
The overall increase was attributable both to the higher value of financial liabilities of the insurance business designated at fair value, particularly unit-linked products, and to the increase in technical reserves, which represent the amount owed to customers who have taken out traditional insurance policies.
The new business for the half year of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to approximately 9.6 billion euro.

As at 30 June 2013, indirect customer deposits amounted to 414 billion euro, marginally up (+0.1%) from year-end 2012. In greater detail, assets under management increased (+5%), owing to consistent net inflows for the half year of all the deposit types making up this aggregate, in particular mutual investment funds, life insurance policies and portfolio management.
This growth was mostly driven by the shift away from assets under administration (-6.1%) as customers repositioned into forms of professional asset management.

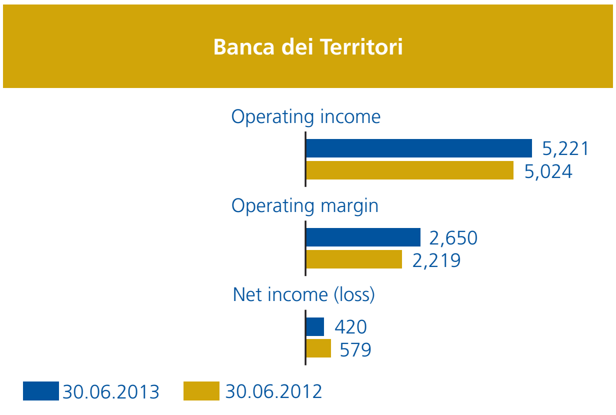
Results of the business units

The breakdown of the Group's five business units' contribution to operating income in the first six months of 2013 shows that the greatest contribution continues to come from retail banking activities in Italy (approximately 58% of operating income), while a significant contribution also comes from corporate and investment banking activities (approximately 24%) and international retail banking activities (about 12%).

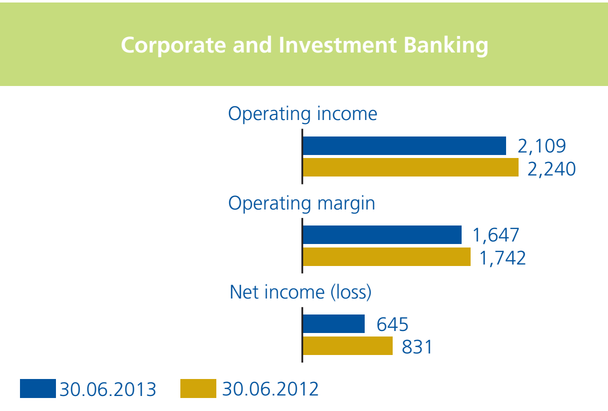
Operating income:
Breakdown by business area [1]



[1] Excluding Corporate Centre



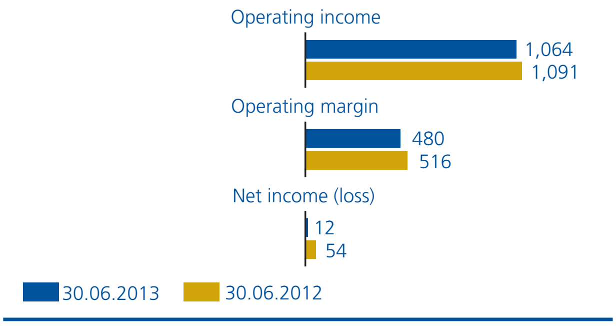
In the first half of 2013, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 5,221 million euro (+3.9% compared to the first half of 2012). In greater detail, the decrease in net interest income (-4.4%) and the contraction in profits on trading (-33.3%) were more than offset by the rise in net fee and commission income (+21%) and by the positive result of income from insurance business (+1.3%). These results, together with the effects of the structural operating cost containment measures (-8.3%) generated significant gains in operating margin (+19.4% to 2,650 million euro). By contrast, income before tax from continuing operations decreased (-13.4% to 908 million euro), driven down by higher adjustments to loans (+48.6%). Net income, after accounting for taxes of 382 million euro, economic effects of purchase price allocation of 82 million euro and charges for integration and exit incentives of 24 million euro, came to 420 million euro (-27.5%).
Balance sheet figures at the end of June 2013 showed loans to customers down compared to the end of the previous year (-2.5% to 177,510 million euro) mainly as a result of shrinking demand from businesses and small businesses due to the economic slump. Direct deposits from banking business also decreased (-1.3% to 198,981 million euro) owing to the reduction in securities funding. On the other hand, direct deposits from insurance business rose (+2.1% to 68,998 million euro), mainly as a result of the growth in technical reserves.



The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – recorded operating income of 2,109 million euro in the first half, down (-5.8%) compared to the first six months of 2012. The greater inflows from net interest income (+4%) and net fee and commission income (+6.6%) were not sufficient to offset the losses of the subsidiaries carried at equity and the drop in profits on trading (20%). The reduction in operating costs (-7.2%) is mainly due to lower personnel expenses. As a consequence of the above performances, operating margin was down (-5.5% to 1,647 million euro), as was income before tax from continuing operations (-17.6%), impacted by the higher adjustments to loans due to credit risk. Lastly, net income came to 645 million euro, down 22.4% on the first six months of 2012.

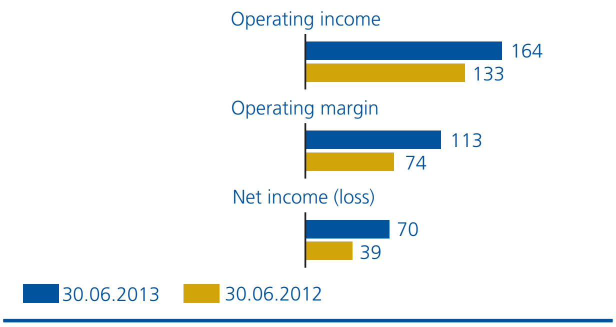
Balance sheet figures were largely stable compared to year-end 2012.
In greater detail, direct deposits from banking business were up (+3.5% to 113,594 million euro) mainly due to specific commercial actions designed to boost the deposits of leading financial institutions and large groups. Loans to customers were down (-3.8% to 137,683 million euro) due to the decrease in the use of cash, only partly offset by the growth of reverse repurchase agreements with institutional operators and financial intermediaries.

International Subsidiary Banks



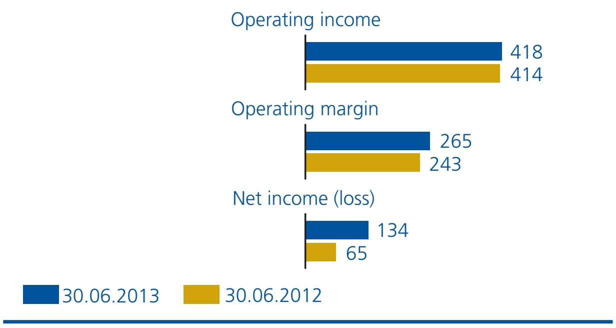
During the first half of 2013, the operating income of the International Subsidiary Banks Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks – was down 2.5% to 1,064 million euro, mainly due to the decrease in net interest income (-5.3%), which was not offset by the growth in profits on trading (+80%) and by the stable performance of net fee and commission income. Operating costs increased slightly (+1.6%). As a consequence of the above revenue and cost results, the operating margin decreased (-7% to 480 million euro), and so did income before tax from continuing operations (-28.5%), owing to the greater need for adjustments to loans. The Division closed the first half with a net income of 12 million euro, down from 54 million euro in the same period of the previous year.
The Division's intermediated volumes decreased compared to the end of December 2012, owing to the drop in loans to customers (-2.8%) as well as direct deposits from banking business (-1.2%).

Eurizon Capital



The operating income for Eurizon Capital – which operates in the asset management segment – increased during the half year (+23.3% to 164 million euro) compared to the same period in 2012, on the back of the good performance of net fee and commission income (+26.2%). Operating costs fell (-13.6%) as a result of the cost containment measures. Operating margin came to 113 million euro, up 52.7%. Eurizon Capital closed the first half of 2013 with a net income of 70 million euro (+79.5%).
Overall, total assets managed by Eurizon Capital as at the end of June 2013 came to approximately 152 billion euro (+4.6%), as a result of net inflows (for 6.3 billion euro) and of the financial markets' positive performance. As at 30 June 2013, Eurizon Capital's market share of assets under management was 14.5% (14.4% at the end of 2012).

Banca Fideuram

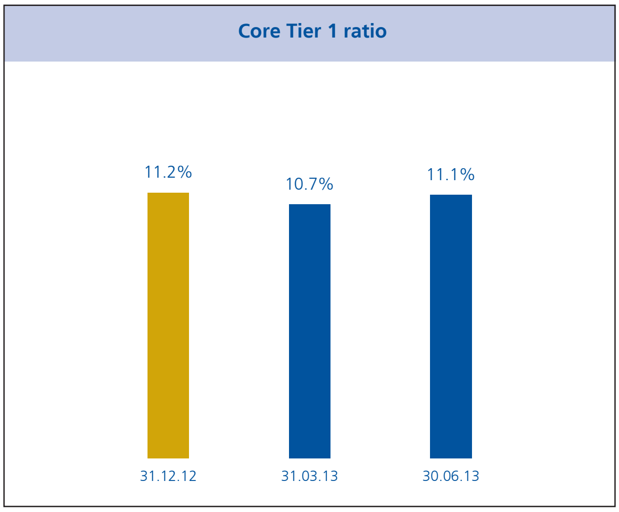


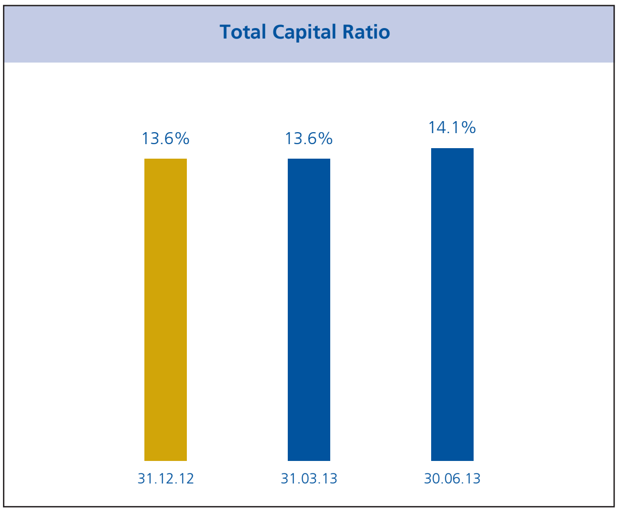
Banca Fideuram – specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential – reported an operating margin for the first half of 265 million euro, up compared to the first six months of the previous year (+9.1%), thanks to positive operating income (+1%), and lower operating costs (-10.5%). Revenue results were driven by greater inflows from net fee and commission income (+12.2%), which offset the lower contribution from net interest income (-20.3%), profits on trading (-41.7%) and income from insurance business (-13.5%). Income before tax from continuing operations amounted to 227 million euro, up 26.8%, benefiting from the reduction in adjustments to other assets (-68.4%). Lastly, following the attribution of the effects of purchase price allocation on the income statement (44 million euro), Banca Fideuram closed the first six months of 2013 with net income of 134 million euro, more than double the amount for the first six months of the previous year.
Assets under management and assets under administration of the Banca Fideuram Group at the end of June 2013 amounted to 80.4 billion euro (of which 62.4 billion euro in assets under management and 18 billion euro in assets under administration), up 1.4% since the beginning of the year, thanks to the positive performance in terms of net inflows. In detail, assets under management grew (+5.6%) thanks to the positive performance of life insurance business and mutual funds. Conversely, assets under administration showed a decrease (-10.7%).
Direct deposits from banking business and from insurance business grew (+6.7% to 7,119 million euro and +19.7% to 16,962 million euro, respectively).

Main risks and uncertainties

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

Liquidity remains high: as at 30 June 2013, the liquidity reserves eligible with the various Central Banks came to 127 billion euro, of which 85 billion euro was available spot (net of the haircut) and remained unused, up significantly compared to 67 billion euro at the end of 2012. The use of refinancing through the European Central Bank (largely aimed at replacing funding raised in international markets through short-term paper) shrank to 24 billion euro from 36 billion euro at the end of 2012, after repayment of the first tranche (12 billion euro) of the funding from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authority in December 2011 and February 2012.
With regard to funding, the half year was marked by a moderate drop in direct customer deposits, mainly attributable to the financial component, consisting of repurchase agreements. The widespread branch network continued to be a stable and reliable source of funding: 80% of direct deposits from banking business came from retail operations (299 billion euro). Furthermore, bonds for a value of approximately 3.5 billion US dollar and for 1 billion euro were placed on the international markets during the half year, as well as 1 billion euro in covered bonds.
The internal short-term liquidity indicator, which, for the various short-term time brackets, measures the ratio of available liquidity reserves and expected cash flows to expected and potential cash outflows, has values significantly higher than one. The medium to long-term financial balance, monitored by means of a structural liquidity indicator, was also strongly positive at the end of June.
The minimum liquidity ratios provided for by Basel 3 were already met at the end of June 2013 as well: indeed, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) exceed 100%.
The leverage of the Intesa Sanpaolo Group continues to be at lower levels than its main competitors', while the ratio of risk-weighted assets to total assets remains among the highest, given the key role of retail banking activities within the Group.
The capital base remained likewise high: the Total Capital Ratio is 14.1%, Tier 1 is 12% and Core Tier 1 is 11.1%.





With regard to the insurance segment, as at 30 June 2013 the available individual solvency margin of Intesa Sanpaolo Vita, the Group's main insurance company, was 3,414 million euro, up from 3,280 million euro as at 31 December 2012, an increase reflecting the profit achieved by the company in the first half of 2013. The capital absorption level was 2,109 million euro, up compared to 2,016 million euro as at 31 December 2012. The margin exceeded by 1,305 million euro the level required by supervisory rules. The solvency ratio as at 30 June 2013 was 162%, in line with the figure as at 31 December 2012.

The Group's risk profile remained at relatively low levels, consistent with the intention to continue to privilege commercial banking operations. The changes in the Group's operational VaR, shown in the chart and mainly attributable to Banca IMI, show – despite the events concerning Italian government bond spreads - a reduction in its average figure compared to the first half of 2012 (67.9 million euro compared to 88.5 million euro).

Market risks trend:
VaR (millions of euro)

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

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to borrower segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian Public sector entities, Financial institutions). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made consistent with those awarded by rating agencies, by means of a uniform scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor's position are promptly recognised. The alarming pace at which the crisis deepened and expanded has made it necessary to constantly review the value both of loans already showing signs of distress and of those not yet showing clear signs of impairment. All categories of non-performing loans have been valued by applying the usual prudential criteria, as shown by the high average provisioning percentages for doubtful loans (over 60%) and substandard loans (over 23%). With regard to performing loans, the "collective" adjustments provide a portfolio coverage ratio of 0.8%, in line with the coverage in the 2012 financial statements. The lump-sum provisions on performing loans, amounting to 2,388 million euro, more than cover the expected loss calculated by means of internal models.

Considerable attention has been paid to the valuation of financial items. The majority of financial assets (about 90%) are classified as held for trading using the fair value option, under assets available for sale, or are represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: 70% using the effective market quotes method (level 1 inputs), 28% using the comparable approach (level 2 inputs) and only 2% using the mark-to-model approach (level 3 inputs). Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (92%) were measured using the comparable approach (level 2).
As at 30 June 2013 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 114 billion euro (of which 37 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 25 billion euro.
The comparative data as at 31 December 2012 showed about 104 billion euro of securities exposure and 26 billion euro of other loans.
As at 30 June 2013, the exposure to Italian government securities was 100 billion euro, with the Banks' exposure concentrated in the short-term segment (51 billion euro up to 3 years), with a duration of 1.7 years. On the other hand, the duration of the insurance portfolio was longer, at 5.9 years, consistently with that of liabilities.
Investment levels in structured credit products and hedge funds remained low. These products' fair value changes during the half year generated a positive impact of 51 million euro for the former (plus 16 million euro in profits from disposals) and 20 million euro for the latter.

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

With regard to intangible assets with indefinite useful life, consisting of the goodwill and the brand name, recognised under balance sheet assets at a total value of 11,059 million euro (including 8,675 million euro of goodwill), during the first half of 2013 no indicators impacting the positive conclusions made in the 2012 financial statements about the solidity of assets values were found, despite the continuing strong uncertainty surrounding the macroeconomic environment.
The analyses carried out have shown a slight worsening of expectations for some macroeconomic parameters in the 2014-2017 period, in particular the slower rise of the ECB's benchmark rate and of the Euribor, as well as a slight slowdown in the growth of banking aggregates. By contrast, expectations on the volumes of assets under management have improved. However, the impact

of these changes on the Group's expected cash flows is limited: more specifically, these changes imply a moderate decrease in the estimated flows of the CGU Banca dei Territori, which is the division most exposed to the economic crisis, stable flows for the international Subsidiary Banks, a slight growth of flows for CGU Corporate & Investment Banking and a more significant increase for asset management CGUs (Eurizon Capital and Banca Fideuram). These changes have no appreciable impact on the mentioned indicator and on the valuation of intangible assets.
Non-significant changes have also been estimated in the parameters used to calculate growth rates for Terminal Value purposes.
Updating of the discounting rates showed a decrease in the cost of capital for all CGUs based in Italy, thanks to the reduction in country risk (based on the 10-year BTP-Bund spread) and to the inflation differential between Italy and Germany, with the exception of the CGU Banca dei Territori, where the cost of capital grew in response to the increase in the beta coefficient. As regards the countries of the CGU International Subsidiary Banks, discount rates grew across the board, but only moderately, owing to the increase in the risk-free rate and in the beta; the rise in the cost of capital was more significant in the countries which were downgraded in the half year and whose country risk consequently increased.
In conclusion, all the above factors considered, no critical elements have been identified, compared to the indicators already considered in the 2012 impairment test, such as to require recalculation of value in use in the half-year financial statements.
As regards market values, Intesa Sanpaolo's stock performance was really unstable during the half year, similarly with the Eurozone banking sector index (Stoxx Europe 600 Banks Index), the FTSE/MIB Italian stock market index and the Italian bank stock index. In particular, in the half year Intesa Sanpaolo stock fell by 10.5%, deeper than the drop of the European Banking Sector Index (-4.6%), but in line with the fall of the Italian stock index (-9.8%) and better than the 13.5% tumble of the Italian bank stock index. This performance reflects closely the continuing Europe-wide economic slowdown, which in the past few months has prompted analysts to once again move their economic recovery predictions farther off into the future. This overall environment is compounded by more economic and political factors, which led to increased pressures by financial investors on peripheral Eurozone countries, due to concerns on the solidity of public finances. Nevertheless, in the month of July the Intesa Sanpaolo stock bounced back.
Financial analysts' assessments and the "target prices" of Intesa Sanpaolo stock showed no significant changes during the first half of 2013, a sign that even external analysts could detect no critical factors apart from those already identified at the beginning of the year and included in the impairment test for the 2012 financial statements.
The parameters and information used to test the recoverability of intangible assets with indefinite useful lives are significantly influenced by the macroeconomic environment and financial market trends, which might undergo changes that cannot be predicted at the present time. As the highly unstable situation continues, all indicators will be carefully monitored during the second half of the year, in order to immediately identify any factors that might modify the positive conclusions outlined in this Half-yearly report.

The other intangible assets recorded under assets in the balance sheet for a total value of 2,613 million euro, composed by the asset management and insurance portfolios, as well as the core deposits, all with definite useful life, were amortised (approximately 210 million euro before tax). Qualitative analyses on the assets trends, product profitability and discounting rates were also carried out for these assets, in order to identify any impairment indicators. These analyses identified no critical aspects with respect to the situation at the end of 2012.

Lastly, with regard to the going-concern assumption, the Directors of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the Half-yearly report as at 30 June 2013 on a going-concern basis. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubts on the going-concern assumption.

HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets		30.06.2013	31.12.2012	Changes	
				amount	%
10.	Cash and cash equivalents	4,389	5,301	-912	-17.2
20.	Financial assets held for trading	55,905	63,546	-7,641	-12.0
30.	Financial assets designated at fair value through profit and loss	37,042	36,887	155	0.4
40.	Financial assets available for sale	103,944	97,209	6,735	6.9
50.	Investments held to maturity	2,140	2,148	-8	-0.4
60.	Due from banks	31,570	36,533	-4,963	-13.6
70.	Loans to customers	358,404	376,625	-18,221	-4.8
80.	Hedging derivatives	8,903	11,651	-2,748	-23.6
90.	Fair value change of financial assets in hedged portfolios (+/-)	66	73	-7	-9.6
100.	Investments in associates and companies subject to joint control	2,710	2,706	4	0.1
110.	Technical insurance reserves reassured with third parties	15	13	2	15.4
120.	Property and equipment	5,436	5,530	-94	-1.7
130.	Intangible assets	14,478	14,719	-241	-1.6
	of which				
	- goodwill	*8,675*	*8,681*	*-6*	*-0.1*
140.	Tax assets	13,508	12,673	835	6.6
	a) current	*3,593*	*2,730*	*863*	*31.6*
	b) deferred	*9,915*	*9,943*	*-28*	*-0.3*
	- of which convertible into tax credit (Law no. 214/2011)	*6,288*	*5,984*	*304*	*5.1*
150.	Non-current assets held for sale and discontinued operations	26	25	1	4.0
160.	Other assets	9,249	7,943	1,306	16.4
Total Assets		**647,785**	**673,582**	**-25,797**	**-3.8**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2013	31.12.2012	Changes	
				amount	%
10.	Due to banks	67,522	73,352	-5,830	-7.9
20.	Due to customers	219,565	218,051	1,514	0.7
30.	Securities issued	148,854	159,307	-10,453	-6.6
40.	Financial liabilities held for trading	44,353	52,195	-7,842	-15.0
50.	Financial liabilities designated at fair value through profit and loss	29,257	27,047	2,210	8.2
60.	Hedging derivatives	8,818	10,776	-1,958	-18.2
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,210	1,802	-592	-32.9
80.	Tax liabilities	2,983	3,494	-511	-14.6
	a) current	*1,135*	*1,617*	*-482*	*-29.8*
	b) deferred	*1,848*	*1,877*	*-29*	*-1.5*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	14,536	18,039	-3,503	-19.4
110.	Employee termination indemnities	1,297	1,354	-57	-4.2
120.	Allowances for risks and charges	3,107	3,599	-492	-13.7
	a) post employment benefits	*615*	*672*	*-57*	*-8.5*
	b) other allowances	*2,492*	*2,927*	*-435*	*-14.9*
130.	Technical reserves	56,633	54,660	1,973	3.6
140.	Valuation reserves	-1,443	-1,692	-249	-14.7
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	10,647	9,941	706	7.1
180.	Share premium reserve	30,934	30,934	-	-
190.	Share capital	8,546	8,546	-	-
200.	Treasury shares (-)	-18	-14	4	28.6
210.	Minority interests (+/-)	562	586	-24	-4.1
220.	Net income (loss)	422	1,605	-1,183	-73.7
Total Liabilities and Shareholders' Equity		**647,785**	**673,582**	**-25,797**	**-3.8**

Consolidated income statement

(millions of euro)

	1st half of 2013	1st half of 2012	Changes amount	Changes %
10. Interest and similar income	8,838	10,018	-1,180	-11.8
20. Interest and similar expense	-3,905	-4,170	-265	-6.4
30. Interest margin	**4,933**	**5,848**	**-915**	**-15.6**
40. Fee and commission income	3,597	3,185	412	12.9
50. Fee and commission expense	-763	-709	54	7.6
60. Net fee and commission income	**2,834**	**2,476**	**358**	**14.5**
70. Dividend and similar income	161	314	-153	-48.7
80. Profits (Losses) on trading	444	277	167	60.3
90. Fair value adjustments in hedge accounting	-34	-4	30	
100. Profits (Losses) on disposal or repurchase of	397	468	-71	-15.2
a) loans	*-3*	*1*	*-4*	
b) financial assets available for sale	*476*	*206*	*270*	
c) investments held to maturity	*-*	*-3*	*-3*	
d) financial liabilities	*-76*	*264*	*-340*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	157	714	-557	-78.0
120. Net interest and other banking income	**8,892**	**10,093**	**-1,201**	**-11.9**
130. Net losses / recoveries on impairment	-2,522	-1,959	563	28.7
a) loans	*-2,359*	*-1,843*	*516*	*28.0*
b) financial assets available for sale	*-177*	*-68*	*109*	
c) investments held to maturity	*-*	*-*	*-*	
d) other financial activities	*14*	*-48*	*62*	
140. Net income from banking activities	**6,370**	**8,134**	**-1,764**	**-21.7**
150. Net insurance premiums	4,849	2,857	1,992	69.7
160. Other net insurance income (expense)	-5,646	-4,164	1,482	35.6
170. Net income from banking and insurance activities	**5,573**	**6,827**	**-1,254**	**-18.4**
180. Administrative expenses	-4,162	-4,490	-328	-7.3
a) personnel expenses	*-2,490*	*-2,771*	*-281*	*-10.1*
b) other administrative expenses	*-1,672*	*-1,719*	*-47*	*-2.7*
190. Net provisions for risks and charges	-67	-79	-12	-15.2
200. Net adjustments to / recoveries on property and equipment	-224	-187	37	19.8
210. Net adjustments to / recoveries on intangible assets	-363	-341	22	6.5
220. Other operating expenses (income)	308	249	59	23.7
230. Operating expenses	**-4,508**	**-4,848**	**-340**	**-7.0**
240. Profits (Losses) on investments in associates and companies subject to joint control	-73	18	-91	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	5	3	2	66.7
280. Income (Loss) before tax from continuing operations	**997**	**2,000**	**-1,003**	**-50.2**
290. Taxes on income from continuing operations	-560	-689	-129	-18.7
300. Income (Loss) after tax from continuing operations	**437**	**1,311**	**-874**	**-66.7**
310. Income (Loss) after tax from discontinued operations	-	-	-	
320. Net income (loss)	**437**	**1,311**	**-874**	**-66.7**
330. Minority interests	-15	-37	-22	-59.5
340. Parent Company's net income (loss)	**422**	**1,274**	**-852**	**-66.9**
Basic EPS - Euro	**0.03**	**0.08**		
Diluted EPS - Euro	**0.03**	**0.08**		

Statement of consolidated comprehensive income

(millions of euro)

		1st half of 2013	1st half of 2012	Changes amount	Changes %
10.	**NET INCOME (LOSS)**	**437**	**1,311**	**-874**	**-66.7**
	Other comprehensive income (net of tax)				
20.	Financial assets available for sale	-33	780	-813	
30.	Property and equipment	-	-	-	
40.	Intangible assets	-	-	-	
50.	Hedges of foreign investments	-	-	-	
60.	Cash flow hedges	276	-191	467	
70.	Foreign exchange differences	-52	5	-57	
80.	Non-current assets held for sale	-	-	-	
90.	Actuarial gains (losses) on defined benefit plans	32	-8	40	
100.	Share of valuation reserves connected with investments carried at equity	16	2	14	
110.	**Total other comprehensive income (net of tax)**	**239**	**588**	**-349**	**-59.4**
120.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**676**	**1,899**	**-1,223**	**-64**
130.	**Total consolidated comprehensive income pertaining to minority interests**	**5**	**39**	**-34**	
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**671**	**1,860**	**-1,189**	

Changes in consolidated shareholders’ equity as at 30 June 2013

(millions of euro)

	30.06.2013											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2013	**8,375**	**488**	**30,989**	**10,010**	**99**	**-1,695**	**-**	**-14**	**1,654**	**49,906**	*49,320*	*586*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves				**757**					**-757**	**-**	*-*	*-*
Dividends and other allocations									**-897**	**-897**	*-832*	*-65*
CHANGES IN THE PERIOD												
Changes in reserves				**-29**						**-29**	*-67*	*38*
Operations on shareholders' equity												
Issue of new shares										**-**	-	-
Purchase of treasury shares								-4		**-4**	*-4*	-
Extraordinary dividends										**-**	-	-
Changes in equity instruments										**-**	-	-
Derivatives on treasury shares										**-**	-	-
Stock options										**-**	-	-
Other			-2							**-2**	-	*-2*
Total comprehensive income for the period						**239**			**437**	**676**	*671*	*5*
SHAREHOLDERS’ EQUITY AS AT 30.06.2013	**8,375**	**488**	**30,987**	**10,738**	**99**	**-1,456**	**-**	**-18**	**437**	**49,650**	*49,088*	*562*
- Group	**8,061**	**485**	**30,934**	**10,548**	**99**	**-1,443**	**-**	**-18**	**422**	**49,088**		
- minority interests	**314**	**3**	**53**	**190**	**-**	**-13**	**-**	**-**	**15**	**562**		

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

Changes in consolidated shareholders’ equity as at 30 June 2012

(millions of euro)

	30.06.2012											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2012	**8,461**	**488**	**36,213**	**13,920**	**99**	**-3,442**	**-**	**-4**	**-8,127**	**47,608**	*46,890*	*718*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves			**-5,209**	**-2,967**					**8,176**	**-**	-	-
Dividends and other allocations									**-49**	**-49**	-	*-49*
CHANGES IN THE PERIOD												
Changes in reserves				**-102**						**-102**	*-77*	*-25*
Operations on shareholders' equity												
Issue of new shares								2		**2**	*2*	-
Purchase of treasury shares								-13		**-13**	*-13*	-
Extraordinary dividends				-822						**-822**	*-822*	-
Changes in equity instruments										**-**	-	-
Derivatives on treasury shares										**-**	-	-
Stock options										**-**	-	-
Other	-22		-3							**-25**	-	*-25*
Total comprehensive income for the period						**588**			**1,311**	**1,899**	*1,860*	*39*
SHAREHOLDERS’ EQUITY AS AT 30.06.2012	**8,439**	**488**	**31,001**	**10,029**	**99**	**-2,854**	**-**	**-15**	**1,311**	**48,498**	*47,840*	*658*
- Group	**8,061**	**485**	**30,934**	**9,864**	**99**	**-2,862**	**-**	**-15**	**1,274**	**47,840**		
- minority interests	**378**	**3**	**67**	**165**	**-**	**8**	**-**	**-**	**37**	**658**		

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

Consolidated statement of cash flows

(millions of euro)

	30.06.2013	30.06.2012
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**4,930**	**3,146**
- net income (loss) (+/-)	437	1,311
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	2,179	-88
- gains/losses on hedging activities (-/+)	34	4
- net losses/recoveries on impairment (+/-)	2,856	2,295
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	587	528
- net provisions for risks and charges and other costs/revenues (+/-)	138	146
- net insurance premiums to be collected (-)	-	3
- other insurance revenues/charges to be collected (-/+)	2,240	656
- taxes and duties to be settled (+)	-240	-276
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-3,301	-1,433
2. Cash flow from / used in financial assets	**22,723**	**-27,919**
- financial assets held for trading	8,059	-5,908
- financial assets designated at fair value through profit and loss	-49	-2,137
- financial assets available for sale	-6,384	-18,343
- due from banks: repayable on demand	-1,197	-5,208
- due from banks: other	6,156	5,248
- loans to customers	15,523	-399
- other assets	615	-1,172
3. Cash flow from / used in financial liabilities	**-27,376**	**25,815**
- due to banks: repayable on demand	4,296	854
- due to banks: other	-10,116	4,081
- due to customers	1,514	8,679
- securities issued	-10,529	-191
- financial liabilities held for trading	-7,816	6,249
- financial liabilities designated at fair value through profit and loss	2,261	1,463
- other liabilities	-6,986	4,680
Net cash flow from (used in) operating activities	**277**	**1,042**
B. INVESTING ACTIVITIES		
1. Cash flow from	**37**	**425**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	29	29
- sales/reimbursements of investments held to maturity	8	396
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-315**	**-485**
- purchases of investments in associates and companies subject to joint control	-56	-145
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-131	-163
- purchases of intangible assets	-128	-148
- purchases of subsidiaries and business branches	-	-29
Net cash flow from (used in) investing activities	**-278**	**-60**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-4	-11
- share capital increases	-	-
- dividend distribution and other	-897	-871
Net cash flow from (used in) financing activities	**-901**	**-882**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-902**	**100**

RECONCILIATION

	30.06.2013	30.06.2012
Cash and cash equivalents at beginning of period	5,301	4,061
Net increase (decrease) in cash and cash equivalents	-902	100
Cash and cash equivalents: foreign exchange effect	-10	-11
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,389**	**4,150**

LEGEND: (+) from (–) used in

EXPLANATORY NOTES

Accounting policies

General preparation principles

The Half-yearly condensed consolidated financial statements as at 30 June 2013 have been prepared in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission and in force as at 30 June 2013 according to EC Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements have been prepared in compliance with IAS 34 requirements, which regulate interim financial reporting.
The Half-yearly condensed consolidated financial statements have been prepared using the principles endorsed and in force as at 30 June 2013, including related SIC and IFRIC interpretation documents.
The accounting principles adopted in preparation of the Half-yearly condensed consolidated financial statements, with regard to the classification, recognition, measurement and derecognition of asset and liability captions, and the recognition methods for revenues and costs, have remained unchanged with respect to those adopted for the 2012 Intesa Sanpaolo Group Annual Report – to which reference should be made for further details – with the exception of the effects resulting from the application of the revised versions of IAS 19 and IFRS 13, mandatory effective 1 January 2013.
Regulation 475/2012 endorsed the amendments to IAS 19 – Employee Benefits, as approved by the IASB on 16 June 2011, the aim of which is to facilitate understanding and comparability of financial statements, especially with regard to defined benefit plans. The most significant changes made pertain to the elimination of the different accounting treatments permitted for the recognition of defined benefit plans and the ensuing introduction of a single method that entails immediate recognition in the statement of comprehensive income of the actuarial gains/losses arising from the measurement of the obligation. Given the previous accounting approach adopted by the Group, the main effect consists of the elimination of the "corridor method", with immediate recognition of changes in the value of bonds and plan assets in the statement of comprehensive income, and thus in equity. The elimination of that method entailed an impact on the Group's shareholders' equity as at the date of initial application of the new Standard, inasmuch as actuarial gains or losses not previously recognised under the "corridor method" were recognised. The overall impact for the Group, as at 1 January 2013, entailed a reduction in equity valuation reserves of 293 million euro, net of the tax effect (403 million euro before taxes).
Regulation No 1255/2012 endorsed IFRS 13 – Fair Value Measurement. The new standard does not extend the scope of application of fair value, but rather provides a guide as to how to measure the fair value of financial instruments and non-financial assets and liabilities when already required or permitted by other accounting standards. The rules for measurement at fair value, previously contained in various standards, in some cases with prescriptions in conflict with one another, were thus concentrated into a single principle. Although many of the concepts set forth in IFRS 13 are consistent with current practice, some aspects of the new Standard result in impacts on Intesa Sanpaolo Group companies, foremost among which is the effect due to the clarification introduced regarding the measurement of the non-performance risk in determining the fair value of derivative contracts. This risk includes both changes in the creditworthiness of the counterparty and the issuer itself. In order to comply with the Standard, a new calculation method known as the "Bilateral Credit Value Adjustment" (bCVA) was developed. The application of this new model in lieu of the previously adopted model did not entail significant effects.
Furthermore, the amendments to IAS 1 and IFRS 7 do not change the financial statements preparation criteria and have had no impact on the preparation of this interim report, but they do introduce new reporting obligations that have to be taken into consideration in preparing the financial statements as at 31 December 2013 and as a result of the update to Bank of Italy Circular 262/05.
In this respect, the previously mentioned Regulation 475/2012 endorsed the amendments to IAS 1 – Presentation of Financial Statements, which introduces a different representation of the Statement of comprehensive income in order to ensure greater presentation clarity. To this end, separate recognition is required of components which in future will not be subject to reversal to the income statement from those that could later be reversed to income/(loss) for the year under specific conditions. The Statement of comprehensive income is presented on the basis of Bank of Italy instructions which in Circular 262/05 strictly establish the financial statements format and the related preparation methods.
Lastly, Regulation 1256/2012 endorsed the amendments to IFRS 7 – Disclosures - Offsetting Financial Assets and Financial Liabilities. In this respect, the disclosure obligations have been integrated with the aim of allowing financial statements users to assess the real or potential effects of netting arrangements on assets and liabilities and to compare financial statements prepared using IAS/IFRS with those prepared according to the different US GAAP. In particular, disclosures are required in relation to financial instruments subject to netting in the Balance Sheet pursuant to IAS 32 and those subject to netting arrangements which however do not satisfy any of the requirements defined in IAS 32 to allow netting, including the effects of associated financial collateral. For the 2013 financial statements, new tables will be prepared with the required information, whilst for this interim report reference should be made to the information provided in the 2012 financial statements, particularly in Part E of the Notes to the financial statements, for qualitative information on the use of netting arrangements and collateral in the description of risk mitigation techniques and for quantitative information on the positive and negative fair value of derivatives which, respectively, form part of or are excluded from netting arrangements.

Preparation of the Half-yearly condensed consolidated financial statements requires the use of estimates and assumptions in the determination of certain cost and income components and for the measurement of assets and liabilities. Again reference must be made to the 2012 Annual report for the related description. Moreover, please note that in certain valuation processes, in particular the more complex ones, such as the asset impairment tests, these are generally performed in their entirety at the time of preparation of the annual report, with the exception of the cases in which there are significant impairment indicators which require the immediate valuation of losses.

The Half-yearly condensed consolidated financial statements, prepared in euro as the functional currency, are prepared in condensed form as permitted by IAS 34, and contain the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, the Statement of cash flows and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, on the main risks and uncertainties to be faced in the remaining months of the year, as well as information on significant related party transactions.
The amounts indicated in the financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.
The Balance sheet as at 30 June 2013 solely includes certain real-estate assets due for imminent disposal under non-current assets held for sale and discontinued operations. The Income statement as at 30 June 2013, on the other hand, does not contain any profits or losses on discontinued operations.
In addition to amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the first half of 2012 in the Income statement and at 31 December 2012 for the Balance sheet. Where necessary, these figures have been adjusted for the effect of application of the new provisions of IAS 19.

As usual, condensed reclassified income statements have been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, the figures are restated, where necessary, to account for changes in the scope of consolidation. The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Attached to the Half-yearly condensed consolidated financial statements are the reconciliations between the financial statements and the aforementioned condensed reclassified statements.

The Half-yearly condensed consolidated financial statements as at 30 June 2013 are complemented by certification of the Managing Director – CEO and the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance and are subject to limited review.

Scope of consolidation and consolidation methods

Scope of consolidation

The Condensed financial statements as at 30 June 2013 include Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, comprising – as specifically set out by IAS/IFRS – also the companies operating in sectors dissimilar to the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
No significant changes have occurred with respect to the position as at 31 December 2012. The only development to be reported is the inclusion in the scope of line-by-line consolidation of Bentos Assicurazioni S.p.A., which had been consolidated according to the equity method in the 2012 financial statements. No significant intragroup transactions have been performed, except for the merger of Banca dell'Adriatico into Cassa di Risparmio di Ascoli Piceno, later renamed Banca dell'Adriatico.
As usual, the equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds 42.4%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2012 to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Report as at 30 June 2013 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.
The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Half-yearly condensed consolidated financial statements as at 30 June 2013.

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
A.	**CONSOLIDATED COMPANIES**					
	Parent Company					
	Intesa Sanpaolo S.p.A. Capital Euro 8.545.681.412,32 in shares of Euro 0,52	Torino				
A. 1	**Companies subject to full consolidation**					
1	Adriano Finance S.r.l. Capital Euro 15.000	Milano	4	Intesa Sanpaolo	100.00	
2	Adriano Finance 2 S.r.l. (c) Capital Euro 10.000	Milano	4	Intesa Sanpaolo	5.00	
3	Adriano Lease Sec S.r.l. (c) Capital Euro 10.000	Conegliano	4	Intesa Sanpaolo	5.00	
4	Arten Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	87.37	
5	B.I. Private Equity Ltd Capital Euro 100.000	Dublin	1	Private Equity International	100.00	
6	Banca dell'Adriatico S.p.A. (former Cassa di Risparmio di Ascoli Piceno S.p.A.) Capital Euro 70.755.020	Ascoli Piceno	1	Intesa Sanpaolo	100.00	
7	Banca di Credito Sardo S.p.A. Capital Euro 258.276.569,35	Cagliari	1	Intesa Sanpaolo	100.00	
8	Banca di Trento e Bolzano S.p.A. Capital Euro 65.915.704,40	Trento	1	Intesa Sanpaolo	87.27	
9	Banca Fideuram S.p.A. Capital Euro 186.255.207,16	Roma	1	Intesa Sanpaolo	100.00	
10	Banca IMI S.p.A. Capital Euro 962.464.000	Milano	1	Intesa Sanpaolo	100.00	
11	Banca Imi Securities Corp Capital Usd 44.500.000	New York	1	Imi Capital Markets USA Corp.	100.00	
12	Banca Intesa a.d., Beograd (f) Capital RSD 21.315.900.000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21	
					93.00	
13	Banca Intesa Zao (m) Capital RUB 10.820.180.800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	39.77 46.97	
					86.74	
14	Banca Monte Parma S.p.A. Capital Euro 147.359.895,03	Parma	1	Intesa Sanpaolo	78.62	
15	Banca Prossima S.p.A. (o) Capital Euro 80.000.000	Milano	1	Intesa Sanpaolo	71.67	
16	Banco di Napoli S.p.A. Capital Euro 1.000.000.000	Napoli	1	Intesa Sanpaolo	100.00	
17	Bank of Alexandria S.A.E. (g) Capital EGP 800.000.000	Cairo	1	Intesa Sanpaolo	80.00	70.25
18	Banka Koper d.d. (h) Capital Euro 22.173.218,16	Koper	1	Intesa Sanpaolo	97.62	
19	Bentos Assicurazioni S.p.A. Capital Euro 6.000.000	Torino	1	Intesa Sanpaolo Vita	100.00	
20	Brivon Hungary Zrt Capital HUF 15.000.000	Budapest	1	Recovery Property Utilisation and Services	100.00	
21	Cassa dei Risparmi di Forlì e della Romagna S.p.A. Capital Euro 214.428.465	Forlì	1	Intesa Sanpaolo	82.08	
22	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital Euro 210.263.000	Gorizia	1	Intesa Sanpaolo	100.00	
23	Cassa di Risparmio del Veneto S.p.A. Capital Euro 781.169.000	Padova	1	Intesa Sanpaolo	100.00	
24	Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49.407.056,31	Viterbo	1	Cassa di Risparmio di Firenze	75.81	82.02
25	Cassa di Risparmio di Civitavecchia S.p.A. Capital Euro 34.505.380	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
26	Cassa di Risparmio di Firenze S.p.A. (i) Capital Euro 831.364.347	Firenze	1	Intesa Sanpaolo	89.74	
27	Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. (j) Capital Euro 171.846.279,99	Pistoia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	74.88 8.11	
					82.99	
28	Cassa di Risparmio di Rieti S.p.A. Capital Euro 47.339.291	Rieti	1	Cassa di Risparmio di Firenze	85.00	
29	Cassa di Risparmio di Venezia S.p.A. Capital Euro 284.536.000	Venezia	1	Intesa Sanpaolo	100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
30	Cassa di Risparmio in Bologna S.p.A. Capital Euro 703.692.000	Bologna	1	Intesa Sanpaolo	100.00	
31	Casse di Risparmio dell'Umbria S.p.A. Capital Euro 187.657.326	Terni	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	87.87 10.84 98.71	88.28 11.22 99.50
32	Centro Factoring S.p.A. Capital Euro 25.200.000	Firenze	1	Intesa Sanpaolo	73.93	
33	Centro Leasing S.p.A. Capital Euro 155.020.051,50	Firenze	1	Leasint	88.19	
34	Cib Bank Ltd Capital HUF 145.000.000.004	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	67.69 32.31 100.00	
35	CIB Car Trading Ltd Capital HUF 10.000.000	Budapest	1	Recovery Property Utilisation and Services	100.00	
36	CIB Factor Financial Services Ltd Capital HUF 103.500.000	Budapest	1	Cib Bank	100.00	
37	CIB Insurance Broker Ltd Capital HUF 10.000.000	Budapest	1	CIB Bank	100.00	
38	CIB Investment Fund Management Ltd Capital HUF 600.000.000	Budapest	1	Vub Asset Management Spravcovska Spolocnost	100.00	
39	CIB Leasing Holding Limited Liability Company in Voluntary Dissolution (former CIB Leasing Holding LLC) Capital HUF 500.000	Budapest	1	Cib Bank	100.00	
40	CIB Leasing Ltd Capital HUF 53.000.000	Budapest	1	CIB Leasing Holding in Voluntary Dissolution CIB Real Estate	98.23 1.77 100.00	
41	CIB Real Estate Ltd Capital HUF 52.000.000	Budapest	1	Cib Bank	100.00	
42	CIB Rent Operative Leasing Ltd Capital HUF 800.000.000	Budapest	1	Cib Bank	100.00	
43	Cimabue Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
44	Compagnia Italiana Finanziaria - CIF S.r.l. Capital Euro 138.864.869,00	Milano	1	IN.FRA - Investire nelle Infrastrutture	63.78	
45	Consumer Finance Holding a.s. Capital Euro 53.110.277	Kezmarok	1	Vseobecna Uverova Banka	100.00	
46	DB Platinum III Sicav (former DB Platinum II Sicav) (d)	Luxembourg	4	Intesa Sanpaolo Vita	100.00	
47	Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo	-	
48	Epsilon Associati SGR S.p.A. Capital Euro 5.200.000	Milano	1	Eurizon Capital SGR Banca IMI	51.00 49.00 100.00	
49	Equiter S.p.A. Capital Euro 150.000.000	Torino	1	Intesa Sanpaolo	100.00	
50	Eurizon Capital S.A. Capital Euro 7.557.200	Luxembourg	1	Eurizon Capital SGR	100.00	
51	Eurizon Capital SGR S.p.A. Capital Euro 95.010.000	Milano	1	Intesa Sanpaolo	100.00	
52	Eurizon Investment Sicav (d)	Luxembourg	4	Intesa Sanpaolo Vita Intesa Sanpaolo Life	43.77 55.96 99.73	
53	Eurizon Multi Alpha Classe I (d)	Luxembourg	4	Intesa Sanpaolo Vita Eurizon Capital	66.10 33.90 100.00	
54	Euro-Tresorerie S.A. Capital Euro 250.038.322,20	Paris	1	Financière Fideuram	100.00	
55	Fideuram Asset Management (Ireland) Ltd Capital Euro 1.000.000	Dublin	1	Banca Fideuram	100.00	
56	Fideuram Bank Luxembourg S.A. Capital Euro 30.000.000	Luxembourg	1	Banca Fideuram	100.00	
57	Fideuram Fiduciaria S.p.A. Capital Euro 1.551.000	Torino	1	Banca Fideuram	100.00	
58	Fideuram Fund Bond Euro High Yield (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	47.25 28.19 75.44	
59	Fideuram Fund Bond Usa (d)	Luxembourg	4	Fideuram Vita Intesa Sanpaolo Vita	82.25 0.07 82.32	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
60	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita	55.24	
				Intesa Sanpaolo Vita	7.07	
					62.31	
61	Fideuram Fund Bond Yen (d)	Luxembourg	4	Fideuram Vita	93.64	
62	Fideuram Fund Equity Europe Growth (d)	Luxembourg	4	Fideuram Vita	92.20	
				Intesa Sanpaolo Vita	5.66	
					97.86	
63	Fideuram Fund Equity Europe Value (d)	Luxembourg	4	Fideuram Vita	86.47	
				Intesa Sanpaolo Vita	9.39	
					95.86	
64	Fideuram Fund Equity Euro (d)	Luxembourg	4	Fideuram Vita	91.34	
				Intesa Sanpaolo Vita	5.81	
					97.15	
65	Fideuram Fund Equity Euro Corporate Bond (d)	Luxembourg	4	Fideuram Vita	64.25	
				Intesa Sanpaolo Vita	9.67	
					73.92	
66	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita	84.92	
				Intesa Sanpaolo Vita	7.79	
					92.71	
67	Fideuram Fund Equity Italy (d)	Luxembourg	4	Fideuram Vita	95.16	
				Intesa Sanpaolo Vita	0.87	
					96.03	
68	Fideuram Fund Equity Japan (d)	Luxembourg	4	Fideuram Vita	89.71	
				Intesa Sanpaolo Vita	2.78	
					92.49	
69	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Fideuram Vita	92.53	
				Intesa Sanpaolo Vita	2.64	
					95.17	
70	Fideuram Fund Equity Usa (d)	Luxembourg	4	Fideuram Vita	91.84	
				Intesa Sanpaolo Vita	4.44	
					96.28	
71	Fideuram Fund Equity Usa Advantage (d)	Luxembourg	4	Fideuram Vita	96.56	
				Intesa Sanpaolo Vita	2.07	
					98.63	
72	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Fideuram Vita	91.46	
				Intesa Sanpaolo Vita	7.58	
					99.04	
73	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Fideuram Vita	90.00	
				Intesa Sanpaolo Vita	2.80	
					92.80	
74	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Fideuram Vita	78.37	
				Intesa Sanpaolo Vita	8.99	
					87.36	
75	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Fideuram Vita	75.14	
				Intesa Sanpaolo Vita	11.74	
					86.88	
76	Fideuram Fund Euro Short Risk (d)	Luxembourg	4	Fideuram Vita	79.82	
				Intesa Sanpaolo Vita	5.30	
					85.12	
77	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Fideuram Vita	73.37	
				Intesa Sanpaolo Vita	16.73	
					90.10	
78	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Fideuram Vita	100.00	
79	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Fideuram Vita	100.00	
80	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Fideuram Vita	100.00	
81	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Fideuram Vita	99.94	
82	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Fideuram Vita	100.00	
83	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Fideuram Vita	99.91	
84	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Fideuram Vita	99.95	
85	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Fideuram Vita	100.00	
86	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Fideuram Vita	99.76	
87	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Fideuram Vita	99.97	
88	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Fideuram Vita	100.00	
89	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Fideuram Vita	99.94	
90	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Fideuram Vita	99.99	
91	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Fideuram Vita	99.85	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
92	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Fideuram Vita	99.95	
93	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Fideuram Vita	100.00	
94	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Fideuram Vita	100.00	
95	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Fideuram Vita	100.00	
96	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Fideuram Vita	99.93	
97	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Fideuram Vita	100.00	
98	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Fideuram Vita	99.91	
99	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Fideuram Vita	99.74	
100	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Fideuram Vita	99.88	
101	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Fideuram Vita	99.93	
102	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Fideuram Vita	99.75	
103	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Fideuram Vita	99.30	
104	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Fideuram Vita	99.63	
105	Fideuram Fund Zero Coupon 2040 (d)	Luxembourg	4	Fideuram Vita	99.84	
106	Fideuram Fund Zero Coupon 2041 (d)	Luxembourg	4	Fideuram Vita	99.76	
107	Fideuram Fund Zero Coupon 2042 (d)	Luxembourg	4	Fideuram Vita	99.66	
108	Fideuram Fund Zero Coupon 2043 (d)	Luxembourg	4	Fideuram Vita	99.96	
109	Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.94	
	Capital Euro 10.000.000			Fideuram Vita	0.06	
					100.00	
110	Fideuram Investimenti S.G.R. S.p.A.	Milano	1	Banca Fideuram	99.50	
	Capital Euro 25.850.000					
111	Fideuram Vita S.p.A.	Roma	1	Intesa Sanpaolo	80.01	
	Capital Euro 356.946.836			Banca Fideuram	19.99	
					100.00	
112	Financière Fideuram S.A.	Paris	1	Banca Fideuram	100.00	
	Capital Euro 346.761.600					
113	Finor Leasing d.o.o.	Koper	1	Banka Koper	100.00	
	Capital Euro 2.044.700					
114	Fondo Caravaggio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
115	Fondo Bond Emerging Markets (d)	Luxembourg	4	Intesa Sanpaolo Life	21.48	
				Intesa Sanpaolo Vita	26.97	
				Intesa Sanpaolo Assicura	2.66	
					51.11	
116	Fondo Bond Eur Long Term (d)	Luxembourg	4	Intesa Sanpaolo Life	36.44	
				Intesa Sanpaolo Vita	24.08	
					60.52	
117	Fondo Bond Eur Medium Term (d)	Luxembourg	4	Intesa Sanpaolo Life	36.45	
				Intesa Sanpaolo Vita	26.92	
					63.37	
118	Fondo Bond Eur Short Term (d)	Luxembourg	4	Intesa Sanpaolo Life	35.80	
				Intesa Sanpaolo Vita	30.61	
					66.41	
119	Fondo Bond GBP (d)	Luxembourg	4	Intesa Sanpaolo Life	37.26	
				Intesa Sanpaolo Vita	45.54	
					82.80	
120	Fondo Bond JPY (d)	Luxembourg	4	Intesa Sanpaolo Life	44.68	
				Intesa Sanpaolo Vita	35.49	
					80.17	
121	Fondo Bond USD (d)	Luxembourg	4	Intesa Sanpaolo Life	43.15	
				Intesa Sanpaolo Vita	32.42	
					75.57	
122	Fondo Epsilon Q-Flexible (d)	Luxembourg	4	Intesa Sanpaolo Life	73.57	
123	Fondo Equity Telecommunication (d)	Luxembourg	4	Intesa Sanpaolo Life	0.07	
				Intesa Sanpaolo Vita	52.77	
					52.84	
124	Fondo Equity Eastern Europe (d)	Luxembourg	4	Intesa Sanpaolo Life	35.34	
				Intesa Sanpaolo Vita	56.87	
					92.21	
125	Fondo Equity Emerging Market (d)	Luxembourg	4	Intesa Sanpaolo Life	35.76	
				Intesa Sanpaolo Vita	26.10	
					61.86	
126	Fondo Equity Europe (d)	Luxembourg	4	Intesa Sanpaolo Life	5.45	
				Intesa Sanpaolo Vita	43.91	
					49.36	
127	Fondo Equity High Tech (d)	Luxembourg	4	Intesa Sanpaolo Life	0.08	
				Intesa Sanpaolo Vita	65.89	
					65.97	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
128	Fondo Flexible Strategy (d)	Luxembourg	4	Intesa Sanpaolo Vita	54.58	
129	Hayez Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
130	IMI Capital Markets USA Corp. Capital USD 5.000	New York	1	IMI Investments	100.00	
131	IMI Finance Luxembourg S.A. Capital Euro 100.000	Luxembourg	1	IMI Investments	100.00	
132	IMI Fondi Chiusi S.G.R. S.p.A. Capital Euro 2.000.000	Bologna	1	IMI Investimenti	100.00	
133	IMI Investimenti S.p.A. Capital Euro 579.184.200	Bologna	1	Intesa Sanpaolo	100.00	
134	IMI Investments S.A. Capital Euro 21.660.000	Luxembourg	1	Banca IMI	100.00	
135	IN.FRA - Investire nelle Infrastrutture S.p.A. (n) Capital Euro 117.342.245,47	Milano	1	Intesa Sanpaolo	90.60	
136	Infogroup S.c.p.A. Capital Euro 4.352.000	Firenze	1	Cassa di Risparmio di Firenze	65.45	
				Intesa Sanpaolo	31.07	
				Cassa di Risparmio di Pistoia e della Lucchesia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				minority interests	0.01	
					100.00	
137	Iniziative Logistiche S.r.l. Capital Euro 58.901.017,59	Milano	1	IN.FRA - Investire nelle Infrastrutture	61.58	
138	Intesa Funding LLC Capital USD 25.000	Wilmington	1	Intesa Sanpaolo	100.00	
139	Intesa Global Finance Company Ltd Capital Euro 100.000	Dublin	1	Intesa Sanpaolo Holding International	100.00	
140	Intesa Lease Sec S.r.l. Capital Euro 60.000	Milano	1	Leasint	100.00	
141	Intesa Leasing (Closed Joint-Stock Company) Capital RUB 3.000.000	Moscow	1	Banca Intesa Zao	100.00	
142	Intesa Leasing d.o.o. Beograd Capital RSD 960.374.301	Beograd	1	Banca Intesa Beograd	100.00	
143	Intesa Sanpaolo Assicura S.p.A. Capital Euro 27.912.258	Torino	1	Intesa Sanpaolo Vita	100.00	
144	Intesa Sanpaolo Bank Albania Sh.A. (l) Capital ALL 5.562.517.674	Tirana	1	Intesa Sanpaolo	98.61	100.00
145	Intesa Sanpaolo Bank Ireland Plc Capital Euro 400.500.000	Dublin	1	Intesa Sanpaolo	100.00	
146	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital BAM 44.782.000	Sarajevo	1	Intesa Sanpaolo Holding International	94.92	
147	Intesa Sanpaolo Card BH D.O.O. Capital BAM 3.649.126,50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
148	Intesa Sanpaolo Card d.o.o. - Ljubljana Capital Euro 5.618.760,80	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
149	Intesa Sanpaolo Card d.o.o. - Zagreb Capital HRK 30.863.400	Zagreb	1	Intesa Sanpaolo Holding International	51.32	
				Privredna Banka Zagreb	33.34	
				Banka Koper	15.34	
					100.00	
150	Intesa Sanpaolo Group Services S.c.p.A. Capital Euro 272.157.000	Torino	1	Intesa Sanpaolo	99.88	
				Banca Fideuram	0.01	
				Cassa di Risparmio del Veneto	0.01	
				Cassa di Risparmio di Firenze	0.01	
				Banco di Napoli	0.01	
				Banca Imi	0.01	
				Eurizon Capital SGR	0.01	
				Intesa Sanpaolo Vita	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				Banca dell'Adriatico	0.01	
				minority interests	0.03	
					100.00	
151	Intesa Sanpaolo Holding International S.A. Capital Euro 2.200.087.440	Luxembourg	1	Intesa Sanpaolo	100.00	
152	Intesa Sanpaolo Immobilière S.A. Capital Euro 350.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
153	Intesa Sanpaolo Leasing Romania IFN S.A. Capital RON 1.080.000	Bucharest	1	Intesa Sanpaolo Romania	99.50	
				CIB Leasing	0.50	
					100.00	
154	Intesa Sanpaolo Life Ltd Capital Euro 625.000	Dublin	1	Intesa Sanpaolo Vita	100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
155	Intesa Sanpaolo Personal Finance S.p.A. (former Moneta S.p.A.) Capital Euro 176.611.670	Bologna	1	Intesa Sanpaolo	100.00	
156	Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A. Capital Euro 15.417.500	Milano	1	Intesa Sanpaolo	99.24	
				Cassa di Risparmio di Firenze	0.76	
					100.00	
157	Intesa Sanpaolo Private Bank (Suisse) S.A. Capital CHF 20.000.000	Lugano	1	Intesa Sanpaolo Holding International	100.00	
158	Intesa Sanpaolo Private Banking S.p.A. Capital Euro 105.313.200	Milano	1	Intesa Sanpaolo	100.00	
159	Intesa Sanpaolo Provis S.r.l. Capital Euro 4.625.000	Roma	1	Intesa Sanpaolo	100.00	
160	Intesa Sanpaolo Real Estate S.A. Capital Euro 2.940.476	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
161	Intesa Sanpaolo Romania S.A. Commercial Bank Capital Ron 886.639.410	Arad	1	Intesa Sanpaolo	91.47	
				Cassa di Risparmio di Firenze	8.18	
				Intesa Sanpaolo Holding International	0.35	
					100.00	
162	Intesa Sanpaolo Servitia S.A. Capital Euro 1.500.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
163	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Capital Euro 1.032.000	Milano	1	Intesa Sanpaolo	100.00	
164	Intesa Sanpaolo Vita S.p.A. Capital Euro 320.322.508,16	Torino	1	Intesa Sanpaolo	99.99	
165	Intesa Sec. 3 S.r.l. Capital Euro 70.000	Milano	1	Intesa Sanpaolo	60.00	
166	Intesa Sec. Npl S.p.A. Capital Euro 129.000	Milano	1	Intesa Sanpaolo	60.00	
167	Intesa Sec. S.p.A. Capital Euro 100.000	Milano	1	Intesa Sanpaolo	60.00	
168	Inversiones Mobiliarias S.A.- IMSA Capital PEN 7.941.112,83	Lima	1	Intesa Sanpaolo	99.40	
169	ISP CB Ipotecario S.r.l. Capital Euro 120.000	Milano	1	Intesa Sanpaolo	60.00	
170	ISP CB Pubbico S.r.l. Capital Euro 120.000	Milano	1	Intesa Sanpaolo	60.00	
171	ISP OBG S.r.l. Capital Euro 42.038	Milano	1	Intesa Sanpaolo	60.00	
172	Leasint S.p.A. Capital Euro 172.043.500	Milano	1	Intesa Sanpaolo	100.00	
173	Levanna Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
174	Lima Sudameris Holding S.A. in liquidation Capital PEN 172.384.709,03	Lima	1	Intesa Sanpaolo	52.87	
				IMSA	47.13	
					100.00	
175	Lunar Funding V Plc (k)	Dublin	4	Intesa Sanpaolo	-	
176	Lux Gest Asset Management S.A. Capital Euro 200.000	Luxembourg	1	Société Européenne de Banque	100.00	
177	Mediocredito Italiano S.p.A. Capital Euro 572.043.495	Milano	1	Intesa Sanpaolo	100.00	
178	Mediofactoring S.p.A. Capital Euro 220.000.000	Milano	1	Intesa Sanpaolo	100.00	
179	Mercurio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	87.12	
180	Neos Finance S.p.A. Capital Euro 94.159.932	Bologna	1	Intesa Sanpaolo	100.00	
181	PBZ Card d.o.o. Capital HRK 43.422.200	Zagreb	1	Privredna Banka Zagreb	100.00	
182	PBZ Invest d.o.o. Capital HRK 5.000.000	Zagreb	1	Vub Asset Management Spravcovska Spolocnost	100.00	
183	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
184	PBZ Nekretnine d.o.o. Capital HRK 3.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
185	PBZ Stambena Stedionica d.d. Capital HRK 115.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
186	Pravex Bank Public Joint-Stock Company Commercial Bank Capital UAH 949.170.000	Kiev	1	Intesa Sanpaolo	100.00	
187	Private Equity International S.A. Capital Euro 101.000.000	Luxembourg	1	Intesa Sanpaolo	90.90	
				IMI Investimenti	9.10	
					100.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
188	Privredna Banka Zagreb d.d. (p) Capital HRK 1.907.476.900	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
189	RE Consult Infrastrutture S.p.A. Capital Euro 121.150.000	Milano	1	Iniziative Logistiche Compagnia Italiana Finanziaria - CIF	38.00 62.00 100.00	
190	Recovery a.s. Capital Euro 33.200	Bratislava	1	Vseobecna Uverova Banka	100.00	
191	Recovery Property Utilisation and Services ZRT. Capital HUF 10.000.000	Budapest	1	Cib Bank	100.00	
192	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
193	Sanpaolo Invest Ireland Ltd Capital Euro 500.000	Dublin	1	Banca Fideuram	100.00	
194	Sanpaolo Invest SIM S.p.A. Capital Euro 15.264.760	Roma	1	Banca Fideuram	100.00	
195	Setefi S.p.A. Capital Euro 8.450.000	Milano	1	Intesa Sanpaolo	100.00	
196	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital Euro 2.600.000	Milano	1	Intesa Sanpaolo	100.00	
197	Société Européenne de Banque S.A. Capital Euro 535.091.520	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
198	SP Lux Sicav II (d)	Luxembourg	4	Intesa Sanpaolo Life	90.05	
199	Starling Finance Srl (e)	Dublin	4	Fideuram Vita	-	
200	Sudameris S.A. Capital Euro 49.671.600	Paris	1	Intesa Sanpaolo	99.87	
201	T T 1 Lux S.A. Capital Euro 44.571.000	Luxembourg	1	IMI Investimenti	100.00	
202	Tiepolo Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
203	Trade Receivables Investment Vehicle Sarl (d)	Luxembourg	4	Banca IMI/Duomo Funding	100.00	
204	Vseobecna Uverova Banka a.s. Capital Euro 430.819.063,81	Bratislava	1	Intesa Sanpaolo Holding International	96.84	
205	VUB Asset Management Sprav. Spol a.s. Capital Euro 4.093.560	Bratislava	1	Vseobecna Uverova Banka Eurizon Capital Privredna Banka Zagreb	40.55 50.12 9.33 100.00	
206	VUB Factoring a.s. Capital Euro 2.232.334	Bratislava	1	Vseobecna Uverova Banka	100.00	
207	VUB Leasing a.s. Capital Euro 16.600.000	Bratislava	1	Vseobecna Uverova Banka	100.00	

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

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

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

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

(e) SDS - Società a Destinazione Specifica (special purpose entity) for the issue of structured products to hedge Unit-Linked policies (SIC 12)

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

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

(h) Minority shareholders are subject to a legal commitment to purchase the remaining 2.38% of share capital.

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

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

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

(l) In relation to the equity investment in Intesa Sanpaolo Bank Albania SH.A., there is a share, equal to 1.39%, of former Banca Italo Albanese (merged into Intesa Sanpaolo Bank Albania) sold to Società Italiana per le Imprese all'Estero (Simest) in July 2006.

(m) Please note that there is a put option sold/call option purchased from minority shareholders on 13.25% of share capital.

(n) Please note that there is a put option sold/call option purchased from minority shareholders on 9.40% of share capital.

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

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

Other information

Subsidiaries established and regulated under the laws of non-EU countries

Consob, in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control companies established and regulated under the laws of non-EU countries (art. 36 Market Regulation). Pursuant to Art. 2.6.2, paragraph 12 of the Regulation of Markets managed and organised by Borsa Italiana S.p.A., Borsa Italiana has also required that at the time of approval of the Parent Company's financial statements, the Management Board of a company controlling non-EU companies declares in its Report on operations whether or not the conditions set out in Art. 36, letters a), b) and c) of the Market Regulation are met. Intesa Sanpaolo's declaration to this effect can be found in the Annual Report 2012.
In this respect, no acquisitions were completed in the first half of 2013 concerning companies established and registered under the laws of non-EU countries which, considered independently, are of material significance to the regulations in question.

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured into five business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition to these operating areas there are two support structures: Group Treasury and the Head office departments concentrated in the Corporate Centre.
In this respect, please note that in preparation of the segment reporting as at 30 June 2013 the new organisational aspects, the principles of which were approved by the Management Board on 21 May 2013, have not been taken into consideration as the necessary operating instructions are still being finalised.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the Consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions of the Parent Company.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
Each business area is also assigned the allocated capital, represented by the capital absorption on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the instructions issued by the Bank of Italy in compliance with the Basel 2 regulations. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

Subsequent events

At the beginning of July, Intesa Sanpaolo S.p.A. announced an invitation to the holders of certain senior notes, issued by Intesa Sanpaolo, to purchase the notes they held. The transaction allowed optimisation of the Bank's liabilities profile, reducing excess amounts and modifying the related timing distribution. Compared to the offer of 2,247 million euro, the final notes acceptance total, in accordance with the established priority criterion, was approximately 1,493 million euro, corresponding to a total purchase amount of 1,510 million euro. As a consequence of the buyback finalisation, in the third quarter of 2013 the Intesa Sanpaolo Group will record a positive contribution, including the positive impact of the unwinding of interest rate derivatives, of approximately 113 million euro to its pre-tax income and of approximately 76 million euro to its net income.

Economic results

General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, the figures for previous periods are restated, where necessary, to account for changes in the scope of consolidation.

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

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

Reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business have been recorded under a specific caption, and the effect of the adjustment of the technical reserve – with respect to the component attributable to policyholders – associated with the impairment of securities available for sale held in the portfolios of the Group's insurance companies was also attributed to this caption;
- differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
- profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
- Profits (Losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from Administrative expenses, instead of being included among Other operating income;
- profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- Net impairment losses on other financial activities (caption 130d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- net impairment losses 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;
- impairment losses on Greek government bonds and the bonds of other Greek public entities were recognised to Net impairment losses on other assets, regardless of their balance sheet classification (Financial assets available for sale or loans);
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (Losses) on investments held to maturity and on other investments, after the deduction of net income from investments carried at equity which is posted in a specific caption in Operating income;
- Taxes on income from continuing operations, to which the portions of deductible Interest expense associated with the application of settlement procedures for the tax dispute, along with the amounts of the related fines, recognised among Other operating expenses, have been attributed;
- Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent adjustments and any impairment to financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3.

  Lastly, it should be noted that in the interest of providing a more accurate representation of ordinary operations, Goodwill impairment (net of tax) is presented among "non-current" income components.

Reclassified income statement

(millions of euro)

	30.06.2013	30.06.2012	Changes	
			amount	%
Net interest income	4,063	4,932	-869	-17.6
Dividends and profits (losses) on investments carried at equity	-41	55	-96	
Net fee and commission income	3,041	2,639	402	15.2
Profits (Losses) on trading	690	877	-187	-21.3
Income from insurance business	449	453	-4	-0.9
Other operating income (expenses)	3	-12	15	
Operating income	**8,205**	**8,944**	**-739**	**-8.3**
Personnel expenses	-2,422	-2,709	-287	-10.6
Other administrative expenses	-1,351	-1,429	-78	-5.5
Adjustments to property, equipment and intangible assets	-336	-312	24	7.7
Operating costs	**-4,109**	**-4,450**	**-341**	**-7.7**
Operating margin	**4,096**	**4,494**	**-398**	**-8.9**
Net provisions for risks and charges	-64	-71	-7	-9.9
Net adjustments to loans	-2,564	-2,055	509	24.8
Net impairment losses on other assets	-215	-98	117	
Profits (Losses) on investments held to maturity and on other investments	2	-8	10	
Income (Loss) before tax from continuing operations	**1,255**	**2,262**	**-1,007**	**-44.5**
Taxes on income from continuing operations	-638	-778	-140	-18.0
Charges (net of tax) for integration and exit incentives	-33	-24	9	37.5
Effect of purchase price allocation (net of tax)	-147	-149	-2	-1.3
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-15	-37	-22	-59.5
Net income (loss)	**422**	**1,274**	**-852**	**-66.9**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2013		2012			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,041	2,022	2,181	2,317	2,431	2,501
Dividends and profits (losses) on investments carried at equity	2	-43	11	-27	29	26
Net fee and commission income	1,575	1,466	1,479	1,333	1,322	1,317
Profits (Losses) on trading	235	455	682	623	161	716
Income from insurance business	218	231	159	216	195	258
Other operating income (expenses)	15	-12	-18	-19	-7	-5
Operating income	**4,086**	**4,119**	**4,494**	**4,443**	**4,131**	**4,813**
Personnel expenses	-1,156	-1,266	-1,334	-1,295	-1,353	-1,356
Other administrative expenses	-688	-663	-781	-711	-735	-694
Adjustments to property, equipment and intangible assets	-169	-167	-182	-160	-155	-157
Operating costs	**-2,013**	**-2,096**	**-2,297**	**-2,166**	**-2,243**	**-2,207**
Operating margin	**2,073**	**2,023**	**2,197**	**2,277**	**1,888**	**2,606**
Net provisions for risks and charges	-38	-26	-105	-69	-34	-37
Net adjustments to loans	-1,398	-1,166	-1,461	-1,198	-1,082	-973
Net impairment losses on other assets	-147	-68	-141	-43	-39	-59
Profits (Losses) on investments held to maturity and on other investments	-3	5	-104	-5	-2	-6
Income (Loss) before tax from continuing operations	**487**	**768**	**386**	**962**	**731**	**1,531**
Taxes on income from continuing operations	-274	-364	-291	-454	-152	-626
Charges (net of tax) for integration and exit incentives	-21	-12	-99	-11	-10	-14
Effect of purchase price allocation (net of tax)	-73	-74	-79	-71	-76	-73
Goodwill impairment (net of tax)	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-
Minority interests	-3	-12	-	-12	-23	-14
Net income (loss)	**116**	**306**	**-83**	**414**	**470**	**804**

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

The first half of 2013 was characterised by the persistent recession which led to a marked decline in households' income and consumption levels, associated with an unfavourable trend in employment figures and a restrictive fiscal policy. Results of the Intesa Sanpaolo Group for the period have suffered the effects of the crisis which, on the one hand, are reflected in a decrease in operating income, especially due to the negative performance of the interest margin and trading, and on the other hand, in an increase in net adjustments to loans and to other assets. These phenomena resulted in an 8.9% decline in the operating margin despite the positive development in fee and commission income and operating cost containment. Net income came to 422 million euro, down significantly on the 1,274 million euro recorded for the first half of the previous year. Comparison with the quarterly figures also shows a downtrend, with net income for the second quarter of 116 million euro, down compared to 306 million euro in the first three months of the year.

Operating income

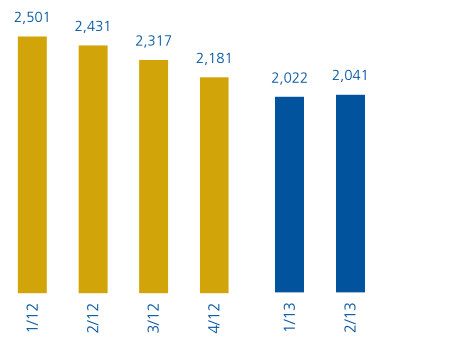
Operating income amounted to 8,205 million euro in the first half of the year, down 8.3% compared to the 8,944 million euro recorded in the same period in 2012 which had, however, benefited from 274 million euro in extraordinary profit on trading deriving from a buyback transaction.
The trend emerging from comparison was mainly determined by the decrease in net interest income and the result from trading, only partly mitigated by the increase in fee and commission income.

Net interest income

(millions of euro)

	30.06.2013	30.06.2012	Changes	
			amount	%
Relations with customers	4,764	5,846	-1,082	-18.5
Securities issued	-2,704	-2,864	-160	-5.6
Differentials on hedging derivatives	806	768	38	4.9
Customer dealing	**2,866**	**3,750**	**-884**	**-23.6**
Financial assets held for trading	178	255	-77	-30.2
Investments held to maturity	40	46	-6	-13.0
Financial assets available for sale	589	578	11	1.9
Financial assets	**807**	**879**	**-72**	**-8.2**
Relations with banks	**-135**	**-119**	**16**	**13.4**
Non-performing assets	**549**	**456**	**93**	**20.4**
Other net interest income	**-24**	**-34**	**-10**	**-29.4**
Net interest income	**4,063**	**4,932**	**-869**	**-17.6**

Quarterly development Net interest income



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

In the first half of 2013, the net interest income stood at 4,063 million euro, down 17.6% compared to the same period in 2012 as a result of the lower contribution of operations with customers, the cost of liquidity reserves and lower interest on the securities portfolio.
Net interest from operations with customers amounted to 2,866 million euro, down 23.6% on the same period of the previous year due to the drastic decline in deposit spreads and to the reduction of lending and deposit collection volumes. On a positive note, a stronger contribution was seen from differentials on hedging derivatives.
Interest on financial assets also fell (-8.2%) compared to the first half of 2012, particularly as a result of the decrease in interest from financial assets held for trading (-77 million euro). Conversely, the margin from non-performing assets increased by 20.4% (+93 million euro).
Net interest on the interbank market reported a negative balance of 135 million euro, up on the negative balance of 119 million euro for the first six months of the previous year. The higher costs are attributable to the shift in the composition of deposits and loans and to extended maturities on funding. The negative margin reflects the exposure to the ECB, reduced to 24 billion euro following the 12 billion euro repayment of the first tranche of the long-term refinancing operation (LTRO) made towards the end of the half year.

(millions of euro)

	2013		Changes	
	Second quarter	First quarter	amount	%
Relations with customers	2,369	2,395	-26	-1.1
Securities issued	-1,338	-1,366	-28	-2.0
Differentials on hedging derivatives	395	411	-16	-3.9
Customer dealing	**1,426**	**1,440**	**-14**	**-1.0**
Financial assets held for trading	85	93	-8	-8.6
Investments held to maturity	20	20	-	-
Financial assets available for sale	294	295	-1	-0.3
Financial assets	**399**	**408**	**-9**	**-2.2**
Relations with banks	**-61**	**-74**	**-13**	**-17.6**
Non-performing assets	**289**	**260**	**29**	**11.2**
Other net interest income	**-12**	**-12**	**-**	**-**
Net interest income	**2,041**	**2,022**	**19**	**0.9**

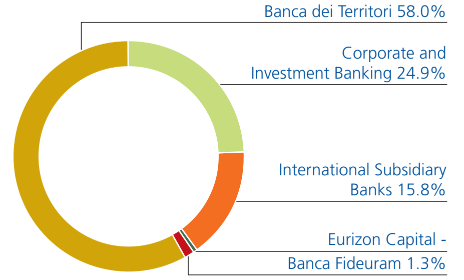
Figures restated, where necessary, considering the changes in the scope of consolidation.

The interest margin for the second quarter recorded a slight increase (+0.9%) on the first quarter of the year, attributable to the reduced negative interbank balance. With regard to customer relations, the decrease is due to the decline in loans for the period.

(millions of euro)

	30.06.2013	30.06.2012	Changes	
			amount	%
Banca dei Territori	2,831	2,962	-131	-4.4
Corporate and Investment Banking	1,215	1,168	47	4.0
International Subsidiary Banks	773	816	-43	-5.3
Eurizon Capital	1	1	-	-
Banca Fideuram	63	79	-16	-20.3
Total business areas	**4,883**	**5,026**	**-143**	**-2.8**
Corporate Centre	-820	-94	726	
Intesa Sanpaolo Group	**4,063**	**4,932**	**-869**	**-17.6**

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



With regard to business areas, all Business Units, except Corporate and Investment Banking, experienced a declining trend in the interest margin. In detail, Banca dei Territori, which accounts for 58% of business area results, recorded a 4.4% decline in net interest income, mainly due to the lower margins on deposits compared to greater contribution from loans to customers. Corporate and Investment Banking recorded a 4% increase attributable to the positive development in the mark-up, the expansion of average direct deposits volumes and the higher net investment result recorded in the capital markets segment of Banca IMI. Net interest income of the International Subsidiary Banks declined (-5.3%), mainly due to erosion of the margins on deposits. Banca Fideuram also recorded a decrease (-20.3%) as a result of the downtrend in interest rates and the lesser flexibility of the cost of funding.

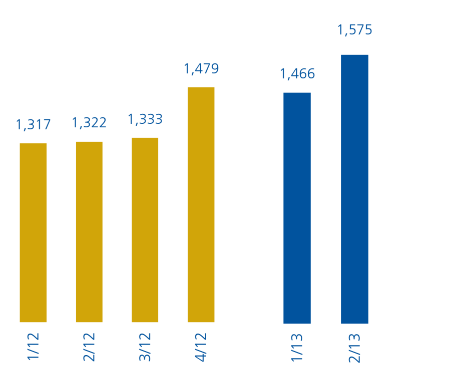
Dividends and profits on investments carried at equity

In the first half of 2013, share dividends and profits on investments carried at equity – based on the latest figures made public – recorded a loss of 41 million euro, attributable to the negative result of certain associates consolidated using the equity method and mostly operating in the transport, real estate and hotels segment. The item showed a decrease compared to the 55 million euro in profits reported in the same period of the previous year. Note that this caption refers only to dividends of companies not consolidated line-by-line. Dividends on shares held for trading and securities available for sale, on the other hand, are reclassified to Profits (Losses) on trading.

Net fee and commission income

(millions of euro)

	30.06.2013	30.06.2012	Changes	
			amount	%
Guarantees given / received	149	158	-9	-5.7
Collection and payment services	154	166	-12	-7.2
Current accounts	566	466	100	21.5
Credit and debit cards	233	221	12	5.4
Commercial banking activities	**1,102**	**1,011**	**91**	**9.0**
Dealing and placement of securities	256	227	29	12.8
Currency dealing	21	25	-4	-16.0
Portfolio management	692	549	143	26.0
Distribution of insurance products	395	298	97	32.6
Other	80	56	24	42.9
Management, dealing and consultancy activities	**1,444**	**1,155**	**289**	**25.0**
Other net fee and commission income	**495**	**473**	**22**	**4.7**
Net fee and commission income	**3,041**	**2,639**	**402**	**15.2**



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

Net fee and commission income for the half year, which makes up over one-third of operating income, came to 3,041 million euro, up 15.2% compared to the same period in 2012.

Fees and commissions on commercial banking activities increased by 9%. The positive performance of fees and commissions on current accounts (+21.5%) was driven by fees and commissions on account credit facilities, which from the second quarter of 2012 have gradually extended to the self-liquidating forms of commercial credit lines granted through special contractual arrangements with customers. Fee and commission income on debit and credit cards (+5.4%) also increased, whilst a decrease was seen in the fee and commission income on collection and payment services (-7.2%) and on guarantees given (-5.7%).

Overall, a strong contribution from management, dealing and consultancy activities generated net fee and commission income of 1,444 million euro, up 289 million euro (+25%) compared to the first half of 2012. Contributing to this trend were asset management (+143 million euro), particularly on collective and individual portfolio management, the distribution of insurance products (+97 million euro), securities dealing and placement (+29 million euro) and other management and dealing commissions (+24 million euro), which more than offset the decline in fee and commission income on currency dealing.

Other net fee and commission income recorded an increase of 22 million euro compared to the figures for the first six months of the previous year, amounting to 495 million euro. The increase is attributable to the main component, represented by other commissions on loans issued to businesses.

(millions of euro)

	2013		Changes	
	Second quarter	First quarter	amount	%
Guarantees given / received	61	88	-27	-30.7
Collection and payment services	84	70	14	20.0
Current accounts	286	280	6	2.1
Credit and debit cards	122	111	11	9.9
Commercial banking activities	**553**	**549**	**4**	**0.7**
Dealing and placement of securities	119	137	-18	-13.1
Currency dealing	11	10	1	10.0
Portfolio management	391	301	90	29.9
Distribution of insurance products	211	184	27	14.7
Other	44	36	8	22.2
Management, dealing and consultancy activities	**776**	**668**	**108**	**16.2**
Other net fee and commission income	**246**	**249**	**-3**	**-1.2**
Net fee and commission income	**1,575**	**1,466**	**109**	**7.4**

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

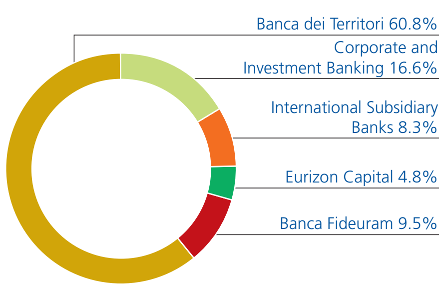
Compared to the first quarter of 2013, net fee and commission income for the second quarter of 2013 recorded an increase (+7.4%, equal to 109 million euro). The change is due to developments in fees and commissions on management, dealing and consultancy activities (+108 million euro), particularly those relating to portfolio management (+90 million euro) and the distribution of insurance products (+27 million euro), driven by significant placements. Fees and commissions on commercial banking activities remained essentially stable (+0.7%). Most of the higher revenues on collection and payment services, current accounts and credit and debit cards were offset by the decline in fees and commissions on guarantees given.

(millions of euro)

	30.06.2013	30.06.2012	Changes	
			amount	%
Banca dei Territori	1,944	1,607	337	21.0
Corporate and Investment Banking	530	497	33	6.6
International Subsidiary Banks	266	265	1	0.4
Eurizon Capital	154	122	32	26.2
Banca Fideuram	304	271	33	12.2
Total business areas	**3,198**	**2,762**	**436**	**15.8**
Corporate Centre	-157	-123	34	27.6
Intesa Sanpaolo Group	**3,041**	**2,639**	**402**	**15.2**

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

Business areas



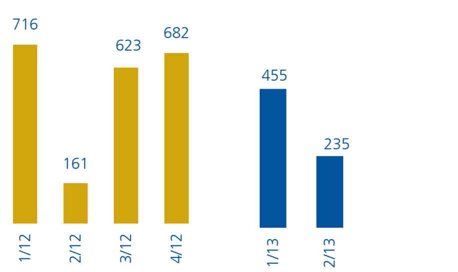
With regard to business areas, all Business Units recorded an increase in net fee and commission income. Banca dei Territori, which represents 61% of fee and commission income from the business units, recorded the most significant positive contribution (+21%). In particular, increases were seen in the net fee and commission income on asset management and bancassurance products, on current accounts (fee and commission income on credit facilities) and on placements. Though more limited in absolute terms, the following have recorded an increase: Eurizon Capital (+26.2%), which benefited mainly from the performance of average assets under management and from the improved product mix, which yielded significant inflows to higher-margin products; Banca Fideuram (+12.2%), mainly as a result of the increase in recurring fee and commission income from growth in the average assets under management and Corporate and Investment Banking (+6.6%), and to the good performance of all segments, particularly investment banking and commercial banking. Net fee and commission income of the International Subsidiary Banks were essentially stable (+0.4%).

Profits (Losses) on trading

(millions of euro)

	30.06.2013	30.06.2012	Changes	
			amount	%
Interest rates	167	349	-182	-52.1
Equity instruments	149	44	105	
Currencies	52	83	-31	-37.3
Structured credit products	67	25	42	
Credit derivatives	-16	-64	-48	**-75.0**
Commodity derivatives	10	12	-2	-16.7
Trading result	**429**	**449**	**-20**	**-4.5**
Trading on AFS securities and financial liabilities	**261**	**428**	**-167**	**-39.0**
Profits (Losses) on trading	**690**	**877**	**-187**	**-21.3**

Quarterly development Profits (losses) on trading



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

Trading activities yielded a profit of 690 million euro in the first half of 2013, compared to the 877 million euro recorded in the same period of the previous year which, as already mentioned, had benefited from extraordinary amounts associated with the buyback of own securities (274 million euro). Excluding the profit from this transaction, the trading result would show appreciable increase compared to the first half of 2012.
The negative trend is attributable to the drop in trading on AFS securities and financial liabilities (-167 million euro), which last year had included the previously mentioned capital gain, and the trading result (-20 million euro). The trading result was affected by the decline in interest rate transactions (-182 million euro) and credit derivative transactions (48 million euro), which should be considered jointly, as they mainly involve transactions undertaken to hedge credit risk on investments in debt securities. Currencies also recorded a decrease (-31 million euro), whilst a positive contribution was made, albeit not sufficient to offset the decline in other items, by equity instruments (+105 million euro) and structured credit products (+42 million euro).
It should be noted that the subcaption "Trading on AFS securities and financial liabilities" incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option.

(millions of euro)

	2013		Changes	
	Second quarter	First quarter	amount	%
Interest rates	92	75	17	22.7
Equity instruments	41	108	-67	-62.0
Currencies	39	13	26	
Structured credit products	37	30	7	23.3
Credit derivatives	-12	-4	8	
Commodity derivatives	6	4	2	50.0
Trading result	**203**	**226**	**-23**	**-10.2**
Trading on AFS securities and financial liabilities	**32**	**229**	**-197**	**-86.0**
Profits (Losses) on trading	**235**	**455**	**-220**	**-48.4**

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

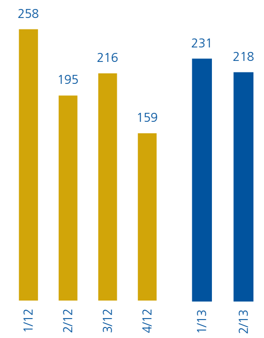
The quarterly analysis shows a trading result in the second quarter of 2013 48.4% lower than in the first quarter, affected by the prevailing uncertainty on financial markets, especially in June when an expansion in risk premiums was recorded, particularly penalising the lower-rated securities. Most affected were the AFS securities and financial liabilities, which recorded a drop of 197 million euro.

Income from insurance business

(millions of euro)

Captions (a)	**30.06.2013**			**30.06.2012**			**Changes**	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**26**	**21**	**47**	**18**	**10**	**28**	**19**	**67.9**
Net insurance premiums (b)	4,745	104	4,849	2,778	78	2,856	1,993	69.8
Net charges for insurance claims and surrenders (c)	-3,361	-45	-3,406	-3,472	-35	-3,507	-101	-2.9
Net charges for changes in technical reserves (d)	-2,032	-	-2,032	-284	-	-284	1,748	
Gains (losses) on investments pertaining to insured parties on insurance products (e)	819	-	819	1,065	-	1,065	-246	-23.1
Net fees on investment contracts (f)	67	-	67	66	-	66	1	1.5
Commission expenses on insurance contracts (g)	-195	-31	-226	-137	-33	-170	56	32.9
Other technical income and expense (h)	-17	-7	-24	2	-	2	-26	
Net investment result	**393**	**9**	**402**	**417**	**8**	**425**	**-23**	**-5.4**
Operating income from investments	1,375	9	1,384	2,365	8	2,373	-989	-41.7
Net interest income	*1,114*	*8*	*1,122*	*1,130*	*7*	*1,137*	*-15*	*-1.3*
Dividends	*56*	*1*	*57*	*51*	*-*	*51*	*6*	*11.8*
Gains/losses on disposal	*852*	*-*	*852*	*358*	*1*	*359*	*493*	
Valuation gains/losses	*-612*	*-*	*-612*	*1,109*	*-*	*1,109*	*-1,721*	
Portfolio management fees paid (i)	*-79*	*-*	*-79*	*-84*	*-*	*-84*	*-5*	*-6.0*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*44*	*-*	*44*	*-199*	*-*	*-199*	*243*	
Gains (losses) on investments pertaining to insured parties	-982	-	-982	-1,948	-	-1,948	-966	-49.6
Insurance products (k)	*-757*	*-*	*-757*	*-935*	*-*	*-935*	*-178*	*-19.0*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-62*	*-*	*-62*	*-130*	*-*	*-130*	*-68*	*-52.3*
Investment products (m)	*-163*	*-*	*-163*	*-883*	*-*	*-883*	*-720*	*-81.5*
Income from insurance business	**419**	**30**	**449**	**435**	**18**	**453**	**-4**	**-0.9**

Quarterly development
Income from insurance business



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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the first half of 2013, income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, was 449 million euro, down slightly (-0.9%) on the same period of the previous year. The downward trend in this sector is essentially attributable to the valuation component of the portfolios due to the declining performance of the financial markets in June following the essential stability seen in the first few months of the year. This phenomenon has downsized the operating income from investments with a negative impact on the net investment result for the half year, despite the higher realised gains originating from a more intense trading activity by the insurance companies. Conversely, the technical margin rose to 47 million euro from the 28 million euro recorded in the first half of 2012, due to the contribution from both segments, life and non-life, which benefited from the combined effect of an expansion in net premiums, a decrease in charges for insurance claims and surrenders and the lower income from investments pertaining to insured parties on the one hand, and to the increase in charges for the change in technical insurance reserves and commission expenses on the other. The decline in the result pertaining to insured parties, which follows the shadow accounting principle, is mainly a consequence of the drop in profit from investment products.
Income from non-life business – the extent of which is still marginal in the Group's insurance business – increased by 12 million euro, mainly due to the increase in net insurance premiums which more than absorbed the increase in charges for insurance claims and surrenders. The increased profit is associated with the good performance of the products marketed, particularly "Viaggia con Me", the post-2010 CPIs (Creditor Protection Insurance) and "Casa".

(millions of euro)

Captions (a)	**2013** Second quarter	**2013** First quarter	**Changes** amount	**Changes** %
Technical margin	**14**	**33**	**-19**	**-57.6**
Net insurance premiums (b)	2,409	2,440	-31	-1.3
Net charges for insurance claims and surrenders (c)	-1,799	-1,607	192	11.9
Net charges for changes in technical reserves (d)	-828	-1,204	-376	-31.2
Gains (losses) on investments pertaining to insured parties on insurance products (e)	314	505	-191	-37.8
Net fees on investment contracts (f)	33	34	-1	-2.9
Commission expenses on insurance contracts (g)	-117	-109	8	7.3
Other technical income and expense (h)	2	-26	28	
Net investment result	**204**	**198**	**6**	**3.0**
Operating income from investments	183	1,201	-1,018	-84.8
Net interest income	*570*	*552*	18	3.3
Dividends	*42*	*15*	27	
Gains/losses on disposal	*356*	*496*	-140	*-28.2*
Valuation gains/losses	*-766*	*154*	-920	
Portfolio management fees paid (i)	*-37*	*-42*	-5	*-11.9*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*18*	*26*	-8	*-30.8*
Gains (losses) on investments pertaining to insured parties	21	-1,003	1,024	
Insurance products (k)	*-308*	*-449*	-141	*-31.4*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-6*	*-56*	-50	*-89.3*
Investment products (m)	*335*	*-498*	833	
Income from insurance business	**218**	**231**	**-13.0**	**-5.6**

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

For notes, see the previous table

Income from insurance business in the second quarter of 2013, including the life and non-life segments, recorded a decrease of 13 million euro compared to the first quarter of the year as a result of the drop in the technical margin attributed to fewer premiums and higher charges for claims and surrenders.

(millions of euro)

	30.06.2013 Periodic premiums	**30.06.2013** Single premiums	**30.06.2013** Total	**30.06.2013** *of which new business*	**30.06.2012**
Life insurance business	**131**	**4,615**	**4,746**	*4,615*	**2,778**
Premiums issued on traditional products	109	4,533	4,642	*4,533*	2,644
Premiums issued on unit-linked products	9	19	28	*19*	30
Premiums issued on capitalisation products	-	-	-	-	-
Premiums issued on pension funds	13	63	76	*63*	104
Non-life insurance business	**27**	**80**	**107**	*37*	**81**
Premiums issued	25	108	133	*94*	113
Change in premium reserves	2	-28	-26	*-57*	-32
Premiums ceded to reinsurers	**-2**	**-2**	**-4**	*-1*	**-3**
Net premiums from insurance products	**156**	**4,693**	**4,849**	***4,651***	**2,856**
Business on index-linked contracts	-	-	**-**	-	-
Business on unit-linked contracts	80	4,894	4,974	*4,899*	3,600
Total business from investment contracts	**80**	**4,894**	**4,974**	***4,899***	**3,600**
Total business	**236**	**9,587**	**9,823**	***9,550***	**6,456**

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

Business in the insurance segment reached a total of 9,823 million euro in premiums, compared to total inflows of 6,456 million euro in the first half of the previous year. The increase is largely due to premiums issued against traditional life policies and to new unit-linked contract business.
New business totalled 9,550 million euro with a balance between traditional and unit-linked products.

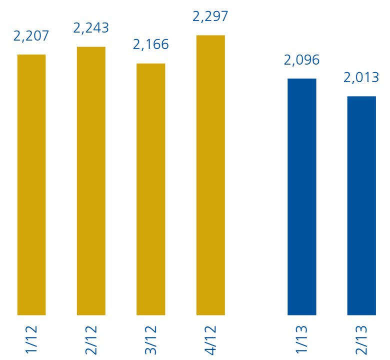
Other operating income (expenses)
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In the first half of 2013 this caption showed a gain of 3 million euro, compared to the 12 million euro loss recorded in the corresponding period in 2012. This figure includes charges associated with contributions from the "Deposit Protection Funds" of the International Subsidiary Banks.

Operating costs

(millions of euro)

	30.06.2013	30.06.2012	Changes	
			amount	%
Wages and salaries	1,714	1,897	-183	-9.6
Social security charges	440	489	-49	-10.0
Other	268	323	-55	-17.0
Personnel expenses	**2,422**	**2,709**	**-287**	**-10.6**
Information technology expenses	321	331	-10	-3.0
Management of real estate assets expenses	347	370	-23	-6.2
General structure costs	207	221	-14	-6.3
Professional and legal expenses	157	155	2	1.3
Advertising and promotional expenses	52	61	-9	-14.8
Indirect personnel costs	44	68	-24	-35.3
Other costs	152	171	-19	-11.1
Indirect taxes and duties	424	356	68	19.1
Recovery of expenses and charges	-353	-304	49	16.1
Administrative expenses	**1,351**	**1,429**	**-78**	**-5.5**
Property and equipment	184	182	2	1.1
Intangible assets	152	130	22	16.9
Adjustments	**336**	**312**	**24**	**7.7**
Operating costs	**4,109**	**4,450**	**-341**	**-7.7**

Quarterly development Operating costs



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

Operating costs recorded a particularly virtuous trend in the first half of 2013, reaching 4,109 million euro, down 7.7% on the figure recorded in the first six months of the previous year.
Personnel expenses, amounting to 2,422 million euro, recorded a decrease of over 10% compared to the same period in 2012. This decrease is due to the persistently difficult economic scenario and the resulting overall cost containment policy adopted by the Group as regards personnel expense and, in addition, is attributable to the positive effects – better than forecast – of the recent trade union agreements, which envisage new measures targeting labour cost containment. In particular, actions taken to reduce the number of employees, including exit incentives for personnel close to pension age, have produced their results earlier than originally estimated.
Administrative expenses amounted to 1,351 million euro, down 5.5%: contributing to this performance were indirect personnel costs (-24 million euro), management of real estate assets expenses (-23 million euro), general structure costs (-14 million euro) and other costs (-19 million euro), particularly those relating to services provided by third parties and those for contributions to trade union and industrial associations.
Amortisation and depreciation totalled 336 million euro, up 7.7% on the first six months of the previous year. The increase focused on investments in the technologies and infrastructures considered most important for innovation.

As a result of the combined performance of revenues and costs, the cost/income ratio for the period was 50.1%, up only slightly on the 49.8% recorded in the first half of 2012 due to the uneven drop in revenues compared to costs, but down compared to the 50.9% recorded in the first quarter.

(millions of euro)

	2013 Second quarter	2013 First quarter	Changes amount	Changes %
Wages and salaries	817	897	-80	-8.9
Social security charges	209	231	-22	-9.5
Other	130	138	-8	-5.8
Personnel expenses	**1,156**	**1,266**	**-110**	**-8.7**
Information technology expenses	162	159	3	1.9
Management of real estate assets expenses	167	180	-13	-7.2
General structure costs	103	104	-1	-1.0
Professional and legal expenses	85	72	13	18.1
Advertising and promotional expenses	28	24	4	16.7
Indirect personnel costs	24	20	4	20.0
Other costs	76	76	-	-
Indirect taxes and duties	231	193	38	19.7
Recovery of expenses and charges	-188	-165	23	13.9
Administrative expenses	**688**	**663**	**25**	**3.8**
Property and equipment	92	92	-	-
Intangible assets	77	75	2	2.7
Adjustments	**169**	**167**	**2**	**1.2**
Operating costs	**2,013**	**2,096**	**-83**	**-4.0**

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

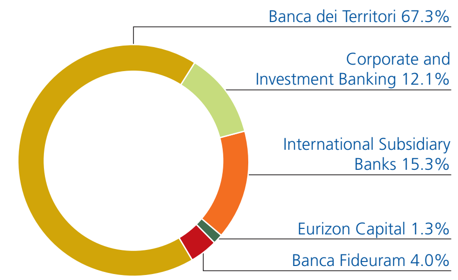
At the quarterly level, operating costs decreased by 4% in the second quarter compared to the previous quarter, reaching 2,013 million euro. This performance is attributable to the decrease in personnel expenses (-8.7%).

(millions of euro)

	30.06.2013	30.06.2012	Changes amount	Changes %
Banca dei Territori	2,571	2,805	-234	-8.3
Corporate and Investment Banking	462	498	-36	-7.2
International Subsidiary Banks	584	575	9	1.6
Eurizon Capital	51	59	-8	-13.6
Banca Fideuram	153	171	-18	-10.5
Total business areas	**3,821**	**4,108**	**-287**	**-7.0**
Corporate Centre	288	342	-54	-15.8
Intesa Sanpaolo Group	**4,109**	**4,450**	**-341**	**-7.7**

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

Business areas



The Business Units contributing to the decline in Group operating costs (-7.7%) were: Banca dei Territori (-8.3%), which accounts for approximately 67% of business area costs, Corporate and Investment Banking (-7.2%), Eurizon Capital (-13.6%) and Banca Fideuram (-10.5%). Savings in these business areas were related to both personnel expenses and other administrative expenses. The International Subsidiary Banks' operating costs, on the other hand, increased slightly compared to the first half of 2012 (+1.6%) due to higher administrative expenses. Corporate Centre costs recorded a decrease (-15.8%).

Operating margin

The operating margin in the first half of 2013 was 4,096 million euro, down 8.9% on the same period of the previous year. This trend was generated by the decrease in revenues (-8.3%), not sufficiently offset by the reduction in operating costs (-7.7%). Comparing the second quarter and first quarter figures, the operating margin instead recorded a 2.5% growth.

Adjustments to/write-backs on assets

Net provisions for risks and charges

In the first half of 2013 net provisions for risks and charges stood at 64 million euro, most of which attributable to provisions for legal disputes. This figure compares with 71 million euro recorded in the same period of 2012.

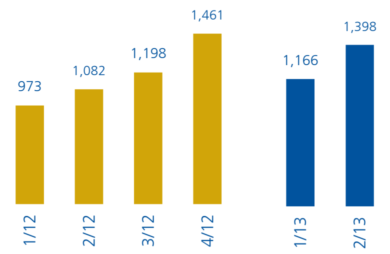
Net adjustments to loans

(millions of euro)

	30.06.2013	30.06.2012	Changes	
			amount	%
Doubtful loans	-1,287	-973	314	32.3
Substandard loans	-1,075	-754	321	42.6
Restructured loans	-17	-63	-46	-73.0
Past due loans	-225	-216	9	4.2
Performing loans	26	-1	27	
Net losses/recoveries on impairment of loans	**-2,578**	**-2,007**	**571**	**28.5**
Net adjustments to/recoveries on guarantees and commitments	**14**	**-48**	**62**	
Net adjustments to loans	**-2,564**	**-2,055**	**509**	**24.8**

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

Quarterly development
Net adjustments to loans



The continued decline in the general economic situation is resulting in a gradual deterioration in loan portfolio quality, with a consequent increase in net adjustments to loans. This trend continued in the first half of 2013, with net adjustments to loans of 2,564 million euro, up on the same period in 2012 (+24.8%). Action taken on the value of loans has allowed adequate coverage both of non-performing and performing loans.

Doubtful positions required total net adjustments of 1,287 million euro, a 32.3% increase compared to the first six months of 2012, with an average coverage ratio of more than 61%. Net impairment losses on substandard loans, totalling 1,075 million euro, increased by 42.6% compared to the first half of the previous year, with a coverage ratio of 23.3%. Net impairment losses on past due loans also increased by 9 million euro compared to the same period of the previous year (+4.2%), whilst net impairment losses on restructured loans, of a limited value overall, decreased.

Lastly, within performing loans, the generic reserve offered a stable coverage ratio for the physiological risk inherent in the portfolio of approximately 0.8%.

(millions of euro)

	2013		Changes	
	Second quarter	First quarter	amount	%
Doubtful loans	-785	-502	283	56.4
Substandard loans	-563	-512	51	10.0
Restructured loans	-13	-4	9	
Past due loans	-93	-132	-39	-29.5
Performing loans	55	-29	84	
Net losses/recoveries on impairment of loans	**-1,399**	**-1,179**	**220**	**18.7**
Net adjustments to/recoveries on guarantees and commitments	**1**	**13**	**-12**	**-92.3**
Net adjustments to loans	**-1,398**	**-1,166**	**232**	**19.9**

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

At the quarterly level, the 1,398 million euro adjustments in the second quarter are compared with the 1,166 million euro of the first quarter, up 19.9% due to the increase in impairment adjustments to doubtful, substandard and restructured loans, only partly offset by a decrease in the impairment adjustments to past due loans.

Net impairment losses on other assets

Impairment losses on assets other than loans came to 215 million euro in the first six months of 2013, mainly attributable to impairment on Parent Company investments (-125 million euro) and on overseas property owned by an international subsidiary following the recovery of outstanding receivables (-49 million euro) and, to a lesser extent, to impairment losses on securities held by the insurance companies. This figure compares to the 98 million euro recorded in the same period of the previous year.

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

Investments held to maturity and other investments generated a profit of 2 million euro. This figure compares to the 8 million euro loss reported in the same period of 2012.

Income before tax from continuing operations

Income before tax from continuing operations came to 1,255 million euro, down 44.5% compared to the first six months of 2012. The result for the second quarter of 2013, amounting to 487 million euro, compares to the 768 million euro recorded in the first three months of the year.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred taxes came to 638 million euro, lower than the 778 million euro for the same period in 2012 due to reduction of the taxable base. The tax rate was 50.8%, much higher than that of the first half of 2012, also in relation to the higher incidence of costs not deductible for IRAP purposes.

Charges (net of tax) for integration and exit incentives

This caption amounted to 33 million euro, compared to 24 million euro reported for the first six months of the previous year, the trend being essentially attributable to new agreements on exit incentives.

Effect of purchase price allocation (net of tax)

This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. These charges came to 147 million euro in the first half of 2013, essentially in line with the amount recorded for the same period in 2012.

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

No income or loss on discontinued operations was recorded either for the first half of 2013 or for 2012.

Net income (loss)

The Group closed the first half of 2013 with a net income of 422 million euro, recording a decrease on that reported in the same period of 2012, particularly conditioned by the strong decrease in the interest margin and equally strong increase in the cost of credit.
Better than any others, the trend in these two captions mirrors the effects of the negative economic scenario on accounts, not only of the Group but of the Italian banking system as a whole.
The figure for the second quarter, 116 million euro, was lower than the 306 million euro recorded in the first quarter, largely due to the higher adjustments to loans and impairment of financial instruments, as well as to the decrease in trading activities and the greater impact of tax charges.

Balance sheet aggregates

General aspects

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

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

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

Note that the balance sheet figures as at 31 December 2012 were adjusted solely to take into account the effects of changes to IAS 19 described in the related chapter on accounting policies.

Aggregations of captions referred to:

– the inclusion of Cash and cash equivalents in the residual caption Other assets;
– the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
– the inclusion of technical insurance reserves reassured with third parties in Other assets;
– the aggregation in 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, to provide a more effective presentation of the composition of aggregates, in the detailed tables and/or in the relative comments, derivatives recorded in Financial assets/liabilities held for trading and Due from/Due to banks are presented on a net basis.

Reclassified balance sheet

(millions of euro)

Assets	30.06.2013	31.12.2012	Changes amount	Changes %
Financial assets held for trading	55,905	63,546	-7,641	-12.0
of which: Insurance Companies	*1,006*	*1,125*	*-119*	*-10.6*
Financial assets designated at fair value through profit and loss	37,042	36,887	155	0.4
of which: Insurance Companies	*35,947*	*35,748*	*199*	*0.6*
Financial assets available for sale	103,944	97,209	6,735	6.9
of which: Insurance Companies	*45,097*	*43,527*	*1,570*	*3.6*
Investments held to maturity	2,140	2,148	-8	-0.4
Due from banks	31,570	36,533	-4,963	-13.6
Loans to customers	358,404	376,625	-18,221	-4.8
Investments in associates and companies subject to joint control	2,710	2,706	4	0.1
Property, equipment and intangible assets	19,914	20,249	-335	-1.7
Tax assets	13,508	12,673	835	6.6
Non-current assets held for sale and discontinued operations	26	25	1	4.0
Other assets	22,622	24,981	-2,359	-9.4
Total Assets	**647,785**	**673,582**	**-25,797**	**-3.8**

Liabilities and Shareholders' Equity	30.06.2013	31.12.2012	Changes amount	Changes %
Due to banks	67,522	73,352	-5,830	-7.9
Due to customers and securities issued	368,419	377,358	-8,939	-2.4
of which: Insurance Companies	*81*	*68*	*13*	*19.1*
Financial liabilities held for trading	44,353	52,195	-7,842	-15.0
of which: Insurance Companies	*85*	*79*	*6*	*7.6*
Financial liabilities designated at fair value through profit and loss	29,257	27,047	2,210	8.2
of which: Insurance Companies	*29,246*	*27,038*	*2,208*	*8.2*
Tax liabilities	2,983	3,494	-511	-14.6
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	24,564	30,617	-6,053	-19.8
Technical reserves	56,633	54,660	1,973	3.6
Allowances for specific purpose	4,404	4,953	-549	-11.1
Share capital	8,546	8,546	-	-
Reserves	41,563	40,861	702	1.7
Valuation reserves	-1,443	-1,692	-249	-14.7
Minority interests	562	586	-24	-4.1
Net income (loss)	422	1,605	-1,183	-73.7
Total Liabilities and Shareholders' Equity	**647,785**	**673,582**	**-25,797**	**-3.8**

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

In the first half of 2013, Intesa Sanpaolo's consolidated assets recorded a decrease compared to 31 December 2012 (-3.8%). With regard to assets, there was a decrease in loans both to customers (-18.2 billion euro) – due to the recession that has weakened lending, especially to non-financial companies – and to banking counterparties (-5 billion euro), and a decrease in financial assets held for trading (-7.6 billion euro), only partly offset by the increase in financial assets available for sale (+6.7 billion euro). Among liabilities, there was a decline in amounts due to customers and in securities issued (-8.9 billion euro) and amounts due to banks (-5.8 billion euro), financial liabilities held for trading (-7.8 billion euro) and other liabilities (-6.1 billion euro), only partly offset by the increases in financial liabilities designated at fair value through profit or loss (+2.2 billion euro) and technical reserves (+2 billion euro), both attributable to the Group's insurance companies.

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2013		2012			
	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	55,905	61,556	63,546	70,034	66,080	60,328
of which: Insurance Companies	*1,006*	*953*	*1,125*	*1,102*	*1,257*	*1,331*
Financial assets designated at fair value through profit and loss	37,042	36,747	36,887	36,546	37,842	35,971
of which: Insurance Companies	*35,947*	*35,722*	*35,748*	*35,486*	*36,763*	*35,015*
Financial assets available for sale	103,944	97,030	97,209	88,317	88,408	85,224
of which: Insurance Companies	*45,097*	*42,454*	*43,527*	*41,709*	*41,082*	*40,623*
Investments held to maturity	2,140	2,150	2,148	2,224	2,222	2,266
Due from banks	31,570	38,569	36,533	36,580	35,826	32,431
Loans to customers	358,404	371,561	376,625	375,037	375,183	378,280
Investments in associates and companies subject to joint control	2,710	2,716	2,706	2,794	2,795	2,672
Property, equipment and intangible assets	19,914	20,052	20,249	20,257	20,360	20,484
Tax assets	13,508	12,661	12,673	12,873	13,382	12,406
Non-current assets held for sale and discontinued operations	26	25	25	28	27	26
Other assets	22,622	24,040	24,981	24,314	24,613	22,860
Total Assets	**647,785**	**667,107**	**673,582**	**669,004**	**666,738**	**652,948**

Liabilities and Shareholders' Equity	2013		2012			
	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	67,522	72,775	73,352	74,787	83,831	75,958
Due to customers and securities issued	368,419	375,956	377,358	373,471	365,667	368,685
of which: Insurance Companies	*81*	*132*	*68*	*106*	*117*	*343*
Financial liabilities held for trading	44,353	49,736	52,195	55,779	54,921	47,907
of which: Insurance Companies	*85*	*93*	*79*	*68*	*26*	*23*
Financial liabilities designated at fair value through profit and loss	29,257	28,130	27,047	26,278	24,854	24,496
of which: Insurance Companies	*29,246*	*28,120*	*27,038*	*25,938*	*24,417*	*23,637*
Tax liabilities	2,983	3,979	3,494	3,297	2,936	3,154
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Other liabilities	24,564	26,207	30,617	27,410	28,812	24,641
Technical reserves	56,633	55,552	54,660	53,468	52,310	53,023
Allowances for specific purpose	4,404	4,825	4,953	4,865	4,895	5,149
Share capital	8,546	8,546	8,546	8,546	8,546	8,546
Reserves	41,563	42,419	40,861	40,906	40,882	41,800
Valuation reserves	-1,443	-1,894	-1,692	-2,158	-2,862	-1,953
Minority interests	562	570	586	667	672	738
Net income (loss)	422	306	1,605	1,688	1,274	804
Total Liabilities and Shareholders' Equity	**647,785**	**667,107**	**673,582**	**669,004**	**666,738**	**652,948**

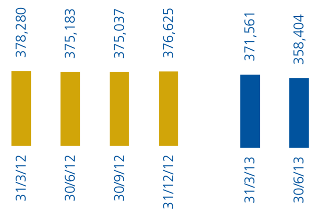
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Loans to customers

(millions of euro)

	30.06.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	31,387	8.8	34,199	9.1	-2,812	-8.2
Mortgages	153,093	42.7	157,381	41.7	-4,288	-2.7
Advances and other loans	117,184	32.7	124,948	33.2	-7,764	-6.2
Commercial banking loans	**301,664**	**84.2**	**316,528**	**84.0**	**-14,864**	**-4.7**
Repurchase agreements	**11,257**	**3.1**	**14,911**	**4.0**	**-3,654**	**-24.5**
Loans represented by securities	**15,826**	**4.4**	**16,714**	**4.4**	**-888**	**-5.3**
Non-performing loans	**29,657**	**8.3**	**28,472**	**7.6**	**1,185**	**4.2**
Loans to customers	**358,404**	**100.0**	**376,625**	**100.0**	**-18,221**	**-4.8**

Quarterly development Loans to customers



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

As at 30 June 2013, Intesa Sanpaolo Group loans to customers amounted to approximately 358 billion euro, down 4.8% compared to the end of the previous year.

The decrease in loans since the beginning of the year was due to the reduction in commercial banking loans, down 14.9 billion euro and in reverse repurchase agreements which fell by 3.7 billion euro. The overall change was also influenced by the 0.9 billion euro decrease in loans represented by securities (-5.3%) and, conversely, by the 1.2 billion euro increase in non-performing loans (+4.2%).

The performance of commercial banking loans, influenced by the negative economic cycle, resulted in reductions in the amounts of all technical forms: advances and loans declined 7.8 billion euro (-6.2%), mortgages fell 4.3 billion euro (-2.7%) and current accounts were down 2.8 billion euro (-8.2%). On the one hand, this trend reflects the drastic drop in demand for business loans and short-term loans caused by the reduced need to finance working capital, and in medium/long-term loans due to the decrease in investments made, and on the other hand by the strict criteria adopted for assessment of creditworthiness applied by managers in view of the decline in borrowers' capacity to meet their commitments.

In the domestic medium-/long-term loan market, in the first half of 2013 disbursements to households (including the small business and non-profit segments) totalled 5.3 billion euro and disbursements to businesses under the Banca dei Territori scope exceeded 3.3 billion euro. During the same period, medium-/long-term disbursements to Corporate Division customers in Italy amounted to 10.5 billion euro.

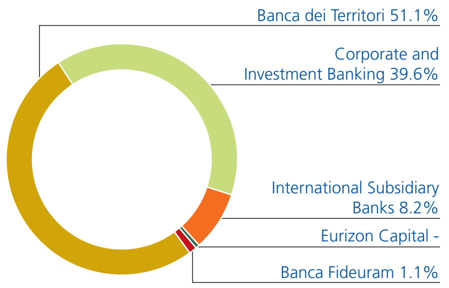
As at 30 June 2013, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 15.5% for total loans, down slightly compared to December 2012. The estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global system figure for the end of June is not yet available.

(millions of euro)

	30.06.2013	31.12.2012	Changes	
			amount	%
Banca dei Territori	177,510	182,077	-4,567	-2.5
Corporate and Investment Banking	137,683	143,134	-5,451	-3.8
International Subsidiary Banks	28,490	29,312	-822	-2.8
Eurizon Capital	122	226	-104	-46.0
Banca Fideuram	3,809	3,985	-176	-4.4
Total business areas	**347,614**	**358,734**	**-11,120**	**-3.1**
Corporate Centre	10,790	17,891	-7,101	-39.7
Intesa Sanpaolo Group	**358,404**	**376,625**	**-18,221**	**-4.8**

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

Business areas



In the analysis of loans by business area, Banca dei Territori, which accounts for half the aggregate of the Group's business areas, recorded a decrease in loans to customers of 2.5% compared to the end of the previous year, particularly to businesses and small businesses. Corporate and Investment Banking loans declined by 3.8%: the lesser use of cash by Corporate Italia and international customers, especially Global Industries customers, was only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI. The loans of the International Subsidiary Banks fell by 2.8% and those of Banca Fideuram, amounting to a modest total overall, were down by 4.4% due to fewer repurchase agreement transactions with institutional customers. The decline in Corporate Centre loans (-39.7%) is largely attributable to decreased reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	30.06.2013		31.12.2012		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	12,055	3.4	11,202	3.0	853
Substandard loans	13,114	3.6	11,495	3.0	1,619
Restructured loans	1,999	0.6	2,863	0.8	-864
Past due loans	2,489	0.7	2,912	0.8	-423
Non-performing loans	**29,657**	**8.3**	**28,472**	**7.6**	**1,185**
Performing loans	312,921	87.3	331,439	88.0	-18,518
Loans represented by performing securities	15,826	4.4	16,714	4.4	-888
Loans to customers	**358,404**	**100.0**	**376,625**	**100.0**	**-18,221**

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

As at 30 June 2013 the Group's non-performing loans, net of adjustments, increased by 4.2% compared to the end of the previous year. With non-performing loans accounting for 8.3% of total loans to customers, the Group maintained a rigorous provisioning policy suited to covering expected losses, also considering the guarantees securing the positions. Coverage of non-performing loans came to 44.2%, higher than the level at the end of 2012 (42.7%).
In further detail, net doubtful loans came to 12.1 billion euro, net of adjustments, at the end of the first half of 2013, up by 7.6% compared to the beginning of the year and represented 3.4% of total loans, with a coverage ratio of 61.1%. Substandard loans increased (+14.1%) compared to 31 December 2012, to reach 13.1 billion euro: their incidence on total loans to customers increased to 3.6%, with the coverage ratio also increasing to 23.3%. Restructured loans stood at 2 billion euro, recording a decrease of over 30%, with a resulting reduction in their impact on total loans (0.6%) and a coverage ratio lower than at the beginning of the year (12%). Past due loans totalled 2.5 billion euro, down 14.5% compared to the end of 2012.
The coverage ratio of performing loans remained stable at approximately 0.8%.

Customer financial assets

(millions of euro)

	30.06.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	372,252	47.3	380,353	47.8	-8,101	-2.1
Direct deposits from insurance business and technical reserves	85,960	10.9	81,766	10.3	4,194	5.1
Indirect customer deposits	414,254	52.6	413,796	52.1	458	0.1
Netting [(a)]	-85,417	-10.8	-81,279	-10.2	4,138	5.1
Customer financial assets	**787,049**	**100.0**	**794,636**	**100.0**	**-7,587**	**-1.0**

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

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

As at 30 June 2013 customer financial assets stood at 787 billion euro, down slightly compared to the beginning of the year (-1%). The decrease in direct deposits from banking business was only partly offset by the increase in direct deposits from insurance business. These rose by 4.2 billion euro (+5.1%) as a result both of insurance liabilities associated with unit-linked products and with life insurance business technical reserves linked to traditional policies. The decrease in direct deposits from banking business of 8.1 billion euro (-2.1%) is attributable to all technical forms, with the exception of current accounts and deposits which instead recorded a considerable growth. Indirect deposits, on the other hand, remained essentially stable (+0.1%) since the beginning of the year, with a marked shift from assets under administration towards assets under management.

Direct deposits from banking business

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

(millions of euro)

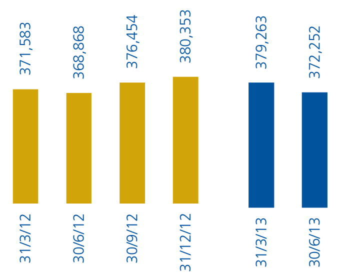
	30.06.2013	% breakdown	31.12.2012	% breakdown	Changes amount	Changes %
Current accounts and deposits	204,594	55.0	194,680	51.2	9,914	5.1
Repurchase agreements and securities lending	6,701	1.8	14,414	3.8	-7,713	-53.5
Bonds	128,886	34.6	136,407	35.9	-7,521	-5.5
of which designated at fair value (*)	*11*	*-*	*9*	*-*	*2*	*22.2*
Certificates of deposit	5,101	1.4	6,556	1.7	-1,455	-22.2
Subordinated liabilities	12,687	3.4	13,451	3.5	-764	-5.7
Other deposits	14,283	3.8	14,845	3.9	-562	-3.8
of which designated at fair value (**)	*3,903*	*1.0*	*3,054*	*0.8*	*849*	*27.8*
Direct deposits from banking business	**372,252**	**100.0**	**380,353**	**100.0**	**-8,101**	**-2.1**

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

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

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

Quarterly development
Direct deposits from banking business



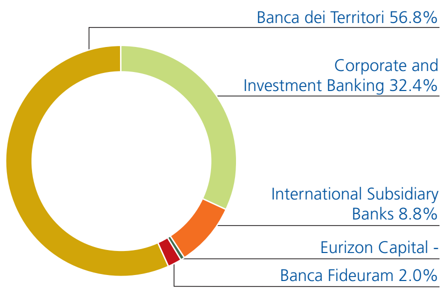
The total of direct deposits from banking business was down compared to the beginning of the year (-2.1%), with diverging performances by the main deposit types.
Current accounts and deposits increased by 9.9 billion euro (+5.1%), primarily owing to the significant placements of savings deposits, driven by customers' interest in the more remunerative time deposits. By contrast, repurchase agreements and securities lending, which are primarily financial in nature, showed a decline of 7.7 billion euro, more than halved as a result of a decrease in the Group's transactions with institutional counterparties. Bonds declined by 7.5 billion euro (-5.5%), showing a decrease in the renewal of maturing securities, also due to the shift in the composition of funding towards more flexible forms such as the aforementioned savings deposits. Certificates of deposit showed a consistent decrease (-22.2%), attributable to lower issues by the international branches, and subordinated liabilities fell by 5.7%. Other deposits declined by 0.6 billion euro (-3.8%), mainly associated with sums available to customers and with commercial papers, only partly offset by the increase of 0.8 billion euro in capital protected certificates issued by Banca IMI and designated at fair value.
At the end of the first half of 2013, the share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, was 16.8%, in line with the figure at the end of December 2012. As already described above in reference to loans, this estimate is based on figures from the sample deriving from the ten-day report produced by the Bank of Italy.

(millions of euro)

	30.06.2013	31.12.2012	Changes amount	Changes %
Banca dei Territori	198,981	201,540	-2,559	-1.3
Corporate and Investment Banking	113,594	109,700	3,894	3.5
International Subsidiary Banks	30,780	31,163	-383	-1.2
Eurizon Capital	7	7	-	-
Banca Fideuram	7,119	6,672	447	6.7
Total business areas	**350,481**	**349,082**	**1,399**	**0.4**
Corporate Centre	21,771	31,271	-9,500	-30.4
Intesa Sanpaolo Group	**372,252**	**380,353**	**-8,101**	**-2.1**

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

Business areas



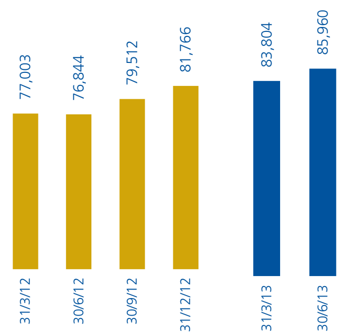
The breakdown by Group business areas shows that Banca dei Territori, which accounts for over half of the aggregate attributable to the Group's total business areas, has declined compared to the beginning of the year: the decrease in securities issued was only partly offset by the increase in amounts due to customers. Corporate and Investment Banking reported an increase of 3.9 billion euro (+3.5%), largely attributable to the amounts due to customers component, owing to the increase in deposits by leading financial institutions and large Italian and international corporate groups. By contrast, the International Subsidiary Banks recorded a slight decrease in funding (-1.2%), attributable to amounts due to customers. The decline reported by the Corporate Centre (-30.4%) was mainly due to the decrease in repurchase agreement transactions with institutional counterparties.

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.06.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**29,246**	**34.0**	**27,038**	**33.1**	**2,208**	**8.2**
Index-linked products	*1,108*	*1.3*	*1,700*	*2.1*	*-592*	*-34.8*
Unit-linked products	*28,138*	*32.7*	*25,338*	*31.0*	*2,800*	*11.1*
Technical reserves	**56,633**	**65.9**	**54,660**	**66.8**	**1,973**	**3.6**
Life business	56,171	65.4	54,241	66.3	1,930	3.6
Mathematical reserves	*50,353*	*58.7*	*47,525*	*58.1*	*2,828*	*6.0*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*5,368*	*6.2*	*6,226*	*7.6*	*-858*	*-13.8*
Other reserves	*450*	*0.5*	*490*	*0.6*	*-40*	*-8.2*
Non-life business	*462*	0.5	*419*	0.4	43	10.3
Other insurance deposits (***)	**81**	**0.1**	**68**	**0.1**	**13**	**19.1**
Direct deposits from insurance business and technical reserves	**85,960**	**100.0**	**81,766**	**100.0**	**4,194**	**5.1**

Quarterly development
Direct insurance deposits and technical reservese



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

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

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

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

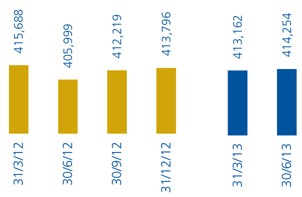
Direct deposits from insurance business came to nearly 86 billion euro at the end of June 2013, up by 5.1% from the beginning of the year. Insurance segment financial liabilities designated at fair value recorded growth of 2.2 billion euro (+8.2%), attributable to the contribution from unit-linked products, which more than offset the decline in index-linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies, recorded a net increase of 2 billion euro (+3.6%), almost entirely attributable to the life business: this performance is associated with the improvement in mathematical reserves, only partly offset by the decrease in technical reserves associated with unit-linked and index-linked policies with significant insurance risk and with pension funds, pursuant to IFRS 4.

Indirect customer deposits

(millions of euro)

	30.06.2013		31.12.2012		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	63,571	15.4	59,011	14.3	4,560	7.7
Open-ended pension funds and individual pension plans	3,371	0.8	3,040	0.7	331	10.9
Portfolio management	79,700	19.2	77,140	18.6	2,560	3.3
Life technical reserves and financial liabilities	86,128	20.8	82,122	19.8	4,006	4.9
Relations with institutional customers	10,317	2.5	10,178	2.5	139	1.4
Assets under management	**243,087**	**58.7**	**231,491**	**55.9**	**11,596**	**5.0**
Assets under administration and in custody	**171,167**	**41.3**	**182,305**	**44.1**	**-11,138**	**-6.1**
Indirect customer deposits	**414,254**	**100.0**	**413,796**	**100.0**	**458**	**0.1**

Quarterly development
Indirect deposits



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

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

As at 30 June 2013, indirect customer deposits exceeded 414 billion euro, up slightly (+0.1%) compared to the end of the previous year. Customers repositioned into forms of professional asset management, with a transfer from assets under administration to assets under management, a trend that was especially evident for retail customers. Assets under management, which account for more than one-half of the total aggregate, increased by 11.6 billion euro since the beginning of the year (+5%), owing to consistent net inflows for the half-year and, to a lesser extent, the revaluation of assets under management. All technical forms under management performed well, particularly mutual funds, which increased by 4.6 billion euro (+7.7%), confirming the uptrend seen since the first quarter of the year. The overall change was influenced by life insurance policies, which increased by 4 billion euro (+4.9%), and portfolio management, which rose by 2.6 billion euro (+3.3%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by collective and individual pension forms, which showed an increase of 331 million euro (+10.9%), and by relations with institutional customers which increased by 139 million euro (+1.4%). In the insurance business, the new life business by Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 9.5 billion euro in the first half of 2013.

Financial assets and liabilities

(millions of euro)

	30.06.2013		31.12.2012		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Financial assets held for trading	55,905	*1,006*	63,546	*1,125*	-7,641	-12.0
of which derivatives at fair value	*35,485*	*25*	*44,968*	*39*	*-9,483*	*-21.1*
Financial assets designated at fair value through profit and loss	37,042	*35,947*	36,887	*35,748*	155	0.4
Financial assets available for sale	103,944	*45,097*	97,209	*43,527*	6,735	6.9
Investments held to maturity	2,140	-	2,148	-	-8	-0.4
Total financial assets	**199,031**	***82,050***	**199,790**	***80,400***	**-759**	**-0.4**
Financial liabilities held for trading (*)	**-40,450**	***-85***	**-49,141**	***-79***	**-8,691**	**-17.7**
of which derivatives at fair value	*-36,321*	*-85*	*-46,097*	*-79*	*-9,776*	*-21.2*

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

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

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets decreased by 0.4% owing to the differentiated performance of the various components. Financial assets held for trading recorded a 7.6 billion euro decrease (-12%), entirely attributable to derivative contracts, a decline which, additionally, is correlated with the analogous decrease in the negative fair value of those derivative contracts under financial liabilities held for trading. The 6.7 billion euro increase in financial assets available for sale (+6.9%) is attributable to bonds and other debt securities, with increases reported by the Parent Company and by Intesa Sanpaolo Vita, offset by the decrease reported by Banca IMI. Financial assets designated at fair value recorded a limited increase (+0.4%) whilst those held to maturity have reported no significant changes.

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

(millions of euro)

	30.06.2013		31.12.2012		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	37,193	*18,435*	40,472	*23,603*	-3,279	-8.1
of which designated at fair value (fair value option)	*18,586*	*17,630*	*23,664*	*22,670*	*-5,078*	*-21.5*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	20,056	*18,280*	14,764	*13,011*	5,292	35.8
of which designated at fair value (fair value option)	*18,243*	*18,104*	*13,002*	*12,858*	*5,241*	*40.3*
Other assets designated at fair value through profit and loss	213	*213*	229	*220*	-16	-7.0
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**57,462**	***36,928***	**55,465**	***36,834***	**1,997**	**3.6**
Financial liabilities held for trading (*)	**-4,129**	-	**-3,044**	-	**1,085**	**35.6**
Net value of financial derivatives	-671	*-39*	-849	*-21*	-178	-21.0
Net value of credit derivatives	-165	*-21*	-280	*-19*	-115	-41.1
Net value of trading derivatives	**-836**	***-60***	**-1,129**	***-40***	**-293**	**-26.0**
Financial assets / liabilities, net	**52,497**	***36,868***	**51,292**	***36,794***	**1,205**	**2.3**

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

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

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss exceeded 52 billion euro, up 2.3% compared to the end of 2012. In detail, this performance was largely determined by an increase in the stock of equities and quotas of UCI which more than offset the decrease in bonds and other debt securities. Financial liabilities held for trading increased, whilst the net value of trading derivatives decreased.

Financial assets available for sale

(millions of euro)

	30.06.2013		31.12.2012		Changes	
		of which Insurance Companies		*of which Insurance Companies*	**amount**	**%**
Bonds and other debt securities	99,140	*43,142*	92,329	*41,743*	6,811	7.4
Equities and quotas of UCI	4,765	*1,955*	4,843	*1,784*	-78	-1.6
Securities available for sale	**103,905**	***45,097***	**97,172**	***43,527***	**6,733**	**6.9**
Loans available for sale	**39**	-	**37**	-	**2**	**5.4**
Financial assets available for sale	**103,944**	***45,097***	**97,209**	***43,527***	**6,735**	**6.9**

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

Financial assets available for sale amounted to nearly 104 billion euro, up by 6.9% compared to the figure recorded as at 31 December 2012.
This caption consists primarily of bonds and other debt securities not held for trading, with increases reported by the Parent Company and by Intesa Sanpaolo Vita, offset by Banca IMI's decrease and, to a marginal extent, by equities and quotas of UCI. Financial assets available for sale are measured at fair value with a balancing entry in the specific shareholders' equity reserve.

Financial instrument reclassification

The table below shows the stock of securities subject to reclassification, as permitted by the amendments to IAS 39 made in October 2008, included in the portfolio as at 30 June 2013, together with the effects on the income statement and shareholders' equity reserves of the transfer from designation at fair value to measurement at amortised cost or from designation at fair value through profit and loss to fair value through shareholders' equity.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.06.2013	Fair value at 30.06.2013	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	1,474	1,330	34	16	-7	28
Debt securities	Financial assets held for trading	Financial assets held to maturity	-	-	-	-	-	-
Debt securities	Financial assets held for trading	Financial assets available for sale	-	-	-	-	-	-
Shares and funds	Financial assets held for trading	Financial assets available for sale	35	35	-1	-	-1	-
Debt securities	Financial assets available for sale	Loans	5,695	4,192	269	74	-53	65
Loans	Financial assets available for sale	Loans	117	111	-30	2	-33	2
TOTAL			**7,321**	**5,668**	**272**	**92**	**-94**	**95**

Had the Group not reclassified the above financial assets, a total of 272 million euro in greater positive mark-to-market income components and 92 million euro in other positive components would have been recognised during the first half of the year. No portfolio transfers were made in the first half of 2013.

Net interbank position

The net interbank position as at 30 June 2013 came to a negative 36 billion euro, essentially in line with the figure recorded at the end of 2012 (-36.8 billion euro). The negative imbalance between interbank amounts receivable and payable was affected by loans entered into with the European Central Bank following the participation in two 3-year auctions (LTROs – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012. At the end of the first half of the year the amount due to the ECB amounted to 24 billion euro, down on the 36 billion euro recorded at the end of 2012 due to the 12 billion euro repayment of the first tranche of the loan.

Sovereign risk exposure

As at 30 June 2013 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 114 billion euro (of which 37 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 25 billion euro.
Among these, the exposure to Italian government securities totalled approximately 100 billion euro, in addition to 22 billion euro represented by loans. The securities exposure figure increased by approximately 10 billion euro compared to that recorded as at 31 December 2012.
The following table illustrates the book value of the aforementioned Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,893**	**52,239**	**1,453**	**52**	**9,949**	**36,644**	**108,230**	**22,902**
Austria	-	3	3	-	32	14	52	-
Belgium	-	5	-	-	40	20	65	-
Bulgaria	-	-	-	-	-	-	-	-
Cyprus	9	-	-	-	-	-	9	-
Czech Republic	-	29	-	-	1	-	30	28
Denmark	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	15	8	23	13
France	122	3	-	-	242	98	465	18
Germany	83	157	-	-	496	946	1,682	-
Greece	-	-	-	-	18	-	18	-
Hungary	113	734	19	-	69	-	935	264
Ireland	30	-	-	-	1	71	102	-
Italy	6,823	49,655	345	52	8,254	35,109	100,238	21,682
Latvia	-	-	-	-	1	-	1	59
Lithuania	-	22	-	-	-	-	22	-
Luxembourg	-	9	-	-	279	90	378	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	34	-	-	133	111	278	-
Poland	41	-	-	-	32	-	73	-
Portugal	195	-	-	-	3	30	228	10
Romania	10	138	-	-	-	-	148	13
Slovakia	-	1,356	1,086	-	43	-	2,485	124
Slovenia	-	91	-	-	2	-	93	185
Spain	467	-	-	-	24	125	616	506
Sweden	-	3	-	-	203	22	228	-
United Kingdom	-	-	-	-	61	-	61	-
North African Countries	**-**	**90**	**-**	**-**	**557**	**-**	**647**	**36**
Algeria	-	-	-	-	-	-	-	36
Egypt	-	90	-	-	557	-	647	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**62**	**-**	**62**	**-**
Other Countries	**577**	**870**	**338**	**635**	**2,387**	**333**	**5,140**	**1,367**
TOTAL	**8,470**	**53,199**	**1,791**	**687**	**12,955**	**36,977**	**114,079**	**24,305**

(*) Debt securities held by Insurance companies are classified as follows: 36,517 millions of euro as available for sale, 266 millions of euro among securities designated at fair value through profit and loss and 194 million of euro as held for trading.

Shareholders’ equity

As at 30 June 2013, the Group’s shareholders' equity, including net income for the period, came to 49,088 million euro compared to the 49,320 million euro at the end of the previous year. The change in shareholders’ equity was due to the performance of reserves, which increased due to the decrease in the negative balance of valuation reserves and to distribution of the dividend drawing on 2012 net income. No changes in share capital occurred during the first half of the year.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2012	Change in the period	Valuation reserves as at 30.06.2013	
				% breakdown
Financial assets available for sale	-59	-33	-92	6.4
of which: Insurance Companies	*221*	*-47*	*174*	*-12.1*
Property and equipment	-	-	-	-
Cash flow hedges	-1,306	276	-1,030	71.4
Legally-required revaluations	351	8	359	-24.9
Other	-678	-2	-680	47.1
Valuation reserves	**-1,692**	**249**	**-1,443**	**100.0**

As at 30 June 2013, the negative balance of the Group's valuation reserves decreased to -1,443 million euro from -1,692 million euro at the end of 2012. The change for the period was attributable to the 276 million euro improvement in cash flow hedge reserves, only partly offset by the increase in financial assets available for sale, particularly of debt securities included in the insurance companies' portfolios. Legally required revaluation reserves and other reserves recorded marginal changes.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	30.06.2013	31.12.2012
Regulatory capital		
Tier 1 capital	34,551	36,013
of which: instruments not included in Core Tier 1 ratio (*)	*2,544*	*2,544*
Tier 2 capital	5,952	8,141
Minus items to be deducted (**)	-	-3,410
REGULATORY CAPITAL	**40,503**	**40,744**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**40,503**	**40,744**
Risk-weighted assets		
Credit and counterparty risks	244,123	253,309
Market risks	18,915	18,427
Operational risks	22,689	25,745
Other risks (***)	1,606	1,138
RISK-WEIGHTED ASSETS	**287,333**	**298,619**
Capital ratios %		
Core Tier 1 ratio	11.1	11.2
Tier 1 ratio	12.0	12.1
Total capital ratio	14.1	13.6

(*) This caption includes preferred shares, savings shares and preference ordinary shares.

(**) Effective 1 January 2013, the elements of an insurance nature previously deducted from total regulatory capital have instead been deducted from tier 1 and tier 2 capital (at 50% each), on a par with the other elements deducted, according to the specific indications contained in Bank of Italy Circulars 155 and 263.

(***) In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities. It also includes the supplement for the floor relating to the calculation of capital requirements for the credit risk according to IRB approaches.

Regulatory capital and related capital ratios as at 30 June 2013 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.
As at 30 June 2013, total regulatory capital came to 40,503 million euro, compared to risk-weighted assets of 287,333 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The decrease in risk-weighted assets posted during the period is primarily attributable to ordinary operations, optimisation processes and the decrease in operational risk, largely due to the stipulation of new insurance coverage (second layer policy) known as Operational Risk Insurance Programme, which offers coverage greater than that of traditional (first layer) policies and therefore significantly increases the limit of liability, in effect transferring the risk of significant operational losses to the insurance market. The internal model insurance mitigation component referring to these policies was approved by the Bank of Italy in June 2013 with immediate effect.
With respect to the method for determining regulatory capital, note that following the notice received from the Bank of Italy on 9 May 2013, a negative prudential filter has been applied to sterilise the positive effects on Core Tier 1 associated with multiple cases of tax realignment of goodwill. The effects of this sterilisation, spread over a 5-year period from report as at 31 March 2013, were calculated in reference to the associated DTAs as at 31 December 2012, net of the substitute tax paid and the total of such

DTAs reversed to the income statement during the period. The application of this filter led to a negative effect on Core Tier 1 of 2 hundredths of a point.
The application effective 1 January 2013 of the amendments to IAS 19 (an accounting standard that governs employee benefits) had a limited impact for regulatory purposes, inasmuch as the negative valuation reserve generated was essentially sterilised through the specific prudential filter envisaged by the Bank of Italy.
The Total capital ratio stood at 14.1%, while the Group's Tier 1 ratio was 12.0%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 11.1%.
Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 30 June 2013 account for this measure (the effect on the Core Tier 1 ratio is +6 basis points).

Breakdown of consolidated results by business area and geographical area

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

(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first half of 2013.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the first half of the year; it also illustrates income statement figures and the main balance sheet aggregates.
Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.
Note that in the preparation of the segment reporting as at 30 June 2013 the new organisational aspects, the principles of which were approved by the Management Board on 21 May 2013, have not been taken into consideration as the necessary operating instructions are still being finalised.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
30.06.2013	5,221	2,109	1,064	164	418	-771	8,205
30.06.2012	5,024	2,240	1,091	133	414	42	8,944
% change [(a)]	3.9	-5.8	-2.5	23.3	1.0		-8.3
Operating costs							
30.06.2013	-2,571	-462	-584	-51	-153	-288	-4,109
30.06.2012	-2,805	-498	-575	-59	-171	-342	-4,450
% change [(a)]	-8.3	-7.2	1.6	-13.6	-10.5	-15.8	-7.7
Operating margin							
30.06.2013	2,650	1,647	480	113	265	-1,059	4,096
30.06.2012	2,219	1,742	516	74	243	-300	4,494
% change [(a)]	19.4	-5.5	-7.0	52.7	9.1		-8.9
Net income (loss)							
30.06.2013	420	645	12	70	134	-859	422
30.06.2012	579	831	54	39	65	-294	1,274
% change [(a)]	-27.5	-22.4	-77.8	79.5			-66.9
Loans to customers							
30.06.2013	177,510	137,683	28,490	122	3,809	10,790	358,404
31.12.2012	182,077	143,134	29,312	226	3,985	17,891	376,625
% change [(b)]	-2.5	-3.8	-2.8	-46.0	-4.4	-39.7	-4.8
Direct deposits from banking business							
30.06.2013	198,981	113,594	30,780	7	7,119	21,771	372,252
31.12.2012	201,540	109,700	31,163	7	6,672	31,271	380,353
% change [(b)]	-1.3	3.5	-1.2	-	6.7	-30.4	-2.1

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

[(a)] The change expresses the ratio between 30.06.2013 and 30.06.2012.

[(b)] The change expresses the ratio between 30.06.2013 and 31.12.2012.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.06.2013	30.06.2012	Changes	
			amount	%
Net interest income	2,831	2,962	-131	-4.4
Dividends and profits (losses) on investments carried at equity	-	1	-1	
Net fee and commission income	1,944	1,607	337	21.0
Profits (Losses) on trading	34	51	-17	-33.3
Income from insurance business	399	394	5	1.3
Other operating income (expenses)	13	9	4	44.4
Operating income	**5,221**	**5,024**	**197**	**3.9**
Personnel expenses	-1,484	-1,666	-182	-10.9
Other administrative expenses	-1,083	-1,135	-52	-4.6
Adjustments to property, equipment and intangible assets	-4	-4	-	-
Operating costs	**-2,571**	**-2,805**	**-234**	**-8.3**
Operating margin	**2,650**	**2,219**	**431**	**19.4**
Net provisions for risks and charges	-21	-11	10	90.9
Net adjustments to loans	-1,719	-1,157	562	48.6
Net impairment losses on other assets	-2	-3	-1	-33.3
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**908**	**1,048**	**-140**	**-13.4**
Taxes on income from continuing operations	-382	-365	17	4.7
Charges (net of tax) for integration and exit incentives	-24	-20	4	20.0
Effect of purchase price allocation (net of tax)	-82	-84	-2	-2.4
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**420**	**579**	**-159**	**-27.5**

(millions of euro)

	30.06.2013	31.12.2012	Changes	
			amount	%
Loans to customers	177,510	182,077	-4,567	-2.5
Direct deposits from banking business	198,981	201,540	-2,559	-1.3
Direct deposits from insurance business and technical reserves	68,998	67,597	1,401	2.1

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

Banca dei Territori's operating income was 5,221 million euro in the first half of 2013, amounting to 64% of the Group's consolidated operating income, up 3.9% on the same period of the previous year. In further detail, there was a decline in net interest income (-4.4%), the main drivers of which included lower margins on deposits and a larger contribution by loans to customers. By contrast, net fee and commission income increased (+21%), most markedly on asset management and bancassurance products, net fee and commission income on current accounts (including fee and commission income on credit facilities) and fees and commissions on placements. Other income components reported a decrease in profits on trading, dropping from 51 million euro to 34 million euro. Income from insurance business, equal to 399 million euro, highlighted slight growth (+1.3%) due to improvement in the technical margin, which offset the decrease in the valuation component (adjustments net of retrocession to policyholders) as a result of the less favourable performance of the financial markets compared to the initial months of 2012. Operating costs, amounting to 2,571 million euro, fell (-8.3%) compared to the same period of the previous year. The operating margin amounted to 2,650 million euro, up 19.4% compared to the first half of 2012. Conversely, income before tax from continuing operations declined by 13.4%, amounting to 908 million euro, penalised by higher adjustments to loans (+48.6%). The cost of credit of Banca dei Territori, calculated as the ratio of annualised adjustments to loans and stock of loans to customers, amounted to 1.9% during the first six months of 2013. In greater detail, adjustments during the period by the Network Banks with respect to Banca dei Territori amounted to 1,520 million euro (compared to loans of 151,588 million euro), broken down as follows: Intesa Sanpaolo 673 million euro, Banco di Napoli 141 million euro, Banca dell'Adriatico 70 million euro, CR Veneto 115 million euro, CR Venezia 18 million euro, CR Friuli Venezia Giulia 26 million euro, Banca di Trento e Bolzano 22 million euro, Carisbo 116 million euro, CR Romagna 46 million euro, the Banca CR Firenze Group 218 million euro, Banca di Credito Sardo 42 million euro, Banca Monte Parma 33 million euro. Lastly, after allocation to the Division of charges for integration of 24 million euro and the economic effects of purchase price allocation for 82 million euro, net income amounted to 420 million euro, down 27.5%.

On a quarterly basis, the second quarter of 2013 reported an operating margin up 8.6% on the first quarter, thanks to the increase in revenues (+1.4%) and the reduction in operating costs (-5.5%). Income before tax from continuing operations was down by 15.4% as a result of the increase in net adjustments to loans. This trend was reflected in the net income (-12.3%).
The balance sheet figures at the end of June 2013 showed loans to customers of 177,510 million euro, down 2.5% on the previous year-end essentially as a result of the decrease in loans to business and small business customers, which reduced their use of loans due to the negative economic context. Direct deposits from banking business, amounting to 198,981 million euro, was down 1.3%, due to the downward trend in securities issued, which more than offset the increase in amounts due to customers. Direct deposits from insurance business, amounting to 68,998 million euro, recorded an increase (+2.1%), primarily due to growth in technical reserves, which more than offset the decrease in the financial liabilities of the insurance segment designated at fair value.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve household, personal, small business, private banking and small and medium enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Retail Marketing Department	Manages the household (individual customers with financial assets under 100,000 euro) and personal (individual customers with financial assets of 100,000 euro - 1 million euro) segments
Small Business Marketing Department	Manages businesses with a turnover under 2.5 million euro and Group loan facilities under 1 million euro
Business Marketing Department	Manages companies with a turnover of between 2.5 and 150 million euro
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro
Product companies	Specialised in medium-term credit (Mediocredito Italiano), consumer credit (Intesa Sanpaolo Personal Finance and Neos Finance), the management of electronic payments (Setefi) and trust services (Sirefid)
Banca Prossima	Serves non-profit organisations
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Approximately 4,800 branches, including Retail, Business And Private-Banking branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres that coordinate 29 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

As part of a strategy to reorganise the brands, which envisages brand standardisation at the local level and simplification of the operational units, the merger by incorporation of Banca dell'Adriatico into Cassa di Risparmio di Ascoli Piceno was completed in April, resulting in the new "Banca dell'Adriatico", the only entity of the Intesa Sanpaolo Group along the Adriatic, with over 240 branches concentrated in the Marche, Abruzzo and Molise regions.

During the last part of the half year, as part of the redefinition of the organisational structure and areas of responsibility of the Intesa Sanpaolo Group, the Banca dei Territori Division expanded its scope to companies with group turnover from 150 to 350 million euro, as well as to the product companies Leasint, Centro Leasing, Mediofactoring and Centro Factoring, previously included under the Corporate and Investment Banking Division. Furthermore, during the month of July, as part of the activities involved in the Banca dei Territori Division's simplification process, the breakdown of its central structures was reviewed, reducing the number of staff and combining the three Marketing Departments. The above organisational changes will be fully effective during the second half of the year, simultaneously with finalisation of the relative operating instructions.

Retail Marketing Department

Investment	In the first half of 2013, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (Spending, Reserves, Investment and Pension) and the Recommended Portfolios. The new process dedicated to Pensions also began, entailing excellent results both in terms of the number of participants and the mix of offerings available. Thanks to the use of an innovative life cycle management approach, customers are offered the line best suited to their pension planning timeframe. Major changes in the range of investment products, constructed considering both the market scenario and the rationale behind the Recommended Portfolios, related to the launch of: – "Eurizon Cedola Doc Aprile 2019", an Italian registered fund which, through investment in European bond instruments with residual maturity in line with the duration of the investment cycle, aims at achieving a positive absolute return, over an investment horizon of six years, with the distribution of an annual coupon; – four Italian registered flexible bond funds of the line "Eurizon Cedola Attiva" and "Eurizon Cedola Attiva Più" with maturity in May 2018 and June 2018, which aim to optimise return over a five-year investment horizon within the context of the risk level defined for each fund; – Group bonds, the offering of which is updated monthly in accordance with the context and market developments; – "Base Sicura", a class I policy offered by Intesa Sanpaolo Vita with an investment horizon of at least five years, aimed at customers who are seeking growth of their investment over time, thanks to more dynamic separate management, with a guarantee for the capital and a guaranteed minimum return of a compound 1% per annum in the event of liquidation; – "Orizzonte7Anni 2013", a class I policy offered by Intesa Sanpaolo Vita with an investment horizon of at least seven years, aimed at customers who are interested in an investment characterised by safety and an expected return in line with governmental bond markets and a guaranteed minimum return of a compound 2% per annum at expiry or in the event of decease; – "Penso a Te", a class I policy offered by Intesa Sanpaolo Vita with a minimum duration of five years, aimed at customers who wish to designate a certain amount of capital to a loved one, at a specific target date selected by them based on the beneficiary's age, for an important project such as university, the purchase of a home or car, or the launch of a profession; – nine Italian registered mutual funds with a set duration of five years in the "Eurizon Gestione Attiva Classica", "Eurizon Gestione Attiva Dinamica" and "Eurizon Gestione Attiva Opportunità" segments, with maturity in April, June and July 2018, which aim to maximise the return on investment, through flexible management within the level of risk set for each fund; – three new sub-funds of the Luxembourg fund "Investment Solutions by Epsilon", named "Valore Cedola x 5 02/2013", "Valore Cedola x 5 04/2013" and "Valore Cedola x 5 06/2013", which aim to achieve a positive expected return over the recommended investment horizon and distribute an annual coupon; – "GP Linea Sistema Valore" and "GP Linea Sistema Valore Più", new portfolio management lines which, through a flexible approach in choosing the weightings of the various components of the portfolio, aim to achieve the best profitability in line with market performance and with the level of risk associated with the line; – "ISPL Power", a unit-linked policy offered by Intesa Sanpaolo Life with an investment horizon of seven years, aimed at customers with financial/insurance needs interested in investing in a product with a high degree of management flexibility and benefiting from advantages relating to insurance/succession; – three Italian registered funds of the line "Eurizon Cedola Attiva Top" with maturity in May, June and July 2020, which invest in the equity markets of developed countries (USA and Europe) with the aim of optimising return over an investment horizon of seven years; – Certificates on structures of the "Digital" and "Express" types, which met with particular appreciation from customers.
Protection	The range of protection products was expanded to include the new policy "ProteggiConMe", offered by Intesa Sanpaolo Assicura and aimed at satisfying the lifestyle protection needs of families faced with unforeseen events (unemployment, temporary disability, hospitalisation and permanent disability) that may compromise their ability to meet essential expenses. The offering of the policy "ProteggiMutuo" was also updated.
Services	In February, Group branches began to offer the "Express to Family" service, which allows money to be transferred to Albania, Egypt, Romania, Serbia and Ukraine through the international banks belonging to the Intesa Sanpaolo Group at advantageous costs.

Loans	The range of personal loans was expanded by the launch of the new "Prestito Multiplo", a simple, flexible financial solution capable of meeting the needs of various customer segments. The policy "ProteggiPrestito" was also launched during the period; able to be combined with all types of loans, it is characterised by a variable premium, partly on the basis of the applicant's age. The innovations introduced foster access to credit by broadening age limits, while also rendering the burden of repayment sustainable over time through the "instalment deferral" and "instalment change" options. The new "Servizio Garanzia Affitto" service has also been available since the beginning of June, consisting of a guarantee issued by the bank to landlords on behalf of tenants. As opposed to the traditional security deposit, this service benefits both the landlord, who is protected in case of defaulting payments, saves on the legal interest payable on the deposit and can obtain the guaranteed amount from the bank, as well as the tenant, who replaces the security deposit with a guarantee, thereby not having to tie up the amount for the entire term of the contract and, thanks to the bank, obtains special conditions in the stipulation of a lease agreement.
Mobile banking	The range of mobile banking applications was expanded to include the application "La tua banca per iPhone", which allows all of the Group's customers to access a selection of information channels and useful services, in addition to allowing those who have signed the Internet, mobile and telephone services contract and activated the Internet channel to access a series of banking, information and transaction services, including via their iPhones or Android-based smartphones or tablets.
E-commerce	As part of a strategy aimed at strengthening the Group's e-commerce offer, Intesa Sanpaolo has joined the MyBank platform, a pan-European solution backed by ABE Clearing in order to make shopping on e-commerce sites safer. Through MyBank, customers can make online payments on merchant websites using their own internet banking service.
Banca Estesa Project and Out-of-branch Offerings	With the aim of dedicating increasingly close attention to customer service and expectations, in the first half of 2013 the Intesa Sanpaolo Group launched the Banca Estesa Project, developed jointly by the Retail Marketing Department and the Small Business Marketing Department, in order to make services and advice available to customers during longer hours, not only via direct channels, but also in branches. Approximately 400 of the Group's branches were involved in the first six months of the year in the extension of operations to the pre-evening, Saturday and lunch break time brackets, adjusting business hours to modern lifestyles. The proposed new model will revolutionise the way customers access banking services, permitting merchants, professionals and, more generally, small-business customers and salaried employees to visit the bank according to a schedule more compatible with their entrepreneurial or professional activities. In parallel to the extension of branch business hours, the Bank developed its Out-of-branch Offerings, through which managers can reach customers at their homes or workplaces. During the first half of the year, training was completed for approximately 650 Personal managers who passed the exam for entry into the register and signed their contracts.

Small Business Marketing Department

Loans	The new "Finanziamento Sviluppo Business", reserved for small enterprises and professionals in the Small Business segment, became available in early February. The loan, which may be granted for a minimum amount of 20,000 euro, with a fixed duration of twelve months and maximum pre-amortisation period of six months, may be paired with a guarantee from Fondo Centrale Garanzia (Central Guarantee Fund) and is subject to a commercial constraint: a commitment by the customer to increase the average uses of self-liquidating lines of credit granted by the Bank by an agreed amount over the life of the contract in order to benefit from the favourable conditions envisaged by the product. In order to stimulate demand for credit by companies in the segment, the use of credit instruments backed by public subsidies has been promoted: subsidised funding (IV Convenzione CDP, EIB, ABI Italy Investments Line); Guarantee Fund pursuant to Law 662/96, which can be combined with all of the major forms of short-term credit; facilitated credit measures at the regional level (for example, co-financing with the regional entities). During the first half of the year, the Proactive Credit initiative was launched across the country, aimed at developing short-term loans with high-potential counterparties and consisting of an innovative credit process (AIFIn Award for Financial Innovation 2012) that allows relations managers to meet target customers backed by a pre-approved maximum credit limit and pre-authorised minimum rate conditions, thereby improving the timeliness and quality of service to customers. The "Tandem" product, a loan repaid in instalments and aimed at companies that purchase goods or services from suppliers that have an agreement with or are approved by the bank, was restyled in June and provides advantages for both parties, as it allows subdivision of the relative cost: the vendor of the good or service obtains a tool to support sales and immediate collections, eliminating the risk of counterparty insolvency, while the purchaser obtains a loan at advantageous conditions, thanks to the interest contribution by the vendor.
Microcredit	Intesa Sanpaolo, Banca Prossima and the San Patrignano Community have promoted a microcredit programme to facilitate entry into the job market by youth who have completed their stay in the Community. Thanks to a guarantee fund of 1 million euro established by the San Patrignano Foundation and assigned to Banca Prossima, Intesa Sanpaolo has allocated 3 million euro to grant subsidised loans of up to 25,000 euro and repayable over five years, in favour of residents of the Community who want to start up businesses.
Agreements	Intesa Sanpaolo, in the context of its collaboration with Banca ITB, launched to pool their respective qualities and develop innovative services aimed at the tobacconist segment, signed a new implementation agreement with Banca ITB, supplementing the 2011 framework agreement, with the aim of fostering access to credit by tobacconists who are both customers of Banca ITB and holders of current accounts for ordinary operations with a Group bank.

Business Marketing Department

In early March a new agreement was signed with Confindustria Piccola Industria, the fourth since 2009, with the aim of reinforcing the relationship and dialogue between companies and the bank and of stimulating and sustaining demand for credit by small and medium enterprises through the use of credit facilities that render access to credit simpler and more profitable. The collaborative arrangements renew the credit line of 10 billion euro, of which 200 million euro is dedicated to new entrepreneurial projects, confirming the strategic areas for supporting the competitiveness of Italian companies already identified in the 2011 agreement: internationalisation, innovation and research, dimensional growth, in part by organising companies in business networks and other forms of collaboration, energy efficiency and environmental sustainability.
In the context of the agreement, the chapter dedicated to new "high-quality" entrepreneurship is based on the development of the project "AdottUp", an initiative aimed at identifying the best entrepreneurial ideas, making them into sustainable businesses through specific training programmes and support from consolidated companies that provide them tutorship through various formulae that range from consulting support to the supply of physical premises and equipment, commercial collaboration and start-up equity investments, thereby helping them grow. A specific financial product, "Finanziamento Neoimpresa", has also been developed in order to support investments in recently incorporated companies.
The national agreement was rolled out across the country through Confindustria's regional associations: in Lazio and Liguria, with the allocation by Intesa Sanpaolo of an amount of 700 and 200 million euro, respectively; in Tuscany, through Banca CR Firenze and Cassa di Risparmio di Pistoia e della Lucchesia, with an amount of 1 billion euro; in Veneto, through Cassa di Risparmio dell'Umbria, with an allocation of 1 billion euro; in Abruzzo, through Banca dell'Adriatico, with an amount of 600 million euro.

Agreements

As part of the agreement signed with Federturismo in 2012, Intesa Sanpaolo, with the contribution of the Research Department and participation in the preliminary meetings held at the regional level, supported the white book "Turismo, una rinascita competitiva: la visione delle imprese" (Tourism, a competitive rebirth: the vision of companies), a survey on Italian tourism that collects and analyses all of the factors that hinder the competitiveness and attractiveness of our regions and the possible solutions to revive and trigger growth along the entire tourism supply chain.

Thanks to an agreement recently signed with Federalberghi Toscana through Banca CR Firenze, the Intesa Sanpaolo Group has provided hospitality companies in Tuscany with access to a special fund of 100 million euro for financing devoted to redeveloping businesses and bringing hospitality facilities into compliance with new prevention and safety regulations.

At the end of June, the Intesa Sanpaolo Group presented the project "Sustainable tourism", launched together with DNV Business Assurance and the Como Hotel Association with the aim of creating an energy-environmental-territorial evaluation model that can be extended to many other tourism attractions across the country in the future. This collaboration is the result of the awareness that energy efficiency and attention to the environment and to the territory are crucial factors for the competitiveness of companies, in terms of both cost containment as well as for promotion and attractiveness purposes with respect to an increasingly large segment of customers sensitive to environmental issues.

In order to support and foster the development of "quality" networks as a means of increasing the competitiveness of Italian enterprises on national and international markets by overcoming size limits, increasing market leverage and improving credit access possibilities, Intesa Sanpaolo, with the support of Mediocredito Italiano, signed an agreement with RetImpresa, Confindustria's Confederal Agency for Business Networks, whose primary areas of collaboration are dedicated offerings, specialist support and targeted training programmes.

Intesa Sanpaolo has renewed the partnership with Fondimpresa, the leading inter-professional fund for ongoing training, with over 140,000 participating companies. The agreement includes two special financial conditions, simultaneous and which can be combined, in favour of companies that are part of Fondimpresa by banks of the Intesa Sanpaolo Group: "Anticipo Contributi", a temporary credit line with maximum duration of 15 months, designed to finance the expenses for activities envisaged by training programmes already authorised by Fondimpresa, disbursing in advance the contributions allocated on the Training Account of each company up to 80% of the amount, at favourable economic conditions, and "Finanziamento Gestione Business", a personalised credit line with maximum duration of 18 months, designed to finance working capital for short-term requirements related to training initiatives.

As part of the expansion of the "Open Horizons" project, aimed at providing advisory and banking services to assist Italian companies in foreign countries where the bank is not present directly and/or integrating the range of services offered by the Intesa Sanpaolo structures in some countries, an agreement was signed with Brazilian bank Bradesco that allows Italian companies interested in expanding their commercial and/or productive activities in Brazil to use services provided by Bradesco.

Intesa Sanpaolo has signed an agreement with Confartigianato Imprese Piemonte and Confartigianato Fidi Piemonte to facilitate entry of member companies into foreign markets, providing them with the opportunity to receive initial support from the two advisory desks created with the agreement at the headquarters of the two associations.

Agreements	In May, an agreement was signed between EIF - European Investment Fund and Banco di Napoli, which regulates the so-called "Jeremie (Joint European resources for micro to medium enterprises) Calabria" Project, involving the community resources of the European Regional Development Fund (ERDF). The bank may disburse a co-financing loan totalling 52.5 million euro, contributed to by the EIF, participating in 40% of the credit risk with funding at zero interest, designated for SMEs of the Calabria region to finance investments and working capital requirements with transactions having a duration of up to 10 years.
Loans	As confirmation of the focus on new business, the range of loans was expanded with "Finanziamento Neoimpresa", a new line of medium to long-term loans for new or recently established companies that aids in sustaining the financial requirements involved in business start-up and development plans, offering particularly favourable conditions with use of the Guarantee fund pursuant to Law 662/96, also in the form of counter-guarantee via the credit guarantee consortia. The loan covers any material or immaterial investment cost that can be depreciated/amortised and any related working capital needs, provided they are connected to the core business of the new company, up to a maximum percentage of 70% and duration up to 10 years.

Intesa Sanpaolo Private Banking

In the first half of 2013, **Intesa Sanpaolo Private Banking** operations developed according to the following strategic guidelines: innovating commercial offerings, developing customers and professional staff training.
Implementation of the for-pay advisory services continued, for both top-level customers (Private Advisory) as well as mid-level customers (Advisory). Since the beginning of the year, approximately 1,200 new customers have signed up for this service, with 2.3 billion euro in new assets, reaching 3.7 billion euro in assets under advisory contracts at the end of June. Use of the service is destined to increase during the second part of the year, as the commercial network completes specialised training courses. Measures aimed at developing asset management also continued during the period, yielding excellent results in terms of net inflows to funds and portfolio management schemes (2.3 billion euro since the beginning of the year). Placements of the Group's certificates and bonds were also significant, reaching 1.1 billion euro, in line with the results for the first six months of the previous year. Assets managed showed sharp growth during the half year, rising to 78 billion euro (+1.5 billion since the beginning of the year), as a result of the effective commercial action by the network, the results achieved by asset management products and the "synergy" agreements in place with the Banca dei Territori Division. In particular, the initiative was extended to the entire commercial network, aimed at developing synergies with the Business segment of Banca dei Territori in order to create new opportunities to increase the customer base common to the two segments. The commitment of Intesa Sanpaolo Private Banking continued by way of the constant monitoring of service levels through a policy of promoting the value of human resources, who undergo a continuous training process. The excellent commercial results have resulted in growth of asset profitability (Return on Assets) as at 30 June 2013 compared to the corresponding period in 2012, despite the further decline in market rates. At the same time, the cost-containment measures have kept the "cost/income" and "cost to serve" at very low levels, among the best in Europe.
Finally, the authorisation and organisational process to transfer the private segments of CR Pistoia e Lucchesia and CR Umbria to Intesa Sanpaolo Private Banking is in the completion phase and will be effective from the end of September 2013.
Intesa Sanpaolo Private Banking earned net income of 90 million euro in the first half of 2013, up by 23.6% compared to the same period of 2012, mainly as a result of the good performance of revenues (+16.7%), as well as of cost savings (-2.5%).

Product companies

In the first half of 2013, **Mediocredito Italiano** disbursed loans totalling 1,434 million euro, down 1.2% compared to the same period in 2012, in a recessive economy. Operations of the Specialised Desks, which continuously strengthen their expertise, as a result of new tools supporting preliminary assessment of loan applications, contributed 30% of the amount disbursed (427 million euro). Demand for loans in the Networks and Research area, accounting for 34% of the total disbursed by the Desks, showed an increase, whereas there was a decline in the contribution by the Energy area (approximately 36% of the total disbursed by the Desks), in relation to the gradual depletion of the incentives granted through the Gestore Servizi Energetici in support of the relative investments. Growth and consolidation of the manufacturing desks is confirmed, particularly with regard to the specialist operations of the agro-food and home segments.
The continued focus of the Mediocredito Italiano network on value creation was also confirmed during the period. As a result of the strengthening of specialist expertise, it was possible, firstly, to optimise pricing negotiation with customers, leading to significant increases in average spreads and up-front fees. In addition, products with low capital absorption were developed, with the use of government guarantees (Fondo di Garanzia (Guarantee Fund) for SMEs pursuant to Law 662/96, Fondo Nazionale per l'Innovazione (Italian National Innovation Fund) and SACE Agreement with disbursements of approximately 320 million euro in the period.
Lastly, in the area of financing for initiatives relating to Innovation, as well as activity pertaining to governmental grants, activity on the Nova + product continued with disbursements of approximately 220 million euro.
Mediocredito's operating margin amounted to 123 million euro, up compared to 89 million euro in the first six months of 2012 (+38.2%), due to good performance of revenues (+27.4%) and a reduction in operating costs (-12.8%). After posting higher adjustments to loans, up compared to the corresponding period of the previous year (+40.4%), the company achieved a net income of 3.6 million euro, compared to 4.6 million euro in the first six months of 2012.

During the half year, consumer credit activities were conducted through **Intesa Sanpaolo Personal Finance** (formerly Moneta) and **Neos Finance**. The integration of the two companies took effect from 1 April 2013, involving the partial demerger of the consumer credit, assignment of one-fifth of salary, pension, and delegated payment business of Neos Finance to Intesa Sanpaolo

Personal Finance, with only the leasing segment remaining in Neos Finance. Subsequently, on 14 June, the merger by incorporation of Neos Finance into Centro Leasing was resolved and will be finalised by the end of 2013. This operation is part of the overall reorganisation of the Intesa Sanpaolo Group's leasing business, with the resulting merger of Centro Leasing into Intesa Sanpaolo and subsequent demerger of the leasing business line in favour of Leasint. The activities of Neos Finance, which from the beginning of the year no longer include marketing of the leasing product, revolves around management of the existing portfolio, with particular attention to the trend in non-performing loans and to the adequacy of regulatory capital.
During the first half of the year, Intesa Sanpaolo Personal Finance disbursed new loans totalling 1,739 million euro, up 10% compared to the same period of the previous year (special-purpose loans +14%; car loans +3.1%; personal loans +3%; assignment of one-fifth of salary +32.7%). In the period, a tenacious marketing initiative was undertaken in collaboration with Banca dei Territori aimed at supporting the disbursement of loans and support was provided for the R.Est.A. initiative aimed at countering early repayment. With the goal of favouring proactive contact between managers and customers and improving the likelihood that loan applications will be approved, the model for commercial offering based on new customer profiling, targeting and service logics was further refined. In the extra-captive channel, various marketing campaigns were conducted for the car loan, photovoltaic loan, personal loan and assignment of one-fifth of salary products, while in the captive channel, sales initiatives to contact over 1 million customers were planned. Following the merger between Intesa Sanpaolo Personal Finance and Neos Finance, the figures for the first half of 2012 provided as a comparison were reconstructed by combining the income statements of the two companies. Aggregate income before tax from continuing operations amounted to 13 million euro, compared to 7.4 million euro in the first half of 2012 (+72.1%). This growth is attributable to an increase in revenues (+4.5%), primarily owing to the development of net interest income (+13.6%) and the reduction in operating costs (-5.9%). The company ended the half year with a net loss of 0.1 million euro, compared to an income of 0.3 million euro in the first six months of 2012, due to higher value adjustments during the period.

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.
Almost all of the 12.8 million cards managed by Setefi as at 30 June 2013 are cards issued directly by the Parent Company and the Group banks (+13.3% compared to the first six months of 2012). The number of POS at the end of June 2013 amounted to approximately 282,000. In the first half of 2013, the volume of transactions handled (transactions on Setefi POS and transactions of cards issued by Group banks on other POS) and the total amount transacted increased compared to the same period of 2012. The total number of transactions handled came to 332 million euro, while the amount transacted stood at 24.8 billion euro. The main actions implemented during the half year included: the further expansion and development, along with the Group banks, of the "Move and Pay" platform and the "Mobile Payments" projects (in which a smartphone may be associated with a payment card and a telephone SIM card in order to enable purchases using the mobile device in "proximity" to contactless POS), as well as the offering to customers of additional services for purchases on the Web, including the "My Bank" mode, which allows customers to make online payments securely through the payment authorisation environment with which they are familiar from their own Internet banking site. Also worthy of note are: the increase in Setefi's presence on the acquiring market for petrol companies; the launch of initiatives for "Mobile POS", the system able to accept payments via mobile devices (smartphones and tablets), providing new mobile payment methods for sales, with a pilot project involving approximately 200 devices. The adjustments necessary to obtain PCI_DSS (Payment Card Industry Data Security Standard) certification also continued during the period, relating to the security standard for protecting cardholder information, and the measures to reposition the activities of the Bancomat/Pagobancomat card authorisation system onto Setefi also continued. Lastly, the following are noted: participation, as principal member, in the French circuit Cartes Bancaires, which will expand the range of services offered to customers and strengthen competitiveness on the international market; planning and launch of operations to enable payment of postal payment slips via POS; finalisation of the agreement for acceptance of cards issued by Poste Italiane at sales points that have stipulated agreements with Setefi.
In the first half of 2013, Setefi recorded a significant increase in operating margin, which rose to 110 million euro (+15.6% compared to the same period of 2012) and in net income, amounting to 73 million euro (+14.4%), as a result of the aforementioned increase in operations in terms of handling of credit cards issued, volumes transacted and number of POS installed.

Banca Prossima

During the first six months of 2013, **Banca Prossima**, which operates in the non-profit sector with 66 local branches and 150 specialists distributed across the country, continued to acquire new customers for the Group. As at 30 June 2013, the bank had over 24,500 customers (more than 68% of which new to the Group). Financial assets amounted to 4.5 billion euro, of which 3.3 billion euro in indirect customer deposits and 1.2 billion euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 1.7 billion euro (of which approximately 1 billion euro had been used). In the first half of 2013 the company reported revenues of 22 million euro (+24.8% compared to the same period of the previous year), achieving an operating margin of 8.9 million euro and net income of 3.2 million euro.
During the half year, to consolidate and further strengthen Banca Prossima's leading role for the non-profit sector, commercial operations increasingly concentrated on acquiring new customers as well as developing existing customers. In addition, in the context of measures in support of access to credit aimed at organisations, Banca Prossima, in concert with the Intesa Sanpaolo Group, entered into two memoranda signed by the Italian Banking Association and associations representing companies with the objective of supporting small and medium enterprises in factoring receivables from the Public Administration ("PA Receivables" line) and in investment projects undertaken (the "Italy Investments" line).
The initiatives, in addition to cooperatives and social enterprises that meet the requirements for classification as SMEs, are also addressed to associations and foundations, including non-profit charitable entities, provided that they use organised resources and personnel to engage in economic activity, including on a secondary basis with respect to their other activities.

The bank also signed the Fourth Italian Banking Association-Cassa Depositi e Prestiti Agreement to facilitate access to credit at advantageous conditions for non-profit organisations with the characteristics of SMEs through the use of dedicated funding. As part of the initiatives aimed at supporting the non-profit sector, Banca Prossima was selected as the reference bank in the Programme "Costruire l'impresa per il sociale" (Building socially-oriented business) by the Vodafone Foundation, aimed at facilitating the granting of loans to non-profit organisations and developing innovative and socially useful projects. Lastly, the offer dedicated to the religious segment (Ministries and organisations) was reviewed, issuing a range of short-term loans known as "Prossima IMU", aimed at facilitating payment of the municipal property tax payable by non-denominational and religious non-profit organisations.

Insurance and Pension companies

Intesa Sanpaolo Vita, the Intesa Sanpaolo Group's insurance company, offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, Neos Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary. The Intesa Sanpaolo Vita insurance group includes: Intesa Sanpaolo Assicura, which operates in the non-life business, in addition to Bentos Assicurazioni, effective late 2012; Intesa Sanpaolo Life, a company incorporated under Irish law, operating under the free provision of services in the life business; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company.
In the first half of 2013, Intesa Sanpaolo Vita reported an operating margin of 337 million euro, up 6% compared to the same period of 2012, primarily due to improvement in the technical margin, which offset the decrease in the valuation component (adjustments net of retrocession to policyholders) as a result of the less favourable performance of the financial markets compared to the initial months of 2012. At the end of June 2013, the portfolio of policies came to 69,046 million euro, up from the beginning of the year (+2%). In the first half of 2013, gross life premiums underwritten for both insurance products and policies with investment content amounted to 5,990 million euro, compared to 4,020 million euro in the same period of the previous year. New life business amounted to 5,865 million euro (3,881 million euro in the first six months of 2012).

As at 30 June 2013 the assets managed by **Intesa Sanpaolo Previdenza** came to 1,778 million euro, of which 1,501 million euro consisted of open-ended pension funds established by the company (+16.4% compared to the end of December 2012) and 277 million euro of closed-end funds (stable compared to the beginning of the year). Net inflows for the half year were positive (26 million euro), owing to the contribution by open-ended pension funds. At the end of June 2013, Intesa Sanpaolo Previdenza had approximately 294,700 pension positions under management, of which nearly 125,600 were attributable to administration mandates granted by third parties. In the first half of 2013, Intesa Sanpaolo Previdenza promoted the placement of its open-ended pension funds through a new sales process, whereby the company provides distribution networks with estimates of pension coverage and the tax benefits arising from participation. In May, as part of the process to streamline the types of supplementary pensions, Intesa Sanpaolo Previdenza carried out the merger of two open-ended pension funds, and it acquired the CRF Previdenza open-ended pension fund in June from Banca CR Firenze. Lastly, in keeping with the longer business hours for Group branches, the company expanded the availability of its products and extended customer service hours to the pre-evening and Saturday morning time brackets.

Corporate and Investment Banking

(millions of euro)

Income statement	30.06.2013	30.06.2012	Changes	
			amount	%
Net interest income	1,215	1,168	47	4.0
Dividends and profits (losses) on investments carried at equity	-99	-3	96	
Net fee and commission income	530	497	33	6.6
Profits (Losses) on trading	455	569	-114	-20.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	8	9	-1	-11.1
Operating income	**2,109**	**2,240**	**-131**	**-5.8**
Personnel expenses	-176	-211	-35	-16.6
Other administrative expenses	-284	-285	-1	-0.4
Adjustments to property, equipment and intangible assets	-2	-2	-	-
Operating costs	**-462**	**-498**	**-36**	**-7.2**
Operating margin	**1,647**	**1,742**	**-95**	**-5.5**
Net provisions for risks and charges	-6	-6	-	-
Net adjustments to loans	-575	-507	68	13.4
Net impairment losses on other assets	-101	-52	49	94.2
Profits (Losses) on investments held to maturity and on other investments	-2	-9	-7	-77.8
Income (Loss) before tax from continuing operations	**963**	**1,168**	**-205**	**-17.6**
Taxes on income from continuing operations	-316	-336	-20	-6.0
Charges (net of tax) for integration and exit incentives	-2	-1	1	
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**645**	**831**	**-186**	**-22.4**

(millions of euro)

	30.06.2013	31.12.2012	Changes	
			amount	%
Loans to customers	137,683	143,134	-5,451	-3.8
Direct deposits from banking business [(a)]	113,594	109,700	3,894	3.5

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

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

In order to respond to the changed, more competitive domestic and international economic scenario as effectively as possible, the Corporate and Investment Banking Division adopted a new sector-based service model designed on the basis of the assignment of companies to specific sectors (by industry and market). Through the Global Industries and Corporate Italia Departments, and, in the context of the International Department, the Foreign Corporates Service, the new organisational model aims to achieve unified management of Italian and international customers while differentiating the service and organisational model according to macro-segmentation, potential spending on financial services and the objective of strong international development of Italian and international customers.
During the last part of the half year, Intesa Sanpaolo's Management Board approved certain organisational changes that modified the Division's structure and scope of operations. For further information, see the description under Banca dei Territori.

In the first half of 2013, the Division recorded operating income of 2,109 million euro (representing 26% of the Group's consolidated total), down by 5.8% compared to the same period of 2012.
In detail, net interest income, equal to 1,215 million euro, recorded growth (+4%) attributable to the positive trend in mark-up and to the increase in average direct deposit volumes, which confirm marketing policies aimed at maximising corporate deposits, as well as to the increase in the net investment result observed on the capital markets segment of Banca IMI. The losses on investments carried at equity showed significant worsening compared to the first six months of 2012, mainly due to the NH Italia, Alitalia, Risanamento, NH Hoteles and RCS positions. Net fee and commission income, amounting to 530 million euro, recorded a 6.6% increase attributable to good performance across all segments. In particular, investment banking benefitted from the positive trend in structured finance and M&A commissions, while commercial banking essentially profited from greater operations in terms of loans and guarantees. Profits on trading, equal to 455 million euro, declined by 20%, due to the drop in capital market activity, which exceeded the gains from valuation of the merchant banking securities portfolio and the growth in proprietary trading. Operating costs amounted to 462 million euro, down by 7.2% compared to the same period of 2012, due to lower

personnel expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 1,647 million euro, recorded a 5.5% decrease. Income before tax from continuing operations, amounting to 963 million euro, declined (-17.6%) owing to higher net adjustments to loans following impairment of positions attributable to the leasing business and Corporate Italia, as well as to higher adjustments on other assets. The cost of credit of Corporate and Investment Banking, calculated as the ratio of annualised adjustments to loans and stock of loans to customers, amounted to 0.8% during the first six months of 2013. In greater detail, adjustments during the period by the Network Banks with respect to Corporate amounted to 295 million euro (compared to loans of 84,417 million euro), broken down as follows: Intesa Sanpaolo 199 million euro, Banco di Napoli 11 million euro, Banca dell'Adriatico 6 million euro, CR Veneto 27 million euro, CR Venezia 7 million euro, Carisbo 26 million euro, CR Romagna 4 million euro, Banca CR Firenze 14 million euro. Lastly, net income came to 645 million euro, down 22.4% on the first six months of 2012.

In quarterly terms, the second quarter of 2013 showed a decrease in operating income (-6.9%) compared to the first, mainly attributable to the negative performance of profits on trading (-54.8%), which more than offset the growth in net interest income (+10.4%) and the reduction in losses on investments carried at equity. The drop in revenues, only partly attenuated by lower operating costs (-7.1%), resulted in a 6.9% decrease in operating margin. Even income before tax from continuing operations and net income decreased compared to the previous quarter (respectively -31.3% and -32%), due to higher adjustments to loans and to other assets.

The Division's intermediated volumes remained essentially stable compared to the end of December 2012 (-0.6%). In detail, direct deposits from banking business, amounting to 113,594 million euro, increased by 3.5%, mainly due to specific commercial operations aimed at increasing corporate deposits by leading financial institutions and large Italian and international corporate groups. Loans to customers, amounting to 137,683 million euro, decreased by 3.8%, resulting from the lesser use of cash by Italian and international corporate customers, particularly Global Industries, only partly offset by the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group
Organisational structure	
Global Industries	The Department is responsible for managing relations with the 200 corporates (of which 50 are Italian and 150 international) with global reach, which operate in six key industries with high growth potential (oil and gas, power and utilities, automotive, infrastructures, telecom and media and luxury and consumer goods)
Large Corporate Italia	The Department is responsible for serving approximately 2,000 Italian large and medium corporates, that are not part of either the Global Industries or Public Finance segments, by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies
Public Finance and Infrastructure	The Department serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
International	The Department is responsible for managing relations with corporates with a foreign-based parent company that are not part of the Global Industries segment, as well as with international Public Finance customers. Through its network of international branches, representative offices and foreign subsidiaries focused on corporate banking, this Department provides specialist assistance in support of the internationalisation of Italian corporates and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	The scope of the Division includes the structured finance activity carried out by Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring is overseen by Mediofactoring and leasing by the Leasing Hub through the companies Leasint and Centro Leasing
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 72 branches dedicated to corporate customers and public customers. At the international level, it operates in 30 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

Global Industries and Large Corporate Italia Departments

During the first half of 2013, in order to promote development and support the internationalisation project, the Global Industries Department launched a screening service for its customers, aimed at identifying the Group's presence in countries where customers operate. Its objective is to increase relations with Top Clients, supporting, in addition to their core business in the reference country, their business outsourced abroad as well. In this respect, the possibility of opening current accounts and carrying out transactions at the local subsidiaries of said clients is underway. The Department therefore becomes a key partner for customers, promoting the adoption of international best practices across the entire Group network, also via closer collaboration with the local branches and representative offices.
During the first half of 2013, in order to maintain ongoing monitoring of customers, the Corporate Italia Department supported international development, the internationalisation initiatives and the financial requirements of Italian companies, also through synergies with product companies and with Banca IMI.
During the half year, the "Start-Up Initiative" continued, through which the Group supports the development of Italian and international technology companies, as a sponsor able to coordinate energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. Since the launch of the initiative, 58 editions have been held, in Italy, the United Kingdom, Germany, France and the United States, involving thousands of business owners and investors operating in various areas of technological innovation. The finalisation of the Technology Opportunity Proposal (T.O.P.) project for customers (primarily Italian multinationals and international corporations) continued by offering a dedicated service for each customer and opportunities for investment and/or industrial agreements with growing companies that meet needs for technological innovation demonstrated by customers. The operations of the Fondazione Ricerca e Imprenditorialità, established in September 2010, continued. This Foundation aims at bringing together the three main components of technological innovation: scientific research, industry and banking. The operations of the Foundation aim to: promote research-driven businesses; select innovative small businesses that deserve to be supported in their growth, so that they reach a level of development that attracts operators and investors; promote knowledge among high-tech SMEs to favour their integration in high-innovation chains of business; develop synergies and partnerships with public entities and other Italian and foreign public or private organisations, in order to enhance and support the growth of innovative businesses. Lastly, in order to promote the development of a culture of innovation and change, a partnership has been entered into with Singularity University, one of the most advanced research centres for new technologies, established in Silicon Valley with the support of NASA and Google and which, thanks to the potential offered by technologies with exponential growth, aims to solve the big challenges awaiting humanity (water, food, climate change, sustainability, etc.). The partnership consists of an exchange of knowledge via the participation of a number of the Division's top managers in the executive programmes held in Silicon Valley, along with joint events organised in Italy.

Public Finance and Infrastructure Department

In the first half of 2013, to promote the development of large domestic infrastructures, the Department, in collaboration with Banca IMI, continued its activity on large motorway projects including the Milan East outer ring road, Pedemontana Lombarda motorway and BreBeMi (Brescia-Bergamo-Milano motorway). With regard to the latter project, a long-term loan agreement was entered into with a pool of institutional lenders in order to finance the construction of Italy's first large motorway infrastructure project using solely private self-financing, according to a project financing scheme. Support for the Pizzarotti Group and Astaldi Group was also renewed.
In the area of healthcare services, universities and scientific research, the construction of the new Garbagnate Hospital and parking lot was financed according to the project financing approach. With the aim of fostering the efficiency of the Healthcare System of the Region of Lazio, the credit limit was renewed for the without recourse factoring of receivables claimed by contracted healthcare facilities from the Local Healthcare Authorities and the factoring of receivables for goods and services claimed by suppliers of Hospitals in the Region. Furthermore, new credit lines were allocated to support operations of the Liguria and Tuscany regions, together with Mediofactoring.
In the area of improvement of public services and utilities, initiatives in the multiutility sector included: financing for Linea Group Holding, a company based in Lombardy and owned by the municipalities of Cremona, Rovato, Lodi, Pavia, Crema and others, with the aim of reinforcing the company's financial structure and supporting its investment plan; to the same end, the bridge loan granted to the company Multiservizi di Ancona was consolidated, as well as the support to the municipality-owned companies AMIU and Aster, active, respectively, in the sectors of waste and urban maintenance in the municipality of Genoa. Also worthy of note was the transaction undertaken with Banca IMI for the placement of the HERA bond and financing for debt restructuring granted to ENAV.
In the alternative, low-environmental-impact energy sector, financing was provided for the construction of a photovoltaic plant in the municipality of Satriano di Lucania and two plants in the municipality of Pieve di Coriano, province of Mantova.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local authorities. Support continued to be provided for Public Administrations through the without recourse factoring of receivables claimed by suppliers and subject to specific agreements signed with a number of local entities throughout Italy, including the Municipality of Florence and the Provinces of Padua, Ravenna and Pesaro-Urbino. This was also the context for the renewal of the agreement with Roma Capitale for the without recourse factoring of receivables claimed from the Municipality by cooperatives that provide personal and community services, such as associations that support the disabled and elderly, day-care centres and park maintenance services. Lastly, services continued to be provided in support of the activity of major social-security agencies, such as INPS and INAIL, the service responsible for the payment of salaries for participants in Italian international missions and financial assistance for Poste Italiane.
Urban and local development projects included the granting of a loan to Arexpo to purchase the areas and to cover the infrastructure costs of the site to be used for Expo 2015. The Bank held the role of lead manager in the pool of banks that participated in the loan, collaborating with Banca IMI, which took on the role of agent.
The port logistics sector was particularly lively: in particular, support was provided to the Livorno freight terminal; disbursements to the Port Authorities of Naples, Salerno, Venice and Carrara continued, with the aim of undertaking infrastructure projects;

financing was approved for the Port Authority of Genoa to expand the port and construct the seaward expansion; changes were made to the existing loans to the Port Authority of La Spezia in order to allow redevelopment of the port's seabed.
In terms of social policies, a loan was granted to Comex, vehicle company of Agenzia Territoriale per la Casa di Torino, in order to build a centralised cogeneration plant and the relative heating system in the local buildings owned by the Agency itself. A finance lease was also used to purchase new buses for the public service provided by the company CIT of Novi Ligure and, lastly, a bond issue was subscribed in favour of Patrimonio del Trentino, a company fully owned by the Province of Trento, intended to complete the Trento Science Museum.

International

The International Department directly covers 30 countries through 13 wholesale branches, 18 representative offices, 2 subsidiary banks and one advisory firm. In the first six months of 2013, as confirmation of the Group's growing commitment to supporting companies that operate or intend to operate on international markets, international development projects continued with the aim of increasing attention to and coverage of relations with Italian and international customers and further expanding service content while also improving quality. The expansion plan also continued through investments on the fastest-growing and most attractive international markets. The main results achieved from this perspective include the opening of the Warsaw branch and the Sydney representative office, which contribute to the development of the Bank's operations in Central Eastern Europe and the Asia Pacific (APAC) areas, respectively, as well as the authorisation obtained by Turkey from the Board of the Banking Regulation and Supervision Agency (BDDK) to open a new corporate branch in Istanbul, where the Bank currently has a representative office.
The Department is responsible for:
- **Société Européenne de Banque**, which recorded net income of 83 million euro in the first half of 2013, slightly up over the same period of 2012 (+1.1%), due to steady revenues (+0.5%), the decline in operating costs (-3.6%) and lower adjustments to loans (-42.3%);
- **Intesa Sanpaolo Bank Ireland**, which recorded net income of 43 million euro, almost double compared to the first half of the previous year (+84.9%), mainly due to growth in operating income (+48.3%), driven by higher net interest income, which more than offset the increase in costs (+16.5%), and by the recoveries on loans.

Global Banking & Transaction

In the first half of 2013, the Department, through the Western FIG and Eastern FIG business units, implemented a careful credit risk management policy by selecting counterparties and favouring collateralised lending transactions where the collateral is not tied to counterparty risk. Through the Western FIG segment, it has confirmed in leadership in the Italian banking sector in the primary bond market, and it has achieved important international success, such as participation as bookrunner in the contingent capital transactions of UBS, the covered bonds and LT2 of Socgen and the senior bonds of Banco Popolare. Capital market activity also continued with financial institutions and, in particular, with asset managers. In terms of structured finance transactions with Italian clients, the first two social housing initiatives were finalised with the company Polaris, in collaboration with the EIB, Fondazione Cariplo, CDP Investimenti and the Municipality of Parma. Furthermore, the bank received advisor mandates for extraordinary finance transactions on small banks and for the management/disposal process for doubtful loans, and it also participated in innovative financing deals. On the international front, it completed a number of structured financing and ALM operations with major French, German and Spanish financial institutions.
Activity by the Eastern FIG segment recorded an increase in various countries of Mediterranean Africa (particularly Egypt and Algeria), where major transactions with leading clients in support of Italian exports were carried out, as well as in countries of sub-Saharan Africa, particularly Ethiopia and Kenya. In this respect, a gradual extension of the initiatives to Nigeria, Ghana, Mozambique, Angola and other selected countries is envisaged for the second half of 2013. Furthermore, following the gradual tightening of monetary policy in China, preference was given to commercial operations with the country's major banks, significantly reducing, on the other hand, business with second and third level banks. Lastly, development activity continued in terms of cross-selling for Banca IMI products, particularly towards the major Polish banks.
In the Structured Export Finance sector, the strategy of favouring Italian operations backed by Sace continued, owing in part to the Group's increasing role in the "Export Banca" agreement. In this context, the new "Export Banca" 2013 agreement was signed, aimed at regulating activities to support the internationalisation of Italian companies, and the mandate by a corporate buyer to set up a loan in China for approximately 21 million was obtained. Two shipping finance transactions were completed during the period, as well as a transaction for the construction of a facility in Belarus. An export credit transaction for Danieli & C. with respect to the Indian group Bhushan Power and Steel is in the finalisation stage, while an aircraft financing transaction with a Mexican buyer is in the approval phase. Structured Trade Finance activity continued selectively in emerging markets, with major transactions under analysis in Brazil, Turkey and Turkmenistan.
In Transaction Banking, start-up activity for corporate and financial institution customers was consolidated through the new Inbiz Web channel for both cash business and trade transactions (L/C, domestic and international guarantees and remittances), and a new offer of online payment services, "Mybank", was developed, allowing customers to use e-commerce services from their own Internet portals. In addition, particularly intense activity was carried out in support of the migration to SEPA, the new pan-European payment scheme that envisages a profound transformation of the domestic and international credit transfer and direct debit payment systems and will require commitment from the Bank until the migration, planned for February 2014. Initiatives with the International Subsidiary Banks Division were also launched during the period, aimed at identifying synergies in terms of the transactional offer and acceleration of cross-selling for domestic and international customers.
Lastly, in Local Custody activity relating to Securities Services and post-trading services, there was a reduction in the volumes of transactions settled on behalf of customers in line with market performance in the first six months of 2013. However, the impact of this scenario was partially offset by an increase compared to the same period of 2012 in volumes of Italian securities in custody and on sub-deposit by institutional customers, owing in part to the inclusion in the portfolio of a significant new customer at the end of the previous year. Marketing initiatives focused on the finalisation of processes of acquiring new business through agreements with two important international banks. Cross-selling activity was developed with Banca IMI with the aim of acquiring

execution/integrated custody contracts, and a global custody project was launched in partnership with State Street with the objective of marketing the services concerned through domestic third intermediaries in 2013. In the area of network management, i.e. oversight of Intesa Sanpaolo's sub-depositaries, analyses continued and due diligence activity is currently being carried out in relation to several countries identified as being high priorities, in view of reducing management costs and subsequently re-pricing the services rendered to internal and external customers.

Merchant Banking

As at 30 June 2013, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 3.1 billion euro, of which 2.5 billion euro was invested in companies and 0.6 billion euro in private equity funds.
In the first half of 2013, the Department acquired a 31.25% equity interest in Class Digital Service for an outlay of 5 million euro. The company is a newly incorporated member of the Class Editori Group into which the publishing company's activities relating to the electronic dissemination of financial data and associated information have been concentrated.
With regard to disposals, the sale on the market of the equity interest in Prada was completed, resulting in the realisation during the period of a capital gain of 69 million euro net of taxes. In addition, the equity investment in Goglio was sold through the subsidiary IMI Investimenti, realising a capital gain of approximately 8 million euro. The entire equity interest in Ariston Thermo was sold both directly as well as through IMI Investimenti, realising a capital gain of 35 million euro.
During the half year, Intesa Sanpaolo was active, as in the past, in the corporate reorganisation operations of a number of major national Groups (RCS, Camfin/Pirelli) and continued to follow and support the development, reorganisation and/or stabilisation of the shareholding structures implemented in previous years.
In terms of the equity investment in Telco, whose shareholders' agreement includes the possibility for shareholders to withdraw starting from September, Intesa Sanpaolo will make a decision in accordance with the terms and methods envisaged by the agreements with the company's other shareholders.
Private equity fund management activity, carried out by the subsidiary IMI Fondi Chiusi SGR, continued investing in the new national Atlante Private Equity fund, dedicated to small and medium-sized enterprises, and in venture and seed capital funds.

Structured Finance

In the first half of 2013, Banca IMI structured various financing transactions in collaboration with the relation business units of the Corporate and Investment Banking and Banca dei Territori Divisions in support of Group customers, including: the transaction aimed at supporting the international development of the Calzedonia and Giovanni Rana groups; the financing for HMSHost (former Autogrill Group) and Astaldi; the signing of the Forward Start Facility for Enel set to mature at the end of 2018, as well as that of Telecom; the Revolving Credit Facility for Fiat Industrial, A2A and Fiat Auto; and the financing for World Duty Free Group SAU (Autogrill group) and RCS Mediagroup. Also worthy of note are: the organisation, structuring and underwriting of pool loans for Kiko and Italmatch Chemicals; the organisation of the club-deal loans for Farmafactoring and Tradefleet Investment; the organisation of the loan intended for the acquisition of Gallo Alessandro by a vehicle owned by the funds DGPA Capital and Riello Investimenti; and the organisation and structuring of loans for the company Carlo Gnutti, the SERI Industrial Group and Fondo Quadrivio.
As part of Project & Acquisition Finance, Banca IMI contributed to the structuring of international and domestic transactions aimed at: supporting the mandatory takeover bid launched by the Fincantieri group for STX OSV Holdings Limited (Singapore); refinancing the existing debt of the Arqiva group; supporting the takeover bid launched by Salini for Impregilo; supporting the Samsung group in the construction of a photovoltaic facility in Romania; supporting the acquisition of Caffita System, Italian producer of coffee capsules, by the private equity fund Alpha Capital; supporting the acquisition of Doc Generici by the private equity fund Charterhouse; and refinancing the maturing debt of AES Torino. Activity aimed at promoting and structuring additional credit facilities also continued and will be finalised during 2013, such as the acquisition of Cellular Italia, operator in the sector of accessories for cellular phones and for other mobile devices, by the private equity funds L-Capital and DVR Capital.
In the real estate segment, Banca IMI continued intense origination activity aimed at structuring credit facilities in support of investments in the sector of reference by offering a full range of financial products dedicated to real estate and providing specialised advice for the real estate segment. In relation to the structuring of financing, mention should be made of the loan granted in late 2012 in support of the real estate fund promoted by the Province of Rome and managed by BNP REIM SGR. Transactions in the finalisation stages include the loans to the real estate fund Torre RE, for the acquisition and redevelopment of buildings in Milan, and to Polaris, for realisation of the social housing project.
With regard to advisory services, activities continued with the aim of upgrading a hotel located in Venice and placing units of the Boccaccio real estate fund managed by Aedes BPM Real Estate SGR, as well as the negotiations for the optimisation of two real estate development projects in Milan. New mandates acquired include the disposal of the property complex owned by RCS Mediagroup.
Lastly, as regards Loan Agency operations, Banca IMI expanded its business scope both in terms of coverage of customers (by also targeting public corporate customers) and by systematically acting as an agent in debt restructuring plans in major transactions. In the restructured loans segment, activities were performed for the groups Zucchi, Zaleski, Canepa, TAS, Coestra, Pininfarina, Salmoiraghi, Tiscali and Maire Tecnimont.
In Public Finance, mention should be made of the closing of the pool loan agreement for the Brebemi transaction, the financing for Acqua Novara VCO with the role of hedging bank in a pool with other banks, the disbursements for Farpower and Eurowind Ascoli 1 to build a wind park in the Province of Foggia and a loan for ForVEi to acquire a photovoltaic plant in Calabria. Lastly, in the hospital infrastructure sector, the loan for construction of the new Garbagnate Hospital and management of the non-core services was completed, with the role of arranger.
In the syndicated loans segment, the bank participated, as global coordinator, mandated lead arranger and bookrunner, in the transactions of Telecom Italia and Enel (Forward Start Facility), Fiat Industrial and Fiat S.p.A. (Refinancing) and STX OSV Holding Limited (acquisition by the Fincantieri Group). At the international level, it participated as bookrunner and mandated lead arranger

in the transactions of Telefónica (Forward Start Facility), Bacardi (Refinancing) and the Sabine Pass Liquefaction LLC project finance.

Proprietary Trading

In the first half of 2013, Proprietary Trading reported a positive contribution to the income statement, in terms of revenues, showing significant growth compared to the same period of 2012.
In detail, structured credit products benefited from the contribution on funded and unfunded positions (European/US ABS/CDO) and on the monoline structures of New York, which recorded significant improvement in terms of valuation of the credit risk adjustment. During the period, this segment continued to reduce its exposure to risk positions classified in both the trading book and the loan portfolio. As at 30 June 2013, the risk exposure to structured credit products, European/US funded and unfunded ABSs/CDOs, amounted to 2.1 billion euro, down compared to 2.2 billion as at 31 December 2012.
Even the Hedge Funds portfolio made a positive contribution to the trading revenues during the first half of 2013, benefitting from the recovery in securities in the financial and real estate sectors. Long positions taken on specific debt restructuring transactions also provided a positive contribution, in industrial and consumer sectors, as well as relating to securities previously burdened by a sharp deterioration in country risk. The Hedge Funds portfolio totalled 710 million euro at the end of June 2013, slightly up compared to 696 million euro at the end of 2012, due to changes resulting from new acquisitions and disposals and from exchange rate valuations.

Investment Banking, Capital Market and primary market

In the first six months of 2013, Banca IMI ranked second in Italy in the debt capital market segment, with the role of bookrunner, completing 21 transactions for a total value of 11.8 billion euro. In relation to financial institution customers, Banca IMI proved to be among the leading operators in the placement of bonds issued by Italian banks and further improved its positioning with European customers. In Italy, the bank acted as bookrunner for the senior unsecured eurobonds issued by Intesa Sanpaolo, Banco Popolare, Veneto Banca and Unicredit. On the international market, the bank acted as bookrunner for bond issues by BPCE SFH, Société Générale and BNP Paribas. In relation to corporate customers, the Bank acted as bookrunner for the issues by Fiat, Indesit, EL Towers, Snam, Hera and Italcementi, among other deals. Particularly significant was the hybrid issuance by Telecom Italia, a transaction that drew investors' attention as the first of its kind by an Italian issuer after 2006.
Abroad, Banca IMI acted as bookrunner for various issues, including those by Bacardi, Coca Cola HBC, Abertis Infraestructuras, Unibail-Rodamco, Heineken, Auchan, Telefonica, GE Capital, Gas Natural, EDF and RCI Banque. In the high-yield segment, the bank distinguished itself with the Sisal, Wind, Cerved Technologies and IVS.F issues. For issuers in the sovereign, supranational and agencies segment, Banca IMI confirmed its leadership in the placement of Italian government securities (acting as lead manager and bookrunner for the issue of the new 15-year BTP) and it also participated, in collaboration with VUB Banka, in the distribution of the new 5-year benchmark by the Slovak Republic.
In the equity capital market segment, Banca IMI maintained its usual coverage of the market, with the goal of holding a position of leadership on the domestic market and growing its presence in the international market. In the first half of 2013, it acted as joint bookrunner in the placements of bonds convertible into shares of Beni Stabili and Astaldi. In terms of share capital increases, it acted as joint global coordinator and joint bookrunner in the RCS MediaGroup capital increase. The Bank also confirmed its leadership in the takeover bid/delisting segment, overseeing the takeover bids launched by Hera on Acegas-APS, by Pai on Marcolin and by Salini on Impregilo in the role of financial advisor and the intermediary responsible for coordinating subscriptions. On the alternative investment market (AIM), it headed the IPO of Italia Independent and participated in the secondary placement of Thermo Fischer shares. As at 30 June 2013, Banca IMI was acting as specialist or corporate broker for 50 companies listed on the Italian market, continuing its leadership in this market segment. During the STAR event organised by Borsa Italiana, the bank received the award for top intermediary in the organisation of meetings between listed companies and the financial community for the third consecutive year.
In its M&A Advisory activity, Banca IMI advised: Fincantieri in one of the largest cross-border transactions by an Italian company in recent years, involving the acquisition of STX OSV, a company listed on the Singapore Stock Exchange and global leading manufacturer of supporting equipment for the extraction and production of oil and natural gas; the Salini group in the voluntary takeover bid on the entirety of the ordinary shares of Impregilo and in the subsequent merger envisaged between the two companies; Lauro Sessantuno (the newco owned by Nuove Partecipazioni Industriali and Clessidra, together with Intesa Sanpaolo and Unicredit) in the shareholding reorganisation of Camfin; Bain Capital and Clessidra in the sale of Cerved to CVC; Luxottica, in the acquisition of 36% of Salmoiraghi & Viganò; Granarolo, in the sale of CSL, operating in the probiotics sector, to the Clerici Sacco group; Saras, regarding the congruity of the partial voluntary takeover bid by Rosneft on 7.3% of the company's capital; Charterhouse Capital Partners, in the acquisition of Doc Generici, third largest company on the Italian generic drugs market. The bank also rendered advisory services in several especially significant transactions expected to be closed in the coming months, such as advising Atlantia in its merger with Gemina, Cinven in the sale of the Avio group's aviation business to General Electric, A2A in the sale of Chi.Na.Co., Maire Tecnimont in the sale of interests in Copenhagen Metro Team and in the COCIV consortium, Autogrill, in the non-proportional spin-off and simultaneous listing of the travel retail & duty free division, and Telecom in its project for the spin-off of the network (OPAC) and possible opening up of capital.

Factoring and Leasing

In the first half of 2013, **Mediofactoring** reported a turnover of 24.5 billion euro, a 5.5% decrease on the same period of 2012, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 29.2%. Compared to 31 December 2012, outstanding receivables, equal to 12.3 billion euro, posted a decrease (-7.2%) and period-end loans amounted to 10.3 billion euro, down 9.4%. This performance was attributable to the seasonality of factoring, characterised by

increasing rises in operations over each quarter of the year. The positive performance of operations was confirmed by the average volumes of loans, amounting to 8.6 billion euro, up 1.1 billion euro compared to the same period of the previous year (+14.7%).
In terms of income statement figures, the operating margin for the first half of 2013, amounting to 121 million euro, was up by 16.7% compared to the same period of 2012 as a result of the increase in operating income (+14.1%), driven by net interest income, which benefited from the positive performance of average volumes. Net income amounted to 64 million euro, up by 21.2% on the first six months of 2012.

At the end of June 2013, Intesa Sanpaolo was the number-two leasing provider in the Italian market with a share of 12.2%.
Following the definition of the strategic guidelines for the **Leasing Hub** for 2013, commercial activity focused on controlled, selective development aimed at increasing profitability. This goal was pursued through the discontinuation of production by Centro Leasing and a focus on captive channels and top-rated customers.
During the first half of the year, the Leasing Hub entered into nearly 3,500 new contracts, for a total amount of 885 million euro, down by approximately 49% compared to the first six months of 2012. The amount outstanding, equal to 22.7 billion euro at the end of June 2013, was down slightly compared to the beginning of the year (-0.3 billion euro). The real estate segment declined compared to the same period of 2012, but to a lesser extent than the market; the energy, automotive and instrumental leasing segments recorded a slowdown as well. In terms of income statement figures, the Leasing Hub closed the first six months of 2013 with a net loss of 52 million euro, compared to the net loss of 33 million euro in the same period of 2012, owing to the increase in net adjustments to loans (+29.3%), which more than offset the increase in revenues (+7%) and lower operating costs (-15.9%).

International Subsidiary Banks

(millions of euro)

Income statement	30.06.2013	30.06.2012	Changes	
			amount	%
Net interest income	773	816	-43	-5.3
Dividends and profits (losses) on investments carried at equity	17	19	-2	-10.5
Net fee and commission income	266	265	1	0.4
Profits (Losses) on trading	45	25	20	80.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	-37	-34	3	8.8
Operating income	**1,064**	**1,091**	**-27**	**-2.5**
Personnel expenses	-291	-302	-11	-3.6
Other administrative expenses	-233	-208	25	12.0
Adjustments to property, equipment and intangible assets	-60	-65	-5	-7.7
Operating costs	**-584**	**-575**	**9**	**1.6**
Operating margin	**480**	**516**	**-36**	**-7.0**
Net provisions for risks and charges	-1	-12	-11	-91.7
Net adjustments to loans	-326	-356	-30	-8.4
Net impairment losses on other assets	-52	-13	39	
Profits (Losses) on investments held to maturity and on other investments	-3	2	-5	
Income (Loss) before tax from continuing operations	**98**	**137**	**-39**	**-28.5**
Taxes on income from continuing operations	-86	-83	3	3.6
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**12**	**54**	**-42**	**-77.8**

(millions of euro)

	30.06.2013	31.12.2012	Changes	
			amount	%
Loans to customers	28,490	29,312	-822	-2.8
Direct deposits from banking business	30,780	31,163	-383	-1.2

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

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

It should be noted that the figures presented in the table and commented upon below exclude the results of VUB Asset Management, PBZ Invest and CIB IFM, the three asset management companies, located in Slovakia, Croatia and Hungary, respectively, which have been included in the scope of Eurizon Capital.
The comparative figures have been restated on a consistent basis by applying the adjustments required to reflect the effects of this change in scope retroactively.

In the first half of 2013, the Division's operating income was down 2.5% compared to the same period of the previous year, amounting to 1,064 million euro. A detailed analysis shows that net interest income came to 773 million euro, a decrease compared to 816 million euro in the first six months of 2012 (-5.3%), mainly due to the trends reported by Privredna Banka Zagreb (-17 million euro), CIB Bank and Banca Intesa – Russia (-10 million euro each), and Bank of Alexandria and Pravex Bank (-5 million euro each), only partly absorbed by the increase recorded by VUB (+8 million euro). Net fee and commission income, amounting to 266 million euro, was essentially stable. Profits on trading, amounting to 45 million euro, increased significantly (+80%) due to a larger contribution from VUB Banka (+29 million euro), only partly offset by the decrease by PBZ (-8 million euro) and CIB Bank (-3 million euro).
Operating costs, amounting to 584 million euro, were up slightly compared to the first half of 2012 (+1.6%). As a result of the above revenue and cost trends, the operating margin came to 480 million euro, down 7%. Income before tax from continuing operations, amounting to 98 million euro, was down compared to the 137 million euro recorded in the same period of the previous year (-28.5%), taking into account higher net adjustments to other assets (+39 million euro), lower adjustments to loans (-30 million euro) and lower net provisions for risks and charges (-11 million euro). The Division closed the first half of 2013 with a net income of 12 million euro, down compared to the 54 million euro reported in the same period of the previous year.

On a quarterly basis, the second quarter of 2013 reported an operating margin up 7.1% on the first quarter, due to higher revenues (+5.3%) which more than offset the growth in operating costs (+3.8%). By contrast, income before tax from continuing operations yielded negative performance compared to the previous quarter (-69.9%), due to significant net adjustments to loans and other assets recognised during the period, and the net result was a loss.
The Division's intermediated volumes decreased compared to the end of December 2012 (-2%) owing to the decrease in loans to customers (-2.8%) as well as amounts due to customers under direct deposits from banking business (-1.2%).

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, the Russian Federation and Ukraine
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,494 branches in 12 countries

South-Eastern Europe

In the first half of 2013, the operating income of the **Privredna Banka Zagreb Group** amounted to 205 million euro (-11.7% compared to the same period of the previous year), mainly due to the decrease in net interest income and profits on trading. Operating costs fell to 96 million euro (-4.4%), primarily attributable to other administrative expenses. The operating margin came to 109 million euro, down 17.2% on the first half of 2012. Income before tax from continuing operations, amounting to 73 million euro, showed a decrease of 20.8%. Lastly, net income came to 57 million euro (-22.4%).

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 75 million euro, up 4.3% compared to the first half of 2012. Operating income decreased by 0.9% due to the performance of net interest income and net fee and commission income. Overall operating costs decreased by 8.7%. Income before tax from continuing operations amounted to 48 million euro, compared to 45 million euro in the same period of the previous year (+8.7%), while net income stood at 41 million euro (+2%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended the first half of 2013 with an operating margin of 6.9 million euro, down by 0.9% on the same period of 2012. This performance was due to a slight decline in operating income, while operating costs remained stable. Income before tax from continuing operations, equal to 4.2 million euro, was in line with the first half of 2012, while net income, equal to 3.8 million euro, showed a slight increase (+1.5%).

Intesa Sanpaolo Bank Albania reported an operating margin of 15 million euro, up 25.4% on the first half of 2012, due to an increase in revenues (+15.3%) and a decline in operating costs (-1.3%). Net income amounted to 6.4 million euro, essentially stable compared to the same period of 2012 due to the increase in adjustments to loans.

The companies operating in Romania (**Intesa Sanpaolo Bank Romania** and ISP Leasing Romania) recorded a total operating margin of 9.5 million euro, up 36% on the same period of the previous year. This performance was due to an increase in operating income (+1.9%) attributable to higher profits on trading and greater net fees and commissions, as well as to a significant decrease in operating costs (-12%), mainly attributable to administrative and personnel expenses. The companies reported a net income of 0.2 million euro, compared to a net loss of 19 million euro in the first half of 2012, mainly due to lower adjustments to loans (-60.8%).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 40 million euro, down 7.8% on the first half of 2012 due to the decline in all the main income components. Operating costs were down (-6.8%). Following lower adjustments to loans (-12.3%), net income amounted to 6.2 million euro, essentially stable compared to the same period of the previous year.

The **VUB Banka Group** achieved an operating margin of 136 million euro, up 30.2% compared to the same period of 2012, due to an increase in operating income (+14.5%), mainly attributable to profits on trading and net interest income. Operating costs were down slightly (-0.7%). Net income, equal to 70 million euro, showed a 41.7% increase compared to the first half of the previous year, due to higher net adjustments to loans (+7.8%) and lower provisions for risks and charges (-86%).

The increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties of the country, heavily affected the performance of this subsidiary bank, causing negative impacts on spreads, the cost of funding and the quality of the loan portfolio. The **CIB Bank Group** showed operating income of 133 million euro, down 6.5% on the first half of 2012. This performance was primarily attributable to the decrease in net interest income (-12.3%) and the lower contribution from profits on trading. Operating costs rose by 21.2% as a result of the increase in administrative expenses. Adjustments to loans decreased by 9.4%, while adjustments to other assets came to 50 million euro. Net income was negative at 195 million euro, compared to a net loss of 148 million euro posted in the first half of 2012.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia reported net income of 5.6 million euro, compared to 16 million euro in the first half of 2012 (-65.4%). Operating income decreased (-11.3%) due to the decline in net interest income (-14.6%), which absorbed the growth in profits on trading (+20.2%). Operating costs increased (+2.4%). Net adjustments to loans amounted to 12.3 million euro, double compared to the first half of 2012.

The operating margin of **Pravex Bank** in the first half of 2013 was a negative 4.6 million euro, down compared to +0.3 million euro in the same period of 2012, mainly due to a decrease in operating income (-23.4%) across all main components. Operating costs decreased by 4.4% compared to the first half of 2012 due to savings on administrative expenses and personnel expenses. After net adjustments to loans of 16 million euro (compared to 22 million euro in the first half of 2012), Pravex Bank reported a net loss of 24 million euro, compared to net loss of 21 million euro in the same period of the previous year.

Bank of Alexandria reported an operating margin of 71 million euro, down by 6.7% on the first half of 2012. Operating income, at 142 million euro, decreased (-3.9%) mainly as a result of lower net interest income (-4.2%). Operating costs reported a decrease (-0.9%) following the decline in personnel expenses and amortisation and depreciation, which offset the increase in administrative expenses. Following net adjustments to loans of 17 million euro, down by 17.1% on the first half of 2012, net income amounted to 38 million euro, slightly down compared to the same period of 2012 (-1.4%).

Other companies

In the first half of 2013, the operating income of **ISP Card** amounted to 18 million euro (+4.8% compared to the same period of the previous year), primarily as a result of the increase in net fee and commission income (+4.7%). Operating costs showed an increase attributable to personnel expenses and amortisation and depreciation, amounting to 17 million euro (+3.9%). This resulted in net income of 1 million euro, compared to 0.8 million euro in the first half of 2012.

Eurizon Capital

(millions of euro)

Income statement	30.06.2013	30.06.2012	Changes	
			amount	%
Net interest income	1	1	-	-
Dividends and profits (losses) on investments carried at equity	8	6	2	33.3
Net fee and commission income	154	122	32	26.2
Profits (Losses) on trading	1	1	-	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	3	-3	
Operating income	**164**	**133**	**31**	**23.3**
Personnel expenses	-23	-27	-4	-14.8
Other administrative expenses	-28	-32	-4	-12.5
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-51**	**-59**	**-8**	**-13.6**
Operating margin	**113**	**74**	**39**	**52.7**
Net provisions for risks and charges	3	-1	4	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**116**	**73**	**43**	**58.9**
Taxes on income from continuing operations	-26	-13	13	
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-18	-19	-1	-5.3
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-2	-2	-	-
Net income (loss)	**70**	**39**	**31**	**79.5**

(millions of euro)

	30.06.2013	31.12.2012	Changes	
			amount	%
Assets under management	152,075	145,382	6,693	4.6

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

In the first half of 2013, as part of the project to establish a regional asset management hub in the Eastern European market, in a joint venture with the International Subsidiary Banks Division, work began on planned activities for the creation of the hub and the acquisition of control by the Luxembourg-based Eurizon Capital S.A. of the three companies involved in the rationalisation transaction, located in Slovakia (VUB Asset Management), Croatia (PBZ Invest) and Hungary (CIB IFM).
In further detail, on 14 January 2013 the subsidiary Eurizon Capital SA acquired 100% of CIB IFM (a Hungarian company). On 31 January 2013 the shareholders' meeting of VUB Asset Management (VUB AM) approved a capital increase reserved for Eurizon Capital SA and Privredna Banka Zagreb (PBZ), subscribed by the two companies in March by means of the contribution of 100% of CIB IFM (in the case of Eurizon Capital SA) and PBZ Invest (in the case of PBZ). The transaction was finalised with the issue and delivery of the new shares of the beneficiary of the contribution on 16 April 2013. Lastly, with the aim of acquiring control of the asset management hub, on 19 April 2013 Eurizon Capital SA acquired an additional 21.56% interest in VUB AM from PBZ, bringing its total interest to 50.12%.
The figures shown in the table and commented on below were reconstructed on a consistent basis, adjusting historical figures as appropriate to reflect the effects of these changes in scope retroactively.

Overall, total assets managed by Eurizon Capital as at the end of June 2013 came to 152.1 billion euro (net of duplications), up by 4.6% from the beginning of the year as a result of net inflows and, to a lesser extent, positive financial market performance. In the first half of 2013, net inflows came to 6.3 billion euro, driven by strong performance of Italian mutual funds, captive insurance products in relation to placement of class I policies, retail portfolio management schemes and foreign funds and SICAVs. Eurizon Capital's share of assets under management was 14.5% as at 30 June 2013 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio), from 14.4% at the end of December 2012.
Operating income came to 164 million euro in the first half of 2013, up by 23.3% compared to the same period of the previous year, benefiting from the positive performance of net fee and commission income (+26.2%), primarily driven by the trend in average assets under management, which considerably exceeded the level for the first six months of 2012, as well as by the better product mix, which yielded significant inflows to higher-margin products. Operating costs fell (-13.6%), thanks to cost

containment measures, specifically concerning personnel, outsourcing and external advisory services costs. As a result of the above revenue and cost trends, the operating margin came to 113 million euro, up 52.7% compared to the same period in 2012. Eurizon Capital closed the first half of 2013 with net income of 70 million euro (+79.5%).
On a quarterly basis, the second quarter of 2013 showed an increase in income before tax from continuing operations of 45% compared to the first quarter, mainly due to the increase in operating income (+23%) and the significant increase in net fee and commission income (+25.1%), as well as the reduction in costs (-4.8%). Net income showed a similar performance, up by 52.5% on the previous quarter.

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

The key events regarding products placed and managed by companies of the group during the first half of 2013 are outlined below.
In March 2013, following termination of the investment cycle of the "Eurizon Focus Garantito III Trimestre 2007" fund, the investment policy changed, along with the classification, from "guaranteed" to "protected", and its name was changed to "Eurizon Strategia Protetta I Trimestre 2013", with the launch of a new offer period. Two mergers of Italian funds were also carried out, aimed at increasing the efficiency of the management service through rationalisation of the range of products offered and resulting from the planned termination of the investment cycle of each fund involved in the merger and of the related "Guarantee".
In detail, the merger by incorporation of the "Eurizon Focus Garantito IV Trimestre 2007" fund into the aforementioned "Eurizon Strategia Protetta I Trimestre 2013" fund took place in March, while the merger of the "Eurizon Focus Garantito settembre 2012-dicembre 2012-marzo 2013" funds into the "Eurizon Strategia Flessibile 15" fund became effective from the end of May.
In terms of Luxembourg funds, the merger by incorporation of "Eurizon Focus Riserva Doc – Obbligazioni Corporate 12/2012" and "Eurizon Opportunità - Bond Selection 2012-1" into the newly established "Eurizon Opportunità – Obbligazioni Flessibile" was effective.
Lastly, in terms of the hedge offer, the merger of the "Eurizon Medium Volatility" and "Eurizon Total Return" funds into the "Eurizon Low Volatility" fund was approved and effective from 1 August.

In terms of new business, three new editions (maturity April 2018, June 2018 and July 2018) of the "Gestione Attiva" series were launched during the first half of the year, comprising a set of three Italian funds (Classica, Dinamica and Opportunità) that aim to optimise yield according to a predefined risk level and fund term.
Furthermore, the placement period was initiated for the new "Cedola Attiva" range of mutual funds. This involves two flexible funds (Attiva and Attiva Più), mainly bond, with specific risk level and centralised asset allocation in which management aims to optimise the fund yield, over a term of slightly more than 5 years. The "Cedola Attiva" series is accompanied by "Eurizon Cedola Attiva Top", a product characterised by flexible management of the equity component on the European and American equity markets, based on a "contrarian" approach, namely on investment principles that may go in the opposite direction of market sentiment.
Within the Luxembourg "Investment Solutions by Epsilon" multi-segment fund, new windows were opened in the "Forex Coupon" (1 segment) and "Valore Cedola x 5" (4 segments) sub-fund families. The product line targeting the private segment was expanded with the launch of a new sub-fund ("Private Style Equity") within the "Eurizon Multimanager Stars Fund". The segment completes the "Private Style" product range - placed starting from July 2012 with the "Private Style Income" and "Private Style Flexible" segments - which make it possible for customers to use a single product to access a selection of the best third party funds in the selected investment categories. The product creation process also involved expansion of the offer within the Eurizon Investment SICAV, promoted by Eurizon Capital SA, through the launch of three new segments exclusively targeting institutional investors.

Finally, in the asset management area, “G.P. linea Sistema Valore” and “G.P. linea Sistema Valore Più” were launched. These are two new portfolio management lines that, depending on market performance and on the associated risk level, aim to preserve the value of capital invested over the medium term and achieve, through exposure to the equity market of 15% and 35% respectively, a moderate revaluation of the investment.

Banca Fideuram

(millions of euro)

Income statement	30.06.2013	30.06.2012	Changes	
			amount	%
Net interest income	63	79	-16	-20.3
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	304	271	33	12.2
Profits (Losses) on trading	7	12	-5	-41.7
Income from insurance business	45	52	-7	-13.5
Other operating income (expenses)	-1	-	1	-
Operating income	**418**	**414**	**4**	**1.0**
Personnel expenses	-61	-70	-9	-12.9
Other administrative expenses	-84	-93	-9	-9.7
Adjustments to property, equipment and intangible assets	-8	-8	-	-
Operating costs	**-153**	**-171**	**-18**	**-10.5**
Operating margin	**265**	**243**	**22**	**9.1**
Net provisions for risks and charges	-34	-40	-6	-15.0
Net adjustments to loans	1	-1	2	
Net impairment losses on other assets	-6	-19	-13	-68.4
Profits (Losses) on investments held to maturity and on other investments	1	-4	5	
Income (Loss) before tax from continuing operations	**227**	**179**	**48**	**26.8**
Taxes on income from continuing operations	-49	-70	-21	-30.0
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-44	-44	-	-
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**134**	**65**	**69**	

(millions of euro)

	30.06.2013	31.12.2012	Changes	
			amount	%
Assets under management	62,452	59,157	3,295	5.6
Direct deposits from banking business	7,119	6,672	447	6.7
Direct deposits from insurance business and technical reserves	16,962	14,169	2,793	19.7

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

Assets under management and assets under administration of the Banca Fideuram Group at the end of June 2013 amounted to 80.4 billion euro (of which 62.4 billion euro in assets under management and 18 billion euro in assets under administration), up 1.4% since the beginning of the year. This result is attributable to positive performance in terms of net inflows, partly reduced by negative performance of the asset market.
In detail, assets under management, which represent more than three quarters of the aggregate, were up 5.6% compared to the balance at the end of 2012, thanks to the positive trend in life insurance and mutual funds. Conversely, assets under administration showed a decrease on the volume as at 31 December 2012 (-10.7%). Within an economic scenario still characterised by persistent weakness of the real economy, in the first half of 2013 the Banca Fideuram Group's distribution networks achieved net inflows of 1.7 billion euro, marking an improvement of 946 million euro compared to the first six months of the previous year. The breakdown by aggregate shows an excellent performance by the asset management segment, which presented net inflows of 3.9 billion euro (compared to 462 million euro in the same period of 2012), primarily owing to the effect of new inflows to mutual funds and insurance products. Net outflows of assets under administration came to 2.2 billion euro, compared to net inflows of 239 million euro in the same period of the previous year.
Direct deposits from banking business amounted to 7,119 million euro, up 6.7% from the beginning of the year.
Direct deposits from insurance business, amounting to 16,962 million euro, also increased (+19.7%), attributable to the trend in financial liabilities of the insurance segment designated at fair value.
The number of private bankers rose from 5,082 at the end of 2012 to 5,097 as at 30 June 2013.
The operating margin for the first half of 2013 stood at 265 million euro, up 9.1% compared to the same period of the previous year, driven by the stability of operating income (+1%), and sharply declining operating costs (-10.5%).
The performance of revenues is attributable to net fee and commission income of 304 million euro, up 12.2%. In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, increased compared to the first six months of 2012

owing to the growth of average assets under management. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents some 9% of net fee and commission income, recorded an increase compared to the first six months of 2012, due to the positive results achieved in the placement of securities and receipt of orders, as well as the good performance of mutual funds and insurance products. Performance fees, almost fully recognised on an annual basis, amounted to 6.2 million euro and were almost entirely attributable to the positive performance of the funds underlying the unit-linked policies placed by the group with respect to the benchmark of reference. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported an increase due to greater incentives to the network of private bankers for positive results achieved in the period in terms of net assets under management and to commercial initiatives to support growth. Conversely, net interest income declined (-20.3%), as a result of the downtrend in interest rates and the lesser flexibility of the cost of funding. However, looking at quarterly performance of the margin, the declining trend recorded during 2012 as a result of interest rates at all-time lows was inverted in the first two quarters of 2013, due to the reduction in the cost of funding and, to a lesser extent, to the increase in average profitability of the financial portfolio. Among other income components, profits on trading declined (-41.7%), along with income from insurance business of Fideuram Vita, which dropped from 52 million to 45 million euro. This outcome is due to worsening of the net investment result, mainly attributable to the various events impacting the fair value measurement of the investment portfolio of the separate management portion and of the free capital. Provisions for risks and charges decreased by 15% due to the lesser contractual indemnities to private bankers and the discontinuation of a network retention plan at the end of 2012. Income before tax from continuing operations amounted to 227 million euro, up 26.8%, benefiting from the reduction in adjustments to other assets (-68.4%).
Lastly, following the attribution of the effects of purchase price allocation on the income statement (44 million euro), Banca Fideuram closed the first six months of 2013 with net income of 134 million euro, more than double the amount for the first six months of the previous year.

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advise on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	97 branches in Italy with 5,097 private bankers

Development of new products in the first half of 2013 was mainly aimed at consolidating flexible financial and insurance solutions, adapting to the continuous change of the reference scenario and able to meet the requirements of customers, in light of changes in the economic-social cycle. The activity involved both the asset management and the banking segments, aiming development towards a specific customer target with distinctive services.

With regard to the Bank's funds, numerous changes were introduced to Fonditalia (FOI) during the half year, involving the funds and funds of funds, as well as new classes with hedging of the exchange rate risk and new income distribution classes, by leveraging the Group's internal expertise and consolidating partnerships with third-party asset managers. In detail, multi-asset sub-funds with global geographic coverage were introduced, with specific characteristics such as protection from long-term inflation risk ("FOI Diversified Real Asset"), the search for high-yield asset investments ("FOI Global Income", "FOI Equity Global High Dividend"), controlled participation in the equity markets ("FOI Global Convertibles") and management based on risk parity ("FOI Flexible Risk Parity"). The investment policies of a number of government bond segments were also reviewed in order to offer greater management flexibility ("FOI Euro Bond" and "Fonditalia Euro Bond Defensive").
Within the scope of Fideuram Multibrand (third-party funds distributed à la carte), the ongoing development of the existing range continued, primarily consisting of the addition of new sub-funds to existing UCIs and new classes to those already placed. Lastly, a new private equity programme dedicated to private customers was launched.
With regard to asset management, two new investment lines were introduced in the uniform management contract "Fideuram Omnia", proposing a number of investment opportunities present in Fonditalia, differentiated based on management principles ("Active Beta Income" and "Active Beta Real Asset"). An additional accessory service known as "regular coupon" was also introduced, permitting customers to activate, with the utmost flexibility, a series of withdrawals from one or more management lines, defining the portion of assets to withdraw and the relative frequency.
As to insurance, the offering was enhanced with asset protection solutions developed in collaboration with Fideuram Vita. In particular, new versions of the unit-linked policy "Fideuram Vita Insieme" were introduced, with expansion of the investment options ("Fideuram Vita Insieme Private", "Fideuram Vita Insieme Facile" and "Fideuram Vita Insieme Premium 4+4"), the Class I offer was developed, with new placement of "Fideuram Vita Garanzia e Valore", the traditional single-premium lifelong policy with minimum guaranteed yield of 1.8%, and the temporary death policy "Fideuram Vita Attiva", characterised by an increase in the maximum capital insured, was reviewed.
With regard to initiatives for assets under administration, Banca Fideuram participated in numerous issues implemented by the Intesa Sanpaolo Group (five placements on the primary market via senior fixed-rate and blended-rate bonds with minimum and maximum duration of five and six years). The bank also participated in the placement of the BTP Italia issues launched by the Ministry for the Economy and Finance both through the traditional channel and through Fideuram Online.

As regards the offering of banking products, during the half year, initiatives continued aimed at promoting the use of banking services and the acquisition of new customers.
The for-pay personalised advanced advisory service, known as Sei, introduced in 2009 alongside the basic advisory service, has been subscribed by over 48,000 customers in its 4 years of operation (+8,000 compared to the end of 2012), amounting to approximately 18.9 billion in assets under administration (+2.8 billion compared to 31 December 2012) and with over 3,600 active private bankers.

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department) generated an operating loss of 771 million euro in the first half of 2013, compared to operating income of 42 million euro for the same period of the previous year. This performance was primarily due to the marked deterioration in net interest income, partly owing to the increased cost of holding liquidity, correlated chiefly to lower money-market returns, as well as in profits (losses) on trading. In the first six months of 2012, this latter item had benefited from capital gains attributable to the repurchase of own securities. The revenue performance was reflected in all of the main income statement items and the net loss, which came to 859 million euro, compared to 294 million euro reported in the same period of the previous year.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In the first half of 2013 Intesa Sanpaolo confirmed its role of "critical participant" as a system-wide bank at Italian and European level, keeping its market shares for payments on the Eurosystem Target2 platform. The direct access method to the new securities settlement system of the Eurosystem was defined in June. This system will see the Bank playing a leading role in the migration envisaged for mid-2015 and for which planning activities are in the definition phase (Cantiere Business, IT and Operations). In other developments regarding collateralised markets, the Eurosystem project was launched during the period, with the use of cross-border triparty services for management and movement of the securities used as collateral in credit transactions for holders of a pool account with the Bank of Italy.

During the first part of the half year, the money market underwent a period of weakness, also due to the post-electoral stalemate in our country and to the difficult management of the crisis in Cyprus. The positive phase resumed in second quarter, following stabilisation of the coalition government. The cut in rates by the ECB in May, with a new low of 0.5%, was accompanied by an extension of the regime of full settlement of open market operations (deadline 06/2014) and the announcement of the beginning of consultations between the Eurosystem and the major financial institutions, with the aim of identifying the measures to revive business loans and the ABS market. This phase continued until mid-June, when the American Federal Reserve outlined a gradual process for reduction of the exceptional quantitative stimulus measures (known as QE3), subject to consolidation of the increases in growth, inflation and employment, prospects that have changed market expectations, rising the interest rate curves of the main currencies.
Overall, Intesa Sanpaolo has consolidated its positions on the money market, maintaining good levels of debt on short-term wholesale deposit products (securities, interbank unsecured and secured deposits), thereby laying the foundations to restore the liquidity received through the first of the two extraordinary medium/long-term refinancing transactions conducted by the Eurosystem at the end of 2011 (for 12 billion euro).

With regard to the securities portfolio, the positive effects of the expansive monetary policy reiterated by the ECB, combined with the negative effects generated by the uncertainties on formation of the new Italian government, have resulted in a prudent and dynamic management of investments. The sale of the longer and potentially riskier positions was more than offset by the purchase of one and two-year paper, with the aim of guaranteeing investment of the available liquidity and optimising the impact on the income statement.
The covered bond portfolio was managed according to a prudent approach, keeping the duration of Italian securities unchanged and focusing on the secondary market, as the particularly low spreads have reduced the appeal of measures on new issues.

Operating ACM and Structured Operations

With regard to Asset & Liability Management, operational management of the interest rate risks of the Group's banking book – in the segment over 18 months – is handled by the ALM structure under the supervision of the Risk Management Department. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve at the various maturities; moreover specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group's Financial Risks Committee, within limits established by the Management Board. The ALM structure actively supports the Committee's decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined by the Group internally. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.
In the area of operating ACM and credit portfolio management, through the procedure named A.Ba.Co. (Collateralised Bank Assets), bank loans disbursed to non-financial companies can be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators". In the first three months of 2013, there was an increase in allocated assets of approximately 350 million euro. At the end of June 2013, the gross outstanding amount lodged as pledge by the Group was about 8.6 billion euro.

Funding

Medium/long-term funding recorded a slowdown in deposits with typical instruments of the segment.
In the domestic market in the first half of 2013, the total amount of Group securities placed through its own and third-party networks came to 8.2 billion euro. Among placed securities, there was a prevalence of plain vanilla securities (67.5%), while the weight of structured bonds (mainly structured interest rate securities tied to indices) amounted to 32.5%. A breakdown by average maturity shows a concentration of 3- and 6-year maturities (with a weight of 59%), whilst 41% is represented by securities with maturities of 2, 4 and 5 years. On international markets, a total of approximately 3.8 billion euro in unsecured institutional funding transactions were closed. In particular, the Group placed a senior transaction in USD amounting to 3.5 billion dollars (equivalent to 2.7 billion euro) on the U.S. market through a double tranche of 3- and 5-year bonds, as well as a 2.5-year transaction in euro amounting to 1 billion euro, intended primarily for German and Austrian investors.

In terms of structured funding, the following were issued: a 3.375% fixed-rate security for 1 billion euro, set to mature in 12 years (14th series issued under the issuance programme guaranteed by ISP CB Ipotecario backed by mortgage loans), listed on the Luxembourg Stock Exchange, which received an A2 rating from Moody's; a floating-rate security for 2 billion euro, set to mature in 2 years (7th series issued under the issuance programme guaranteed by ISP CB Pubblico), which received an A3 rating from Moody's. Lastly, the 5th and 6th series of retained floating-rate bonds were launched, respectively for 1.5 billion euro at 2 years and 800 million euro at 7 years, both listed on the Luxembourg Stock Exchange, benefitting from the Issuer's rating.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2013	6,437	1,492	276	8,205
30.06.2012	7,120	1,491	333	8,944
% change [(a)]	-9.6	0.1	-17.1	-8.3
Loans to customers				
30.06.2013	312,183	38,694	7,527	358,404
31.12.2012	329,845	37,795	8,985	376,625
% change [(b)]	-5.4	2.4	-16.2	-4.8
Direct deposits from banking business				
30.06.2013	315,543	52,401	4,308	372,252
31.12.2012	325,971	50,545	3,837	380,353
% change [(b)]	-3.2	3.7	12.3	-2.1

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

[(a)] The change expresses the ratio between 30.06.2013 and 30.06.2012.

[(b)] The change expresses the ratio between 30.06.2013 and 31.12.2012.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy accounted for 78% of revenues, 87% of loans to customers and 85% of direct deposits from banking business. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).
As regards operations for the first half of 2013, a decrease in total bank funding volumes was recorded in Italy, while the decrease in loans to customers was recorded in Italy and in the Rest of the World. The performance in operating income was also down in Italy and in the Rest of the World, with steady revenues in the European countries.

Risk management

BASIC PRINCIPLES

As described in further detail in the annual financial statements, Intesa Sanpaolo Group policies relating to risk acceptance are defined by the Parent Company's Supervisory Board and Management Board. The Supervisory Board performs its activities through specific committees set up from among its members, including the Control Committee. The Management Board draws on the activities conducted by managerial committees, particularly the Group Risk Governance Committee. Both corporate bodies receive support from the Chief Risk Officer who reports directly to the Chief Executive Officer. The Chief Risk Officer is responsible for proposing the Risk Appetite Framework, setting the Group's risk management and compliance guidelines and policies in accordance with company strategies and objectives and coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments. The Chief Risk Officer ensures oversight of the Group's overall risk profile by establishing methods and monitoring exposure to the various types of risk.
The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the subsidiaries' Management Bodies.
The risk measurement and management tools contribute to define a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the Budget assumptions and projected economic scenario under ordinary and stress conditions. The assessment of capital is included in business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 2 AND BASEL 3 REGULATIONS AND THE INTERNAL PROJECT

The goal of the Basel 2 Project is the adoption of advanced approaches for credit and operational risks by the main Group companies.
The credit risk situation differs by portfolio:
- for the Corporate segment, authorisation has been obtained from the Supervisory Authority for the use of the AIRB approach on a scope that extends to the Parent Company, the network banks and Mediocredito Italiano (effective 31 December 2010; the FIRB approach had been in use since December 2008) and the foreign company Intesa Sanpaolo Bank Ireland Plc. (effective from reporting as at 31 December 2011). The foreign bank VUB Banka obtained permission to use the FIRB approach effective from the report as at 31 December 2010. With effect from June 2012 permission was obtained to extend the AIRB approach to the subsidiary Banca IMI and for the adoption of rating models for the hedging of Specialised Lending exposures at Group Level, together with the use of internal LGD estimates for the Corporate segment in relation to the product companies Leasing and Mediofactoring (the FIRB approach had been in use since December 2008);
- for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective from June 2010, extended to the former Casse del Centro network banks effective from the report as at 31 December 2011 and to VUB Banka with effect from the report as at 30 June 2012;
- authorisation for transition to the IRB approach was granted for the SME Retail segment effective from the December 2012 report, extending to a scope that includes the Parent Company, network banks and Mediocredito Italiano.

The Group is also proceeding with development of the IRB systems for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.
With regard to Operational Risk, the Group obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities. For additional details see the section on operational risk.
In April 2013 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.
As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 2 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

As regards developments in the set of regulations known as "Basel 3", the main changes regard the level and quality of capital of the Banks, introduction of the leverage ratio (ratio of Core Tier I and Total Assets, including off balance sheet adjusted for the

actual derivatives exposure), changes in the valuation of counterparty risk and the introduction of two new regulatory liquidity indicators (Liquidity Coverage Ratio and Net Stable Funding Ratio).
In preparing to adopt the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:
– achieving the goal of sustainable growth consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing and improving the quality of its lending operations;
– diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
– efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
– given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
– constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

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

Credit quality

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
The overall non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a predetermined control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. They allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and for credit risk control.
Within the Group, in accordance with present rules, positions which are attributed a persistent high-risk rating are intercepted (manually or automatically) and included in a unique operational category based on their risk profile. In accordance with the Supervisory Authority instructions, they are classified in the following categories: doubtful loans, exposures to borrowers in default or in similar situations; substandard loans, exposures to borrowers in temporary difficulty, deemed likely to be settled in a reasonable period of time and exposures which satisfy the conditions objectively set by the Supervisory Authority ("objective substandard loans"), although they do not meet the requirements to be classified under doubtful loans; restructured loans, positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or pool of banks) agrees to modify the original contractual terms giving rise to a loss. Lastly, non-performing loans also include past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy.
With specific reference to "non-performing" past due positions, from 2012 for identification of these positions the Group applies the 90-day limit to all regulatory portfolios, regardless of the respective exposure classes and related credit risk measurement approaches.

(millions of euro)

	30.06.2013			31.12.2012			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	30,969	-18,914	12,055	28,362	-17,160	11,202	853
Substandard loans	17,100	-3,986	13,114	14,480	-2,985	11,495	1,619
Restructured loans	2,272	-273	1,999	3,587	-724	2,863	-864
Past due loans	2,791	-302	2,489	3,244	-332	2,912	-423
Non-performing loans	**53,132**	**-23,475**	**29,657**	**49,673**	**-21,201**	**28,472**	**1,185**
Performing loans	315,309	-2,388	312,921	333,989	-2,550	331,439	-18,518
Performing loans represented by securities	16,173	-347	15,826	17,108	-394	16,714	-888
Loans to customers	**384,614**	**-26,210**	**358,404**	**400,770**	**-24,145**	**376,625**	**-18,221**

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

The table above shows an increase for the first half of 2013 of non-performing loans, net of adjustments, by 1.2 billion euro (+4.2%), compared to the end of the previous year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 7.6% to 8.3%. Coverage of non-performing loans came to approximately 44.2%, higher than the level at the end of 2012 (42.7%) and adequate to account for expected losses, also considering the guarantees securing the positions.
In particular, as at 30 June 2013, doubtful loans net of adjustments, reached 12.1 billion euro, up 7.6% since the start of the year. The impact on total loans was 3.4%, with a coverage ratio of 61.1%.
Compared to 31 December 2012, substandard loans increased 14.1% to 13,114 million euro. The growth is largely attributable to a position previously classified among restructured loans. Substandard loans as a proportion of total loans to customers therefore increased from 3% to 3.6%, and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 23.3%, higher than the figure recorded at the end of the previous year.
Restructured loans stood at 1,999 million euro, down compared to the beginning of the year (30.2%), with a coverage ratio of 12.0% lower than the 20.2% of the previous year. In this case, too, the changes in absolute values and coverage ratios were attributable to the same position transferred to substandard loans.
Past due loans recorded a decrease of 423 million euro (-14.5%) to 2,489 million euro from 2,912 million euro for the previous year. As a consequence, the percentage of this type of non-performing loans fell to 0.7% from 0.8% at the end of December. The coverage ratio rose to 10.8% from the previous figure of 10.2%.
Performing exposures decreased, from 331.4 billion euro in the previous year to 312.9 billion euro. In this context, the cumulated collective adjustments on these loans totalled 0.8% of the gross exposure to customers, a value that is unchanged compared to the figure recorded at the end of 2012.

MARKET RISKS

TRADING BOOK

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:
- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 3% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were local government bonds and positions in interest rates and foreign exchange rates, both relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
Effective the report as at 30 September 2012, both banks have received authorisation from the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks.
The risk profiles validated are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

The requirement for stressed VaR is included when determining capital absorption effective from 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
- the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of this document, the period relevant to the measurement of stressed VaR had been set as 1 January to 31 December 2011 for both Banca IMI and Intesa Sanpaolo.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.

In the second quarter of 2013, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the first quarter of 2013. The average VaR for the period totalled 62.5 million euro.

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

(millions of euro)

	2013				2012			
	average 2nd quarter	minimum 2nd quarter	maximum 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	11.7	8.9	15.0	14.1	16.8	19.6	24.6	24.1
Banca IMI	50.8	41.0	58.8	59.0	65.7	49.5	55.3	72.9
Total	**62.5**	**52.3**	**71.1**	**73.2**	**82.5**	**69.1**	**79.9**	**97.0**

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

During the first six months of 2013, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the values for 2012.

(millions of euro)

	2013			2012		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Intesa Sanpaolo	13.0	8.8	18.1	24.4	23.1	27.5
Banca IMI	54.9	40.9	74.2	64.1	47.2	92.1
Total	**67.9**	**52.3**	**88.5**	**88.5**	**71.0**	**115.4**

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

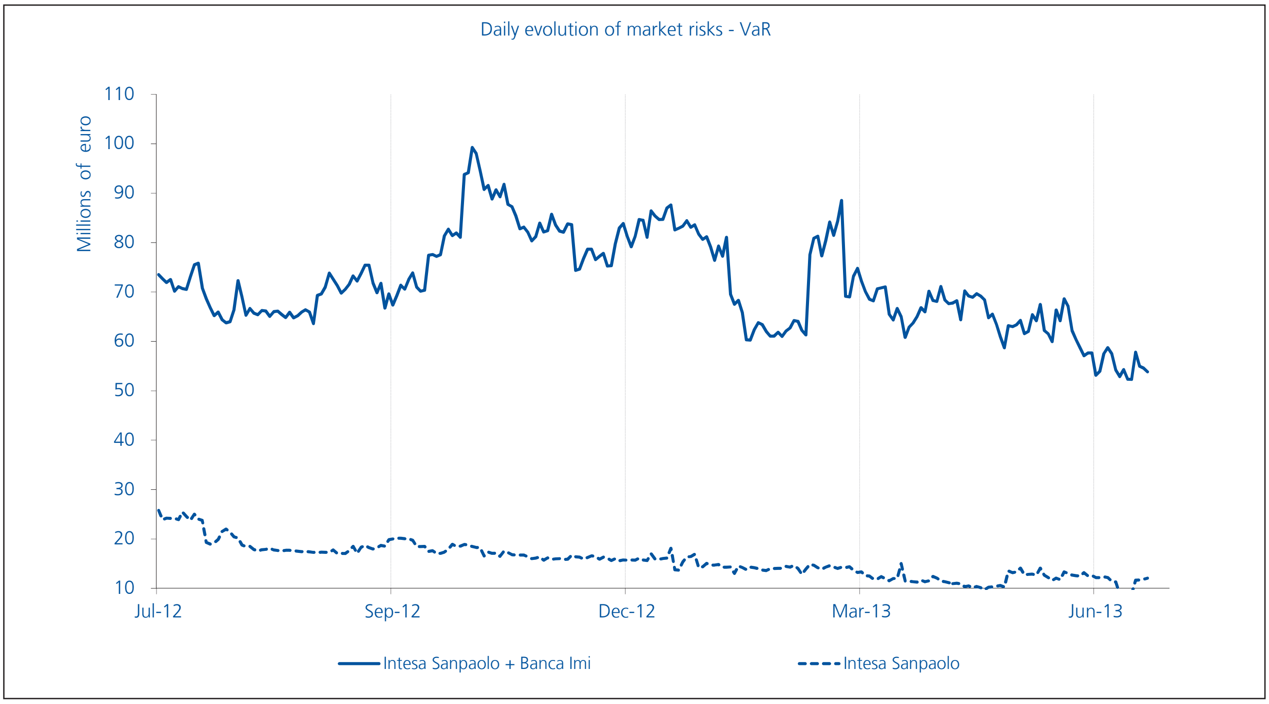
For Intesa Sanpaolo, the breakdown of risk profile in the second quarter of 2013 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 35% of total VaR; for Banca IMI, credit spread risk was the most significant, representing 72% of total VaR.

Contribution of risk factors to total VaR[(a)]

2nd quarter 2013	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Comodities
Intesa Sanpaolo	11%	35%	12%	35%	6%	1%	0%
Banca IMI	6%	0%	10%	72%	1%	7%	4%
Total	**8%**	**8%**	**10%**	**64%**	**2%**	**5%**	**3%**

[(a)] Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the second quarter of 2013, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

VaR in the last twelve months is set out below. In the first half of 2013 the trend was due to two events concerning the Italian government spread scenarios. In particular, at the end of February the VaR peaked as a result of the volatility recorded in the post-elections scenario, whilst from March to the end of June the scenarios for the period April-June 2012 exited from the spread causing the VaR to drop.



Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of June is summarised as follows:

- on stock market positions, a bullish scenario, that is a 5% increase in stock prices with a simultaneous 10% decrease in volatility would have led to a 9 million euro gain; the opposite scenario would have led to a 9 million euro loss;
- on interest rate exposures, a parallel +70 basis point shift (average) would have led to a 65 million euro loss, whereas a parallel shift in the euro curve with near zero rates would have led to potential gains of 116 million euro (the interest rate scenarios were reviewed in the light of the Risk Appetite Framework 2013);
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to an 88 million euro loss, approximately 3 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to an 87 million euro gain;
- on foreign exchange exposures, the portfolio would have recorded a 2 million euro loss if the Euro were to appreciate against the US dollar;
- lastly, on commodity exposures a 9 million euro loss would have been recorded in the event of a 50% increase in prices.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+70bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-9	9	-65	116	87	-88	10	-2	26	-9
of which SCP					*4*	*-3*				

Backtesting

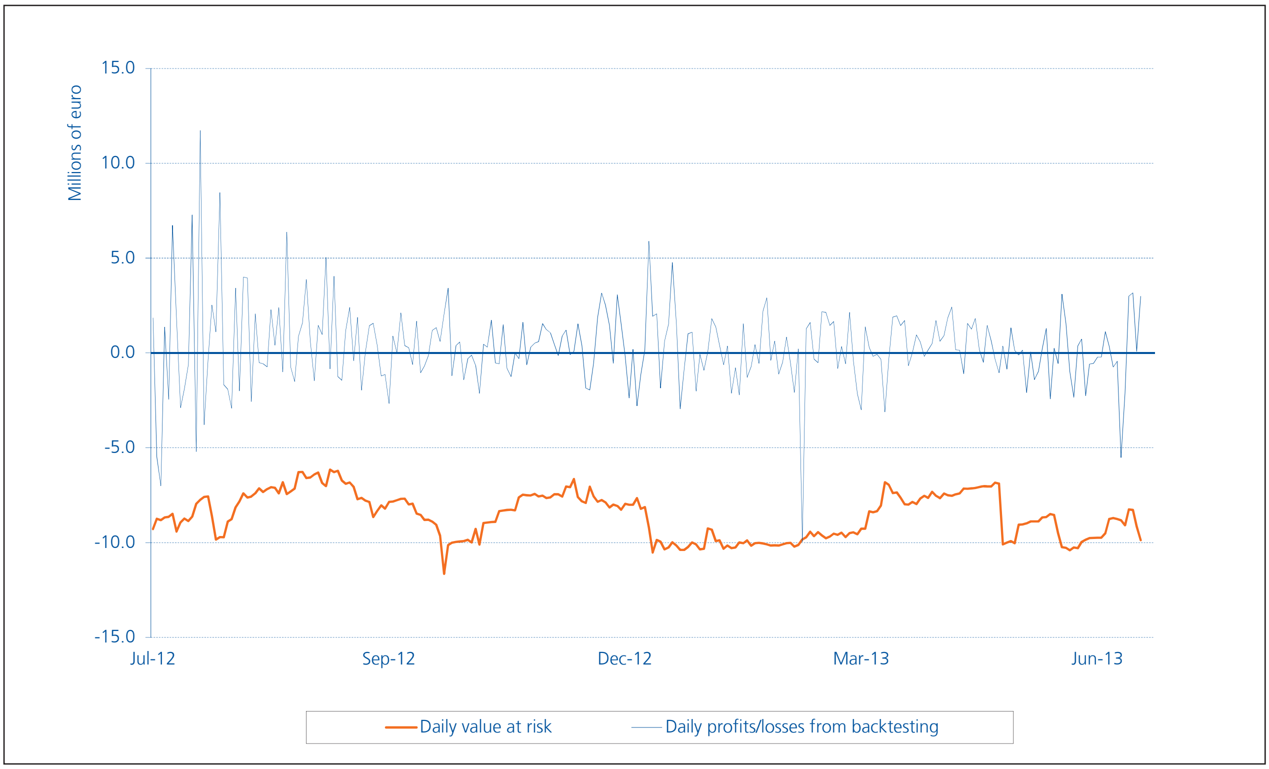
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on valuation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

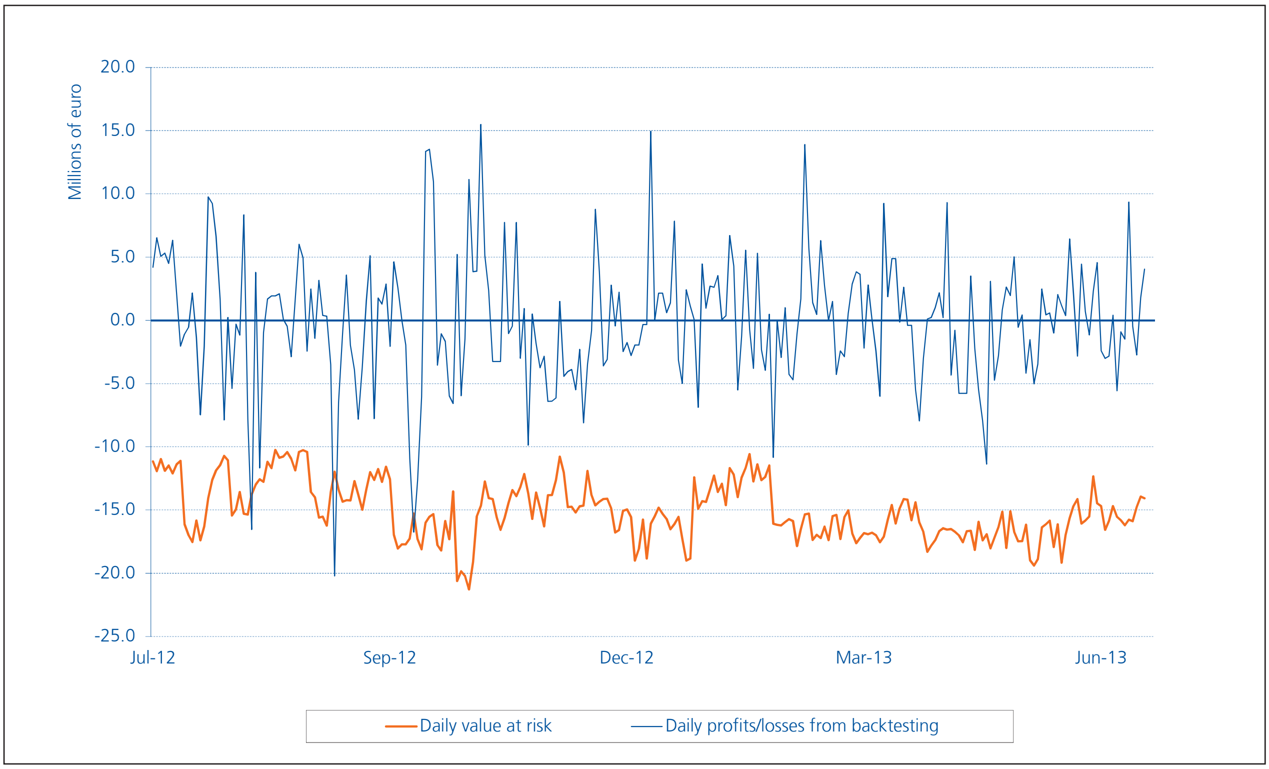
Backtesting in Intesa Sanpaolo

Over the last year, the sole backtesting exception for Intesa Sanpaolo related to the more recent events in the Italian sovereign debt crisis.



Backtesting in Banca IMI

Banca IMI three backtesting exceptions refer to the actual P&L data and are related to the period of high volatility that characterised markets during the summer of 2012.



BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the other main Group companies involved in retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.
The following methods are used to measure financial risks of the Group's banking book:
- Value at Risk (VaR);
- Sensitivity Analysis.

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer demand loans and deposits. An update to the methodology aimed at sterilizing the credit spread impact, significantly increased during the recent financial crisis, was introduced from January 2013.
Furthermore, interest margin sensitivity is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets or liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the interest payment date.
Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges).
The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.

In the first six months of 2013, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 50 million euro settling at 161 million euro at the end of June, almost entirely concentrated on the euro currency; this figure compares with 386 million euro (17 million euro net of the aforementioned methodology updates) at the end of 2012.
Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 324 million euro at the end of June 2013 (270 million euro at the end of 2012).
Interest rate risk, measured in terms of VaR, averaged 34 million euro during the first six months of 2013 (17 million euro at the end of 2012, net of the aforementioned methodology updates), with a minimum value of 27 million euro and a maximum value of 50 million euro, confirmed in the final figures at the end of June. Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level of 77 million euro in the first six months of 2013 (81 million euro at the end of 2012), with a maximum value of 80 million euro and a minimum value of 70 million euro, confirmed in the final figures at the end of June.
Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows a sensitivity to a 10% negative shock equal to 44 million euro at the end of June 2013.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.
The "Guidelines for Group Liquidity Risk Management" approved by Intesa Sanpaolo's corporate bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

- the existence of liquidity management guidelines approved by senior management and clearly disseminated throughout the bank;
- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- the constant availability of an adequate amount of liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
- the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
- the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of warning indicators used to activate emergency plans.
The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department, responsible for liquidity management, and the Risk Management Department, directly responsible for measuring liquidity risk on a consolidated basis.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.
The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows with certain or estimated maturities included in 12 months' time horizon, in order to respond to periods of tension, including extended periods of tension, on different funding markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Short Term Gap).
The cumulative projected wholesale imbalances indicator measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. The short-term gap indicator measures, for the various short-term time brackets, the ratio between availability of liquidity reserves and expected positive cash flows to expected and potential cash outflows, with reference to both on- and off-balance sheet captions. This indicator aims to ensure that the Bank maintains an adequate level of unencumbered liquidity reserves that may be converted into cash to meet expected and potential liquidity requirements. To that end, the behavioural coefficients and assumptions underlying the valuation of expected and potential cash flows incorporate cautionary and extremely prudential assumptions (such as: (i) the loss of a portion of customer demand deposits, (ii) unforeseen uses of undrawn committed credit and liquidity lines and (iii) an increase in market volatility for determining haircuts on liquidity reserves and estimating the potential future exposure associated with derivatives positions) effectively constituting an especially severe "base prudential scenario," with the adoption of run-off percentages for demand deposits more conservative than those identified by Basel 3 (LCR).

The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities and involves the adoption of internal limits on maturities' transformations aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.
The Guidelines also call for the periodic estimate of the liquidity position in an acute combined stress scenario (both firm specific and market related), with the definition of a target threshold for the 3-month stressed short-term gap, aiming at establishing an overall level of reserves suitable to face greater cash outflows during a period of time (3 months) adequate to take the required operating measures to restore the Group to balanced conditions. The acute stress scenario is determined by combining:

- a "firm-specific" stress scenario, relating to a liquidity crisis specific to the Bank, reflected in an accelerated withdrawal of funds by deposit-holders, a significant reduction in the realised value of assets due to the need for immediate liquidation of assets not eligible for refinancing through repurchase agreements, the activation of downgrade triggers and the need to repurchase own debt securities or honour extra-contractual obligations in order to attenuate reputational risk;
- a "market-related" stress scenario, representing a general market crisis extending to both the financial and industrial sectors, characterised by, for example: (i) failure to repay granted facilities to corporate customers; (ii) a sudden increase in uses of lines of credit and guarantees; and (iii) a significant increase in market volatility, with negative effects on the value of reserves or potential future exposure associated with positions in derivatives, resulting in larger haircuts and the need for additional guarantees.

The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the

Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The pre-warning indexes, aimed at spotting the signs of a potential liquidity strain, both systemic and specific, are monitored with daily frequency by the Risk Management Department.

In the first six months of 2013, the Group's liquidity position remained within the risk limits provided for in the Group's Liquidity Policy both in terms of short-term and structural liquidity indicators.
The regulatory indicators envisaged by Basel 3 have also already been satisfied (LCR and NSFR > 100%), and have further improved following the regulatory revision of early January 2013. Adequate, timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the prevalent risk factors.

As at 30 June 2013, the Central Banks eligible liquidity reserves came to 127 billion euro (115 billion euro at the end of December 2012), of which 85 billion euro, net of haircut, was unencumbered (67 billion euro at the end of December 2012).

INFORMATION ON FINANCIAL PRODUCTS

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

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

General principles

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. As already illustrated in the criteria for the preparation of this Report, the application of IFRS 13 governing fair value measurement and related disclosure became mandatory from 1 January 2013.
The new standard does not extend the scope of application of fair value measurement. The aim, in fact, was to "concentrate" into a single standard the rules for measurement at fair value previously contained in various standards, in some cases with prescriptions in conflict with one another.
The fair value is the price receivable for the sale of an asset or which would be paid to transfer a liability in a normal transaction between market operators (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 that is not entity-specific.
An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market operators to determine the price of an asset or liability, presuming that the market operators act with a view to satisfying their own economic interest in the best way possible.

In determining the fair value of a financial instrument, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of the information used in the calculation. The aim of this classification is to establish a hierarchy in terms of reliability of the fair value based on the level of discretion applied by companies, giving precedence to the use of market-observable parameters that reflect the assumptions that market operators would make in pricing the asset or liability. The hierarchy also aims to increase coherence and comparability in fair value measurements.
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: input unobservable for the asset or liability.

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (level 3).
The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

The valuation process of financial instruments ("Fair Value Policy") entails the following phases:

- identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement;
- monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

The Fair Value Policy also provides for adjustments to reflect the model risk and other uncertainties relating to valuation. In particular, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. Indeed, it is possible that models using price elementary instruments with the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shift), and periodically reviewed. These fair value adjustments, due to model risks, are part of a Mark to Market Adjustment Policy adopted for the purpose of considering, in addition to model risk described above, also other factors eligible to influence valuation and essentially attributable to:

- 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) and
- valuation difficulties due to the lack of liquid and observable market parameters.

With regard to the above, note that IFRS 13 has not introduced concepts that are inconsistent with current practices. The main new development is represented by the clarification introduced in reference to non-performance risk in determining the fair value of OTC derivatives. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.
In order to comply with the new standard, a new calculation model was developed – the Bilateral Credit Value Adjustment (bCVA) – which not only takes fully into account the effects of changes in the counterparty credit rating (the first subject of the credit risk

adjustment methodology) but also the changes in own credit rating (Debit Value Adjustment - DVA) and identifies a series of refinements to the previous methodology. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA):

– the CVA (negative) 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 (positive) 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.

For additional details on the Fair Value Policy and the fair value measurement criteria see the disclosure provided in the 2012 Annual Report.

Fair value hierarchy

Accounting portfolios: fair value by level

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

(millions of euro)

Financial assets / liabilities at fair value	30.06.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	15,243	39,995	667	12,143	50,579	824
2. Financial assets designated at fair value through profit or loss	32,884	3,620	538	31,944	4,537	406
3. Financial assets available for sale	96,848	4,257	2,839	89,445	5,264	2,500
4. Hedging derivatives	-	8,901	2	-	11,649	2
Total	**144,975**	**56,773**	**4,046**	**133,532**	**72,029**	**3,732**
1. Financial liabilities held for trading	6,389	37,556	408	5,335	46,200	660
2. Financial liabilities designated at fair value through profit or loss	-	29,257	-	-	27,047	-
3. Hedging derivatives	-	8,806	12	-	10,757	19
Total	**6,389**	**75,619**	**420**	**5,335**	**84,004**	**679**

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

As shown in the table, level 3 instruments, which represent greater discretion in fair value measurement, still account for a limited percentage (around 2%) of the financial instruments portfolio. As regards the values, compared to the 2012 Annual Report there has been a slight decrease in financial liabilities held for trading, essentially attributable to the decrease in negative fair value of the derivatives and an increase in financial assets associated with the rise in assets available for sale.
More than 70% of financial assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.

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

Fair value of financial assets and liabilities measured at cost	**30.06.2013**		**31.12.2012**	
	Book value	**Fair value**	**Book value**	**Fair value**
Investments held to maturity	2,140	2,131	2,147	2,025
Due from banks	31,570	31,478	36,533	36,432
Loans to customers	358,404	361,313	376,625	375,262
Total	**392,114**	**394,922**	**415,305**	**413,719**
Due to banks	67,522	67,055	73,352	72,373
Due to customers	219,565	219,515	218,051	218,029
Securities issued	148,854	147,185	159,307	155,315
Total	**435,941**	**433,755**	**450,710**	**445,717**

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

Half-yearly changes in financial assets designated at fair value (level 3)

(millions of euro)

	FINANCIAL ASSETS			
	held for trading	**designated at fair value through profit or loss**	**available for sale**	**for hedging purposes**
1. Initial amount	**824**	**406**	**2,500**	**2**
2. Increases	**493**	**172**	**699**	**-**
2.1 Purchases	304	10	295	-
2.2 Gains recognised in:	76	7	61	-
2.2.1 Income statement	*76*	*7*	*4*	-
- of which capital gains	*62*	*7*	*-*	-
2.2.2 Shareholders' equity	*X*	*X*	*57*	-
2.3 Transfers from other levels	105	88	287	-
2.4 Other increases	8	67	56	-
3. Decreases	**-650**	**-40**	**-360**	**-**
3.1 Sales	-428	-9	-135	-
3.2 Reimbursements	-73	-1	-22	-
3.3 Losses recognised in:	-97	-13	-124	-
3.3.1 Income statement	*-97*	*-13*	*-75*	-
- of which capital losses	*-21*	*-13*	*-73*	-
3.3.2 Shareholders' equity	*X*	*X*	*-49*	-
3.4 Transfers to other levels	-11	-1	-32	-
3.5 Other decreases	-41	-16	-47	-
4. Final amount	**667**	**538**	**2,839**	**2**

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

Half-yearly changes in financial liabilities designated at fair value (level 3)

(millions of euro)

	FINANCIAL LIABILITIES		
	held for trading	**designated at fair value through profit or loss**	**for hedging purposes**
1. Initial amount	**660**	**-**	**19**
2. Increases	**46**	**-**	**-**
2.1 Issues	28	-	-
2.2 Losses recognised in:	17	-	-
2.2.1 Income statement	*17*	-	-
- of which capital losses	*16*	-	-
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	1	-	-
3. Decreases	**-298**	**-**	**-7**
3.1 Reimbursements	-	-	-2
3.2 Repurchases	-96	-	-
3.3 Gains recognised in:	-193	-	-5
3.3.1 Income statement	*-193*	-	*-5*
- of which capital gains	*-120*	-	*-5*
3.3.2 Shareholders' equity	*X*	*X*	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-9	-	-
4. Final amount	**408**	**-**	**12**

"Financial liabilities held for trading" refer to derivative contracts with a negative fair value.
Repurchases include the early completion of derivative transactions.

In addition to the transfers relating to financial assets and liabilities measured at level 3 as detailed above, note that the following transfers were made during the first half of 2013:

- from level 1 to level 2:
  - financial assets held for trading for 620 million euro (book value as at 30 June 2013);
  - financial assets available for sale for 357 million euro (book value as at 30 June 2013).
- from level 2 to level 1:
  - financial assets held for trading for 214 million euro (book value as at 30 June 2013);
  - financial assets designated at fair value through profit and loss for 1 million euro (book value as at 30 June 2013);
  - financial assets available for sale for 214 million euro (book value as at 30 June 2013);
  - financial liabilities held for trading for 12 million euro (book value as at 30 June 2013).

Sensitivity analysis for financial assets and liabilities measured at level 3

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

(thousands of Euro)

Financial assets/liabilities	**Non-observable parameters**	**Sensitivity** (thousands of euro)	**Change in non-observable parameter**
Held for trading and available for sale securities	Credit spread	-35	1 bp
Held for trading and available for sale securities	Other parameters	8	1%
OTC Derivatives - Interest rate	Cap-floor volatility on 12-month Euribor	4	1%
OTC Derivatives - Interest rate	Quanto correlation	-3	0.1
OTC Derivatives - Interest rate	Correlation for spread options between swap rates (7 and 15 yrs)	-274	0.1
OTC Derivatives - Commodity	Correlation between Fuel Oil (F10 MCC_EUR) and EUR/USD exchange rate	2	0.01
OTC Derivatives - Commodity	Volatility for the underlying Power Italia (PW IT Terna)	35	1%
OTC Derivatives - Equity	Correlation between underlying equity baskets	93	0.1
OTC Derivatives - Credit	Correlation by iTRAXX S7 tranche	-	0.1
OTC Derivatives - Credit	Credit spread	-13	10%

The sensitivity analysis of complex credit derivatives also shows a 0.2 million euro decrease in fair value[4] when the following parameters change: risk-neutral probability of default derived from market spreads (10%);
- recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
- correlation between the value of 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).

Information on the "Day-one-profit/loss"
Under IAS 39, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.
The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is always intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins. Commercial margins are taken to the income statement when the financial instrument is initially measured.
Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (Subsequent or Day-One-Profit - DOP).
This difference shall be recognised in the income statement only when it arises from changes of the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.
When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the Bank's investing activities, the Day-One-Profits earned on level 3 transactions (including in the above "on the book" management) are taken to the income statement when the Group entity (the investment bank) carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.
The above regulation applies only to those instruments which fall in one of the classes which can be recognised at fair value through profit and loss (Fair value Option and Trading book). Indeed, only for the latter, the difference between the transaction price and the fair value would be taken to the income statement upon initial recognition.
The following table shows the amount deferred in the balance sheet, indicating the portion taken to the income statement.

(millions of euro)

1. Initial amount	**35**
2. Increases	**-**
2.1 New transactions	-
3. Decreases	**-16**
3.1 Releases to the income statement	-16
4. Final amount	**19**

[4] This amount is shown net of adjustments to valuations relating to the main input parameters which were already considered to determine the fair value of financial instruments.

STRUCTURED CREDIT PRODUCTS

The first six months of 2013 saw a limited decline in the portfolio on risk positions classified as part of the loan portfolio. As regards the trading book, the increase in exposure during the half-year is largely attributable to the purchase of ABSs by the subsidiary Banca IMI.
The first half of 2013 yielded a positive contribution to profit of 61 million euro, of which 22 million euro from realised profits and 39 million euro from revaluation, and up on the first half of the previous year (+37 million euro). This result is compared with 96 million euro as at 31 December 2012.

The risk exposure to structured credit products amounted to 2,101 million euro as at 30 June 2013 with respect to funded and unfunded ABSs/CDOs, compared to 2,247 million euro as at 31 December 2012, in addition to an exposure of 34 million euro with respect to structured packages (this position was 3 million euro as at 31 December 2012). The reduction in the exposure during the first six months of 2013 was, in relation to financial assets held for trading, associated with the termination of two CDO funded structures included within the "Contagion Area" with a TruPS risk exposure of 54 million euro and of two unfunded Super Senior CDO positions recorded under "Other structured credit products" for 79 million euro. These decreases, however, were largely offset by the increase in risk exposure in European/US ABS/CDOs held by Banca IMI. With regard to the exposure in securities classified under the loan portfolio, on the other hand, a significant decrease was recorded, almost all of which attributable to the Parent Company loan portfolio and for the most part due to disposals.
Lastly, with regard to exposure in packages, the figure of 34 million euro recorded as at 30 June 2013 was entirely due to a substantial improvement in the creditworthiness of the counterparty which led to a positive fair value of the credit derivative.

As at 30 June 2013, the creditworthiness of around 4% of outstanding positions was downgraded. Only 0.2% of these downgradings occurred in the second quarter of 2013. This figure should be compared with the trend recorded last year. In 2012 credit rating downgrades affected around 42% of outstanding positions, with a strongly accentuated trend in the first quarter of 2012 (+26%) and more contained trend in the second, third and fourth quarters of 2012 (+3.5%, +8.9% and +4.2%, respectively).
The situation of the structured credit product portfolio at the end of June 2013 is described by the following indicators:

– 65% of exposure was Investment Grade, in line with the figure as at 31 December 2012;
– 11% had an AAA rating and 30% had an AA rating;
– 35% had a BBB rating or less, in line with the figure as at 31 December 2012;
– approximately 7% of the exposure has a pre-2005 vintage;
– 23% has a 2005 vintage;
– only 6% of exposure related to the US Residential segment, and 80% to the European segment.

In terms of underlying contract types, slightly a little over half the exposure consisted of RMBSs (52%); the remainder consisted of CLOs (16%), CDOs (13%) and ABSs (12%); there were also CMBSs representing 6% of the total.
As concerns valuation methods, of "long" positions, approximately 26% are measured using the mark-to-model (100% of unfunded positions, 22% of funded positions, 100% of the monoline risk and the non-monoline packages), 66% with the comparable approach (70% of funded positions) and 8% are measured using effective market quotes (8% of funded positions). "Short" positions, made up entirely of CMBX and CDS hedges, are all measured using effective market quotes.

In the summary tables provided below, table (a) sets out risk exposure and income statement captions (sum of realised charges and profits, write-downs and write-backs) as at 30 June 2013, compared with the corresponding values recorded as at 31 December 2012.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.
Values expressed in USD as at 31 December 2012 were translated to euro at an exchange rate of 1.3194 euro per dollar, and as at 30 June 2013 at an exchange rate of 1.308 euro per dollar.

Structured credit products: summary tables
a) Exposure in funded and unfunded ABSs/CDOs

(millions of euro)

Financial assets held for trading	30.06.2013		31.12.2012	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading
US subprime exposure	**9**	**-1**	**9**	**-3**
Contagion area	**-18**	**1**	**33**	**65**
- Multisector CDOs (1)	-18	1	-21	18
- Alt-A	-	-	-	-
- TruPS	-	-	54	47
- Prime CMOs	-	-	-	-
Other structured credit products	**955**	**30**	**844**	**44**
- European/US ABS/CDOs	905	10	716	31
- Unfunded super senior CDOs	50	20	128	16
- Other unfunded positions	-	-	-	-3
Total	**946**	**30**	**886**	**106**
in addition to:				
Positions of funds	-	-	-	11
Total Financial assets held for trading	**946**	**30**	**886**	**117**

(millions of euro)

Loans	30.06.2013		31.12.2012	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**2**	**-**	**3**	**-**
Contagion area	**34**	**1**	**43**	**1**
- Multisector CDOs	2	1	8	1
- Alt-A	22	-	23	-
- TruPS	-	-	-	-
- Prime CMOs	10	-	12	-
Other structured credit products	**1,119**	**-7**	**1,315**	**-1**
- Funded European/US ABS/CDOs	904	-11	1,017	-8
- Funded super senior CDOs	215	4	298	7
- Other Romulus funded securities	-	-	-	-
Total	**1,155**	**-6**	**1,361**	**-**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**1,155**	**-6**	**1,361**	**-**
TOTAL	**2,101**	**24**	**2,247**	**117**

(1) The short position of the Multisector CDO segment was generated as a result of the closing of almost all the risk positions which had been included from the beginning, and the maintenance of derivatives on indices for the operational hedging of said positions. More specifically, these comprise 11 million euro in risk exposure hedged by 29 million euro in "short" operational positions.

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at reference date. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying amount of the security, equal to its fair value at the reclassification date, plus accrued interest calculated at the effective interest rate net of net value adjustments to the portfolio.

b) Exposure in packages

(millions of euro)

	30.06.2013		31.12.2012	
	Credit exposure to monoline insurers (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to monoline insurers** (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading
Monoline risk	33	37	-	-21
Non monoline packages	1	-	3	-
TOTAL	**34**	**37**	**3**	**-21**

From an income statement perspective, structured credit products generated a net income of +61 million euro as at 30 June 2013 compared to +96 million euro for 2012.
The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of 30 million euro. The profit on this segment was a result of the effects of:

– unfunded Super Senior CDO positions included in "Other structured credit products" for +20 million euro, of which 18 million euro deriving from termination of the two structures mentioned previously and 2 million euro from revaluation of positions outstanding;
– European and US funded ABSs/CDOs (+10 million euro), entirely attributable to the subsidiary Banca IMI and including -1 million euro attributable to losses realised on the partial disposal of the trading book and +11 million from revaluation of positions outstanding;
– instruments included in the "Contagion Area" (+1 million euro) and particularly in the Multisector CDO segment;
– the contribution of the subprime exposure for -1 million euro.

The securities reclassified to the loan portfolio had an overall negative impact on the income statement of 6 million euro as at 30 June 2013. This result is the combination of the 6 million euro in profits realised on the sale of positions and -12 million in impairment losses on securities included in the portfolio.
As at 30 June 2013 the loan portfolio contained ABSs issued by parties resident in EU countries in situations of financial difficulty (known as "PIGS"). In particular, these consist of:

– 200 million euro in nominal value of securities issued by parties resident in Spain; as at 30 June 2013 these securities had a book value of 185 million euro and a fair value of 155 million euro;
– 66 million euro in nominal value of securities issued by parties resident in Portugal; as at 30 June 2013 these securities had a book value of 59 million euro and a fair value of 51 million euro;
– 8 million euro in nominal value of securities issued by parties resident in Greece; as at 30 June 2013 these securities had a book value of 5 million euro and a fair value of 3 million euro;
– 3 million euro in nominal value of securities issued by parties resident in Ireland; as at 30 June 2013 these securities had a book value of 2 million euro and a fair value of 1 million euro.

The "Monoline risk" and "Non-monoline packages" made a positive contribution of 37 million euro to "Profits (Losses) on trading – caption 80" as at 30 June 2013, up strongly on the -21 million euro recorded at the end of 2012. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.

It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 30 June 2013, the aggregate included bonds reclassified as loans, which are summarised in the tables below.

(millions of euro)

	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Fair value as at 30.06.2013**	**Benefit from the reclassification as at 30.06.2013**	**Effect on Shareholders' Equity**
Reclassified securities:					
- from financial assets available for sale to loans	178	134	83		51
- from financial assets held for trading to loans	923	809	691	118	
Total Securities reclassified to loans	**1,101**	**943**	**774**	**118**	**51**
Securities classified under loans on initial recognition	217	212			
Total securities classified under loans on initial recogni	**217**	**212**			
TOTAL LOANS	**1,318**	**1,155**	**774**	**118**	**51**

(*) For assets reclassified to loans, exposure to risk is provided by the carrying amount of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the effective interest rate net of net value adjustments to the portfolio.

(millions of euro)

Negative economic effect without reclassification for 2008	-299
Negative economic effect without reclassification for 2009	-7
Positive economic effect without reclassification for 2010	117
Negative economic effect without reclassification for 2011	-25
Positive economic effect without reclassification for 2012	67
Positive economic effect without reclassification for 1st half 2013	29
BENEFIT FROM THE RECLASSIFICATION AS AT 30.06.2013	**-118**

In addition to the structured credits identified during the subprime crisis, the Group continues to invest in this type of security as part of its normal customer lending operations. In particular, securities were recorded in the loan portfolio of the conduit Duomo for a nominal value of 1,111 million euro, with underlyings originated in recent years, but not impacted by the 2007 crisis. As at 30 June 2013, there were no signs of impairment of the collateral of the structured products in question.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds (CBs), developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above. There have not been any changes in the consolidation criteria compared to those reported in the 2012 financial statements.

Funding SPEs

These are entities incorporated abroad to raise funds on specific markets. The SPEs issue financial instruments, guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent Company. The change in Italian law which enables the Parent Company Intesa Sanpaolo to directly issue hybrid notes eliminated the funding activities carried out through these methods. Moreover, the difficulty in achieving significant funding volumes persists due to an unsuitable short-term rating.
There were no changes in the investments in this type of SPE compared to 31 December 2012.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of the Group's insurance companies. The latter retain the majority of the risks and rewards of the companies in question and, accordingly, are consolidated pursuant to IAS 27/SIC 12.
Compared to 31 December 2012, the first half of 2013 saw a decrease in net assets held by this type of entity to around 16.7 billion euro, of which 6.4 billion euro relative to funds managed by Fideuram Gestions. The corresponding figure as at 31 December 2012 was 22 billion euro (of which approximately 6.7 billion euro relative to funds managed by Fideuram Gestions).

Securitisation SPEs

These are SPEs that enable an entity to transfer assets from its balance sheet assets, transforming them in securities which can be placed on the market. The crisis which began in 2007 caused a sharp slowdown in this type of transactions, which were replaced by structures used for raising funds through securitisations of a portion of assets owned by the transferor. In particular, this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle which, to finance the purchase, issues securities later placed on the market (traditional securitisations) or purchased in full by the issuer (self-securitisations). In the first case, the funds raised in this way are reversed to the transferor, whereas the commitments to the subscribers are met using the cash funds generated by the loans sold. This category also includes SPEs used by Intesa Sanpaolo to implement the covered bond issue programme.
SPEs of this type, which were included in the scope of consolidation as at 30 June 2013, are the same reported in the financial statements as at 31 December 2012. The securitised assets of this type of vehicle are represented by performing mortgages, non-performing mortgages and performing loans deriving from lease contracts.
With regard to the vehicles used for securitisation or self-securitisation transactions now terminated, note the liquidation of the Spit 2 vehicle during the first half of 2013, and in July 2013 the merger by incorporation of the vehicles Intesa Sec 2 S.r.l. and Adriano Finance S.r.l. into Intesa Sanpaolo.
As at 30 June 2013 the Intesa Sanpaolo Group had one self-securitisation transaction outstanding, implemented through the vehicle Adriano Lease SEC S.r.l.. The Sanvitale 1 and Sanvitale 2 self-securitisations reported in the 2012 financial statements have terminated with retrocession of the loans and settlement of the swaps respectively in March 2013 and in January 2013.
As regards the Covered Bond issue programme, in the first quarter of 2013, as part of the programme secured by ISP CB Ipotecario S.r.l., Intesa Sanpaolo arranged an issue for 1 billion euro targeting professional investors and international financial intermediaries. This was a 12-year fixed-rated CB, listed on the Luxembourg Stock Exchange, which was assigned an A2 rating by Moody's.
In April, as part of the programme secured by ISP CB Pubblico S.r.l., a floating-rate issue was arranged for a nominal 2 billion euro with an approximately 2-year maturity. Listed on the Luxembourg Stock Exchange and rated A3 by Moody's, the securities were fully subscribed by the Parent Company Intesa Sanpaolo and are eligible on the Eurosystem.

With reference to the Multioriginator programme, note that as at 30 June 2013 the collateralisation of the issues is represented not only by mortgages granted by Intesa Sanpaolo, Banco di Napoli and Cassa di Risparmio del Veneto, but also by mortgages granted by Banca dell'Adriatico. The sale of assets to the vehicle totalled approximately 1.1 billion euro.
In June, the following issues were arranged under the Multioriginator programme secured by ISP OBG S.r.l.:

– the first, floating rate and with an approximately 2-year maturity, for a nominal 1.5 billion euro;
– the second, floating rate and with an approximately 7-year maturity, for a nominal 800 million euro.

Both issues are unrated, were fully subscribed by Intesa Sanpaolo and are listed on the Luxembourg Stock Exchange.

Financial Engineering SPEs

These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions, through their special structures aimed at optimising accounting, tax and/or regulatory aspects. These structures have been set up to respond to the needs of primary customers and provide solutions that offer financing at competitive interest rates and investments with higher returns.
As at 30 June 2013 the vehicle Lunar Funding was the only vehicle of its kind included in the scope of consolidation.

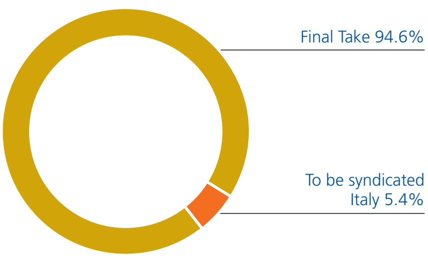
Other unconsolidated Special Purpose Entities

With regard to the other unconsolidated SPEs (Project Financing, Asset Backed and Credit Derivatives) reference should be made to the financial statements as at 31 December 2012. For the Asset Backed SPEs in which the Group has the majority of voting rights, held by just one international subsidiary, total assets amounted to 41 million euro (63 million euro in December 2012).
For operations involving the vehicles used for Leveraged & Acquisition Finance transactions a description is provided in the sections below.

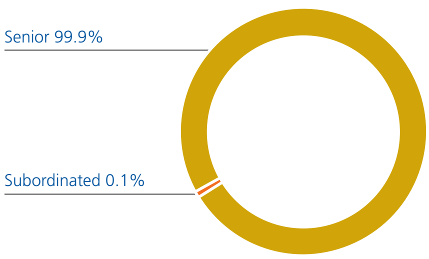
LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 30 June 2013, 131 transactions for a total amount granted of 3,704 million euro met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.

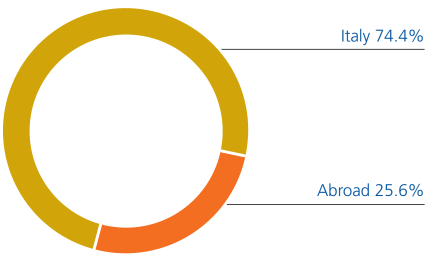
Breakdown by type of risk



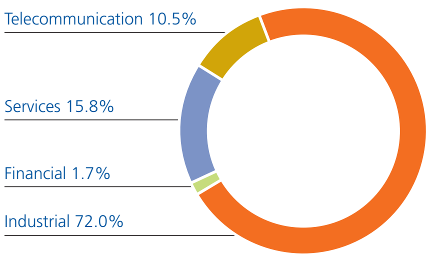
Breakdown by subordination level



Breakdown by geographical area



Breakdown by economic sector



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 30 June 2013 totalled 710 million euro, compared to the 696 million euro recorded in December 2012. The positive difference is associated with the assessment effect on outstanding positions, partly offset by disposals during the period, and with the revaluation of positions expressed in foreign currencies.
As at the same date, there was an overall profit of 25 million euro from investments in this segment, compared to 28 million euro recorded at the end of the first half of 2012.
The 25 million euro of net profit, recognised as at 30 June 2013 under "Profits (Losses) on trading – caption 80", included:

- 20 million euro from net revaluation of positions outstanding as at the end of June 2013;
- 5 million euro representing net profit realised from disposals.

Net write-ups on the final residual amount (20 million euro) were spread across 35 positions, 23 of which with capital gains (30 million euro) and 12 with capital losses (10 million euro).
The portfolio's overall strategy remained geared towards benefiting from the occurrence of specific corporate events, which are generally independent from the general trend, thus avoiding the spikes in volatility that also characterised the first half of 2013.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 June 2013, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 6,030 million euro (7,314 million euro as at 31 December 2012). The notional value of such derivatives totalled 54,144 million euro (55,865 million euro as at 31 December 2012). Of these, the notional value of plain vanilla contracts was 49,017 million euro (50,168 million euro as at 31 December 2012), and of structured contracts was 5,127 million euro (5,697 million euro as at 31 December 2012).
Please note that the positive fair value of structured contracts outstanding with the 10 customers with the highest exposures was 706 million euro (516 million euro as at 31 December 2012). The same indicator, referred to the total contracts with a positive fair value, was 4,213 million euro.
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 666 million euro as at 30 June 2013 (1,054 million euro as at 31 December 2012).
The notional value of such derivatives totalled 20,227 million euro (15,701 million euro as at 31 December 2012). Of these, the notional value of plain vanilla contracts was 18,453 million euro (13,743 million euro as at 31 December 2012), and of structured contracts was 1,774 million euro (1,958 million euro as at 31 December 2012).

The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 30 June 2013, this led to a positive effect of 9 million euro being recorded under "Profits (Losses) on trading" in the income statement.
As regards the means of calculation, for the various methodologies used in the determination of the fair value of financial instruments see the specific paragraphs in this chapter.
Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.

OPERATIONAL RISKS

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

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

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

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

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

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

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

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

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

In addition the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. At the end of June, in order to allow optimum use of the available operational risk transfer tools, pursuant to applicable regulations, the Group stipulated an innovative insurance coverage policy (a second layer policy) known as Operational Risk Insurance Programme, which offers additional coverage to traditional (first layer) policies, significantly increasing the limit of liability, effectively transferring the risk of significant operational losses to the insurance market. The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,815 million euro as at 30 June 2013, down compared to 31 March 2013 (2,059 million euro). Contributing to this decrease were the benefit from the introduction of the Operational Risk Insurance Programme, the change in the AMA scope and on-going updates in the historical series of loss data, both within the Group and in the ORX Consortium, which form part of the AMA models in relation to the LDA component.

Legal risks

Legal risks are thoroughly analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges when there are legal obligations for which it is probable that funds will be disbursed and where the amount of the disbursement may be reliably estimated.
During the first six months of 2013, no new significant legal procedures were commenced and there were no important developments with respect to those underway. Reference should therefore be made to the Notes to the 2012 Financial Statements for a detailed description of litigation regarding anatocism, investment services and other significant proceedings and litigation.

There was only a marginal update to the Intesa Sanpaolo (formerly Banca OPI, then Banca Infrastrutture Innovazione e Sviluppo) and Piemonte Regional Government litigation, regarding a decision of the High Court of Justice of England and Wales reached in July. In 2006 the Piemonte Regional Government issued two bond loans for a total of 1,856 million euro, of which 430 million euro was subscribed by the former Banca OPI (the remainder was subscribed by two leading international financial institutions). Under the terms of these issues, the Regional Government finalised two derivative financial instrument transactions subscribed by the former Banca OPI for a notional amount of 628 million euro, together with the other two lending banks.
At the beginning of 2011 the Regional Government launched verification and comparison proceedings with the banks concerned to assess the financial and legal profiles of the swap transactions. Despite the clarifications provided concerning the technical and regulatory appropriateness of the contracts, the Regional Government subsequently launched self-protection proceedings for revocation of all the administrative documents underlying the derivative contracts (finalised between the Regional Government and the banks), which ended in January 2012 with the cancellation thereof.
The banks appealed against said measure before the Piemonte Regional Administrative Court which, with judgement of 21 December 2012, ruled that it did not have jurisdiction to decide on the matter, recognising the jurisdiction, provided by the contract, of the UK civil courts and thus, in substance, denying the effectiveness of the self-protection measure.
The Regional Government appealed against the first instance ruling, and the Banks intervened to challenge acceptance of the appeal. The hearing to discuss the merits before the State Council was held on 23 July 2013 and a decision is pending.
Back in August 2011, the banks petitioned the High Court of Justice of England and Wales to ascertain the validity and correctness of the contracts entered into with the Regional Authorities. The UK Court, which had jurisdiction over the matter, accepted the requests in July 2012.
As the Regional Government has failed to make netting payments on the swap contracts from May 2012 onwards, despite repeated demands to do so, in February 2013 – after the Piemonte Regional Administrative Court decision – the Banks called upon the High Court of Justice of England and Wales to order settlement of the outstanding netting payments by the Piemonte Regional Government, which appeared before the court. The Court's decision, filed on 16 July 2013, was in the Banks' favour.

With regard to new legal procedures, note only that in January 2013 – before the Milan Court of Appeal – Alberto Tambelli summarised a judgment of the Court of Cassation, claiming compensation for damages in terms of lost earnings for a total of approximately 110 million euro. The proceedings originate from futures transactions performed in 1994 with the Milan branch of the former Banca Popolare dell'Adriatico (now Banca dell'Adriatico) resulting in a capital loss for Mr. Tambelli. On termination of both levels of proceedings brought against the Bank, Mr. Tambelli obtained reimbursement of the damages suffered but both the Ordinary Court and the Milan Court of Appeal denied compensation for other damages associated with loss of earnings which, in Mr. Tambelli's opinion, could have been achieved in the period in which he was deprived of availability of the sums lost in the aforementioned financial transactions. The Court of Appeal judgment was challenged by both parties before the Court of Cassation, which by decision dated 1 October 2012 rejected the Bank's appeal, thereby finalising the order to compensate damages resulting from the loss of capital invested (which had in any event already been paid to Mr. Tambelli in 2004) and, vice versa, accepted Mr. Tambelli's claim, considering that – unlike the decision of the Milan Court of Appeal – the further claims for compensation for loss of earnings were not time-barred and their merits could therefore be assessed in new proceedings before a different bench by the Milan court.
As a result of the corporate affairs affecting Banca Popolare dell'Adriatico, the new proceedings were brought against Intesa Sanpaolo, as universal successor to Banca dell'Adriatico, and also against the latter as specific successor of the former bank.
At the hearing of 23 April 2013, the judge, without considering Mr. Tambelli's preliminary claims, ordered the case to be decided by the Bench and set the date for the evidentiary hearing as 9 February 2016.
As this initiative is believed to be without foundation it was not considered necessary to allocate provisions.

Lastly, note that Istituto per il Credito Sportivo (in which Intesa Sanpaolo has a 10.81% interest) was placed under extraordinary administration on 28 December 2011, the procedure for which has been postponed to the end of August 2013. The special administrators have aimed to reopen the case regarding the legal nature of a State-contributed fund, requesting review of the

allocation of net income to investors and of the regulation on such matters introduced in 2005.
Following their request, by notice received on 13 November 2012 the Prime Minister's Office opened proceedings for cancellation of the ICS Articles of Association of 2005 and of the related approval decree.
On 12 March 2013 the Prime Minister's Office announced adoption by the "Ministry for Regional Affairs, Tourism and Sport" and the "Ministry for Cultural Heritage and Activities", in concert with the "Ministry for the Economy and Finance", of the Interministerial Decree of 6 March 2013 declaring cancellation of the ICS Articles of Association of 2005. Together with other non-public investors of Istituto per il Credito Sportivo (collectively representing more than 72% of the capital), the Bank challenged the cancellation measure before the Lazio Administrative Court and the hearing is pending. In this respect, the Bank, aided by a qualified external expert, believes that the exposure currently relates only to risks considered remote.

Tax litigation

With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2012 consolidated financial statements.
As regards developments as at 30 June 2013, it is worth mentioning that the Milan Guardia di Finanza has extended its tax inspection – which already led to litigation on 2007 findings – to the years 2008 to 2011 in relation to a series of capitalisation transactions performed by the merged banks Banca Commerciale Italiana, Banca Intesa, Sanpaolo IMI and Banca IntesaBCI involving the issue of preference shares through international subsidiaries (LLCs) resident in Delaware (USA).
A new series of disputes arising in the second quarter of 2013 refers to loans granted abroad, which were initially claimed to be a "misuse of rights" and affecting substitute tax and later, based on the assumption that they were in any event considered established in Italy whenever the essential elements of the related term sheet is found in other documentation discovered in Italy with a date prior to that of the contract signed abroad.
For both cases, at present there are no elements that would call for the allocation of specific provisions.
With regard to the other Group companies, note that Leasint has adopted the tax settlement proposal to close the position reported at year end in relation to certain real estate leasing transactions performed in 2006.
With regard to the main proceedings outcomes during the reporting period, of particular note, concerning the Parent Company, is the fact that the Agenzia delle Entrate has filed appeal before the Court of Cassation against the favourable rulings of the Turin Regional Tax Committee regarding, respectively, the stamp duty in relation to the compulsory accounting figures and recognition of the tax relevance of loans deriving from repurchase agreements to the effect of calculation of the ceiling of deductibility of the write-down of loans.
Lastly, with regard to the other Italian Group companies, note the 100% favourable outcome of Leasint's first instance proceedings challenging the unlawful nature of VAT findings for 2005 and 2006 in relation to the vexed question, repeatedly reported previously, of the tax rate applicable in nautical leasing.

INSURANCE RISKS

Life business
The typical risks of the life insurance portfolio may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Actuarial and demographic risks by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.
Reserve risk is guarded against through the exact calculation of mathematical reserves, with a series of detailed checks as well as overall verifications, by comparing results with the estimates produced on a monthly basis.
The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

Non-life business
The risks of the non-life insurance portfolio are essentially premium risk and reserve risk.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Reserve risk is guarded against through the exact calculation of technical reserves.

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

Investment portfolios
The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita and Bentos Assicurazioni) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
As at 30 June 2013, the investment portfolios of Group companies, recorded at book value, amounted to 85,330 million euro. Of these, the part of 50,604 million euro relates to traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined, non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Index-linked policies, Unit-linked policies and pension funds and amounted to 34,726 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.
In terms of breakdown by asset class, net of derivative financial instruments, 94.1% of assets, i.e. approximately 47,905 million euro, were bonds, whereas assets subject to equity risk represented 1.3% of the total and amounted to 643 million euro. The remainder (2,343 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (4.6%).
The carrying value of derivatives came to approximately -288 million euro, almost entirely relating to hedging derivatives, with effective management derivatives[5] only amounting to around -31 million euro.

At the end of the first six months of 2013, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,353 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 105 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.2 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.7 years. The related portfolios of assets have a modified duration of around 4.4 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 2,351 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 113 million euro rise which partly offsets the corresponding loss on the bonds.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 4.1% of total investments and A bonds approximately 5.2%. Low investment grade securities (BBB) were approximately 82.4% of the total and the portion of speculative grade or unrated was minimal (approximately 2.4%).
A considerable portion of the BBB area is made up of securities issued by the Republic of Italy.

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

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks approximately made up 72.4% of the total investments, while financial companies (mostly banks) contributed almost 17.5% of exposure and industrial securities made up approximately 4.1%.

At the end of the first half of 2013, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 2,508 million euro, with 2,066 million euro due to government issuers and 442 million euro to corporate issuers (financial institutions and industrial companies).

Shareholder base, transactions with related parties and other information

Shareholder base

According to records in the shareholders' register and the most recent available information as at 18 July 2013, shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (art. 120 of the Consolidated Law on Finance "TUF") – are as follows.

Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	1,506,372,075	9.718%
Fondazione Cariplo	767,029,267	4.948%
Fondazione C.R. di Padova e Rovigo	700,092,011	4.516%
Ente C.R. Firenze	514,655,221	3.320%
Assicurazioni Generali	417,992,743	2.696%
Harbor International Fund	333,018,195	2.148%
Fondazione C.R. in Bologna	313,656,442	2.023%

(*) held directly or indirectly.

Transactions with related parties

Procedural features

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

- the criteria for identifying related parties and associated entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with related parties and associated entities;
- market disclosure for transactions with related parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to associated entities; the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention for the management of the personal interests of officers, employees and company staff, including other than associated entities.

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

transactions with related parties and associated entities - and by keeping the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.

The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with related parties of Intesa Sanpaolo and associated entities of the Group, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.
In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full and partial exemptions from the application of the regulations is also envisaged.
With regard to decision-making, the procedure distinguishes between:
- transactions involving smaller amounts: with a value of less than or equal to 250,000 euro for individuals and 1 million euro for entities (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250,000 euro for individuals and 1 million euro for entities) but lower or equal to the most significant thresholds indicated below;
- more significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2 billion euro for Intesa Sanpaolo);
- strategic transactions pursuant to the Articles of Association;
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Related Party Transactions Committee, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Related Party Transactions Committee can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Regulations – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Management Board upon recommendation by the Related Party Transactions Committee, and, for strategic transactions, authorisation of the Supervisory Board is also required.
The Regulations envisage specific controls in cases where the Management Board approves a more or less significant transaction and the Supervisory Board authorises a strategic transaction, despite the negative opinion of the independent Committee.
Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved, subject to authorisation from the Parent Company, by the Board of Directors of the subsidiaries concerned.
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 equal to or 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 associated or related party or entity and do not present market or standard conditions). For ordinary infragroup 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 new "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. This regulation, as recently amended by Law 221/2012, requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body and favourable vote of members of the control body) in order to allow the bank officers to contract obligations, directly or indirectly, with the bank of which they act as officers.
In Intesa Sanpaolo, the special decision-making procedure set forth in Article 136 of the aforementioned law – even regarding related parties or associated entities – requires a prior resolution adopted unanimously by the Management Board, with the unanimous approval of the members of the Supervisory Board. Without the approval of all the members of the control body, it is strictly prohibited for the transaction in question to go ahead.

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

Information on transactions with related parties

More significant transactions

During the first half of 2013 the Group did not carry out any transactions that qualified as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Group Regulations on the management of transactions with related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group – in an obligation to publish a market disclosure document.

Transactions of ordinary or recurrent nature

Ordinary or recurrent transactions entered into with related parties in the first half of 2013 fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above. Transactions with intragroup related parties or entities in which the Group holds most of the risks and rewards and that are consolidated in accordance with SIC 12 are not included in this report as they are netted at consolidated level.
Receivable and payable balances with related parties as at 30 June 2013 within the consolidated accounts – other than those intragroup – amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.
The scope of the "related parties" considered for the purposes of the tables in this section has been extended, effective 1 January 2011, in accordance with IAS 24.

	30.06.2013	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	6,034	1.0
Total other assets	13	0.1
Total financial liabilities	1,372	0.4
Total other liabilities	36	0.0

Equity investments in companies subject to significant influence or joint control (carried at equity), amounting to 2,086 million euro, are to be added to the foregoing balance sheet aggregates.

	30.06.2013	
	Amount (millions of euro)	**Impact** (%)
Total interest income	111	1.3
Total interest expense	-18	0.5
Total fee and commission income	75	2.1
Total fee and commission expense	-15	2.0
Total operating costs	-92	2.2

The figures in the foregoing tables include outstanding positions with respect to shareholders and the relative corporate groups that hold an interest in the Bank's capital with voting rights in excess of 2%, included among related parties on a self-regulation basis. Refer to the following table for a breakdown of balance sheet positions in relation to shareholders, whereas the following figures refer to the income statement: interest income of 10 million euro, interest expense of 8 million euro, commission income of 6 million euro, commission expense of 2 million euro and operating costs of 11 million euro.

During the half year, there were no provisions for non-performing loans related to balances with related parties and no losses were registered in the period in connection with uncollectible or non-performing loans due from related parties, with the exception of 11 million euro (parent company figure) related to associates (and their subsidiaries).
In terms of investments carried at equity, approximately 5 million euro in value adjustments were recorded for Immobiliare Novoli S.p.A., 3 million euro for Noverca Italia S.r.l. and 2 million euro for Be, Think, Solve, Execute.
For Pension Funds in which Intesa Sanpaolo is co-obliged by virtue of guarantees given, payments were made during the period for the settlement of the technical imbalance of the Complementary Pension Fund for employees of Banco di Napoli - Section A, already recognised in the 2012 financial statements. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

The table below reports the main terms of reference of transactions with each category of related party, as classified by the new IAS 24, net of intragroup operations, as well as information on Shareholders and their corporate groups (subsidiaries, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank of over 2% (calculated considering only shares owned), included as a form of self-regulation.
The table does not, however, show the impact of related party transactions on the Group's cash flows, as this was not significant.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given/ received and commitments
Subsidiaries not included in the line-by-line scope of consolidation	1	-	-	-	-	9	3	-	134	1	1	1
Companies subject to joint control	11	-	4	-	-	110	1	-	30	-	1	45
Associates	360	-	482	-	1	4,008	4	8	339	278	25	4,496
Key Managers and control bodies	-	-	-	-	-	5	-	-	15	-	-	10
Other related parties	2	-	-	-	-	46	4	-	104	-	4	11
Total	**374**	**-**	**486**	**-**	**1**	**4,178**	**12**	**8**	**622**	**279**	**31**	**4,563**
Shareholders (*)	172	-	449	-	156	218	1	2	443	18	5	686

(*) Shareholders and their groups that hold a stake in the Bank's voting share capital exceeding 2% (calculated considering only shares owned).

Relations between the Intesa Sanpaolo Group and Bank Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. With regard to remuneration policies, it should be noted that the Shareholders' Meeting of 22 April 2013 approved an incentive system based on financial instruments that calls for the use of ordinary shares of Intesa Sanpaolo to be purchased on the market and authorised the purchase of such shares.
Concerning transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.
The Group's most significant associates – and the companies controlled by them – in accordance with the version of IAS 24 in effect since 1 January 2011 are A4 Holding S.p.A., Bank of Qingdao Co. Ltd., Autostrade Lombarde S.p.A., Nh Italia S.p.A., Penghua Fund Management Co. Ltd., Telco, NH Hoteles S.a., SIA, Autostrada Pedemontana Lombarda, and Cassa di Risparmio di Fermo.
The joint ventures of the year include Allfunds Bank SA.
The category "Other related parties" includes the Bank's pension funds, the close relatives of managers and entities controlled by them.

Less significant transactions

The most notable less significant transactions concluded during the first half of 2013 by the Parent Company or subsidiaries with related parties are reported below.
Transactions during the year undertaken with bank managers, their close family members and entities controlled by them, were attributable to the Intesa Sanpaolo Group's normal operations and were fully compliant with applicable legislation.
In the year, the Group granted credit facilities to the Group's Shareholders and Pension Funds, at market conditions, in order to support ordinary operations.

Specific transactions

The Group's most significant dealings with associates and companies controlled by associates during the period included loans granted to the Euromilano Group, the Termomeccanica Group, the Iren Group, the Autostrade Lombarde Group and subsidiary Società di Progetto Autostrada Diretta Brescia Milano, Autostrada Pedemontana Lombarda, the Telco Group, the RCN Finanziaria Group, the Sirti Group, the Prelios S.p.A. Group, RCS Mediagroup, Manucor S.p.A., Alitalia Compagnia Aerea Italiana, and other minor associates, all with interest terms in line with market interest rates.
With respect to Alitalia, the Intesa Sanpaolo Group signed a Convertible Bond.
As part of the transaction to refinance part of the bank debt of RCS Mediagroup S.p.A., maturing in the second half of 2013 and early 2014, Intesa Sanpaolo S.p.A., together with a pool of banks, set up a medium/long-term loan for a total of 600 million euro (230 million euro on a proportional basis). Granting of this loan was subject to subscription and payment of the increase in capital of RCS Mediagroup S.p.A. for an amount of at least 380 million euro.

Intesa Sanpaolo participated in this capital increase (which took place in the period between 17 June and 5 July), subscribing the pro-rata amount under the Voting Syndicate, with an outlay of approximately 20 million euro. Banca Imi was instead involved as Joint Global Coordinator, together with BNP Paris which, with the remaining members of the underwriting syndicate (Banca Akros, Banca Aletti, Commerzbank, Mediobanca, Ubi Banca and Credit Suisse), agreed to guarantee, individuallly and without any obligation to assume joint and several liability, the subscription of any ordinary shares not exercised at the end of the offer of the unopted rights on the Stock Exchange, up to an amount of 184.5 million euro. As at the share capital increase closure date of 5 July, the total option rights that had not been exercised represented 15.05% of the ordinary shares and 4.43% of the savings shares, for a total value of about 61 million euro. These rights were therefore offered on the Stock Exchange by Banca IMI, on behalf of RCS, until 17 July. At the end of the subscription period, Banca IMI, in execution of the aforementioned guarantee clause, acquired 1.41% of the ordinary capital.
Share capital increases were subscribed with respect to A4 Holding S.p.A. and Be Think Solve Execute S.p.A., while for Autostrade Lombarde S.p.A. the parent company signed a commitment of approximately 30 million euro requested to shareholders for realisation of the BREBEMI motorway.
Among commercial transactions, note that the extension up to 31 December 2018 of the expiry on the current agreement between Intesa Sanpaolo S.p.A. and Alitalia to issue and promote the co-branded credit card.

On 4 June 2013, as part of rationalisation of the ownership structures of Camfin S.p.A., the following were signed:
(i) a framework agreement between Marco Tronchetti Provera & C. S.p.A., Marco Tronchetti Provera Partecipazioni S.p.A., Gruppo Partecipazioni Industriali S.p.A., Nuove Partecipazioni S.p.A., Lauro Sessantuno S.p.A. (NewCo), Lauro Cinquantaquattro S.r.l. (company wholly owned by Clessidra SGR S.p.A.), Intesa Sanpaolo S.p.A. and UniCredit S.p.A. governing the mutual rights, commitments and obligations of the parties, as part of a common entrepreneurial and financial project aimed at facilitating rationalisation of Camfin's structure, also to be implemented through investment by Lauro Sessantuno in Camfin and promotion by the same NewCo of a mandatory takeover bid for all of Camfin's outstanding ordinary shares;
(ii) a shareholders' agreement between the same parties that outlines the provisions defining the common rules of conduct with respect to governance of Lauro Sessantuno, Camfin and Pirelli & C. S.p.A., company in which Camfin holds an interest of 26.19% in the voting capital.
On 4 June, the extraordinary shareholders' meeting of Lauro Sessantuno S.p.A. resolved:
- a capital increase of approximately 200 million euro, reserved for Nuove Partecipazioni S.p.A., and paid in kind through contribution by NP;
- two share capital increases for consideration, of which:
  - an initial increase of 183 million euro, with 10.7% subscribed by Intesa Sanpaolo, for an outlay of 41 million euro;
  - a second increase in capital for consideration, for a maximum of 227 million euro, with respect to which Intesa Sanpaolo was called upon to subscribe up to a maximum of 1,349,983 class C shares, with an outlay in the event of full subscription of a maximum of 74 million euro, which would bring its stake to 18.85%.

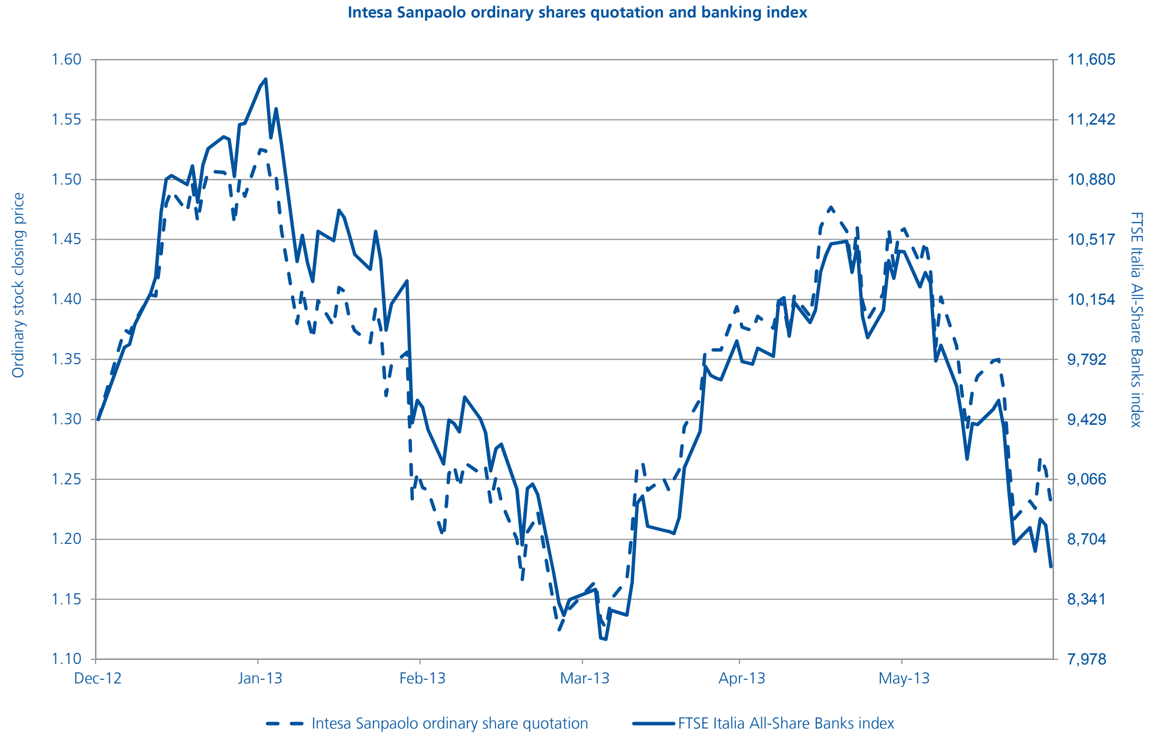
As a result of Intesa Sanpaolo's participation in the aforementioned shareholders' agreement, the investment in Lauro Sessantuno was classified among investments subject to significant influence.

For the sake of completeness, with respect to transactions with Shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), in addition to ordinary lending transactions, note the impairment on the Assicurazioni Generali stake for 58 million euro, classified under assets available for sale.

Stock price performance

In the first half of 2013, easing of the strains on sovereign debt drove the European banking industry index up to its maximum levels for the period at the end of January. Subsequently, the crisis of the banking-financial sector in Cyprus and the uncertainties on recovery from the economic recession triggered profit taking and led to a correction in prices, despite a temporary recovery in April and May, driven by the announcement by the Japanese Central Bank of an ultra-expansionary monetary policy, combined with the accommodating policies of the FED and ECB. After recording performance of 14.1% on 28 January 2013, the DJ Euro Stoxx Banks index closed the first half of the year down by 9.8%, with performance 8.5% lower than the DJ Euro Stoxx 50 index.
The Italian banking sector initially benefitted from the temporary easing of strains on sovereign debt and was then impacted by the continued weakness in the Italian economy and by the return of concerns on sovereign debt. The Italian banking index closed the first half of 2013 with a decline of 9.4%, after reaching the period highs on 30 January, when performance of the index exceeded 23% compared to December 2012.

The performance of Intesa Sanpaolo ordinary shares in the first half of 2013 followed the trend shown by the banking industry indexes: growth until the last week of January, when the highest peak was reached, and a subsequent downward trend until the last week of March, when the lowest peak was reached, followed by a recovery in April-May and then a drop in June, recording an overall decline of 5.3% at the end of the half year compared to the end of 2012.
The price of Intesa Sanpaolo savings shares had increased by 3.5% at the end of June compared to year-end 2012. The discount with respect to the ordinary share dropped to around 16%, from 18% at year-end 2012.
Intesa Sanpaolo's capitalisation decreased to 20 billion euro at the end of the half year, from 21.1 billion euro at the end of 2012.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares carrying different rights for the allocation of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share. Net income attributable to both ordinary and savings shares was determined considering the most recent dividends declared for each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, to the same extent to all shares outstanding. The Earnings per share (EPS) indicator is presented both in the "basic" and in the "diluted" formulation: basic EPS is calculated by dividing income theoretically attributable to holders of different categories of shares by the weighted average number of the shares outstanding; diluted earnings are calculated considering the effect of the forecast future issues of ordinary shares, which, in any case, do not determine material effects.

	30.06.2013		30.06.2012	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,484,438,410	932,031,535	15,498,135,621	931,987,222
Income attributable to the various categories of shares *(millions of euro)*	389	34	1,202	72
Basic EPS *(euro)*	0.03	0.04	0.08	0.08
Diluted EPS *(euro)*	0.03	0.04	0.08	0.08
Basic EPS annualised (*) *(euro)*	0.05	0.07	0.16	0.16
Diluted EPS annualised (*) *(euro)*	0.05	0.07	0.16	0.16

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

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, hence indirectly to the company's overall assets. The index, while measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, is significantly affected by the external factors that influence stock prices.Even for the Intesa Sanpaolo Group, the performance of the index – for the first half of 2013 restated for average figures as well as for period-end figures – is significantly impacted by market trends.

(millions of euro)

	30.06.2013	1st half 2013	2012	2011	2010	2009
Market capitalisation	20,043	21,888	20,066	27,006	31,209	32,228
Shareholders' equity	49,088	49,204	48,327	50,287	53,107	50,818
Price / book value	**0.41**	**0.44**	**0.42**	**0.54**	**0.59**	**0.63**

Ratings

On 29 January 2013, Fitch confirmed the long-term rating at "A-" with a negative outlook, the short-term rating at "F2" and the viability rating at "a-". On 18 March 2013, following the downgrading of Italy's rating (8 March 2013), the agency lowered the long-term rating of the Bank to "BBB+", with a negative outlook, and confirmed the short-term rating at "F2". The viability rating was lowered to "bbb+".
On 12 July 2013, Standard & Poor's lowered the long-term rating by one level to "BBB" (from "BBB+"), confirming the short-term rating at "A-2" and keeping the negative outlook. This downgrading followed the equivalent action on the ratings of the Republic of Italy announced by Standard & Poor's on 9 July 2013. Intesa Sanpaolo's rating of "BBB/A2" with a negative outlook was confirmed on 24 July 2013, despite the increased economic and sector risks in Italy.
On 24 July 2013, Moody's confirmed the Bank's long-term and short-term ratings at "Baa2/P-2". The agency also lowered the BFSR by one level, from "C-" to "D+". The outlook on the BFSR and long-term rating is negative, in line with that on the sovereign rating.

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

(1) with negative outlook

Forecast for the year

As previously indicated, assuming the phase of growth in the global economy continues, the Eurozone may see a return to growth, albeit moderate, during the second half of 2013, after a year and a half of declining activity levels. In Italy, the recovery from the recession will be slower: it may begin in the final part of 2013 and consolidate only in late 2014. Furthermore, the recovery will still be subject to risk, the main one of which is the ever possible return of the financial crisis. The ECB is committed to maintaining the key interest rates (refi and deposit rates) at current levels or lower for a prolonged period of time; a new adjustment in official interest rates, already cut by 25 basis points in May, cannot be ruled out; money market rates will continue to be driven down by excess liquidity.

In its recent update on the estimates of the world economy, the IMF cut its growth forecasts for emerging economies by 0.3 percentage points (and that of the global economy by 0.2 percentage points), bringing them to 5% in 2013 and 5.4% in 2014. The downward adjustments regarded the CIS countries in particular, especially Russia, and the countries of Latin America, particularly Brazil and Mexico.

A different trend is expected in countries where the Intesa Sanpaolo Group operates through subsidiaries, with improvement in growth envisaged in Central and South-Eastern Europe and a relative deterioration in the CIS countries and in Egypt. According to the latest forecasts by the European Bank for Reconstruction and Development last May, the trend in the economy will remain negative in Slovenia, Croatia and Ukraine, while Bosnia and Serbia are expected to recover from the recession. The Serbian economy is expected to undergo a significant acceleration, thanks to the stepped effect of the recent launch of new production plants in the country, in the automobile and refining sectors.

The Egyptian economy is expected to temporarily slow down as a result of the negative effects on foreign investment and on revenues from tourism generated by the growing political tension, leading to a new political phase and to the establishment of a new executive body. Fears continue among operators with respect to the trend in the USD exchange rate (progressively depreciating) and in reserves (showing a declining trend net of aid by friendly countries). Reserves, which were sustained during the first half of the year by capital inflows in the form of loans and donations (partly oil supplies) from Qatar, Libya and Turkey, should benefit during the second half of the year from the contributions of Saudi Arabia, the Emirates and Kuwait, announced in July.

Italian banking sector business will be highly impacted by weakness of the macroeconomic scenario. The desired gradual easing of bank funding cost and lending rates, consistent with the accommodative monetary policy conditions and the decline in rates, will continue to weight the risks related to the spreads on government bonds. Moreover, the restrictive effect of high credit risk will continue to impact lending rates. Continuation of the economic recession is expected for a good part of 2013, negatively impacting loan quality and the trend in loans to customers, with possible signs of a recovery only expected towards year-end. In terms of funding, growth in household deposits is expected to continue.

In 2013, the Intesa Sanpaolo Group will continue to prioritise the delivery of sustainable results. Attention will be strongly focused on actions aimed at strengthening the capital base and further improving the profile of risk and liquidity, as well as on profitability targets.

Furthermore, the Group's efficiency and productivity will be constantly addressed. Repricing actions will make it possible to partially limit the impact of an expected negative environment on market rates. Strict cost containment actions will counteract the effects of automatic pay increases and inflation. The cost of credit will remain at a high level.

The Management Board

Milan, 2 August 2013

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

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

   of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements, in the first half of 2013.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements as at 30 June 2013 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[1].

3. The undersigned also certify that:

   3.1 The half-yearly condensed consolidated financial statements as at 30 June 2013:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

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

2 August 2013

Enrico Tommaso Cucchiani
Managing Director and CEO

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

[1] 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

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Auditors' report on review of condensed interim consolidated financial statements

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

1 We have reviewed the condensed interim consolidated financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2013, comprising the consolidated balance sheet, consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated shareholders' equity, consolidated statement of cash flows and explanatory notes thereto. The parent's management board is responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review.

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

The condensed interim consolidated financial statements present the corresponding prior year annual and condensed interim consolidated financial statements figures for comparative purposes. As disclosed in the explanatory notes to the condensed interim consolidated financial statements, the parent's management board restated some of the corresponding figures included in the prior year annual and condensed interim consolidated financial statements. We audited such consolidated financial statements and reviewed such condensed interim financial statements and issued our reports thereon on 20 March 2013 and 9 August 2012, respectively. We have examined the methods used to restate the prior year corresponding figures and related disclosures set out in the explanatory notes for the purposes of preparing this report.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Intesa Sanpaolo Group as at and for the six months ended 30 June 2013 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 8 August 2013

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2012 and the consolidated balance sheet as at 31 December 2012 adjusted for the effect of application of the new provisions of IAS 19

Reconciliation between the consolidated balance sheet as at 31 December 2012 and the restated consolidated balance sheet as at 31 December 2012

Reconciliation between the published consolidated income statement as at 30 June 2012 and the restated consolidated income statement as at 30 June 2012

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

Reconciliation between (restated) consolidated financial statements and reclassified consolidated financial statements

Reconciliation between (restated) consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between (restated) consolidated income statement and reclassified consolidated income statement

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2012 and the consolidated balance sheet as at 31 December 2012 adjusted for the effect of application of the new provisions of IAS 19

(millions of euro)

Assets		31.12.2012 Published (*)	IAS 19	31.12.2012
10.	Cash and cash equivalents	5,301	-	5,301
20.	Financial assets held for trading	63,546	-	63,546
30.	Financial assets designated at fair value through profit and loss	36,887	-	36,887
40.	Financial assets available for sale	97,209	-	97,209
50.	Investments held to maturity	2,148	-	2,148
60.	Due from banks	36,533	-	36,533
70.	Loans to customers	376,625	-	376,625
80.	Hedging derivatives	11,651	-	11,651
90.	Fair value change of financial assets in hedged portfolios (+/-)	73	-	73
100.	Investments in associates and companies subject to joint control	2,706	-	2,706
110.	Technical insurance reserves reassured with third parties	13	-	13
120.	Property and equipment	5,530	-	5,530
130.	Intangible assets	14,719	-	14,719
	of which			
	- goodwill	8,681	-	*8,681*
140.	Tax assets	12,563	110	12,673
	a) current	2,730	-	*2,730*
	b) deferred	9,833	110	*9,943*
	- of which convertible into tax credit (Law no. 214/2011)	5,984	-	*5,984*
150.	Non-current assets held for sale and discontinued operations	25	-	25
160.	Other assets	7,943	-	7,943
Total Assets		**673,472**	**110**	**673,582**

(*) Figures originally published in the Annual Report 2012.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2012 Published (*)	IAS 19	31.12.2012
10.	Due to banks	73,352	-	73,352
20.	Due to customers	218,051	-	218,051
30.	Securities issued	159,307	-	159,307
40.	Financial liabilities held for trading	52,195	-	52,195
50.	Financial liabilities designated at fair value through profit and loss	27,047	-	27,047
60.	Hedging derivatives	10,776	-	10,776
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,802	-	1,802
80.	Tax liabilities	3,494	-	3,494
	a) current	*1,617*	-	*1,617*
	b) deferred	*1,877*	-	*1,877*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100.	Other liabilities	18,039	-	18,039
110.	Employee termination indemnities	1,207	147	1,354
120.	Allowances for risks and charges	3,343	256	3,599
	a) post employment benefits	*416*	*256*	*672*
	b) other allowances	*2,927*	-	*2,927*
130.	Technical reserves	54,660	-	54,660
140.	Valuation reserves	-1,399	-293	-1,692
150.	Reimbursable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	9,941	-	9,941
180.	Share premium reserve	30,934	-	30,934
190.	Share capital	8,546	-	8,546
200.	Treasury shares (-)	-14	-	-14
210.	Minority interests (+/-)	586	-	586
220.	Net income (loss)	1,605	-	1,605
Total Liabilities and Shareholders' Equity		**673,472**	**110**	**673,582**

(*) Figures originally published in the Annual Report 2012.

Reconciliation between the consolidated balance sheet as at 31 December 2012 and the restated consolidated balance sheet as at 31 December 2012

Since no significant changes occurred in the scope of consolidation, the consolidated balance sheet as at 31 December 2012 has not been restated.

Reconciliation between the published consolidated income statement as at 30 June 2012 and the restated consolidated income statement as at 30 June 2012

Since no significant changes occurred in the scope of consolidation, the consolidated income statement as at 31 December 2012 has not been restated.

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

Since no restatements have been made, please see the financial statements.

Reconciliation between consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the consolidated balance sheet - Assets	30.06.2013	31.12.2012
Financial assets held for trading		55,905	63,546
	Caption 20 - Financial assets held for trading	*55,905*	*63,546*
Financial assets designated at fair value through profit and loss		37,042	36,887
	Caption 30 - Financial assets designated at fair value through profit and loss	*37,042*	*36,887*
Financial assets available for sale		103,944	97,209
	Caption 40 - Financial assets available for sale	*103,944*	*97,209*
Investments held to maturity		2,140	2,148
	Caption 50 - Investments held to maturity	*2,140*	*2,148*
Due from banks		31,570	36,533
	Caption 60 - Due from banks	*31,570*	*36,533*
Loans to customers		358,404	376,625
	Caption 70 - Loans to customers	*358,404*	*376,625*
Investments in associates and companies subject to joint control		2,710	2,706
	Caption 100 - Investments in associates and companies subject to joint control	*2,710*	*2,706*
Property, equipment and intangible assets		19,914	20,249
	Caption 120 - Property and equipment	*5,436*	*5,530*
	+ Caption 130 - Intangible assets	*14,478*	*14,719*
Tax assets		13,508	12,673
	Caption 140 - Tax assets	*13,508*	*12,673*
Non-current assets held for sale and discontinued operations		26	25
	Caption 150 - Non-current assets held for sale and discontinued operations	*26*	*25*
Other assets		22,622	24,981
	Caption 10 - Cash and cash equivalents	*4,389*	*5,301*
	+ Caption 160 - Other assets	*9,249*	*7,943*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*15*	*13*
	+ Caption 80 - Hedging derivatives	*8,903*	*11,651*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*66*	*73*
Total Assets	**Total Assets**	**647,785**	**673,582**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	30.06.2013	31.12.2012
Due to banks		67,522	73,352
	Caption 10 - Due to banks	*67,522*	*73,352*
Due to customers and securities issued		368,419	377,358
	Caption 20 - Due to customers	*219,565*	*218,051*
	+ Caption 30 - Securities issued	*148,854*	*159,307*
Financial liabilities held for trading		44,353	52,195
	Caption 40 - Financial liabilities held for trading	*44,353*	*52,195*
Financial liabilities designated at fair value through profit and loss		29,257	27,047
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*29,257*	*27,047*
Tax liabilities		2,983	3,494
	Caption 80 - Tax liabilities	*2,983*	*3,494*
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		24,564	30,617
	Caption 100 - Other liabilities	*14,536*	*18,039*
	+ Caption 60 - Hedging derivatives	*8,818*	*10,776*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,210*	*1,802*
Technical reserves		56,633	54,660
	Caption 130 - Technical reserves	*56,633*	*54,660*
Allowances for specific purpose		4,404	4,953
	Caption 110 - Employee termination indemnities	*1,297*	*1,354*
	Caption 120 - Allowances for risks and charges	*3,107*	*3,599*
Share capital		8,546	8,546
	Caption 190 - Share capital	*8,546*	*8,546*
Reserves (net of treasury shares)		41,563	40,861
	Caption 170 - Reserves	*10,647*	*9,941*
	Caption 180 - Share premium reserve	*30,934*	*30,934*
	– Caption 200 - Treasury shares	*-18*	*-14*
Valuation reserves		-1,443	-1,692
	Caption 140 - Valuation reserves	*-1,443*	*-1,692*
Minority interests		562	586
	Caption 210 - Minority interests	*562*	*586*
Net income (loss)		422	1,605
	Caption 220 - Net income (loss)	*422*	*1,605*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**647,785**	**673,582**

Reconciliation between consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	First half 2013	First half 2012
Net interest income		4,063	4,932
	Caption 30 - Interest margin	*4,933*	*5,848*
	- Caption 30 (partial) - Contribution of insurance business	*-1,104*	*-1,100*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*14*	*16*
	- Caption 30 (partial) - Interest margin (Fiscal settlement)	*-*	*4*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*41*	*25*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*217*	*193*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-35*	*-46*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-3*	*-8*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		-41	55
	Caption 70 - Dividend and similar income	*161*	*314*
	- Caption 70 (partial) - Contribution of insurance business	*-57*	*-52*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-74*	*-234*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-71*	*27*
Net fee and commission income		3,041	2,639
	Caption 60 - Net fee and commission income	*2,834*	*2,476*
	- Caption 60 (partial) - Contribution of insurance business	*213*	*170*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*-6*	*-7*
Profits (Losses) on trading		690	877
	Caption 80 - Profits (Losses) on trading	*444*	*277*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-34*	*-4*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*476*	*206*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-76*	*264*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*157*	*714*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*74*	*234*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-41*	*-25*
	- Caption 80 (partial) - Contribution of insurance business	*-310*	*-789*
Income from insurance business		449	453
	Caption 150 - Net insurance premiums	*4,849*	*2,857*
	+ Caption 160 - Other net insurance income (expense)	*-5,646*	*-4,164*
	+ Caption 30 (partial) - Contribution of insurance business	*1,104*	*1,100*
	+ Caption 60 (partial) - Contribution of insurance business	*-213*	*-170*
	+ Caption 70 (partial) - Contribution of insurance business	*57*	*52*
	+ Caption 80 (partial) - Contribution of insurance business	*310*	*789*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-12*	*-11*
Other operating income (expenses)		3	-12
	Caption 220 - Other operating income (expenses)	*308*	*249*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-6*	*-5*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-299*	*-262*
	- Caption 220 (partial) - Other operating income (expenses) (Fiscal settlement)	*-*	*6*
Operating income		**8,205**	**8,944**
Personnel expenses		-2,422	-2,709
	Caption 180 a) - Personnel expenses	*-2,490*	*-2,771*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*33*	*16*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*35*	*46*
Administrative expenses		-1,351	-1,429
	Caption 180 b) - Other administrative expenses	*-1,672*	*-1,719*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*10*	*16*
	- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*6*	*7*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*299*	*262*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*6*	*5*
Adjustments to property, equipment and intangible assets		-336	-312
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-224*	*-187*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-363*	*-341*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)	*1*	*1*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-*	*2*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*50*	*14*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-10*	*-11*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*210*	*210*
Operating costs		**-4,109**	**-4,450**
Operating margin		**4,096**	**4,494**

(millions of euro)

Captions of the reclassified consolidated income statement		Captions of the consolidated income statement	First half 2013	First half 2012
Operating margin			**4,096**	**4,494**
Net provisions for risks and charges			-64	-71
		Caption 190 - Net provisions for risks and charges	*-67*	*-79*
	-	*Caption 190 (partial) - Net provisions for risks and charges (Charges for integration)*	*-*	*-*
	-	*Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)*	*3*	*8*
Net adjustments to loans			-2,564	-2,055
		Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-3*	*1*
	+	*Caption 130 a) - Net losses/recoveries on impairment of loans*	*-2,359*	*-1,843*
	-	*Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)*	*-217*	*-193*
	-	*Caption 130 a) (partial) - Reclassification of Greek government bonds impairment*	*-*	*27*
	+	*Caption 130 d) - Net losses/recoveries on impairment of other financial activities*	*14*	*-48*
	-	*Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)*	*1*	*1*
Net impairment losses on other assets			-215	-98
	+	*Caption 130 a) (partial) - Reclassification of Greek government bonds impairment*	*-*	*-27*
	+	*Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale*	*-177*	*-68*
	+	*Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity*	*-*	*-*
	+	*Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS*	*12*	*11*
	+	*Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)*	*-50*	*-14*
	-	*Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)*	*-*	*-*
	-	*Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)*	*-*	*-*
	+	*Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value*	*-*	*-*
Profits (Losses) on investments held to maturity and on other investments			2	-8
		Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-3*
	+	*Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control*	*-73*	*18*
	-	*Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)*	*71*	*-27*
	+	*Caption 270 - Profits (Losses) on disposal of investments*	*5*	*3*
	-	*Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)*	*-1*	*1*
Income (Loss) before tax from continuing operations			**1,255**	**2,262**
Taxes on income from continuing operations			-638	-778
		Caption 290 - Taxes on income from continuing operations	*-560*	*-689*
	+	*Caption 30 (partial) - Interest margin (Fiscal settlement)*	*-*	*-4*
	+	*Caption 220 (partial) - Other operating income/expenses (Fiscal settlement)*	*-*	*-6*
	-	*Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)*	*-*	*-*
	-	*Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)*	*-11*	*-11*
	-	*Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)*	*-67*	*-68*
Charges (net of tax) for integration and exit incentives			-33	-24
	+	*Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)*	*-33*	*-16*
	+	*Caption 180 b) (partial) - Other administrative expenses (Charges for integration)*	*-10*	*-16*
	+	*Caption 190 (partiale - Net provisions for risks and charges (Charges for integration)*	*-*	*-*
	+	*Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)*	*-1*	*-1*
	+	*Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)*	*-*	*-2*
	+	*Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)*	*-*	*-*
	+	*Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)*	*11*	*11*

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	First half 2013	First half 2012
Effect of purchase price allocation (net of tax)		-147	-149
	+ *Caption 30 (partial) - Interest margin (Effect of purchase price allocation)*	*-14*	*-16*
	+ *Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)*	*10*	*11*
	+ *Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)*	*-*	*-*
	+ *Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)*	*-210*	*-210*
	+ *Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)*	*-1*	*-1*
	+ *Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)*	*1*	*-1*
	+ *Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)*	*67*	*68*
Goodwill impairment (net of tax)		-	-
	Caption 260 - Goodwill impairment	*-*	*-*
	+ *Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)*	*-*	*-*
Income (Loss) after tax from discontinued operations		-	-
	Caption 310 - Income (Loss) after tax from discontinued operations	*-*	*-*
Minority interests		-15	-37
	Caption 330 - Minority interests	*-15*	*-37*
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**422**	**1,274**

Glossary

GLOSSARY

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

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

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

Acquisition finance
Leveraged buy-out financing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is used in accounting principles with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Core Tier 1 ratio
The ratio of *Tier 1 capital*, net of excluded instruments (*preference shares and savings shares*), to total risk-weighted assets. *Preferred shares* are innovative capital instruments, usually issued by foreign subsidiaries, and included in the tier 1 capital if their characteristics ensure the banks' asset stability. The Tier 1 ratio is the same ratio inclusive of the preferred shares in the numerator.

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

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

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

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

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

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

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

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

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

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

Credit Risk Adjustment (CRA)
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Forward Rate Agreement
See "*Forwards*".

Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

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

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

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

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

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

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

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

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

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

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

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

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

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

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

Hybrid instruments included in Tier 1 capital
Financial instruments that may be included in Tier 1 capital up to specific limits when the funding raised is available on an ongoing basis and there is an ability to absorb losses that fully guarantees the bank's capital stability. Such instruments may be classified as innovative or non-innovative depending on whether there are incentives for early redemption by the issuer (e.g., step-up clauses).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lower Tier 2
It designates subordinated liabilities that meet the eligibility criteria for inclusion in supplementary (Tier 2) capital.

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

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

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

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

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

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

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

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

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

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate clients for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

Non-performing
Term generally referring to loans for which payments are overdue.

Operational risk
The risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual or non-contractual liability or other disputes; it does not include strategic risk (losses due to wrong management strategies) or reputational risk (loss of market shares as a consequence of negative publicity regarding the bank).

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (*call option*) or to sell (*put option*) a financial instrument at a set price (*strike price*) within (*American option*) or on (*European option*) a given future date.

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

Outsourcing
The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principial

amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

Past due loans
"Past due loans" are non-performing loans on which payments are past due and/or overdue on a continuing basis for over 90/180 days, in accordance with the definition set forth in current supervisory reporting rules.

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

Pool (transactions)
See "*Syndicated lending*".

Preferred shares
See "*Core Tier 1*".

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk, and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Ratings
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

Risk Weighted Assets (RWA)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)
It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (*strike price*).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export sector.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or doubtful loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate *swap*, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to

arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g).

Tier 1
Core capital (Tier 1) includes the paid-in capital, the share premium reserve, reserves from retained earnings (including IAS/IFRS first-time–adoption reserve other than those included under valuation reserves), and excludes treasury shares and intangible assets. Consolidated Tier 1 capital also includes minority interest.

Tier 2
Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses, and the other positive elements that constitute capital items of a secondary nature; the positive "prudential filters" of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity investments, negative items related to loans, other negative elements, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before items to be deducted". Tier 2 capital is made up of the difference between "Tier 2 capital before items to be deducted" and 50 per cent of "items to be deducted".

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 regulatory capital 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.

Upper Tier 2
Hybrid capital instruments (e.g., perpetual loans) that make up the highest quality elements of Tier 2 capital.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change in or underestimation of volatility.

Vega01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO's cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See "*Asset management*".

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

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GALLERIE D'ITALIA.
THREE MUSEUM CENTRES, A CULTURAL NETWORK FOR THE COUNTRY.

With the Gallerie d'Italia project, Intesa Sanpaolo shares its artistic and architectural assets with the community: 1,000 works of art, selected from the 10,000 owned by the Group, exhibited in three cities, to form a museum network unique in nature.

In Milano, the Piazza Scala Galleries, in an extremely valuable architectural setting, host a selection of two hundred works by nineteenth century artists from Lombardy and an exhibition covering the major artists and trends in Italian art in the second half of the twentieth century.
In Vicenza, the Palazzo Leoni Montanari Galleries exhibit the greatest collection of Russian icons in the Western world and works from Venetian eighteenth century painters.
In Napoli, the Palazzo Zevallos Stigliano Galleries present the *Martyrdom of saint Ursula*, a work from Caravaggio's last season, along with eighteenth and nineteenth-century vedutas of the countryside of Campania.

On the cover:
Umberto Boccioni
(Reggio Calabria, 1882 - Verona, 1916)
Officine a Porta Romana (Porta Romana Worksites), 1910
oil on canvass, 75 x 145 cm
Intesa Sanpaolo's Collection
Gallerie d'Italia-Piazza Scala, Milano