Half-yearly report as at 30 June 2015

This is an English translation of the Italian language original "Relazione semestrale al 30 giugno 2015" that has been prepared solely for the convenience of the reader. The Italian language original "Relazione semestrale al 30 giugno 2015" was approved by the Management Board of Intesa Sanpaolo on 31 July 2015 and is available on group.intesasanpaolo.com

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

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

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

Half-yearly report as at 30 June 2015

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,729,881,454.84. Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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CASSA DI RISPARMIO DEL VENETO
CARISBO
FIDEURAM INTESA SANPAOLO PRIVATE BANKING
MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,261	Fideuram	90
	Banca Prossima	28
	Mediocredito Italiano	3
	Banca IMI	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
230	CR del Veneto	331
	CR in Bologna	171
	CR del Friuli Venezia Giulia	96
	CR di Forlì e della Romagna	85
	Fideuram	57
	Banca Prossima	14
	Mediocredito Italiano	2

CENTRE

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

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
4	Banco di Napoli	591
	Banca dell'Adriatico	95
	Fideuram	28
	Banca Prossima	19
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
228	Fideuram	10
	Banca Prossima	9
	Mediocredito Italiano	2

Figures as at 30 June 2015

Product Companies

INTESA SANPAOLO VITA

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The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

OCEANIA

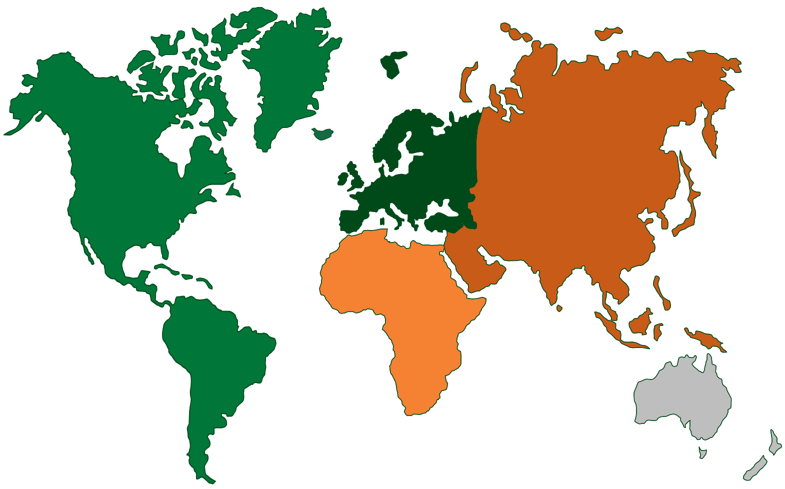
Representative Offices
Sydney

ASIA

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

EUROPE

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



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	32
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	51
Croatia	Privredna Banka Zagreb	197
Czech Republic	VUB Banka	1
Hungary	CIB Bank	95
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	57
Russian Federation	Banca Intesa	55
Serbia	Banca Intesa Beograd	175
Slovakia	VUB Banka	230
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	184
United Kingdom	Banca IMI	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	172
Casablanca			
Tunis			

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

Product Companies

CONSUMER FINANCE HOLDING | INTESA SANPAOLO CARD | PBZ CARD

Consumer Credit, E-money and Payment Systems

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

Leasing

INTESA SANPAOLO LIFE

Insurance

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

Asset Management

VÚB FACTORING | CIB FACTOR

Factoring

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

Supervisory Board

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

Management Board

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

Manager responsible for preparing the Company's financial reports

Fabrizio DABBENE

Independent Auditors

KPMG S.p.A.

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

Half-yearly report on operations

Introduction

The "Half-yearly Report as at 30 June 2015" 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 2015" 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 the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission, as provided for by European 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.

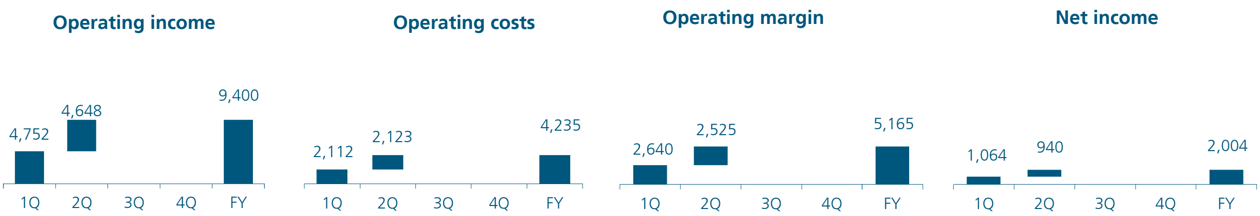
The website of Intesa Sanpaolo, at www.group.intesasanpaolo.com, contains the press releases issued during the period together with other financial documents.

Overview of the first half 2015

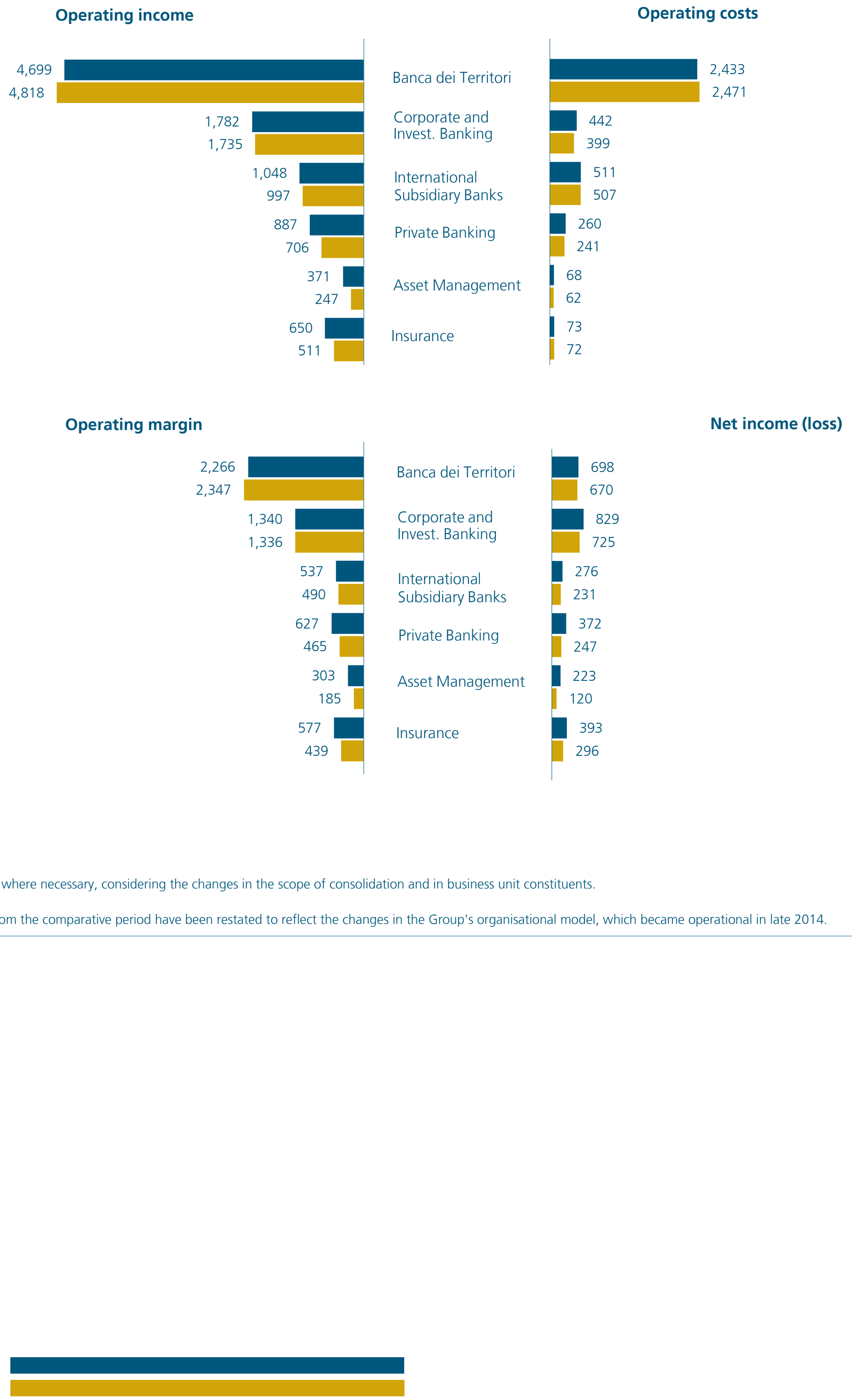
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)			**Changes** amount	**%**
Net interest income	3,958	4,211	-253	-6.0
Net fee and commission income	3,794	3,310	484	14.6
Profits (losses) on trading	976	555	421	75.9
Income from insurance business	625	506	119	23.5
Operating income	9,400	8,572	828	9.7
Operating costs	-4,235	-4,148	87	2.1
Operating margin	5,165	4,424	741	16.7
Net adjustments to loans	-1,614	-2,268	-654	-28.8
Net income (loss)	2,004	720	1,284	

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



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



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

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

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	30.06.2015	31.12.2014	Changes amount	Changes %
Financial assets	238,267	223,251	15,016	6.7
of which: Insurance Companies	*120,420*	*115,046*	*5,374*	*4.7*
Loans to customers	344,199	339,002	5,197	1.5
Total assets	668,399	647,343	21,056	3.3
Direct deposits from banking business	364,897	359,808	5,089	1.4
Direct deposits from insurance business and technical reserves	124,415	118,612	5,803	4.9
Indirect deposits:	484,984	465,777	19,207	4.1
of which: Assets under management	*324,477*	*301,715*	*22,762*	*7.5*
Shareholders' equity	45,695	44,683	1,012	2.3

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

	Loans to customers 30.06.2015	Loans to customers 31.12.2014	Direct deposits from banking business 30.06.2015	Direct deposits from banking business 31.12.2014
Banca dei Territori	186,039	183,671	153,641	162,409
Corporate and Invest. Banking	83,466	82,385	103,661	97,709
International Subsidiary Banks	25,411	24,974	31,748	30,998
Private Banking	8,136	7,614	19,562	17,959
Asset Management	231	473	9	9
Insurance	28	13	190	182

Operating structure	30.06.2015	31.12.2014	Changes amount
Number of employees	**92,053**	**92,726**	**-673**
Italy	64,636	64,800	-164
Abroad	27,417	27,926	-509
Number of financial advisors	**5,855**	**5,851**	**4**
Number of branches [(a)]	**5,608**	**5,867**	**-259**
Italy	4,286	4,473	-187
Abroad	1,322	1,394	-72

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

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

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

30.06.2015
31.12.2014

Other alternative performance measures

Consolidated profitability ratios (%)	30.06.2015	30.06.2014
Cost / Income	45.1	48.4
Net income / Average shareholders' equity (ROE) [a]	8.9	3.5
Net income / Total assets (ROA) [b]	0.6	0.2

Earnings per share (euro)	30.06.2015	30.06.2014
Basic earnings per share (basic EPS) [c]	0.12	0.04
Diluted earnings per share (diluted EPS) [d]	0.12	0.04

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

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

[b] The figure for the period has been annualised.

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

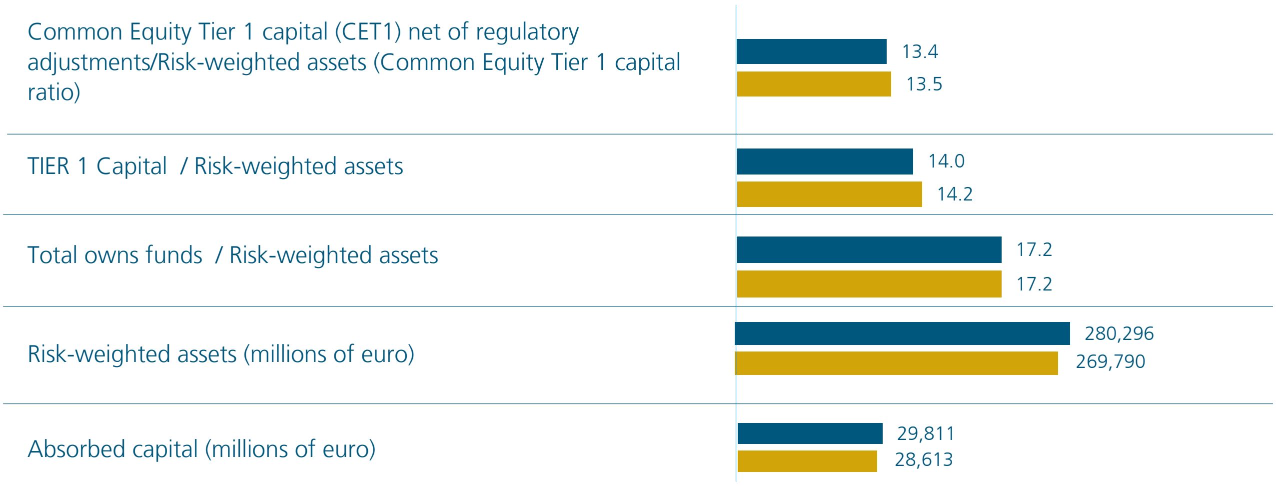
[d] The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

30.06.2015

30.06.2014

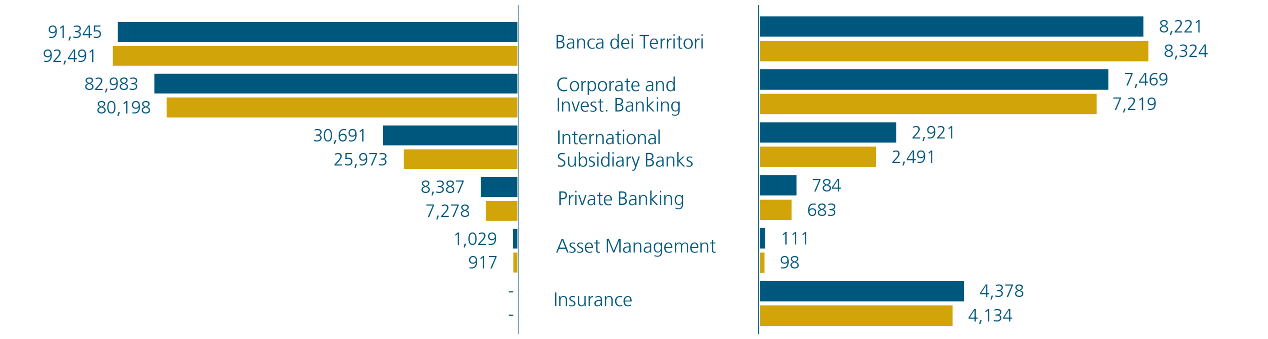
Consolidated risk ratios (%)

Consolidated capital ratios (%) [e]



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

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



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

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

Executive summary

The macroeconomic context

The economy and the financial and currency markets

The global economy remains in a phase of moderate expansion, accompanied by low inflation and accommodating monetary conditions. The decline in commodities prices benefits advanced nations, to the detriment of commodity-exporting countries, and particularly energy-exporters. The appreciation of the US dollar on the currency markets favours manufacturers in the Eurozone, to the detriment of those of the United States and other countries with currencies more closely tied to the US dollar. Several large emerging countries (China, Brazil and Russia) are recording negative trends in the economy, which impacts the trend in global trade.

Economic indicators show that growth in the Eurozone remained stable over the second quarter, following an acceleration at the beginning of the year. The confidence climate is stable in all sectors. The annual rate of change in industrial production slowed from March to May, as well as the rate of change of exports. Unemployment decreased marginally to 11.1%.

The European Central Bank continued implementing the securities purchasing programme launched in March. As at 30 June, purchases of only government securities amounted to 174 billion euro, of which 31.6 billion euro relating to Italian bonds. Nonetheless, the effects on the interest rate curve seem to have been eliminated by the end of April, when there was a sharp inversion in the bearish trend that had prevailed to that point. At the end of the quarter, the yield on ten-year German Bunds jumped to 0.77%, compared to 0.185% as at 31 March. The yield on the ten-year BTP rose from 1.25% to 2.31%, an increase strengthened by the tensions relating to the worsening of the Greek crisis, which resulted in a modest rise in risk premiums also on the Italian curve. The Greek government rejected the offer to extend the second aid programme, which expired on 30 June, and was unable to meet the deadlines for payments to the IMF on said date. Slightly before this, the serious liquidity crisis forced local monetary authorities to close banks and place restrictions on movements of capital. On the whole, however, signs of contagion are very contained. Moreover, after the end of the quarter, an agreement was reached for a new financial aid programme.

On money markets, the negative level of the rate on deposits and the increase in excess reserves are further driving down interest rates: the one-month Euribor has been negative since 26 February and closed the second quarter at -0.064%. The three-month rate, which was 0.08% at the beginning of the year, declined to -0.016% on 30 June.

In Italy, the highly positive performance of confidence indices was accompanied by a resumption of gross domestic product growth in the first quarter (+0.3% on the previous quarter). This increase was due to internal demand more than to exports. Growth should have continued in the second quarter: confidence indices improved further from March to June, while the rate of change in industrial production rose from March to May. Despite the temporary weakness emerging in the national accounts in the first quarter, exports were sustained by the weak Euro. Moreover, lower energy prices increased operating margins of businesses and real income of households. Employment was stagnant following the increase in 2014, but new hires include more indefinite term workers than in the past, whose share out of total employment is recovering. Inflation was negative throughout the quarter, with lows reached in January and a subsequent recovery, partially tied to fuel prices.

International equity markets began 2015 on an overall positive note. The sharp depreciation of the Euro on currency markets, which gained strength in March with the launch of the ECB QE programme, mainly favoured equity markets in the Eurozone, and, specifically, export-oriented sectors that sell to the US dollar area.

The currency factor was in addition to the sharp decline in oil prices. Macrodata for the first quarter also showed signs of a possible economic recovery.

After reaching peaks for the period in April, stock indices in the Eurozone nonetheless recorded downturns in stock prices, following the gradual worsening of the crisis in Greece. Furthermore, political risk returned to the centre of attention, due to the progress of anti-EU political forces in numerous European countries, and the uncertainty regarding the elections in Spain in November.

In the final sessions for the half-year, following the stall in negotiations between Greece and the European institutions, there was a greater correction on equity markets, with an increase in bond yields, expansion of spreads in peripheral countries and a return to risk aversion of investors.

The EuroStoxx index closed the first half up 11%; the DAX 30 gained almost the same amount (+11.6%), while the CAC 40 closed the period at +12.1%. The Spanish market obtained more modest performance, with the IBEX 35 index up by only 4.8%. Outside the Eurozone, the Swiss market index SMI recorded a slight drop (-2.2%), while the FTSE 100 of the United Kingdom closed the period declining fractionally (-0.7%).

The S&P 500 index closed the period essentially unchanged (+0.2%), whereas the major equity markets in Asia reported strong positive performances: the Chinese benchmark index SSE A-Share closed the first half with a sharp rise (+32.2%), whereas the Nikkei 225 index was up 16%.

The Italian equity market achieved decidedly positive performance during the half-year, exceeding the performance of the main indices in the Eurozone. This appreciation was favoured by a gradual economic recovery, by the favourable foreign exchange effect for exports to the US dollar area, by the drop in yields and the decrease in the BTP-Bund spread and, more generally, by a lower aversion to Italy risk of investors. The FTSE MIB index closed the half-year up 18.1%, and the FTSE Italia All Share index posted a slightly greater increase (+19.1%). The performance of mid caps was significantly positive, with the FTSE Italia STAR index up 30.1% at the end of the half-year.

The corporate bond markets closed the first half of 2015 with negative performance, in a scenario of high volatility, primarily weakened by the development in the Greek crisis.

In the first half of the year, the announcement of the launch of the ECB's purchase programme, despite the failure to include corporate securities among those that could be purchased, resulted in a considerable reduction of yields on investment grade and high yield securities. A sharp correction occurred at the beginning of March, most likely as a result of reaching yields deemed excessively compressed and the intense activity recorded on the primary market. This correction subsequently returned to normal, primarily due to the ECB's purchase programme. The second part of the half-year was marked by the nearing of an initial rise in interest rates by the Fed, but above all the growing concerns relating to the situation in Greece. The difficulties in negotiating with international creditors had a negative influence on the performance of spreads, especially in June.
In a scenario of growing volatility, there was a generalised increase in spreads on the markets, which, since the beginning of 2015, expanded by 23% on investment grade securities and 6% on high yield securities. The best performance was achieved by the latter, due to investors' search for yields in a context of interest rates that continued to remain very low. It is also important to note that a growing shortage of liquidity on the secondary market (trading liquidity) - due to operators' concerns and partly to regulations which somewhat limited the capacity of the markets to promptly absorb excess supply - contributed to increasing transactions in securities.
At sector level, the events relating to sustainability of Greek debt translated into underperformance of financial securities, while in the most speculative segment, the increased aversion to risk resulted in a relatively negative performance for CCC and lower rated securities.
With regard to new issue volumes, despite the slowdown recorded in the last period, the favourable lending conditions and investors' search for yields reflected on high volumes on the primary market, which also benefited from issues in Euro by US companies, aimed at taking advantage of low interest rates on financing in Euro, as well as from an increase in issues of subordinated securities. The low interest rates also resulted in an increase in transactions aimed at optimising financial structure by individual companies, through the repurchase of securities issued and their replacement with longer-term securities under more favourable conditions.

The emerging economies and markets

Statistics regarding the first half of the year confirmed the consensus forecast of a slowdown in the growth of emerging countries in 2015. In the first quarter of 2015, the trend in the GDP, for a sample covering 75% of emerging countries, dropped to 3.9% from 4.4% in the fourth quarter of 2014. The slowdown was particularly marked in Latin America (primarily due to the worsening of the recession in Brazil, where the GDP decreased by 1.6% year-on-year) and in CIS countries, where the continuing phase of geopolitical tensions caused a recession in Russia (-2.2%) and worsened the decline in Ukraine (-17.2%). The trend in the GDP also slowed in Asia, though maintaining sustained pace (from +7% in the fourth quarter of 2014 to +6.6% in the first quarter of 2015). Many CEE/SEE countries bucked the trend, benefiting from the recovery of the cycle in Europe.
With specific regard to countries with ISP subsidiaries, the figures from the first quarter showed an acceleration of the GDP on the previous quarter in Hungary (+3.5%), Slovakia (+3.1%), Slovenia (+2.9%), Croatia (+0.5%) and Romania (+4.4%). Serbia recorded a downturn on the previous quarter (-1.8%). In the MENA area, according to preliminary estimates, the trend in the GDP in Egypt slowed to around 3% in the first quarter of 2015 compared to the same period of 2014, when the economic recovery had already begun.
For the same sample, which, as indicated, covers 75% of emerging countries, the performance of industrial production reported an additional slowdown in the second quarter. The year-on-year growth rate decreased from 2.9% in the first quarter of 2015 to 2-3% in the two month period April-May. In countries with ISP subsidiaries, industrial production in April-May recorded significant drops in Ukraine (-21.2%) and Russia (-4.9%), a sharp slowdown in Romania (+0.7% from +4.4% in the first quarter), a significant upturn in Serbia (+8.8% from -1.8% in the first quarter due to the favourable effect of the comparison with the flooding in spring 2014) and a substantial acceleration in Hungary (+6.3% from +3.5%) and Croatia (+2.8% from +0.5%).
In detail, in the BRIC countries, in June 2015 the PMI (Purchasing Managers' Index) reported expectations of a drop in business in Russia (48.7), China (49.4) and Brazil (46.5) and expansion in India (51.3). Also in June, the PMI indicated expectations of a sharp decline in Brazil (39.9), a contained drop in Russia (49.5) and expansion in China (51.8) and India (52.6).
The year-on-year inflation rate for the sample examined rose from 4.3% in December 2014 to 5% in June. This result is the combined effect of widespread write-downs in Latin America, Russia (15.3% year-on-year in June) and Ukraine (57.5% in June). In CEE and SEE countries with ISP subsidiaries, the trend in prices was low, and remained negative in several contexts (such as in Slovenia and Slovakia). In Egypt inflation resumed growth (11.4% year-on-year in June with a peak of 13.1% in May), also due to the temporary effect of the review of subsidies.

In the first half of 2015, varying monetary policies were implemented by emerging countries. In some countries, to offset the increase in prices, central banks increased interest rates, such as in Brazil (SELIC rate rose from 11.75% at the end of 2014 to 13.75% in June 2015), and Ukraine (benchmark rate rose from 14% to 30%). In other countries, though facing inflationary pressures deemed to be temporary or linked to administrative measures, the central banks cut interest rates, such as in Turkey (maximum rate cut from 11.25% to 10.75%) and in Egypt (minimum rate cut from 9.25% to 8.75%). In China and India the authorities eased monetary policy in order to boost internal demand (in China also to support share prices). In Russia, as a result of the stabilisation of financial markets and the partial recovery of the exchange rate, the central bank decreased the benchmark rate from 17% at the end of December 2014 to 11.5% at the end of June 2015. The ECB's accommodating approach also created conditions favourable to widespread cuts of rates in Central and South Eastern Europe, with reductions in Romania (-100 basis points, to 1.75%), Hungary (-60 basis points, to 1.5%), Albania (-25 basis points, to 2%) and Serbia (-200 basis points, to 6%).
On the financial markets, in the first half, the MSCI emerging markets equity index gained 5.6%, mainly driven by Shanghai (+32% from January to June, gains which, however, were almost completely lost following the end of the half-year, in mid-July) and Moscow (+18.9%), which recovered part of the drop of 2014. The strength of these markets offset the relative weakness of the markets of commodity-exporting countries in Latin America and the Middle East. With regard to countries with ISP subsidiaries, significant increases were recorded in Hungary (+31.7%) and Slovakia (+15.1%). Conversely, indices dropped significantly in Serbia (-15.2%) and Egypt (-6.2%, after gaining 31.6% in 2014).
In the half-year, the basket of currencies from emerging countries depreciated an additional 2.5% on the US dollar, but appreciated 5% on the Euro. Geopolitical tensions and the concerns over the debt position caused a new drop in the Ukranian

hryvnia (-32.8%) while the Russian ruble, after depreciating an additional 25% in January (to 70 RUB: 1 USD), subsequently began to recover, appreciating by 1.3% in the first half (to 54 RUB: 1 USD at the end of June). In Egypt, the authorities allowed the exchange rate to rise through two recovery phases (USD/EGP from 7.15 in May 2014 to 7.63 in January 2015 and 7.83 at the beginning of July). In CEE and SEE countries with ISP subsidiaries, the main currencies depreciated on the US dollar but remained stable on the Euro.
On bond markets, in the first half of 2015 the EMBI (Emerging Market Bond Index) spread remained substantially unchanged. In countries with ISP subsidiaries, the CDS spreads decreased year-on-year, though to a slight extent (from 2 basis points in Croatia to 31 basis points in Serbia), moving parallel to the changes recorded in peripheral European countries. The spread narrowed significantly in Russia (-113 basis points), event though in January 2015 the country lost its investment grade rating from S&P (rating downgraded to BB+) while it expanded slightly in Egypt (+30 basis points to 340 basis points). In Ukraine, where talks are under way with creditors to restructure foreign debt, the spread rocketed to over 14,000 basis points, while the sovereign debt rating was repeatedly downgraded (now at CC/N for S&P).

The banking system

Rates and spreads

The cost of bank funding continued to decline gradually in the first half of 2015, owing in part to the shift towards less costly forms of funding. Nonetheless, this trend slowed sharply in the second quarter as compared to the first. The overall rate on deposits recorded a clear reduction at the beginning of the year, which then attenuated and stabilised. The decline primarily affected rates on the stock of time deposits and those on balances held by non-financial companies. In particular, rates on overnight deposits reached all-time lows, according to the statistics available since the beginning of 2003. In the second quarter the decrease in the average rate on the stock of bonds came to a halt, while the cost of new fixed-rate issues showed a fluctuating trend, around an average of a half-point lower than the second half of 2014, reaching values nearing 1%, which has never been reached in the entirety of the past decade.
Rates on loans confirmed their decrease, at five-year lows. The decline in rates related to both new loans of up to 1 million euro to non-financial companies as well as those of larger amounts. The decline in the rates on new mortgage loans to households for house purchases also continued, reaching record lows. During the half-year, there was a particularly sharp decline in the rate for fixed-rate mortgage loans. The more relaxed lending environment is also clear from a comparison between Italian rates on new loans to businesses and the average rates for the Eurozone. During the half-year, the reduction in spreads seen in 2014 continued, to the extent that the spread calculated on rates for new loans of over 1 million euro is once again marginally negative, highlighting conditions that are relatively more advantageous for Italian borrowers than the average in the Eurozone. Similarly, the reduction in interest rate on loans continued, with the overall average rate also reaching record lows.
As a result of the significant drop in interest rates on loans, in relation to the slowdown in the easing trend of the average cost of funding, the banking spread was once again under pressure, starting to narrow slightly once again, following the improvement seen in the last part of 2014 and the initial months of 2015 (estimated average in the second quarter 2.21%, -10 bps on the first quarter of 2015 and -6 bps on the last quarter of 2014). The contribution from deposits, measured on short-term rates, remained in negative territory, with marginal changes during the half-year (mark-down[1] on the 1-month Euribor estimated at -0.25% in the second quarter, from -0.24% in the first quarter of 2015 and -0.26% in the last quarter of 2014). The mark-up[2] on the 1-month Euribor continued the gradual decline that began in 2014, dropping to lows since the end of 2011 (4.26% on average for the two months April-May, from 4.54% in the first quarter of 2015 and 4.54% in the last quarter of 2014).

Loans

Over the half-year, the trend in bank loans to the private sector continued to improve. However, on the whole, they continued to drop year-on-year, though at a gradually decreasing pace. Moreover, several operating segments began to show the first signs of - extremely gradual - recovery in credit. Specifically, loans to consumer households and those to non-financial companies operating in the manufacturing industry showed an upturn, while loans to service and construction companies showed a less sharp decline than at the end of 2014. For total loans to businesses, the upturn from the lows in the recessionary cycle, which had come to a halt in the first two months, was driven by the recovery in medium-term loans, which resumed growing at the beginning of the year, and continued to accelerate. Nonetheless, the recover of medium-term flows only partially offset the reduction in the other two components, short- and long-term, so that the year-on-year trend dropped overall, even though at a slower pace than at the end of 2014.
For loans to households, following the previous signs of improvement, with the easing of conditions for residential mortgages since the end of 2013, positive signs have finally been recorded also for stock, though limited to consumer households. The recovery in the disbursement of residential mortgages continued, though it is partially sustained by subrogation and replacements. Specifically, there was sharp growth in the disbursement of fixed-rate mortgages, justified by the record low reached by interest rates applied and the reduction in the spread between the fixed and floating rates.
The performance of loans began to reflect the recovery of demand, following the easing of the supply conditions. According to the credit survey conducted by the Bank of Italy, demand from businesses recovered slightly in the second quarter of 2015, for the first time since September 2011 and an additional increase in applications is expected in the third quarter. In the area of demand from households, applications for loans increased steadily, both for the purchase of homes and for consumer credit. Among credit supply factors, competitive pressure continued to significantly encourage the easing of credit access conditions, whereas banks continued to show reduced concern with the perceived risks. Companies' opinions of credit access conditions also continued to improve.
The growth of gross doubtful loans slowed further, while continuing at a rapid pace.

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

Direct deposits

As regards funding, previous trends continued in the first half of 2015, specifically for deposits, which grew, building on the recovery seen in 2014. The performance of customer deposits was driven by the solidity of household deposits, characterised by a moderate year-on-year change and the lively trend in deposits by non-financial companies, which continued to grow at a high rate. In particular, the sustained performance of overnight deposits continued. At the same time, the decline in time deposits grew sharper. The growth in deposits continued to be offset by the collapse in the stock of bank bonds, the trend of which was affected by customer portfolio reallocation processes.
Overall, customer deposits thus continued to decline slightly.

Indirect deposits and asset management

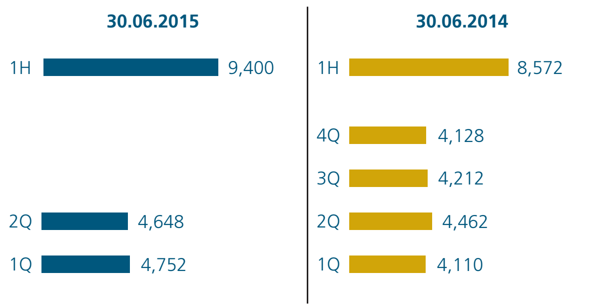
With regard to assets under administration, the sharp decline in debt securities of households and businesses held in custody by banks continued. This performance was also impacted by the constant decline of bank bonds and the phase of considerable interest in mutual funds.
With regard to assets under management, in the first six months of the year, the Italian market for open-ended mutual funds recorded highly positive inflows, almost double than those achieved in the same period of 2014. Assets under management reached 780 billion euro, up by 14.5% on the end of 2014. Inflows were driven by flexible funds, followed by bond funds. Furthermore, net inflows to equity funds returned to positive territory, due to the figures of the first quarter, together with net inflows to monetary funds, which recorded the most significant rise in May. Inflows for portfolio management were also highly positive, with net inflows in the first half almost twice that of the same period of 2014. Growth especially regarded retail portfolio management.
As regards insurance, new life business in the first five months of the year continued to record a positive performance. This trend was driven by unit-linked policies, with new business more than double on the first five months of 2014 and almost one-third of total net inflows. Conversely, traditional policies recorded a downturn in inflows year-on-year, for three consecutive months, with a negative average total change. Also in this sector, the primary supply channel is bank or postal branches (with a market share of approximately 71%), especially for traditional products. As regards products with a higher financial content, inflows are more equally distributed between this channel and financial advisors.

Intesa Sanpaolo in the first six months of 2015

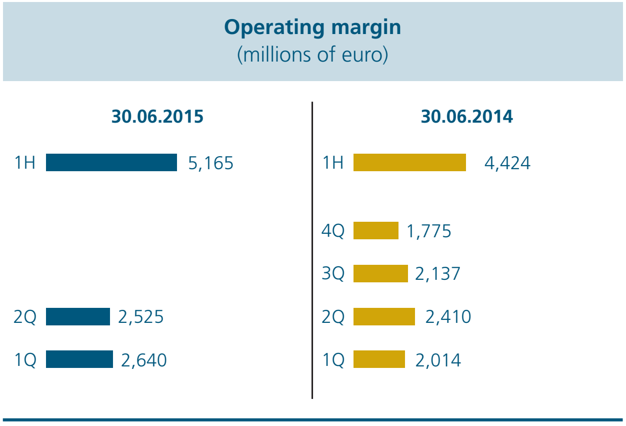
Consolidated results

The consolidated income statement as at 30 June 2015 showed net income of 2,004 million euro, a sharp increase on the 720 million euro in the first half of 2014, due to the significant growth in operating income: there was a significant rise in net fee and commission income as well as in profits on trading and income from insurance business. As a result of these positive trends, it was possible to easily absorb the marginal growth in operating costs, as well as leading to an increase in the operating margin of slightly less than 17% on the first half of 2014. Income before tax from continuing operations benefited from the reduced need for net adjustments to loans, allowing pre-tax income to increase by approximately 54%.

Operating income
(millions of euro)



A detailed breakdown of the components of operating income shows that the income statement for the first half recorded net interest income of 3,958 million euro, down 6% compared to the first half of 2014, primarily relating to the decrease in customer dealing due to lower interest on financial assets.
The services segment generated net fee and commission income of 3,794 million euro, repeating the positive result of the first quarter, and showing an increase of 14.6% on the first six months of 2014, due above all to the positive contribution from financial instrument dealing and management activities (around +30%) in relation to renewed interest among customers in professional asset management and the positive reception of new insurance products.
Profits on trading amounted to 976 million euro, growing sharply on the 555 million euro in the first half 2014, due to the positive results of securities available for sale, which include the dividend from the Bank of Italy, and of trading activities, aimed at maximising contributions from the trend in financial markets.
Income from insurance business, which aggregates specific costs and revenues of the insurance business of the Group companies operating in the life and non-life segments, amounted to 625 million euro (approximately +24%), essentially due to the higher net investment result, partly attributable to capital gains on debt securities.

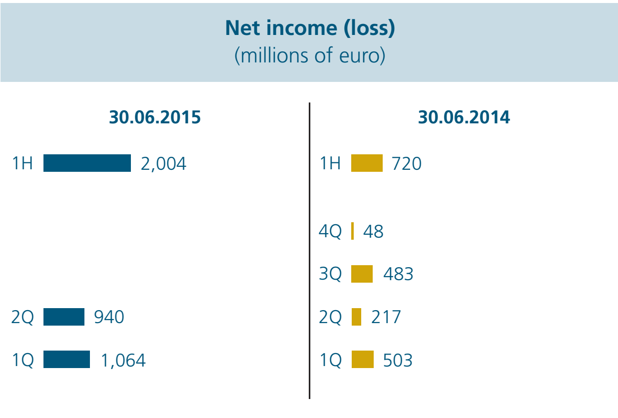


As a result of the above trends, operating income for the first half of 2015 came to 9,400 million euro, up 9.7% over the first six months of 2014.

Operating costs showed marginal growth (+2.1% to 4,235 million euro): personnel expenses reported an increase (+2.9%), essentially attributable to the variable component linked to the trend in results.

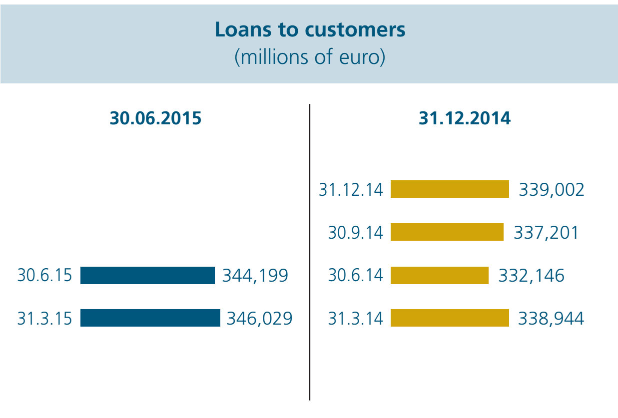
Adjustments also increased (+6.4%), especially amortisation of intangible assets, whereas other administrative expenses decreased fractionally (-0.5%), confirming the success of structural measures aimed at containing such expenses.

Operating margin therefore amounted to 5,165 million euro, up significantly compared to the first six months of 2014 (+16.7%).

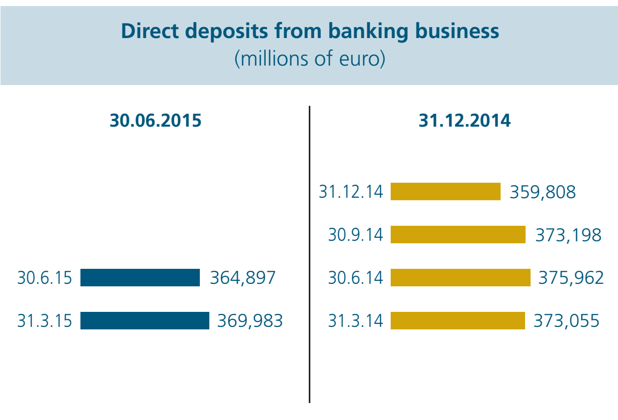


Adjustments and provisions for risks, as a whole, decreased by approximately 26%, essentially due to lesser needs for adjustments to loans (approximately -29%), as a result of which the greater net provisions for risks and charges were more than absorbed, including the charges relating to the new resolution mechanism of banking crises and the new deposit guarantee schemes (95 million euro and 43 million euro, respectively). Despite the lower contribution of profits on investments held to maturity and on other investments (66 million euro compared to 310 million euro in the first half of 2014), income before tax from continuing operations came to 3,317 million euro, up by approximately 54%.

After recognition of income tax for the period of 1,163 million euro (-8.9%), charges for integration and exit incentives of 31 million euro and the effects of purchase price allocation of 59 million euro, as well as minority interests of 60 million euro, the Group's income statement for the first half of 2015 closed, as already noted, with net income of 2,004 million euro, almost triple the 720 million euro for the first six months of 2014.

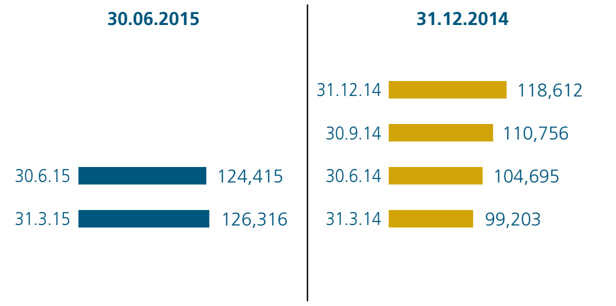


As to balance sheet aggregates, loans to customers amounted to 344 billion euro (+1.5% compared to the end of 2014). The positive trend in commercial banking loans, up 1.6% overall, due to the positive performance of current accounts and, above all, advances and loans, with mortgages remaining substantially stable, in contrast with the downturn in loans represented by securities (-2.6%) which was more than offset by the increase in short-term financial loans represented by repurchase agreements (approximately +5.4%).



On the funding side, direct deposits from banking business came to 365 billion euro (+1.4% compared to the end of 2014). The decline in funding through bonds (-6.7%) and subordinated liabilities (-3%), against marginal growth in certificates of deposit (+0.7%) was offset by the positive performance of current accounts and deposits (approximately +2%) and other types of funding (+2.6%), combined with the significant increase (approximately 37%) in outstanding repurchase agreements.

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



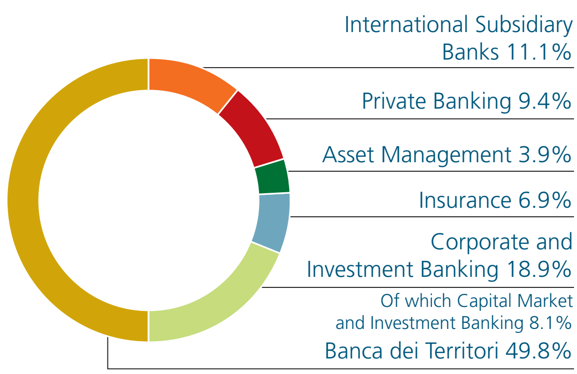
Direct deposits from insurance business, which include technical reserves, also increased (approximately +5%, to over 124 billion euro). The overall increase was essentially attributable to the higher value of financial liabilities of the insurance business designated at fair value (approximately +15%), particularly unit-linked products, while technical reserves, which represent the amount owed to customers who have taken out traditional insurance policies, were stable. The new business of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 13.7 billion euro for the period.

At 30 June 2015, indirect customer deposits came to 485 billion euro, up 4.1% compared to the end of 2014.
During the half-year, the repositioning of customers continued toward forms of professional asset management, which contributed to asset gathering. Assets under management increased (approximately +23 billion euro, or 7.5%) as a result of net inflow and, to a lesser extent, the revaluation of assets under management, with a positive trend recorded for all the main technical forms managed: portfolio management, life policies and mutual funds.
Assets under administration showed a downturn (approximately -3.6 billion euro, equal to 2.2%), relating to the previously mentioned repositioning of customers toward forms of professional asset management.

Results of the business units

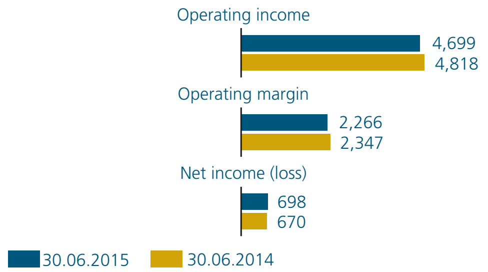
In the first half of 2015, the Intesa Sanpaolo Group organisational structure was based on six business areas. These are in addition to the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.
This new organisational structure, implemented in late 2014, involved in particular the creation of the new Private Banking, Asset Management and Insurance divisions, and the Capital Light Bank (CLB) business unit within the Corporate Centre.
The share of operating income attributable to each business area confirms that commercial banking activities in Italy continue to account for the majority (approximately 50% of the operating income of the business areas), although significant contributions were also provided by corporate and investment banking (approximately 19%), commercial banking activity abroad (approximately 11%), private banking activity (9%), insurance activity (approximately 7%) and asset management (approximately 4%).

Operating income: Breakdown by business area [(1)]



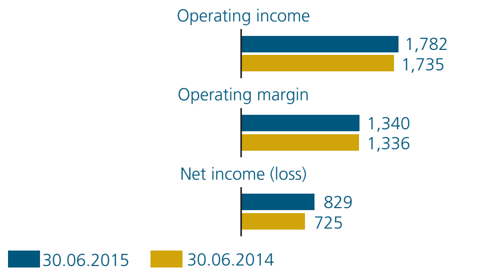
[(1)] Excluding Corporate Centre

Banca dei Territori



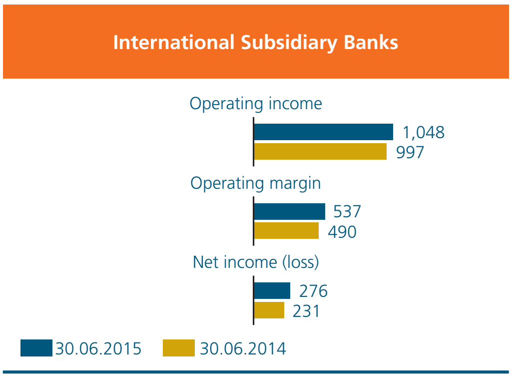
In the first half of 2015, Banca dei Territori Division – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 4,699 million euro, down 2.5% compared to the first half 2014. More specifically, the decrease in net interest income (-11.2%) mainly due to the lower contribution from loans to customers in terms of both volumes and margins - was partly offset by the increase in net fee and commission income (+9.6%), driven by income on asset management and bancassurance products. Operating costs fell (-1.5%) due to the containment of personnel expenses and effective control of administrative expenses. As a consequence of the above trends, operating margin decreased (-3.5%), whereas income before tax from continuing operations increased (+4%) due to the reduced need for net adjustments to loans.
After accounting for the Division's taxes (507 million euro), charges for integration (11 million euro) and the economic effects of purchase price allocation (a negative 2 million euro), net income stands at 698 million euro, up 4.2%.
The balance sheet figures at the end of June 2015 showed increasing loans to customers (+1.3% to 186 billion euro) compared to the end of 2014, mainly as a result of the growth in loans to retail customers. Conversely, direct deposits from banking business decreased (-5.4% to 154 billion euro), mainly due to the declining trend in securities issued.

Corporate and Investment Banking

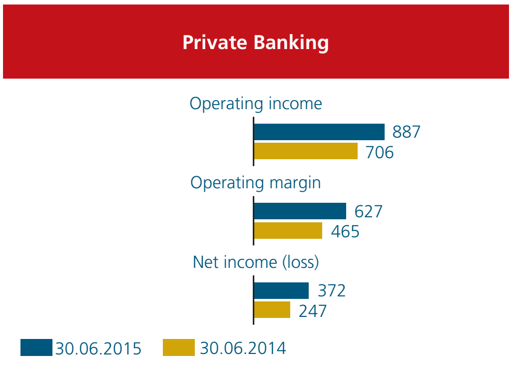


The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – achieved operating income up on the first half of 2014 (+2.7% to 1,782 million euro).
In detail, net interest income declined (-12.5%), primarily as a result of smaller margins on loans to customers and the lesser contribution by the capital markets segment. Net fee and commission income also showed a declining trend (-1.5%) due to lower commission income from commercial banking. However, these trends were more than offset by profits on trading (+36%), due to the greater contribution from capital markets and proprietary trading.
Operating costs were up (+10.8%) due to higher personnel and administrative expenses. As a result of the trends described in revenues and costs, the operating margin remained in line with that of the first half

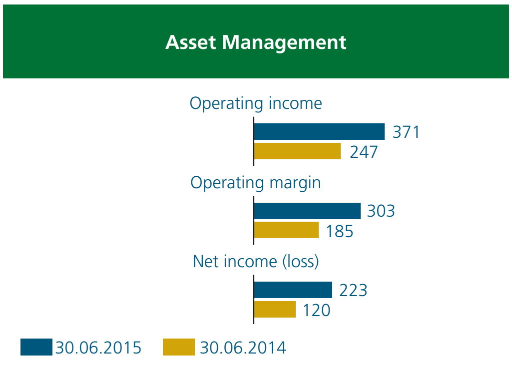
of 2014 (+0.3%), while the trend in income before tax from continuing operations was stronger (+12.7%), favoured by the reduced need for adjustments to loans.
The Division closed the income statement for the first half with net income of 829 million euro (+14.3%).
The Division's intermediated volumes showed a positive trend. Direct deposits from banking business were up (+6.1% to 104 billion euro), largely attributable to repurchase agreements. Loans to customers also increased (+1.3% to 83 billion euro), generated by increased transactions of the International Network and Global Industries Department and the Global Banking and Transactions Department.



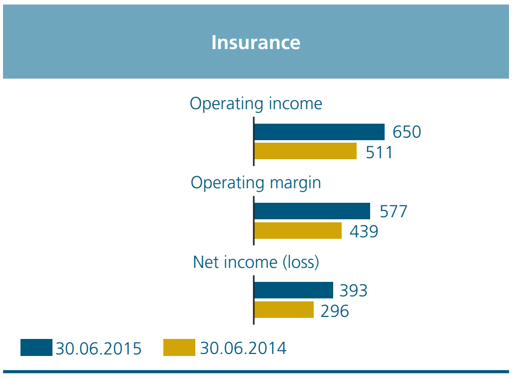
In the first half of 2015, the operating income of the International Subsidiary Banks Division – which oversees the Group’s commercial operations on international markets through subsidiary and associated banks primarily involved in retail banking operations – increased compared to the first six months of the previous year (+5.1% to 1,048 million euro). The increase in net interest income (+3.4%), the growth of net fee and commission income (+2.7%) and the larger contribution of companies carried at equity (+10 million euro) more than offset the decline in profits on trading (approximately -21%). Operating costs increased slightly (+0.8%). As a result of the above revenue and cost trends, the operating margin increased (+9.6%), as did income before tax from continuing operations (+20.3%). The Division closed the half-year with net income of 276 million euro (+19.5%).
The Division’s intermediated volumes increased compared to the end of 2014 owing to the favourable trend in loans to customers (+1.7%) as well as amounts due to customers under direct deposits from banking business (+2.4%).



When the ongoing integration process is complete, the establishment of the Private Banking Division, which provides the private and high net worth individuals segment with specific products and services, will result in the creation of a service hub aimed at the current customers of Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Bank (Suisse), Sirefid and Banca Fideuram, with the aim of providing greater visibility for the Group's private banking operations, achieving significant revenue synergies and managing resources more efficiently.
In the first half of 2015, the Division recorded a significant increase in income before tax from continuing operations (+45.4% to 615 million euro). The increase in operating income (approximately +26%), essentially to be attributed to higher fee and commission income (approx. +33%), more than offset the higher operating costs (approx. +8%). The income statement closed with half-yearly net income of 372 million euro (approximately +51%).
Asset gathering neared 190 billion euro (approximately +10 billion euro on the end of 2014). This positive trend is attributable to the positive market performance of managed portfolios and the positive trend in net inflow, largely exceeding that recorded in the first half of 2014



The new Asset Management Division is tasked with developing asset management solutions targeted at the Group's customers, non-Group commercial networks and institutional customers, through the subsidiary Eurizon Capital.
During the half-year, the Division's operating income increased (approximately +50% to 371 million euro) compared to the figure for the first half of the previous year due to the increase in net fee and commission income (approx. +48%), largely attributable to the growth of average assets under management. Despite the increase in operating costs (+9.7%), to be attributed to both personnel expenses and administrative costs, the operating margin rose sharply (+63.8%). The Division closed the first half of 2015 with net income of 223 million euro, a sharp increase (approximately +86%) on the amount of the first half of 2014.
Overall, total assets managed by Eurizon Capital as at the end of June 2015 came to 221 billion euro, up by more than 9% from the beginning of the year, mainly as a result of positive net inflow. As at 30 June 2015, Eurizon Capital’s market share of assets under management was 15.7% (15.2% at the end of December 2014).



The new Insurance Division oversees management of the subsidiaries Intesa Sanpaolo Vita and Fideuram Vita, with the mission of further developing insurance and pension products targeted at Group customers.
The Division's income before tax from continuing operations increased (approximately +31% to 577 million euro) compared to the first six months of 2014, due to the rise in operating income (approximately +27%) and contained costs (+1.4%). In further detail, income from insurance business increased (+145 million) due to the rise in the net investment result, which benefited from greater net capital gains, including the gain relating to the sale of Union Life (58 million euro). The trend in operating costs is attributable to higher personnel expenses, against decreasing administrative costs.
New life insurance business was up approximately 7.4% compared to the first half of 2014, to be attributed primarily to unit-linked products. Direct deposits from insurance business, amounting to 124 billion euro, increased by 5% since the beginning of the year, attributable to the trend in financial liabilities of the insurance segment designated at fair value.

Main risks and uncertainties

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

Group liquidity remains high: as at 30 June 2015, both regulatory indicators envisaged by Basel 3 (LCR and NSFR), adopted from 2014 also as internal liquidity risk measurement metrics, had reached a level well above fully phased-in requirements. At the end of the half-year, the Central Banks eligible liquidity reserves came to 110 billion euro (97 billion euro at the end of December 2014), of which 58 billion euro, net of haircut, was unencumbered (63 billion euro at the end of December 2014).
In terms of funding, the widespread branch network remains a stable, reliable source: 72% of direct deposits from banking business come from retail operations (265 billion euro). Furthermore, approximately 12 billion euro in bonds were placed during the half-year, of which approximately 8.2 billion on the wholesale market. In the first six months of 2015, 15 billion euro of funding was obtained from the targeted longer-term refinancing operation (TLTRO) programme launched by the European Central Bank, in addition to approximately 12.5 billion euro in the last four months of 2014.

Intesa Sanpaolo Group leverage (6.7% as at 30 June 2015) continues to be at the top levels recorded in the sector.

The capital base also remains high. Own funds, risk-weighted assets and the capital ratios at 30 June 2015 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transposed the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285 and 286 (issued in 2013) and Circular 154 (updated during 2013).
At the end of the first half, total own funds came to 48,210 million euro, against risk-weighted assets of 280,296 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The total capital ratio stood at 17.2%, while the ratio of the Group’s Tier 1 capital to its total risk-weighted assets (its Tier 1 ratio) was 14%. The Common Equity Tier 1 ratio stood at 13.4%.
As the regulatory conditions for its inclusion (Art. 26, paragraph 2 of the CRR) were met, Common Equity Tier 1 capital includes net income for the half-year and, consequently, the related pro-rata dividend, determined as one-half of the dividends indicated in the 2014-2017 Business Plan as distributable in 2016 (totalling 2 billion euro).

With regard to the insurance segment, as at 30 June 2015 the available individual solvency margin of Intesa Sanpaolo Vita, the Group’s main insurance company, was 4,330 million euro, up on the 4,033 million euro of 31 December 2014 due to the net income for the period. The capital absorption level was 2,820 million euro, up compared to 2,736 million euro as at 31 December 2014. The margin is 1,510 million euro higher than the requirement under the supervisory provisions. The solvency ratio as at 30 June 2015 was 153.5%, up compared to the figure as at 31 December 2014 due to the net income for the period.

The Group’s risk profile, while rising, remained within the limits approved by the Risk Appetite Framework, consistent with the Group’s intention to continue to privilege commercial banking operations. The trend in the Group’s VaR over a twelve-month period, shown in the following chart, was mainly determined by Banca IMI. The increase in the first part of the half-year was substantially attributable to Banca IMI's positioning on Italian and Spanish government securities, while in the following period, the risk measurements reached peaks due to the volatility of the financial markets in relation to the uncertainty surrounding the Greek debt crisis. The Group's average risk profile in the half-year, which remained within the limit set by the Risk Appetite Framework, came to 80.8 million euro compared to an average value of 45.6 million euro in the first half of 2014.

Market risks trend:
VaR (millions of euro)

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

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over quality loans to customers and financial institutions, and of exposures subject to country risk.
Risk measurement is performed by means of different rating models according to the borrower's segment (Corporate, Retail SME, Retail Mortgage, Other Retail, Sovereigns, Italian Public sector entities and Financial institutions). These models make it possible to summarise the counterparty’s credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a uniform scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.
The methods used to classify non-performing loans and to measure both non-performing and performing loans ensure that the impacts of the deteriorating economic environment on a debtor’s position are promptly recognised. The economic crisis has called for constant review of the values of loans that had already shown problematic symptoms and of loans with no obvious signs of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average coverage percentages for doubtful loans (63.1%) and the new category of unlikely to pay[3] (23.6%). With regard to performing loans to customers, the "collective" adjustments provide a portfolio coverage ratio of 0.8%, which is stable if compared to the coverage in the 2014 financial statements. The lump-sum provisions on performing loans, amounting to 2,380 million euro, fully cover the expected loss calculated according to the Basel 3 rules.

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

With regard to the Intesa Sanpaolo Group's sovereign debt exposures, the half-year saw an increase in the exposure to European countries (above all Spain, France and Germany), mostly within the context of the banking scope. The exposure of the Group's banks to Italian government securities is still concentrated in the short-term segment (approximately 19 billion euro up to 3 years; approximately 52%), with a duration of 3.9 years. On the other hand, the duration of the insurance portfolio is longer, at 6.4 years, consistently with that of liabilities.
Investment levels in structured credit products and hedge funds remained low. For the first of these products, the fair value changes during the half-year generated a negative impact of 7 million euro (plus 8 million euro in profits from disposals). For hedge funds, the impact of fair value changes during the period considered was 46 million euro.

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

With regard to intangible assets with indefinite useful life, consisting of the goodwill and the brand name, recognised under balance sheet assets at a total residual value of 5,796 million euro (including 3,914 million euro of goodwill), during the first half of 2015, though in a scenario of slight recovery, no indicators impacting the positive conclusions made in the 2014 financial statements about the solidity of assets values were found, despite the still unstable macroeconomic environment.
The analyses conducted on preparing the Half-Yearly Report showed no changes in the main parameters and macroeconomic aggregates which could have a significant impact on the Group's expected cash flows.

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

The update to the discounting rates showed a decrease in the cost of capital implicit in the Terminal Value for all CGUs, specifically due to the decrease in the risk-free rate and the country risk premium which, calculated based on annual averages, take account of the values observed in the first half of 2015, down on those reported in the same period of 2014. Note that the reduction in yields on government securities was particularly sharp in the last part of 2014. There was a slight increase in the cost of capital considered for discounting cash flows of the CGUs over the "explicit" forecast time horizon (calculated based on the average of the last month). However, this was immaterial for the purpose of impacts on the recoverable value of the CGUs.
Profit trends for the year for all CGUs exceeded the figures in the budget and those set out in the Business Plan.
In conclusion, in the light of the above, no critical elements have been identified, compared to the indicators already considered in the 2014 impairment test, such as to require recalculation of Value in use in the half-year financial statements.
In terms of market values, Intesa Sanpaolo's ordinary share performance grew during the half-year (up by slightly less than 35%), higher than the amount of the FTSE MIB index and higher than the Italian and Eurozone bank sector stock indices.
Starting from February 2015, Intesa Sanpaolo's ordinary share performance remained at levels consistently higher than the net book value per share. If, on one hand, this is not sufficient to pass the impairment test, which must consider the recoverable value of each CGU, on the other, it certainly supports the analyses which, as stated previously, showed no critical elements in the retention of the value of the Group's intangible assets with indefinite useful life.
The examination of assessments by financial analysts and the target price of the Intesa Sanpaolo stock show valuations increasing on average compared to the situation at the end of 2014.
The parameters and information used to test the recoverability of intangible assets with indefinite useful life are significantly influenced by the macroeconomic environment and financial market trends, which might undergo changes that cannot be predicted at the present time. All indicators will continue to be carefully monitored during the second half of the year, in order to immediately identify any factors that might modify the positive conclusions outlined in this Half-yearly Report.

The other intangible assets recorded under assets in the balance sheet for a total value of 455 million euro, composed by the asset management and insurance portfolios (both with defined useful life), were amortised (approximately 84 million euro before tax). Qualitative analyses were carried out for these assets as well (mainly focusing on the trends in volumes), in order to identify any impairment indicators. These analyses identified no critical aspects with respect to the situation at the end of 2014.

Finally, with regard to the going concern assumption, the Directors of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the interim statement as at 30 June 2015 on a going concern basis. This is because in the asset and financial structure and in the performance of operations of the Group, no uncertainties have been detected that would cast doubt on the going concern assumption.

The 2014-2017 Business Plan

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

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

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

a) New Growth Bank
As part of the "New Growth Bank" initiative, the Banca 5® project continues, relying on an ad hoc offer and on a dedicated commercial value chain of approximately 3,000 people to revamp approximately five million retail customers currently marked by low profitability but with good loyalty potential. During the first half of the year, following the roll-out of the new service model, the number of dedicated managers increased by approximately 700 (about 3,000 total), and such managers continued to receive training. Commercial activities designed to favour the development of cross selling and increase customer loyalty continued. In order to improve the customer experience, initiatives to support customers in using digital channels were also implemented.
Numerous activities were performed to develop the multi-channel approach, which will enable customers to purchase products and services from all channels through consistent, integrated paths. In the first part of the year, the possibility was provided to use the remote offering of payment cards and insurance and investment products. The mortgage simulator was launched on the Showcase Website and Internet Banking Website and new mobile and tablet app features were activated. The implementation

plan for the new front-end for digital channels (Internet Banking and Showcase Website) was drawn up. Work continued on implementing the new integrated model for managing telephone contact between branches and contact units. Lastly, the process of demateralisation of documentation was launched, for branch and out-of-branch transactions.
As regards the Private Banking Division, work continued on integrating Intesa Sanpaolo Private Banking and Banca Fideuram, with particular emphasis on identifying priority action to quickly enhance the synergies between the two entities. Among the many activities performed, mention should be made of setting up the competence centre for high net worth individuals (HNWIs), the process of disseminating best practices for products and advisory models at Banca Fideuram and Intesa Sanpaolo Private Banking, and the start of work on opening the London branch and revitalising ISPB Suisse.
The Asset Management Division took steps in several areas during the first half of the year. In particular, in support for the Banca dei Territori Division, several changes were made to the product catalogue to ensure that it continued to suit customers' needs. Works were also implemented to strengthen specialised support provided to the distribution network. Particular care was also devoted to supporting the growth of the Private Banking Division by establishing a dedicated team, improving promotional materials, developing training and launching a dedicated product line. Great attention was also given to extra-captive and institutional customers, for whom specific commercial offers were created, along with a new website dedicated to financial advisors that provides additional information and specifically created multimedia content. Finally, work on developing international business was no less intense. In that area, the Hong Kong subsidiary was established and the application was submitted to obtain licenses to provide advisory services and management mandates. The authorisation process for the establishment of a wealth management company in the People's Republic of China (main branch in Qingdao), as a joint venture with Intesa Sanpaolo's International Subsidiary Banks Division and Banca Fideuram started at the Bank of Italy. The company's object will be to provide financial advice and distribute and promote wealth management products. In Taiwan, fund-raising activity began with the new master agent, First Capital Management. The Group is participating in the “Magnifica 2.0” project, which is aimed at creating a new service model for international hub companies, in keeping with the model in which Eurizon Capital and Banca dei Territori play a key role. Lastly, the international commercial structure was enhanced by appointing the new Head of International Sales and creating a sales desk based in Paris.
The Finance Hub is the Group's specialised credit and business advisory service unit. Implementation of the new commercial model continued in the first half of the year, with the establishment of a single Commercial Department, according to an organisational logic consistent with the Banca dei Territori Network's new Business Customer Service Model, and the development of the new website. Development activity continued for the credit model, as did work on integrating the IT systems of Mediocredito and Mediofactoring. Finally, with regard to the doubtful loans disposal project, authorisation was obtained from the Bank of Italy for the execution of the demerger of doubtful loans from Mediocredito to Provis (leasing) and the Parent Company (medium-/long-term loans).
The activities of the new Insurance Division focused on developing of the product mix in the Life and Non-Life segments. In particular, during the first half of the year, in the Life business work was done on designing multi-line products for Banca dei Territori, extending such products to the Private Banking network and studying measures aimed at rationalising the pension business. In the Non-life business, work focused on developing home, car and motorcycle insurance products, including special promotions in conjunction with lending products.
The implementation of a new strategy and commercial initiatives for Transaction Banking is under way. A single product company at Group level will support the growth of business, guaranteeing product innovation, excellence in commercial support and pro-active development of partnerships. A number of initiatives related to the project aimed at extending Banca IMI's product range. The High Net Worth Individual (HNWI) initiative was launched, in partnership with the Private Banking Division, to offer that customer segment a complete range of products and services usually reserved for professional investors. As part of the development of the offering of Advisory and Structuring services regarding third-party NPL (Non-Performing Loans), through which the Bank aims to act as an "aggregator" for all Italian cooperative banks and Tier 2 banks in relation to their main specialised investors, the consolidation of the multi-originator platform for the sale of Non-Performing Loans (NPL) continued. All the planning activities were completed for the launch of the Gas Commodity Trading, the first green certificate deals were concluded, and the design phase of all major risk-hedging activities was completed.
On the international front, further progress was made on the project to extend the Foreign Network to economically emerging areas. Specifically, commercial development continued for the Istanbul branch (Turkey) and the subsidiary ISP Brasil SA began operations. In addition, reinforcement of the SEB unit and ISP Benelux continued. Projects were also launched to extend the international presence to Abu Dhabi and Qatar.
A large number of initiatives and considerable effort were devoted to participating in and supporting EXPO 2015, of which Intesa Sanpaolo is the Official Banking Partner. “The Waterstone”, Intesa Sanpaolo's exhibition space, was created, where the Bank not only offers guests of the exhibition banking services (with full coverage in the opening hours of Expo) but also hosts cultural events and chances to meet with its leading customer companies in the Made in Italy sector. To that end, a schedule of the events (more than 1,000) to be held within the exposition space was published. From the over 1,100 candidates who participated in the contest "Nominate your Company", 400 companies were selected to be showcased in the Group's exhibition space. Also at Expo, a Branch was opened for self-service transactions, and a network of ATMs was installed throughout the exhibition space.
The event also represented the occasion for designing "Created in Italy", the new e-commerce portal dedicated to businesses operating in the sectors of the economy in which Italy excels (tourism, restaurants, food, design and fashion), aimed at offering them opportunities and visibility as they sell and offer dining, hospitality, food and tourism products and services to individual customers. Intesa Sanpaolo also supports the exhibition through ticketing services. Lastly, a line of payment cards dedicated to EXPO 2015 was launched.
With regard to the "new jobs" envisaged in the 2014-17 Business Plan, in the first half of the year Intesa Sanpaolo Casa, a new company that operates in residential transactions between individuals (including non-customers) and between individuals and the Group's construction company customers, was established. The first seven branches were opened in Turin, Milan and Rome. An eighth branch was opened in July.
In the first half of 2015 the project "Insieme per la Crescita" (Together for Growth), consisting of management change measures and new methods of securing employee involvement, was extended to the entire Banca dei Territori Network. The idea of the project is to target commercial behaviour with the aim of improving the network's performance through a stronger focus on relationships, thereby increasing customer and employee satisfaction so as to generate pervasive, permanent change.

b) Core Growth Bank

With regard to the "Core Growth Bank" initiatives, Banca dei Territori continued three projects aimed at optimising the service model for Retail customers ("Full Potential"), Personal customers ("Investment House") and Business customers ("Business-Entrepreneur"). In further detail, work on the "Full Potential" project in the first half of the year included the roll-out of the network's new service model. The Regional Governance Centres were informed of the planned rationalisation measures for the network in 2015 (over 300 consolidations) and the first series of actions (147 closures since the beginning of the year, 420 in total since 2014) was carried out. With regard to the "Counter Service Development" initiative, at the end of June 1,218 branches had counter closures at 1 p.m. and 117 branches were fully dedicated to financial advisory services. The new branch layout concept was also consolidated, completing the test on the prototype and the creation of two pilot branches in Rome and Milan. In July a third pilot branch was activated in Turin. Lastly, 180 new assisted self-service counters were activated, and the plan to replace obsolete ATMs was expedited.

In the "Investment House" initiative, work in the first half of the year focused on developing the product range. The process of developing the "Financial Advisory" project also continued, as did work relating to the offering of asset management products according to a multi-channel scheme.

In the "Business-Entrepreneur" project, operations of the new local network were consolidated, the manager training plan continued and business branches saw the launch of the programme "Together for Growth-Business" aimed at improving relationships with customers.

Development work continued on the "Commercial Excellence" project, aimed at increasing the level of service provided to high added-value customers, also through different organisation of the work and leveraging of leads generated by the multi-channel platform and the use of technologies capable of increasing the effectiveness and efficiency of commercial processes. In particular, the first half of the year saw the launch of training initiatives concerning the new commercial method, which are to involve all resources of commercial areas, the project "Together for Growth" was extended to the entire network, and solutions for reducing sales time spent on mortgages and F24 tax forms were implemented. Furthermore, the technological upgrade of equipment continued for customer transactions in self-service mode.

The projects aimed at improving the service model for various customer segments are supported by the new organisational model implemented by Banca dei Territori: within each of the seven existing Regional Governance Centres, three specialised "commercial areas" - Retail, Personal and Business - have been identified in order to make the best use of each staff member's specific skills.

The Corporate and Investment Banking Division moved ahead at full pace with work on developing an asset light model aimed at making its loan assets marketable. As part of the programme aimed at increasing business with international customers, commercial development action was implemented, exit monitoring activities for foreign corporate companies continued and the Global Industries and Foreign Corporate Departments were reorganised, with the creation of the International Network & Global Industries Department. Implementation continued of the service model by Industry. In the area of selective growth involving Italian Corporate Customers, dedicated commercial campaigns were launched and work on refining the service model and the product range was carried out. With regard to Financial Institutions customers, work continued on commercial development and achievement of the factors that will enable the full realisation of the segment's potential.

The International Subsidiary Banks Division is implementing a major project to revise the operational model which, by redefining the functional relationships between Governance structures and local banks and unifying the commercial and marketing organisation, will enable better coordination and greater efficiency of the commercial initiatives. In the first half of the year implementation began of the new organisational model of International Subsidiary Banks for Control and Staff Functions. With regard to the initiatives to simplify Governance and optimise synergies between PBZ and ISP BiH (Nexus project), in July the transfer of ISP BiH shares held by Intesa Sanpaolo Holding International S.A. (ISPHI) to PBZ was finalised. The new commercial segmentation was completed and work was done on the development of service models dedicated to individual customer segments. Development of the division's new target multi-channel platform began, with implementation at three pilot banks. Transaction banking platforms and services integrated into the Group's range were developed, thereby increasing commercial efforts focusing on Corporate and SME customers in particular.

In the strategic area of dynamic loan management, projects continue with the aim of increasing the speed of the loan granting process and pro-active loan management, which contributed to stemming the deterioration of credit quality.

The Business Plan envisages an important simplification in the corporate breakdown of Banca dei Territori. The objective is to achieve a gradual and significant reduction in the number of legal entities, from 17 banks at the end of 2013 to 6 banks by 2015.

The first corporate transaction, finalised in 2014, involved the merger of Banca di Credito Sardo and CR Venezia, 100%-owned, into Intesa Sanpaolo (effective for legal purposes from 10 November 2014). The mergers by incorporation of Banca di Trento e Bolzano and Banca Monte Parma into Intesa Sanpaolo took effect on 20 July 2015. Note that the processes were launched for the mergers by incorporation of Casse di Risparmio di Rieti, Civitavecchia and della provincia di Viterbo into Intesa Sanpaolo, which should be completed during 2015. Finally, the rationalisation of the local presence resulted in the closure of 147 branches in the first half of the year (for a total of 420 closures since 2014).

c) Capital Light Bank

In addition to growth in revenues, reduction in operating costs and optimisation of credit and risk management, the Business Plan is also based on a clear strategy for optimisation of capital and liquidity, as well as deleveraging of the Group's non-core assets, implemented through the Capital Light Bank.

The first half saw the finalisation of the organisational model and continuation of the process of populating the new Business Unit's structures, a necessary condition to achieving full operation. During the same period, Loan Recovery Department collected significant amounts. Organisational rationalisation in Ukraine resulted in a reduction of the workforce by over 500, while in Hungary deleverage of approximately 450 million euro was achieved through government actions and derecognition of loans in foreign currency. In developments relating to equity investments, NH Hotels, UnionLife and Telecom (Telco) were sold. Finally, in corporate transactions, the demerger of leased assets to Provis was authorised.

Intesa Sanpaolo REOCO, the Group company whose mission is to extract the most value from repossessed properties and to safeguard the bank's assets, continued to carry out its activity. During the first half of 2015, actions were taken which resulted in overall benefits for the Group of approximately 22 million euro compared to 2014. REOCO is currently concentrating on analysing approximately 100 case files, from which the projects to be carried out by year-end will be selected.

d) People and investments as key enablers

At the end of 2013, following development of technology and customer trends, the bank had an excess capacity of about 4,500 people, equal to about 5% of the total employees of the Group. However, there has been a strong desire to involve all colleagues in the new Business Plan right from the beginning, fostering the sense of belonging to the Bank.

In line with these values, as opposed to the measures of its main competitors, the Bank decided to maintain the current employment levels, preserving know-how and the professional expertise within the company. To this end, a major project for professional re-allocation has been initiated in order to support development of the new business initiatives under the Plan. As at June 2015, approximately 3,900 employees had been reassigned to priority initiatives. This set-up has permitted the implementation of key initiatives like Banca 5® which, as stated above, already counts some 3,000 employees dedicated to developing the relationship with Retail customers.

The Chief Innovation Officer Governance Area, which is fully operational, continues to promote and expedite innovation within the Group.

Highlights for first half-year 2015

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

On 28 May 2015 Intesa Sanpaolo terminated the agreement concerning the sale of 100% of the capital of its Ukranian subsidiary Pravex-Bank to CentraGas Holding Gmbh signed on 23 January 2014, as it did not obtain the regulatory approval needed to finalise the transaction. The termination of the agreement had no material impact on the income statement for the first half or the balance sheet as at 30 June 2015 of the Intesa Sanpaolo Group other than the continued inclusion of the subsidiary in the scope of consolidation.

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

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

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

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

At the end of the offer period, the aggregate nominal value of the notes validly tendered amounted to 737.7 million euro (47% of the total outstanding amount).

After obtaining the necessary authorisations from the Antitrust and regulatory authorities, on 17 June 2015 the deed of demerger of Telco was executed, requested in June 2014 by the shareholders (Assicurazioni Generali, Intesa Sanpaolo and Mediobanca) pursuant to the provisions of the shareholders' agreement signed with Telefonica in December 2013.

The partial non-pro rata demerger of the company resulted in the allocation, to the four newly established beneficiary companies – each 100-owned by each shareholder – of the respective stake held in Telecom Italia (totalling approximately 22.3% of the latter's ordinary share capital), and the respective debt.

Intesa Sanpaolo was allocated 220.5 million shares of Telecom (1.64% of ordinary capital). These shares had been hedged against price changes by entering into options which were exercised on 30 June 2015, resulting in the sale on the market of the stake at a value in line with the carrying value.

For the purposes of complete disclosure, ISP remains a shareholder of the old Telco, with an equity investment of 50,000 euro. That company will continue to operate with minimum capital and without holding any Telecom Italia shares, for the purpose of managing the residual assets and liabilities on the balance sheet. The equity investment has been reclassified to the "available for sale" (AFS) portfolio.

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

As is known, during the period November 2013 – October 2014 the Intesa Sanpaolo Group participated in the ECB Comprehensive Assessment, which included an Asset Quality Review of the leading banks in the European Union. In January 2015 – as required by the Supervisory Authorities – Intesa Sanpaolo produced a preliminary report on the areas for improvement found and the progress of the related remedial actions to be mainly implemented by the deadline of 30 June 2015.

During the first half, the actions planned, illustrated below, were completed.
As part of the valuation processes (accounting policies, procedures and practices):

- implementations on systems that allow recovery of the effective historic rate of loans and use this to calculate the discounting effect on doubtful exposures other than mortgages were completed;
- valuation level classification procedures were formulated more precisely, with particular regard to the materiality thresholds of unobservable parameters and the treatment of prices obtained from consensus platforms. In this respect, the documents illustrating the valuation process guidelines were amended and approved, the Market Risk Charter and the Fair Value Policy in relation to the definition of active markets;
- from 31 December 2014, the valuation model for the calculation of adjustments for counterparty risk (Credit Value adjustment) was extended to all counterparties with standard two-way CSAs;
- a policy was defined for the international subsidiaries in connection with adjustment criteria, including criteria on the use of impairment triggers for all customer segments, the rules for recourse to final settlements and the treatment methods for renegotiated positions;
- a policy for measuring collateral on shipping operations was defined;
- the Property Valuation Code was reviewed and extended to Banca IMI;
- the rules for managing doubtful positions were reviewed by providing for specific haircuts for the collateral measurement.

In relation to the lending processes:

- in compliance with EBA ITS guidelines, the IT processes and procedures have been amended in order to identify exposures qualifying as "forborne" (for this purpose a specific internal regulation has been produced) and to centralise data on summary systems for internal and regulatory reporting (Finrep). Automatic probation period monitoring systems were also implemented;
- in order to introduce an enhanced use of the debt service coverage ratio as an impairment trigger, the rules for managing problem loans were updated and the ratio was introduced in granting and monitoring procedures;
- new triggers were identified in the granting and monitoring procedures and automated procedures will be developed to make said triggers mandatory.

In relation to the collective assessment of performing loans, a process was formalised to update the correction factor for the state of the economic cycle.
In relation to the models and parameters used to measure assets, a series of marginal actions were implemented on the following aspects:

- as part of the valuation of non-derivative instruments, the Net Asset Value estimation policies have been updated so as to systematically give priority to valuation methods based on elements observable on the market – therefore expressing a Fair Value Level 2 – and to systematically apply cash and minority discounts and control bonuses. The new policy led to upgrading of the level of Fair Value in a limited number of cases;
- the Independent Price Verification Procedure was reviewed in order to:
    - determine significance thresholds for the independent verification processes of accounting measurements based on Fair Value hierarchy;
    - update these thresholds quarterly;
    - define escalation and reporting to senior management;
- as part of the control and verification processes for Profit and Loss, enhancement of the P&L attribution procedure is in progress through expansion of the sensitivity factors monitored;
- also planned was a strengthening of the authorisation process for New Products, by including new valuation elements relating to the impact on capital absorption and liquidity;
- lastly, limited fine-tuning has been performed on the treatment of certain illiquid parameters used as input for the valuation models. In particular, new calibration methods and additional stress tests have been introduced to estimate correlation benchmarks, used to measure interest rate options (with Fair Value adjustments for a total of 0.9 million euro) or structured credit products with no material valuation impact.

As for events after the end of the half-year, it should be noted that, in accordance with the Business Plan, the following deeds of merger were signed on 10 July 2015:

- the deed relating to the merger by incorporation of Banca di Trento e Bolzano S.p.A. into Intesa Sanpaolo S.p.A., with an increase in the absorbing company's share capital of 4,158,029.72 euro through the issue of 7,996,211 ordinary shares having a nominal value of 0.52 euro each;
- the deed relating to the merger by incorporation of Banca Monte Parma S.p.A. into Intesa Sanpaolo S.p.A., with an increase in the absorbing company's share capital of 861,646.24 euro through the issue of 1,657,012 ordinary shares having a nominal value of 0.52 euro each.

This has led to an overall increase amounting to 5,019,675.96 euro, with a consequent increase in the absorbing company's capital from 8,724,861,778.88 euro to 8,729,881,454.84 euro.
The mergers came into legal effect as of 20 July 2015, the date from which the exchange transactions started.

Half-yearly condensed consolidated Financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.06.2015	31.12.2014	Changes	
				amount	%
10.	Cash and cash equivalents	5,840	6,631	-791	-11.9
20.	Financial assets held for trading	51,996	53,741	-1,745	-3.2
30.	Financial assets designated at fair value through profit and loss	49,407	43,863	5,544	12.6
40.	Financial assets available for sale	135,438	124,150	11,288	9.1
50.	Investments held to maturity	1,426	1,471	-45	-3.1
60.	Due from banks	31,147	31,372	-225	-0.7
70.	Loans to customers	344,199	339,105	5,094	1.5
80.	Hedging derivatives	8,475	9,210	-735	-8.0
90.	Fair value change of financial assets in hedged portfolios (+/-)	60	59	1	1.7
100.	Investments in associates and companies subject to joint control	1,756	1,944	-188	-9.7
110.	Technical insurance reserves reassured with third parties	23	27	-4	-14.8
120.	Property and equipment	5,055	4,884	171	3.5
130.	Intangible assets	7,155	7,243	-88	-1.2
	of which				
	- goodwill	*3,914*	*3,899*	*15*	*0.4*
140.	Tax assets	14,952	14,431	521	3.6
	a) current	*3,479*	*3,021*	*458*	*15.2*
	b) deferred	*11,473*	*11,410*	*63*	*0.6*
	- of which convertible into tax credit (Law no. 214/2011)	*8,840*	*8,824*	*16*	*0.2*
150.	Non-current assets held for sale and discontinued operations	27	229	-202	-88.2
160.	Other assets	11,443	8,067	3,376	41.8
Total Assets		**668,399**	**646,427**	**21,972**	**3.4**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2015	31.12.2014	Changes amount	Changes %
10.	Due to banks	62,493	51,495	10,998	21.4
20.	Due to customers	242,222	230,738	11,484	5.0
30.	Securities issued	116,632	123,768	-7,136	-5.8
40.	Financial liabilities held for trading	43,221	46,376	-3,155	-6.8
50.	Financial liabilities designated at fair value through profit and loss	43,451	37,622	5,829	15.5
60.	Hedging derivatives	8,422	10,300	-1,878	-18.2
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,085	1,449	-364	-25.1
80.	Tax liabilities	2,973	2,323	650	28.0
	a) current	*1,181*	*662*	*519*	*78.4*
	b) deferred	*1,792*	*1,661*	*131*	*7.9*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	201	-201	
100.	Other liabilities	17,335	12,119	5,216	43.0
110.	Employee termination indemnities	1,359	1,480	-121	-8.2
120.	Allowances for risks and charges	3,232	3,793	-561	-14.8
	a) post employment benefits	*720*	*1,167*	*-447*	*-38.3*
	b) other allowances	*2,512*	*2,626*	*-114*	*-4.3*
130.	Technical reserves	79,645	79,701	-56	-0.1
140.	Valuation reserves	-1,449	-1,622	-173	-10.7
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,119	9,054	65	0.7
180.	Share premium reserve	27,349	27,349	-	-
190.	Share capital	8,725	8,725	-	-
200.	Treasury shares (-)	-53	-74	-21	-28.4
210.	Minority interests (+/-)	634	379	255	67.3
220.	Net income (loss)	2,004	1,251	753	60.2
Total Liabilities and Shareholders' Equity		**668,399**	**646,427**	**21,972**	**3.4**

Consolidated income statement

(millions of euro)

	1st half of 2015	1st half of 2014	Changes amount	Changes %
10. Interest and similar income	6,956	8,172	-1,216	-14.9
20. Interest and similar expense	-2,564	-3,246	-682	-21.0
30. Interest margin	**4,392**	**4,926**	**-534**	**-10.8**
40. Fee and commission income	4,436	3,920	516	13.2
50. Fee and commission expense	-839	-773	66	8.5
60. Net fee and commission income	**3,597**	**3,147**	**450**	**14.3**
70. Dividend and similar income	268	238	30	12.6
80. Profits (Losses) on trading	366	223	143	64.1
90. Fair value adjustments in hedge accounting	-50	-51	-1	-2.0
100. Profits (Losses) on disposal or repurchase of	1,305	460	845	
a) loans	*23*	*40*	*-17*	*-42.5*
b) financial assets available for sale	*1,403*	*622*	*781*	
c) investments held to maturity	-	-	-	
d) financial liabilities	*-121*	*-202*	*-81*	*-40.1*
110. Profits (Losses) on financial assets and liabilities designated at fair value	511	472	39	8.3
120. Net interest and other banking income	**10,389**	**9,415**	**974**	**10.3**
130. Net losses / recoveries on impairment	-1,362	-2,144	-782	-36.5
a) loans	*-1,382*	*-2,050*	*-668*	*-32.6*
b) financial assets available for sale	*-32*	*-87*	*-55*	*-63.2*
c) investments held to maturity	-	-	-	
d) other financial activities	*52*	*-7*	*59*	
140. Net income from banking activities	**9,027**	**7,271**	**1,756**	**24.2**
150. Net insurance premiums	6,081	8,487	-2,406	-28.3
160. Other net insurance income (expense)	-7,372	-9,493	-2,121	-22.3
170. Net income from banking and insurance activities	**7,736**	**6,265**	**1,471**	**23.5**
180. Administrative expenses	-4,322	-4,237	85	2.0
a) personnel expenses	*-2,607*	*-2,550*	*57*	*2.2*
b) other administrative expenses	*-1,715*	*-1,687*	*28*	*1.7*
190. Net provisions for risks and charges	-261	-238	23	9.7
200. Net adjustments to / recoveries on property and equipment	-167	-164	3	1.8
210. Net adjustments to / recoveries on intangible assets	-270	-298	-28	-9.4
220. Other operating expenses (income)	363	335	28	8.4
230. Operating expenses	**-4,657**	**-4,602**	**55**	**1.2**
240. Profits (Losses) on investments in associates and companies subject to joint control	81	292	-211	-72.3
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	24	29	-5	-17.2
280. Income (Loss) before tax from continuing operations	**3,184**	**1,984**	**1,200**	**60.5**
290. Taxes on income from continuing operations	-1,120	-1,228	-108	-8.8
300. Income (Loss) after tax from continuing operations	**2,064**	**756**	**1,308**	
310. Income (Loss) after tax from discontinued operations	-	-	-	
320. Net income (loss)	**2,064**	**756**	**1,308**	
330. Minority interests	-60	-36	24	66.7
340. Parent Company's net income (loss)	**2,004**	**720**	**1,284**	
Basic EPS - Euro	**0.12**	**0.04**		
Diluted EPS - Euro	**0.12**	**0.04**		

Statement of consolidated comprehensive income

(millions of euro)

		1st half of 2015	1st half of 2014	Changes amount	%
10.	**NET INCOME (LOSS)**	**2,064**	**756**	**1,308**	
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**366**	**-199**	**565**	
20.	Property and equipment	-	-	-	
30.	Intangible assets	-	-	-	
40.	Defined benefit plans	366	-199	565	
50.	Non-current assets held for sale	-	-	-	
60.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**-189**	**31**	**-220**	
70.	Hedges of foreign investments	-	-	-	
80.	Foreign exchange differences	67	-58	125	
90.	Cash flow hedges	233	-258	491	
100.	Financial assets available for sale	-523	364	-887	
110.	Non-current assets held for sale	-	-	-	
120.	Share of valuation reserves connected with investments carried at equity	34	-17	51	
130.	**Total other comprehensive income (net of tax)**	**177**	**-168**	**345**	
140.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +130)**	**2,241**	**588**	**1,653**	
150.	**Total consolidated comprehensive income pertaining to minority interests**	**64**	**35**	**29**	**82.9**
160.	**Total consolidated comprehensive income pertaining to the Parent Company**	**2,177**	**553**	**1,624**	

Changes in consolidated shareholders' equity as at 30 June 2015

(millions of euro)

	30.06.2015											
	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 1.1.2015	**8,510**	**488**	**27,369**	**8,583**	**510**	**-1,631**	**-**	**-77**	**1,310**	**45,062**	*44,683*	*379*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves				**95**					**-95**	**-**	*-*	*-*
Dividends and other allocations									**-1,215**	**-1,215**	*-1,195*	*-20*
CHANGES IN THE PERIOD												
Changes in reserves										**-**	*-*	*-*
Operations on shareholders' equity												
Issue of new shares								21		**21**	*21*	*-*
Purchase of treasury shares										**-**	*-*	*-*
Extraordinary dividends										**-**	*-*	*-*
Changes in equity instruments										**-**	*-*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens	50									**50**	*-*	*50*
Other (b)	195		39	-64						**170**	*9*	*161*
Total comprehensive income for the period						**177**			**2,064**	**2,241**	*2,177*	*64*
SHAREHOLDERS' EQUITY AS AT 30.06.2015	**8,755**	**488**	**27,408**	**8,614**	**510**	**-1,454**	**-**	**-56**	**2,064**	**46,329**	*45,695*	*634*
- Group	**8,240**	**485**	**27,349**	**8,609**	**510**	**-1,449**	**-**	**-53**	**2,004**	**45,695**		
- minority interests	**515**	**3**	**59**	**5**	**-**	**-5**	**-**	**-3**	**60**	**634**		

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

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

Changes in consolidated shareholders' equity as at 30 June 2014

(millions of euro)

	30.06.2014											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2014	**8,427**	**488**	**30,989**	**10,357**	**510**	**-1,091**	**-**	**-60**	**-4,557**	**45,063**	*44,520*	*543*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves			**-3,913**	**-683**					**4,596**	**-**	*-*	*-*
Dividends and other allocations									**-39**	**-39**	*-*	*-39*
CHANGES IN THE PERIOD												
Changes in reserves			**-1**	**16**						**15**	*-2*	*17*
Operations on shareholders' equity										**-**		
Issue of new shares	3							6		**9**	*9*	*-*
Purchase of treasury shares										**-**	*-*	*-*
Extraordinary dividends				-822						**-822**	*-822*	*-*
Changes in equity instruments										**-**	*-*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Changes in equity investmens										**-**	*-*	*-*
Other	-41									**-41**	*-*	*-41*
Total comprehensive income for the period						**-168**			**756**	**588**	*553*	*35*
SHAREHOLDERS' EQUITY AS AT 30.06.2014	**8,389**	**488**	**27,075**	**8,868**	**510**	**-1,259**	**-**	**-54**	**756**	**44,773**	*44,258*	*515*
- Group	**8,064**	**485**	**27,020**	**8,751**	**510**	**-1,241**	**-**	**-51**	**720**	**44,258**		
- minority interests	**325**	**3**	**55**	**117**	**-**	**-18**	**-**	**-3**	**36**	**515**		

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

Consolidated statement of cash flows

(millions of euro)

	30.06.2015	30.06.2014
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**4,371**	**7,219**
- net income (loss) (+/-)	2,064	756
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	1,526	318
- gains/losses on hedging activities (-/+)	50	51
- net losses/recoveries on impairment (+/-)	1,649	1,812
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	437	462
- net provisions for risks and charges and other costs/revenues (+/-)	306	298
- net insurance premiums to be collected (-)	14	-
- other insurance revenues/charges to be collected (-/+)	2,121	5,692
- taxes, duties and tax credits to be paid/collected(+/-)	91	-192
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-3,887	-1,978
2. Cash flow from / used in financial assets	**-21,269**	**-2,339**
- financial assets held for trading	2,102	-2,784
- financial assets designated at fair value through profit and loss	-4,224	-1,089
- financial assets available for sale	-10,224	-1,074
- due from banks: repayable on demand	-432	-4,706
- due from banks: other	892	279
- loans to customers	-6,929	9,170
- other assets	-2,454	-2,135
3. Cash flow from / used in financial liabilities	**17,969**	**-3,840**
- due to banks: repayable on demand	2,359	-343
- due to banks: other	8,460	-17,419
- due to customers	11,473	4,566
- securities issued	-7,256	-1,567
- financial liabilities held for trading	-3,151	1,900
- financial liabilities designated at fair value through profit and loss	5,020	1,571
- other liabilities	1,064	7,452
Net cash flow from (used in) operating activities	**1,071**	**1,040**
B. INVESTING ACTIVITIES		
1. Cash flow from	**45**	**805**
- sales of investments in associates and companies subject to joint control	-	209
- dividends collected on investments in associates and companies subject to joint control	-	-
- sales/reimbursements of investments held to maturity	45	596
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-722**	**-150**
- purchases of investments in associates and companies subject to joint control	-5	-
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-50	-13
- purchases of intangible assets	-157	-137
- purchases of subsidiaries and business branches	-510	-
Net cash flow from (used in) investing activities	**-677**	**655**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	21	6
- share capital increases	-	3
- dividend distribution and other	-1,215	-861
Net cash flow from (used in) financing activities	**-1,194**	**-852**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-800**	**843**
RECONCILIATION		
Cash and cash equivalents at beginning of period	6,631	6,525
Net increase (decrease) in cash and cash equivalents	-800	843
Cash and cash equivalents: foreign exchange effect	9	-21
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,840**	**7,347**

LEGEND: (+) from (–) used in

Explanatory notes

Accounting policies

General preparation principles

The Half-yearly condensed consolidated financial statements as at 30 June 2015 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, as determined by the European Commission and in force as at 30 June 2015 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 2015, including related SIC and IFRIC interpretation documents.
The accounting principles adopted in the 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 Intesa Sanpaolo Group Annual Report 2014 – to which reference should be made for further details – except for the entry into force of some limited amendments to IFRS 3 - Business Combinations, IFRS 13 - Fair Value Measurement, and IAS 40 - Investment Property, endorsed last year by the European Commission with Regulation 1361/2014.

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

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 2014 Annual Report for the related description. Moreover, please note that in certain valuation processes, in particular the more complex ones, such as the asset impairment tests, these are generally performed in their entirety at the time of preparation of the annual report, with the exception of the cases in which there are significant impairment indicators which require the immediate valuation of losses.

The Half-yearly condensed consolidated financial statements, drawn up in euro as the functional currency, are prepared in condensed form as permitted by IAS 34, and contain the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, the Statement of cash flows and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, on the main risks and uncertainties to be faced in the remaining months of the year, as well as information on significant related party transactions.
The amounts indicated in the financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.

In addition to amounts for the reporting period, the financial statements also indicate the corresponding comparison figures for the first half of 2014 in the Income statement and at 31 December 2014 for the Balance sheet. The income statement data for comparison purposes have been restated to take into account the line-by-line consolidation of the Ukrainian subsidiary Pravex-Bank, no longer recorded among discontinued operations following termination of the agreement for the sale of 100% of its capital to CentralGas Holding GmbH. No balance sheet data were restated, however, in line with IFRS 5 instructions. As usual, condensed reclassified financial 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 2015 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 Consolidated financial statements include Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors dissimilar to that of the Parent Company and private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no stake in the company.
With respect to the position as at 31 December 2014, the most significant new entrants to the scope of consolidation were the Risanamento Group, Telco IS and Intesa Sanpaolo Brasil S.A. - Banco Multiplo.
More specifically, the consolidation of Risanamento Group assets and liabilities became necessary - on termination of the debt restructuring agreement pursuant to Article 182-bis of Bankruptcy Law and following Intesa Sanpaolo's appointment to the Board of Directors of Risanamento S.p.A. of 4 out of the 5 members - to classify as having de facto control of the company pursuant to IFRS 10. The Intesa Sanpaolo Group's half-yearly report as at 30 June 2015 has summarily included the income statement of the Risanamento Group - given its previous consolidation at equity and as the date of takeover of control was close to the end of the half-year - whereas the balance sheet has been included line by line on the basis of the company's accounting position as at 30 June 2015.
In relation to the application of IFRS 3 and the fair value calculation of Risanamento Group assets and liabilities as at the date of acquisition, activities are still in progress given the brief time lapse since control was acquired. In this respect, IFRS 3 allows a provisional allocation of the acquisition cost, but this must be finalised within 12 months of the acquisition date and backdated to that date.
Please note that Intesa Sanpaolo does not exercise management and coordination over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.
Telco IS, a 100% subsidiary of Intesa Sanpaolo, is the assignment company for ISP's holding of Telecom shares following the partial non-proportional spin-off of Telco. In this half-yearly report, Telco IS is consolidated line by line.
Intesa Sanpaolo Brasil S.A. - Banco Multiplo, also consolidated line by line, is the ISP Group's new commercial and investment bank in Brazil which began operations during the half-year.
In infragroup terms, the merger by incorporation of Fideuram Gestions S.A. into Fideuram Bank Luxembourg S.A. was completed.
Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2014 Intesa Sanpaolo Group Annual Report to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Report as at 30 June 2015 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used. Where necessary – and only in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.

	Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
1	Accedo S.p.A. (former Intesa Sanpaolo Personal Finance S.p.A.) Share capital Euro 110,000,000	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
2	Adriano Lease Sec S.r.l. (c) Share capital Euro 10,000	Conegliano	Conegliano	4	Intesa Sanpaolo	5.00	
3	Banca dell'Adriatico S.p.A. Share capital Euro 70,755,020	Pesaro	Ascoli Piceno	1	Intesa Sanpaolo	100.00	
4	Banca di Trento e Bolzano S.p.A. Share capital Euro 65,915,704.40	Trento	Trento	1	Intesa Sanpaolo	90.45	
5	Banca IMI S.p.A. Share capital Euro 962,464,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
6	Banca Imi Securities Corp Share capital Usd 44,500,000	New York	New York	1	Imi Capital Markets USA Corp.	100.00	
7	Banca Intesa a.d., Beograd (e) Share capital Rsd 21,315,900,000	Novi Beograd	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
8	Banca Intesa Zao Share capital Rub 10,820,180,800	Moscow	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	53.02 46.98 100.00	
9	Banca Monte Parma S.p.A. Share capital Euro 147,359,895.03	Parma	Parma	1	Intesa Sanpaolo	98.62	
10	Banca Prossima S.p.A. (j) Share capital Euro 81,999,999.64	Milano	Milano	1	Intesa Sanpaolo	80.16	
11	Banco di Napoli S.p.A. Share capital Euro 1,000,000,000	Napoli	Napoli	1	Intesa Sanpaolo	100.00	
12	Bank of Alexandria S.A.E. (f) Share capital Egp 800,000,000	Cairo	Cairo	1	Intesa Sanpaolo	80.00	70.25
13	Banka Koper d.d. (g) Share capital Euro 22,173,218.16	Koper	Koper	1	Intesa Sanpaolo	97.71	
14	Brivon Hungary Zrt Share capital Huf 15,000,000	Budapest	Budapest	1	Recovery Property Utilisation and Services	100.00	
15	Cassa dei Risparmi di Forlì e della Romagna S.p.A. Share capital Euro 214,428,465	Forlì	Forlì	1	Intesa Sanpaolo	82.97	
16	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Share capital Euro 210,263,000	Udine	Gorizia	1	Intesa Sanpaolo	100.00	
17	Cassa di Risparmio del Veneto S.p.A. Share capital Euro 781,169,000	Padova	Padova	1	Intesa Sanpaolo	100.00	
18	Cassa di Risparmio della Provincia di Viterbo S.p.A. Share capital Euro 49,407,056.31	Viterbo	Viterbo	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	75.81 11.91 87.72	82.02 12.48 94.50
19	Cassa di Risparmio di Civitavecchia S.p.A. Share capital Euro 34,505,380	Civitavecchia	Civitavecchia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	51.00 49.00 100.00	
20	Cassa di Risparmio di Firenze S.p.A. Share capital Euro 831,364,347	Firenze	Firenze	1	Intesa Sanpaolo	100.00	
21	Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. (h) Share capital Euro 171,846,279.99	Pistoia	Pistoia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	74.88 8.11 82.99	
22	Cassa di Risparmio di Rieti S.p.A. Share capital Euro 47,339,291	Rieti	Rieti	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	85.00 15.00 100.00	
23	Cassa di Risparmio in Bologna S.p.A. Share capital Euro 703,692,000	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
24	Casse di Risparmio dell'Umbria S.p.A. Share capital Euro 187,657,326	Terni	Terni	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	87.86 10.85 98.71	
25	Cib Bank Ltd Share capital Huf 145,000,000,008	Budapest	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	67.69 32.31 100.00	
26	CIB Car Trading Ltd Share capital Huf 10,000,000	Budapest	Budapest	1	Recovery Property Utilisation and Services	100.00	
27	CIB Factor Financial Services Ltd Share capital Huf 103,500,000	Budapest	Budapest	1	Cib Bank	100.00	
28	CIB Insurance Broker Ltd Share capital Huf 10,000,000	Budapest	Budapest	1	CIB Bank	100.00	
29	CIB Investment Fund Management Ltd Share capital Huf 600,000,000	Budapest	Budapest	1	Vub Asset Management Spravcovska Spolocnost	100.00	

	Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
30	CIB Leasing Ltd Share capital Huf 53,000,000	Budapest	Budapest	1	Cib Bank	100.00	
31	CIB Real Estate Ltd Share capital Huf 52,000,000	Budapest	Budapest	1	Cib Bank	100.00	
32	CIB Rent Operative Leasing Ltd Share capital Huf 800,000,000	Budapest	Budapest	1	Cib Bank	100.00	
33	Compagnia Italiana Finanziaria - CIF S.r.l. Share capital Euro 138,864,869	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture	63.78	
34	Consumer Finance Holding a.s. Share capital Euro 53,110,277	Kezmarok	Kezmarok	1	Vseobecna Uverova Banka	100.00	
35	Duomo Funding Plc (i)	Dublin	Dublin	4	Intesa Sanpaolo	-	
36	Epsilon SGR S.p.A. (former Epsilon Associati SGR S.p.A.) Share capital Euro 5,200,000	Milano	Milano	1	Eurizon Capital SGR Banca IMI	51.00 49.00 100.00	
37	Equiter S.p.A. Share capital Euro 100,000,000	Torino	Torino	1	Oldequiter	50.52	
38	Etoile 50 Montaigne S.a.r.l. (k) Share capital Euro 8,255,106	Paris	Paris	1	Risanamento Europa	100.00	
39	Etoile 54 Montaigne S.a.r.l. (k) Share capital Euro 6,269,779	Paris	Paris	1	Risanamento Europa	100.00	
40	Etoile Actualis S.a.r.l. (k) Share capital Euro 29,709,643	Paris	Paris	1	Risanamento Europa	100.00	
41	Etoile Deuxième S.a.r.l. (k) Share capital Euro 241,000	Luxembourg	Luxembourg	1	Risanamento	100.00	
42	Etoile François Premier S.a.r.l. (k) Share capital Euro 5,000	Paris	Paris	1	Risanamento Europa	100.00	
43	Etoile Rome S.a.r.l. (k) Share capital Euro 1,138,656	Paris	Paris	1	Risanamento Europa	100.00	
44	Etoile Saint Augustin S.a.r.l. (k) Share capital Euro 2,396,734	Paris	Paris	1	Risanamento Europa	100.00	
45	Etoile Saint Florentin S.a.r.l. (k) Share capital Euro 540,720	Paris	Paris	1	Risanamento Europa	100.00	
46	Etoile Services S.a.r.l. (k) Share capital Euro 1,000	Paris	Paris	1	Risanamento Europa	100.00	
47	Eurizon Capital S.A. Share capital Euro 7,557,200	Luxembourg	Luxembourg	1	Eurizon Capital SGR	100.00	
48	Eurizon Capital SGR S.p.A. Share capital Euro 99,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
49	Euro-Tresorerie S.A. Share capital Euro 250,038,322.20	Paris	Paris	1	Financière Fideuram	100.00	
50	Fideuram - Intesa Sanpaolo Private Banking S.p.A. (former Banca Fideuram S.p.A.) Share capital Euro 300,000,000	Roma	Roma	1	Intesa Sanpaolo Intesa Sanpaolo Private Banking	99.99 0.01 100.00	
51	Fideuram Asset Management (Ireland) Ltd Share capital Euro 1,000,000	Dublin	Dublin	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
52	Fideuram Bank Luxembourg S.A. Share capital Euro 40,000,000	Luxembourg	Luxembourg	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
53	Fideuram Fiduciaria S.p.A. Share capital Euro 1,551,000	Torino	Torino	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
54	Fideuram Investimenti S.G.R. S.p.A. Share capital Euro 25,850,000	Milano	Milano	1	Fideuram - Intesa Sanpaolo Private Banking	99.50	
55	Fideuram Vita S.p.A. Share capital Euro 357,446,836.42	Roma	Roma	1	Intesa Sanpaolo Fideuram - Intesa Sanpaolo Private Banking	80.01 19.99 100.00	
56	Financière Fideuram S.A. Share capital Euro 346,761,600	Paris	Paris	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
57	Finor Leasing d.o.o. Share capital Euro 2,044,700	Koper	Koper	1	Banka Koper	100.00	
58	Imbonati S.p.A. in liquidation (k) Share capital Euro 23,567,547	Milano	Milano	1	Risanamento	100.00	
59	IMI Capital Markets USA Corp. Share capital Usd 5,000	New York	New York	1	IMI Investments	100.00	
60	IMI Finance Luxembourg S.A. Share capital Euro 100,000	Luxembourg	Luxembourg	1	IMI Investments	100.00	
61	IMI Fondi Chiusi S.G.R. S.p.A. Share capital Euro 2,000,000	Bologna	Bologna	1	IMI Investimenti	100.00	
62	IMI Investimenti S.p.A. Share capital Euro 579,184,200	Bologna	Bologna	1	Intesa Sanpaolo	100.00	
63	IMI Investments S.A. Share capital Euro 21,660,000	Luxembourg	Luxembourg	1	Banca IMI	100.00	
64	Immobiliare Cascina Rubina S.r.l. (k) Share capital Euro 1,371,066	Milano	Milano	1	Risanamento	100.00	
65	IN.FRA - Investire nelle Infrastrutture S.p.A. Share capital Euro 117,342,245.47	Milano	Milano	1	Intesa Sanpaolo	100.00	

Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
66 Infogroup S.c.p.A.	Firenze	Firenze	1	Cassa di Risparmio di Firenze	65.45	
Share capital Euro 4,352,000				Intesa Sanpaolo	31.07	
				Cassa di Risparmio di Pistoia e della Lucchesia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				altre quote minori	0.01	
					100.00	
67 Iniziative Logistiche S.r.l.	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture	60.02	
Share capital Euro 81,120,724.80						
68 Intesa Funding LLC	New York	Wilmington	1	Intesa Sanpaolo	100.00	
Share capital Usd 25.000						
69 Intesa Leasing (Closed Joint-Stock Company)	Moscow	Moscow	1	Banca Intesa Zao	100.00	
Share capital Rub 3,000,000						
70 Intesa Leasing d.o.o. Beograd	Beograd	Beograd	1	Banca Intesa Beograd	100.00	
Share capital Rsd 960,374,301						
71 Intesa Sanpaolo Assicura S.p.A.	Torino	Torino	1	Intesa Sanpaolo Vita	100.00	
Share capital Euro 27,912,258						
72 Intesa Sanpaolo Bank Albania Sh.A.	Tirana	Tirana	1	Intesa Sanpaolo	100.00	
Share capital All 5,562,517,674						
73 Intesa Sanpaolo Bank Ireland Plc	Dublin	Dublin	1	Intesa Sanpaolo	100.00	
Share capital Euro 400,500,000						
74 Intesa Sanpaolo Banka d.d. Bosna I Hercegovina	Sarajevo	Sarajevo	1	Intesa Sanpaolo Holding International	94.92	
Share capital Bam 44,782,000						
75 Intesa Sanpaolo Brasil S.A. - Banco Multiplo	São Paulo	São Paulo	1	Intesa Sanpaolo	99.90	
Share capital Brl 306,065,234.44				Intesa Sanpaolo Holding International	0.10	
					100.00	
76 Intesa Sanpaolo Card BH D.O.O.	Sarajevo	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
Share capital Bam 3,649,126.50						
77 Intesa Sanpaolo Card d.o.o. - Ljubljana	Ljubljana	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
Share capital Euro 5,618,760.80						
78 Intesa Sanpaolo Card d.o.o. - Zagreb	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International	51.32	
Share capital Hrk 30,863,400				Privredna Banka Zagreb	33.34	
				Banka Koper	15.34	
					100.00	
79 Intesa Sanpaolo Group Services S.c.p.A.	Torino	Torino	1	Intesa Sanpaolo	99.89	
Share capital Euro 272,286,637				Fideuram - Intesa Sanpaolo Private Banking	0.01	
				Cassa di Risparmio del Veneto	0.01	
				Cassa di Risparmio di Firenze	0.01	
				Banco di Napoli	0.01	
				Banca Imi	0.01	
				Eurizon Capital SGR	0.01	
				Intesa Sanpaolo Vita	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				Banca dell'Adriatico	0.01	
				altre quote minori	0.02	
					100.00	
80 Intesa Sanpaolo Holding International S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
Share capital Euro 2,200,087,440						
81 Intesa Sanpaolo Immobilière S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
Share capital Euro 350,000						
82 Intesa Sanpaolo Leasing Romania IFN S.A.	Bucharest	Bucharest	1	Intesa Sanpaolo Romania	99.70	
Share capital Ron 1,800,000				CIB Leasing	0.30	
					100.00	
83 Intesa Sanpaolo Life Ltd	Dublin	Dublin	1	Intesa Sanpaolo Vita	100.00	
Share capital Euro 625,000						
84 Intesa Sanpaolo Private Bank (Suisse) S.A.	Lugano	Lugano	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
Share capital Chf 20,000,000						
85 Intesa Sanpaolo Private Banking S.p.A.	Milano	Milano	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
Share capital Euro 105,497,424						
86 Intesa Sanpaolo Provis S.r.l.	Roma	Roma	1	Intesa Sanpaolo	100.00	
Share capital Euro 4,625,000						
87 Intesa Sanpaolo RE.O.CO. S.p.A.	Milano	Milano	1	Intesa Sanpaolo	100.00	
Share capital Euro 8,000,000						
88 Intesa Sanpaolo Real Estate S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
Share capital Euro 2,940,476						
89 Intesa Sanpaolo Romania S.A. Commercial Bank	Bucharest	Bucharest	1	Intesa Sanpaolo	91.47	
Share capital Ron 886,639,410				Cassa di Risparmio di Firenze	8.18	
				Intesa Sanpaolo Holding International	0.35	
					100.00	
90 Intesa Sanpaolo Sec S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
Share capital Euro 31,000						

	Name	Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
91	Intesa Sanpaolo Securitisation Vehicle S.r.l. Share capital Euro 60,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
92	Intesa Sanpaolo Servitia S.A. Share capital Euro 1,500,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
93	Intesa Sanpaolo Vita S.p.A. Share capital Euro 320,422,508.53	Milano	Torino	1	Intesa Sanpaolo	99.99	
94	Intesa Sec. 3 S.r.l. Share capital Euro 70,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
95	Intesa Sec. Npl S.p.A. Share capital Euro 129,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
96	Intesa Sec. S.p.A. Share capital Euro 100,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
97	Inversiones Mobiliarias S.A.- IMSA Share capital Pen 7,893,263.67	Lima	Lima	1	Intesa Sanpaolo	100.00	
98	ISP CB Ipotecario S.r.l. Share capital Euro 120,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
99	ISP CB Pubbico S.r.l. Share capital Euro 120,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
100	ISP OBG S.r.l. Share capital Euro 42,038	Milano	Milano	1	Intesa Sanpaolo	60.00	
101	Lima Sudameris Holding S.A. in liquidation Share capital Pen 172,384,709.03	Lima	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
102	Lunar Funding V Plc (i)	Dublin	Dublin	4	Intesa Sanpaolo	-	
103	Lux Gest Asset Management S.A. Share capital Euro 200,000	Luxembourg	Luxembourg	1	Société Européenne de Banque	100.00	
104	Manzoni S.r.l.(c) (k) Share capital Euro 8,285,457	Milano	Milano	1	Imi Investimenti	27.39	
105	Mediocredito Italiano S.p.A. Share capital Euro 992,043,495	Milano	Milano	1	Intesa Sanpaolo	100.00	
106	Milano Santa Giulia S.p.A. (k) Share capital Euro 120,000	Milano	Milano	1	Risanamento	100.00	
107	MSG Comparto Primo S.r.l. (k) Share capital Euro 50,000	Milano	Milano	1	Milano Santa Giulia	100.00	
108	MSG Comparto Secondo S.r.l. (k) Share capital Euro 50,000	Milano	Milano	1	Milano Santa Giulia	100.00	
109	MSG Residenze S.r.l. (k) Share capital Euro 50,000	Milano	Milano	1	Risanamento	100.00	
110	Oldequiter S.p.A. Share capital Euro 150,000,000	Torino	Torino	1	Intesa Sanpaolo	100.00	
111	PBZ Card d.o.o. Share capital Hrk 43,422,200	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
112	PBZ Invest d.o.o. Share capital Hrk 5,000,000	Zagreb	Zagreb	1	Vub Asset Management Spravcovska Spolocnost	100.00	
113	PBZ Leasing d.o.o. za poslove leasinga Share capital Hrk 15,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
114	PBZ Nekretnine d.o.o. Share capital Hrk 3,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
115	PBZ Stambena Stedionica d.d. Share capital Hrk 115,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
116	Pravex Bank Public Joint-Stock Company Commercial Bank Share capital Uah 954,970,000	Kiev	Kiev	1	Intesa Sanpaolo	100.00	
117	Private Equity International S.A. Share capital Euro 101,000,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
118	Privredna Banka Zagreb d.d. Share capital Hrk 1,907,476,900	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International	97.47	
119	Recovery Property Utilisation and Services ZRT. Share capital Huf 15,000,000	Budapest	Budapest	1	Cib Bank	100.00	
120	Ri. Estate S.r.l. (k) Share capital Euro 10,000	Milano	Milano	1	Risanamento	100.00	
121	Ri. France S.a.s.u. Share capital Euro 37,000	Paris	Paris	1	Ri. Investimenti	100.00	
122	Ri. Investimenti S.r.l. (k) Share capital Euro 50,000	Milano	Milano	1	Risanamento Tradital	99.00 1.00 100.00	
123	Ri. Progetti S.p.A. (k) Share capital Euro 510,000	Milano	Milano	1	Risanamento	100.00	
124	Ri. Rental S.r.l. (k) Share capital Euro 10,000	Milano	Milano	1	Risanamento	100.00	
125	Risanamento Europa S.r.l. (k) Share capital Euro 100,125,050	Milano	Milano	1	Risanamento	100.00	
126	Risanamento S.p.A.(c) (k) Share capital Euro 382,301,510.57	Milano	Milano	1	Intesa Sanpaolo	48.88	
127	Romulus Funding Corporation (i)	Delaware	Delaware	4	Intesa Sanpaolo	-	
128	Sanpaolo Invest SIM S.p.A. Share capital Euro 15,264,760	Roma	Roma	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	

Name		Operating office	Registered office	Type of relation-ship (a)	INVESTMENT direct ownership	% held	Votes available % (b)
129	Setefi S.p.A. Share capital Euro 8,450,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
130	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Share capital Euro 2,600,000	Milano	Milano	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
131	Société Européenne de Banque S.A. Share capital Euro 535,091,520	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
132	Sviluppo Comparto 3 S.r.l. Share capital Euro 50,000	Milano	Milano	1	Milano Santa Giulia	100.00	
133	T T 1 Lux S.A. (k) Share capital Euro 44,571,000	Luxembourg	Luxembourg	1	Manzoni	50.00	
134	Telco IS S.r.l. Share capital Euro 10,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
135	Trade Receivables Investment Vehicle Sarl (d)	Luxembourg	Luxembourg	4	Banca IMI/Duomo Funding	100.00	
136	Tradital S.r.l. (k) Share capital Euro 10,000	Milano	Milano	1	Risanamento	100.00	
137	Vseobecna Uverova Banka a.s. Share capital Euro 430,819,063.81	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International	97.02	
138	VUB Asset Management Sprav. Spol a.s. Share capital Euro 4,093,560	Bratislava	Bratislava	1	Vseobecna Uverova Banka Eurizon Capital Privredna Banka Zagreb	40.55 50.12 9.33 100.00	
139	VUB Factoring a.s. Share capital Euro 2,232,334	Bratislava	Bratislava	1	Vseobecna Uverova Banka	100.00	
140	VUB Leasing a.s. Share capital Euro 16,600,000	Bratislava	Bratislava	1	Vseobecna Uverova Banka	100.00	

(a) Type of relation:
1 - majority of voting rights in the ordinary shareholders' meeting;
2 - dominant influence in the ordinary shareholders' meeting;
3 - agreements with other shareholders;
4 - other forms of control;
5 - unitary management pursuant to art. 26, paragraph 1 of "Legislative Decree 87/92";
6 - unitary management pursuant to art. 26, paragraph 2 of "Legislative Decree 87/92".

(b) Available voting rights at Ordinary Shareholders' Meeting, with indication of effective and potential rights.

(c) Company consolidated pursuant to IFRS 10

(d) Collective investment entity consolidated pursuant to IFRS 10.

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

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

(g) Please note that minority shareholders are subject to a legal commitment to purchase the remaining 2.29% of share capital.

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

(i) Company controlled pursuant to IFRS 10, although the Group does not hold any equity stake in the share capital.

(j) Please note that there is a put option sold/call option purchased from minority shareholders on 19.84% of share capital.

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

Other information

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In order to implement the goals set out in the 2014/2017 Business Plan, the Intesa Sanpaolo Group organisational model was recently changed into a structure with six business areas with specific operational responsibilities: Banca dei Territori, Corporate and Investment Banking, International Subsidiary Banks, Asset Management, Private Banking and Insurance. In addition to these operating areas there are the following support structures: Group Treasury, Capital Light Bank and the Head Office Departments concentrated in the Corporate Centre.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
For each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated, determined in accordance with the provisions in force (Circulars 285 and 286, both issued during 2013, and the update to Circular 154 of 22 November 1991) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws; for asset management and private banking, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
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

As also indicated in the "Executive Summary", it should be noted that in accordance with the Business Plan the following merger deeds were signed on 10 July 2015:

- the deed relating to the merger by incorporation of Banca di Trento e Bolzano S.p.A. into Intesa Sanpaolo S.p.A., with an increase in the absorbing company's share capital of 4,158,029.72 euro through the issue of 7,996,211 ordinary shares having a nominal value of 0.52 euro each;
- the deed relating to the merger by incorporation of Banca Monte Parma S.p.A. into Intesa Sanpaolo S.p.A., with an increase in the absorbing company's share capital of 861,646.24 euro through the issue of 1,657,012 ordinary shares having a nominal value of 0.52 euro each.

This has led to an overall increase amounting to 5,019,675.96 euro, with a consequent increase in the absorbing company's capital from 8,724,861,778.88 euro to 8,729,881,454.84 euro.

Both merger deeds were registered in the competent Company Registers, and the mergers came into legal effect as of 20 July 2015.

As a consequence, from that date, exchange transactions have started whereby:

- 0.6652 Intesa Sanpaolo ordinary shares have been assigned for every Banca di Trento e Bolzano ordinary share held by entities other than the absorbing company;
- 10.4614 Intesa Sanpaolo ordinary shares have been assigned for every Banca Monte Parma ordinary share held by entities other than the absorbing company.

With respect to the exchange transactions, the absorbing company proceeded to increase its share capital by:

- 4,158,029.72 euro through the issue of 7,996,211 ordinary shares, having regular dividend entitlement, coupon 38, and a nominal value of 0.52 euro each. The newly issued shares shall be assigned to shareholders of the company merged, other than the absorbing company, against the cancellation and the exchange of the Banca di Trento e Bolzano ordinary shares;
- 861,646.24 euro through the issue of 1,657,012 ordinary shares, having regular dividend entitlement, coupon 38, and a nominal value of 0.52 euro each. The newly issued shares shall be assigned to shareholders of the company merged, other than the absorbing company, against the cancellation and the exchange of the Banca Monte Parma ordinary shares.

Economic results

General aspects

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

The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, 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, 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 130 d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- Net impairment losses on property, equipment and intangible assets (with the exception of impairment losses on intangible assets) have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express adjustments – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale and investments held to maturity; by contrast, impairment losses on intangible assets have been reclassified, net of the tax effects, to Impairment (net of tax) of goodwill and other intangible assets;
- Impairment losses on property and other assets resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future, which have been reclassified from Other operating income (expenses) to Net impairment losses on other assets. Accordingly, profits and losses on disposal associated with this type of asset have been reclassified from Other operating income (Expenses) to Profits (Losses) on investments held to maturity and on other investments;
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (Losses) on investments held to maturity and on other investments, after the deduction of net income from investments carried at equity which is posted in a specific caption in Operating income;
- Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
- Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3;
- Goodwill impairment and impairment losses on other intangible assets, as mentioned above, are shown, net of tax, in a specific caption amongst "non-current" income components.

Reclassified income statement

(millions of euro)

	30.06.2015	30.06.2014	Changes amount	Changes %
Net interest income	3,958	4,211	-253	-6.0
Profits (losses) on investments carried at equity	43	11	32	
Net fee and commission income	3,794	3,310	484	14.6
Profits (Losses) on trading	976	555	421	75.9
Income from insurance business	625	506	119	23.5
Other operating income (expenses)	4	-21	25	
Operating income	**9,400**	**8,572**	**828**	**9.7**
Personnel expenses	-2,570	-2,497	73	2.9
Other administrative expenses	-1,315	-1,322	-7	-0.5
Adjustments to property, equipment and intangible assets	-350	-329	21	6.4
Operating costs	**-4,235**	**-4,148**	**87**	**2.1**
Operating margin	**5,165**	**4,424**	**741**	**16.7**
Net provisions for risks and charges	-260	-236	24	10.2
Net adjustments to loans	-1,614	-2,268	-654	-28.8
Net impairment losses on other assets	-40	-79	-39	-49.4
Profits (Losses) on investments held to maturity and on other investments	66	310	-244	-78.7
Income (Loss) before tax from continuing operations	**3,317**	**2,151**	**1,166**	**54.2**
Taxes on income from continuing operations	-1,163	-1,276	-113	-8.9
Charges (net of tax) for integration and exit incentives	-31	-20	11	55.0
Effect of purchase price allocation (net of tax)	-59	-99	-40	-40.4
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-60	-36	24	66.7
Net income (loss)	**2,004**	**720**	**1,284**	

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

Quarterly development of the reclassified income statement

(millions of euro)

	2015		2014			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,982	1,976	2,063	2,113	2,107	2,104
Profits (losses) on investments carried at equity	15	28	2	53	-19	30
Net fee and commission income	1,980	1,814	1,814	1,648	1,727	1,583
Profits (Losses) on trading	380	596	77	136	409	146
Income from insurance business	282	343	186	240	251	255
Other operating income (expenses)	9	-5	-14	22	-13	-8
Operating income	**4,648**	**4,752**	**4,128**	**4,212**	**4,462**	**4,110**
Personnel expenses	-1,270	-1,300	-1,356	-1,255	-1,219	-1,278
Other administrative expenses	-677	-638	-808	-650	-669	-653
Adjustments to property, equipment and intangible assets	-176	-174	-189	-170	-164	-165
Operating costs	**-2,123**	**-2,112**	**-2,353**	**-2,075**	**-2,052**	**-2,096**
Operating margin	**2,525**	**2,640**	**1,775**	**2,137**	**2,410**	**2,014**
Net provisions for risks and charges	-134	-126	-294	-12	-181	-55
Net adjustments to loans	-847	-767	-1,043	-1,257	-1,186	-1,082
Net impairment losses on other assets	-31	-9	-84	-64	-67	-12
Profits (Losses) on investments held to maturity and on other investments	38	28	5	73	235	75
Income (Loss) before tax from continuing operations	**1,551**	**1,766**	**359**	**877**	**1,211**	**940**
Taxes on income from continuing operations	-516	-647	-183	-322	-912	-364
Charges (net of tax) for integration and exit incentives	-25	-6	-74	-9	-13	-7
Effect of purchase price allocation (net of tax)	-33	-26	-45	-49	-53	-46
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-
Minority interests	-37	-23	-9	-14	-16	-20
Net income (loss)	**940**	**1,064**	**48**	**483**	**217**	**503**

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

The Intesa Sanpaolo Group's strong performance in the first few months of the year continued in the second quarter, despite the slow recovery in Italy and a general economic scenario weighed down by the uncertainty relating to the outcome of the Greek crisis.
The results for the first half of 2015 include increased revenues, driven by fees and commissions and trading activity, along with a modest increase in costs, permitting a significant improvement in operating margin compared to the same period of 2014. In addition, due to the significant decrease in net adjustments to loans, the half-year closed with net income of over 2 billion euro, far in excess of the net income recorded in all of 2014.

Operating income

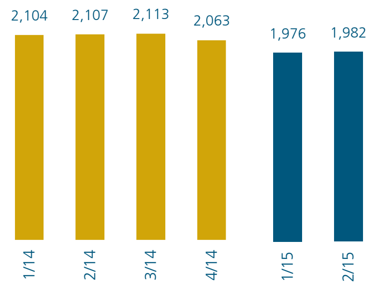
Operating income totalled 9,400 million euro, up 9.7% compared to the 8,572 million euro of the same period of 2014 due to the increase in net fees and commissions (+14.6%), in profits on trading (+75.9%) and in income from insurance business (+23.5%), which more than offset the decline in net interest income.

Net interest income

(millions of euro)

	30.06.2015	30.06.2014	Changes	
			amount	%
Relations with customers	4,276	4,749	-473	-10.0
Securities issued	-1,979	-2,400	-421	-17.5
Differentials on hedging derivatives	413	563	-150	-26.6
Customer dealing	**2,710**	**2,912**	**-202**	**-6.9**
Financial assets held for trading	128	153	-25	-16.3
Investments held to maturity	26	30	-4	-13.3
Financial assets available for sale	426	572	-146	-25.5
Financial assets	**580**	**755**	**-175**	**-23.2**
Relations with banks	**7**	**-18**	**25**	
Non-performing assets	**666**	**580**	**86**	**14.8**
Other net interest income	**-5**	**-18**	**-13**	**-72.2**
Net interest income	**3,958**	**4,211**	**-253**	**-6.0**

Quarterly development Net interest income



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

Net interest income settled at 3,958 million euro, down 6% compared to the first half of 2014 due to both the trend in customer dealing and the decline in interest on financial assets

Customer dealing amounted to 2,710 million euro, down 6.9% compared to the same period of the previous year: the decline in interest expense on securities issued was not enough to offset the reduction in net interest income related to relations with customers due to the decrease in average lending and the hedging derivative differentials.

Interest on financial assets declined by 23.2% compared to the same period of 2014 due mainly to the reduction in interest on financial assets available for sale (-146 million euro), sales of which went to benefit profits on trading.

Net interest on the interbank market came to an income balance of 7 million euro, thereby improving from the net loss of 18 million euro for the first six months of last year due to the reduction in interest expense on interbank funding, which includes the exposure to the ECB, which averaged roughly 19 billion euro for the half-year.

(millions of euro)

	2015		Changes	
	Second quarter	First quarter	amount	%
Relations with customers	2,116	2,160	-44	-2.0
Securities issued	-936	-1,043	-107	-10.3
Differentials on hedging derivatives	195	218	-23	-10.6
Customer dealing	**1,375**	**1,335**	**40**	**3.0**
Financial assets held for trading	64	64	-	-
Investments held to maturity	14	12	2	16.7
Financial assets available for sale	208	218	-10	-4.6
Financial assets	**286**	**294**	**-8**	**-2.7**
Relations with banks	**-4**	**11**	**-15**	
Non-performing assets	**329**	**337**	**-8**	**-2.4**
Other net interest income	**-4**	**-1**	**3**	
Net interest income	**1,982**	**1,976**	**6**	**0.3**

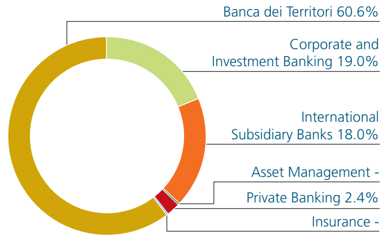
Figures restated, where necessary, considering the changes in the scope of consolidation.

Net interest income in the second quarter was essentially stable compared to the first: the increase in interest on customer dealing was offset by the decline in the interbank margin and the reduction in interest on financial assets and non-performing loans.

	30.06.2015	30.06.2014	Changes	
			amount	%
Banca dei Territori	2,473	2,785	-312	-11.2
Corporate and Investment Banking	776	887	-111	-12.5
International Subsidiary Banks	735	711	24	3.4
Private Banking	97	114	-17	-14.9
Asset Management	1	1	-	-
Insurance	-	-	-	-
Total business areas	**4,082**	**4,498**	**-416**	**-9.2**
Corporate Centre	-124	-287	-163	-56.8
Intesa Sanpaolo Group	**3,958**	**4,211**	**-253**	**-6.0**

(millions of euro)

Business areas



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

Banca dei Territori, which accounts for 61% of business area results, recorded a decline of 11.2% in net interest income, primarily due to the reduced contribution of customer lending in terms of both volumes and margins. Interest attributable to the Corporate and Investment Banking division declined (-12.5%) due to the erosion of margins on loans to customers and the reduced contribution of the capital markets segment. Net interest attributable to the Private Banking division declined by 14.9% due, in part, to the downward trend in benchmark interest rates, not offset by a similar elasticity in the cost of funding. Conversely, the International Subsidiary Banks division posted an increase in net interest income (+3.4%), which benefited from the greater contribution of lending and attributable mainly to the subsidiary banks in Croatia, Slovakia and Egypt.

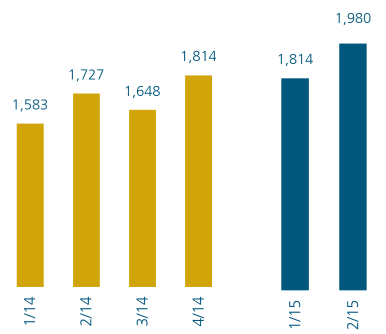
Profits on investments carried at equity
For the first half of 2015, this aggregate totalled 43 million euro, compared to the 11 million euro posted for the same period of 2014 thanks to the contribution of companies consolidated at equity, particularly related to the subsidiaries in China and Luxembourg.

Net fee and commission income

	30.06.2015	30.06.2014	Changes	
			amount	%
Guarantees given / received	172	158	14	8.9
Collection and payment services	181	189	-8	-4.2
Current accounts	509	558	-49	-8.8
Credit and debit cards	253	247	6	2.4
Commercial banking activities	**1,115**	**1,152**	**-37**	**-3.2**
Dealing and placement of securities	285	311	-26	-8.4
Currency dealing	22	20	2	10.0
Portfolio management	1,249	856	393	45.9
Distribution of insurance products	600	469	131	27.9
Other	93	79	14	17.7
Management, dealing and consultancy activities	**2,249**	**1,735**	**514**	**29.6**
Other net fee and commission income	**430**	**423**	**7**	**1.7**
Net fee and commission income	**3,794**	**3,310**	**484**	**14.6**

(millions of euro)

Quarterly development Net fee and commission income



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

Net fee and commission income for the period, which makes up over one-third of operating income, came to 3,794 million euro, up 14.6% compared to the first half of 2014 thanks, above all, to management fees and commissions.
Fee and commission income on commercial banking activities declined (-3.2%) due to the reduction in fees and commissions on current accounts (-8.8%) and on collection and payment services (-4.2%), which more than offset the increase in fees and commissions on guarantees given (+8.9%) and on debit and credit cards (+2.4%).
Management, dealing and financial consultancy activities provided the greatest contribution, generating net fee and commission income of 2,249 million euro, up 29.6% compared to the first half of 2014. Contributing to this trend were fee and commission income on portfolio management (+393 million euro), particularly regarding both collective and individual captive portfolio managment, the distribution of insurance products (+131 million euro) and other management and dealing commissions (+14 million euro). Other net fee and commission income was 430 million euro, up 7 million euro, primarily attributable to increased commissions on loans issued and other banking services.

(millions of euro)

	2015 Second quarter	2015 First quarter	Changes amount	Changes %
Guarantees given / received	79	93	-14	-15.1
Collection and payment services	95	86	9	10.5
Current accounts	255	254	1	0.4
Credit and debit cards	132	121	11	9.1
Commercial banking activities	**561**	**554**	**7**	**1.3**
Dealing and placement of securities	132	153	-21	-13.7
Currency dealing	11	11	-	-
Portfolio management	655	594	61	10.3
Distribution of insurance products	335	265	70	26.4
Other	48	45	3	6.7
Management, dealing and consultancy activities	**1,181**	**1,068**	**113**	**10.6**
Other net fee and commission income	**238**	**192**	**46**	**24.0**
Net fee and commission income	**1,980**	**1,814**	**166**	**9.2**

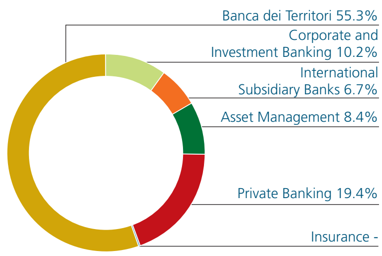
Figures restated, where necessary, considering the changes in the scope of consolidation.

Compared to the first quarter of 2015, net fee and commission income increased 9.2%, which allowed the same level of net interest income to be reached for the first time. This result may be attributed to management, dealing and consultancy activities, driven by significant placement of portfolio management and insurance products, which generated a significant increase in placement and maintenance commissions, as a result of the increase in average volumes. The increases in other fees and commissions, and in particular those on loans issued and commercial banking activity, also contributed, albeit to a lesser extent.

(millions of euro)

	30.06.2015	30.06.2014	Changes amount	Changes %
Banca dei Territori	2,172	1,982	190	9.6
Corporate and Investment Banking	400	406	-6	-1.5
International Subsidiary Banks	262	255	7	2.7
Private Banking	766	575	191	33.2
Asset Management	329	222	107	48.2
Insurance	-	-	-	-
Total business areas	**3,929**	**3,440**	**489**	**14.2**
Corporate Centre	-135	-130	5	3.8
Intesa Sanpaolo Group	**3,794**	**3,310**	**484**	**14.6**

Business areas



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

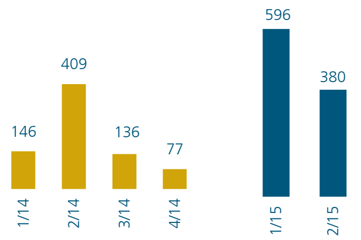
With regard to business areas, Banca dei Territori, which accounts for 55% of the fee and commission income of the business units, recorded a significant increase (+9.6%, or 190 million euro), mainly due to fee and commission income on asset management and bancassurance products. Asset management posted a significant increase (+48.2%) as a result of the marked growth in average assets under management compared to the first half of 2014, as did Private Banking (+33.2%) due to both the strong growth in assets under administration and the increase in margins due to the expansion of the managed component, to the greater popularity of products with high added value and to the increase in demand for advisory services. International Subsidiary Banks recorded a more moderate increase (+2.7%), whereas Corporate and Investment Banking showed a decline (-1.5%), attributable to the decrease in fee and commission income on commercial banking activity.

Profits (Losses) on trading

(millions of euro)

	30.06.2015	30.06.2014	Changes	
			amount	%
Interest rates	49	-76	125	
Equity instruments	150	224	-74	-33.0
Currencies	165	52	113	
Structured credit products	1	25	-24	-96.0
Credit derivatives	-36	-26	10	38.5
Commodity derivatives	34	13	21	
Trading result	**363**	**212**	**151**	**71.2**
Trading on AFS securities and financial liabilities	**613**	**343**	**270**	**78.7**
Profits (Losses) on trading	**976**	**555**	**421**	**75.9**

Quarterly development
Profits (losses) on trading



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

In the first half of 2015, trading activities yielded a profit of 976 million euro, nearly double the 555 million euro recorded in the same period of 2014. The Group benefited from the favourable performance of the financial markets in the first five months, which enabled the realisation of latent gains on the portfolios of financial assets available for sale held by the Parent Company and by Banca IMI. The most significant contributions came from the capital markets and from financial assets available for sale, as well as from gains due to the careful management of treasury and proprietary portfolios. Profits on trading benefited from the increase in transactions in currencies and interest rates.

It should be noted that the subcaption "Trading on AFS securities and financial liabilities" incorporates, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness in accordance with the fair value option. In the first half of 2015 this subcaption included Bank of Italy dividends (144 million euro).

(millions of euro)

	2015		Changes	
	Second quarter	First quarter	amount	%
Interest rates	51	-2	53	
Equity instruments	80	70	10	14.3
Currencies	84	81	3	3.7
Structured credit products	3	-2	5	
Credit derivatives	-13	-23	-10	-43.5
Commodity derivatives	16	18	-2	-11.1
Trading result	**221**	**142**	**79**	**55.6**
Trading on AFS securities and financial liabilities	**159**	**454**	**-295**	**-65.0**
Profits (Losses) on trading	**380**	**596**	**-216**	**-36.2**

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

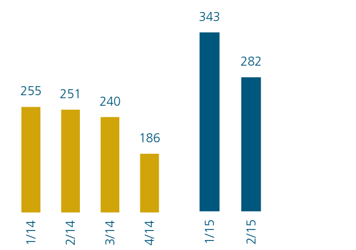
The quarterly comparison shows a lower level than in the first quarter, which benefited from higher capital gains on the available for sale (AFS) portfolio, but exceeded the average quarterly results for 2014.

Income from insurance business

(millions of euro)

Captions (a)	30.06.2015 Life	30.06.2015 Non-life	30.06.2015 Total	30.06.2014 Life	30.06.2014 Non-life	30.06.2014 Total	Changes amount	Changes %
Technical margin	**-**	**25**	**25**	**14**	**22**	**36**	**-11**	**-30.6**
Net insurance premiums (b)	5,965	118	6,083	8,384	103	8,487	-2,404	-28.3
Net charges for insurance claims and surrenders (c)	-5,207	-44	-5,251	-3,753	-47	-3,800	1,451	38.2
Net charges for changes in technical reserves (d)	-1,703	-	-1,703	-5,391	-	-5,391	-3,688	-68.4
Gains (losses) on investments pertaining to insured parties on insurance products (e)	1,091	-	1,091	917	-	917	174	19.0
Net fees on investment contracts (f)	86	-	86	78	-	78	8	10.3
Commission expenses on insurance contracts (g)	-243	-31	-274	-224	-23	-247	27	10.9
Other technical income and expense (h)	11	-18	-7	3	-11	-8	-1	-12.5
Net investment result	**603**	**23**	**626**	**458**	**12**	**470**	**156**	**33.2**
Operating income from investments	2,869	23	2,892	2,774	12	2,786	106	3.8
Net interest income	*1,014*	*4*	*1,018*	*1,047*	*7*	*1,054*	*-36*	*-3.4*
Dividends	*81*	*1*	*82*	*40*	*1*	*41*	*41*	
Gains/losses on disposal	*1,189*	*17*	*1,206*	*475*	*4*	*479*	*727*	
Valuation gains/losses	*634*	*1*	*635*	*1,245*	-	*1,245*	*-610*	*-49.0*
Portfolio management fees paid (i)	*-49*	-	*-49*	*-33*	-	*-33*	*16*	*48.5*
Profit/loss pertaining to third party underwriters of mutual funds (j)	-	-	-	-	-	-	-	-
Gains (losses) on investments pertaining to insured parties	-2,266	-	-2,266	-2,316	-	-2,316	-50	-2.2
Insurance products (k)	*-965*	-	*-965*	*-908*	-	*-908*	*57*	*6.3*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-126*	-	*-126*	*-9*	-	*-9*	*117*	
Investment products (m)	*-1,175*	-	*-1,175*	*-1,399*	-	*-1,399*	*-224*	*-16.0*
Income from insurance business gross of consolidation effects	**603**	**48**	**651**	**472**	**34**	**506**	**145**	**28.7**
Consolidation effects	*-25*	*-1*	*-26*	-	-	-	*26*	-
Income from insurance business	**578**	**47**	**625**	**472**	**34**	**506**	**119**	**23.5**

Quarterly development Income from insurance business



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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the first half of 2015, income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, was 625 million euro, up 23.5% on the same period of the previous year. The segment's positive performance is attributable to both the life and the non-life business, with an incidence that remains marginal for the latter.

The excellent performance of the life business may be attributed to an improvement in the net investment result, which increased from the 458 million euro of the first half of 2014 to 603 million euro in the first half of the year under review. This result was essentially due to the significant increase in operating income from investments, which benefited from significant capital gains and dividends. The capital gains included 58 million euro on the sale of the insurance company Union Life. The technical margin of the life business, on the other hand, decreased by 14 million euro during the half-year compared to the same period of 2014, attributable to the combined effect of a decline in net premiums, an increase in charges for insurance claims and surrenders, the containment of charges due to the change in technical reserves and an increase in the income from investments pertaining to insured parties.

Income from non-life business grew by 13 million euro, attributable to the net investment result due to capital gains. The technical margin also grew slightly due to an increase in net premiums, supported in part by the new "aCasaConMe" product, which unites personalised insurance coverage with a technological device that is able to detect dangers and notify others in the event of an emergency.

(millions of euro)

Captions (a)	**2015**		**Changes**	
	Second quarter	**First quarter**	**amount**	**%**
Technical margin	**19**	**6**	**13**	
Net insurance premiums (b)	2,908	3,175	-267	-8.4
Net charges for insurance claims and surrenders (c)	-2,722	-2,529	193	7.6
Net charges for changes in technical reserves (d)	-311	-1,392	-1,081	-77.7
Gains (losses) on investments pertaining to insured parties on insurance products (e)	248	843	-595	-70.6
Net fees on investment contracts (f)	48	38	10	26.3
Commission expenses on insurance contracts (g)	-156	-118	38	32.2
Other technical income and expense (h)	4	-11	15	
Net investment result	**288**	**338**	**-50**	**-14.8**
Operating income from investments	-627	3,519	-4,146	
Net interest income	*525*	*493*	32	6.5
Dividends	*60*	*22*	38	
Gains/losses on disposal	*608*	*598*	10	*1.7*
Valuation gains/losses	*-1,797*	*2,432*	-4,229	
Portfolio management fees paid (i)	*-23*	*-26*	-3	*-11.5*
Profit/loss pertaining to third party underwriters of mutual funds (j)	-	-	-	-
Gains (losses) on investments pertaining to insured parties	915	-3,181	4,096	
Insurance products (k)	*-270*	*-695*	-425	*-61.2*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*22*	*-148*	170	
Investment products (m)	*1,163*	*-2,338*	3,501	
Income from insurance business gross of consolidation effects	**307**	**344**	**-37**	**-10.8**
Consolidation effects	-25	-1	24	
Income from insurance business	**282**	**343**	**-61**	**-17.8**

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

For notes, see the previous table

In the second quarter, income from insurance business, including both the life and non-life businesses, was less than in the first quarter, due to the financial market decline at the end of the half-year, which had a negative effect on the valuation component of the portfolios. Nonetheless, the 282 million euro recorded in the second quarter of the current year exceeded the amounts recognised in all four quarters of 2014, thanks to the financial component.

(millions of euro)

	30.06.2015				30.06.2014
	Periodic premiums	Single premiums	Total	*of which new business*	
Life insurance business	**96**	**5,869**	**5,965**	***5,868***	**8,384**
Premiums issued on traditional products	82	5,690	5,772	*5,689*	8,285
Premiums issued on unit-linked products	6	10	16	*10*	23
Premiums issued on capitalisation products	-	1	1	*1*	1
Premiums issued on pension funds	8	168	176	*168*	75
Non-life insurance business	**22**	**99**	**121**	***31***	**107**
Premiums issued	24	110	134	*80*	110
Change in premium reserves	-2	-11	-13	*-49*	-3
Premiums ceded to reinsurers	**-1**	**-3**	**-4**	***-1***	**-4**
Net premiums from insurance products	**117**	**5,965**	**6,082**	***5,898***	**8,487**
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	58	7,787	7,845	*7,793*	4,409
Total business from investment contracts	**58**	**7,787**	**7,845**	***7,793***	**4,409**
Total business	**175**	**13,752**	**13,927**	***13,691***	**12,896**

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

As at 30 June 2015, the total business of the insurance segment reached premiums of 13,927 million euro compared to total inflows of 12,896 million euro for the first half of 2014. This increase is attributable to new unit-linked contract business, which offset the decline in premiums issued against traditional life policies. New business was 13,691 million euro, confirming the fact that the premiums of the Group's insurance companies relate almost entirely to new single-premium contracts.

Other operating income (expenses)

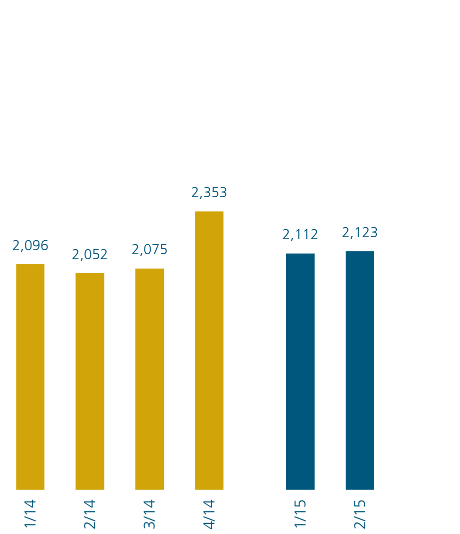
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In the first half of 2015, this caption showed income of 4 million euro, compared to 21 million euro of losses recorded in the same period of 2014.

Operating costs

(millions of euro)

	30.06.2015	30.06.2014	Changes	
			amount	%
Wages and salaries	1,766	1,767	-1	-0.1
Social security charges	451	462	-11	-2.4
Other	353	268	85	31.7
Personnel expenses	**2,570**	**2,497**	**73**	**2.9**
Information technology expenses	306	309	-3	-1.0
Management of real estate assets expenses	289	316	-27	-8.5
General structure costs	210	208	2	1.0
Professional and legal expenses	190	168	22	13.1
Advertising and promotional expenses	57	62	-5	-8.1
Indirect personnel costs	50	46	4	8.7
Other costs	162	162	-	-
Indirect taxes and duties	463	452	11	2.4
Recovery of expenses and charges	-412	-401	11	2.7
Administrative expenses	**1,315**	**1,322**	**-7**	**-0.5**
Property and equipment	171	172	-1	-0.6
Intangible assets	179	157	22	14.0
Adjustments	**350**	**329**	**21**	**6.4**
Operating costs	**4,235**	**4,148**	**87**	**2.1**

Quarterly development Operating costs



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

Operating costs came to 4,235 million euro for a moderate increase (+2.1%) compared to the first six months of 2014. Personnel expenses increased (+2.9%, or 73 million euro), reaching 2,570 million euro, due to the increased provisions for the bonus system recognised in support of the Group's net income performance, while the impact of the full application of the 2012 national collective bargaining agreement was partly contained through ongoing reductions in the average workforce (-1.3%).

Administrative expenses came to 1,315 million euro, down 0.5% compared to the same period of the previous year. The positive performance of such expenses is mainly attributable to real estate management (-27 million euro) and to advertising and promotional expenses (-5 million euro), only partly offset by the increase in legal and professional fees (+22 million euro). Adjustments amounted to 350 million euro, up 6.4% compared to the same period of 2014, due to higher amortisation of intangible assets. The cost/income ratio for the period was 45.1%, a clear improvement compared to the 48.4% of the first half of 2014 and an even greater improvement compared to the 50.7% of 2014.

(millions of euro)

	2015		Changes	
	Second quarter	First quarter	amount	%
Wages and salaries	873	893	-20	-2.2
Social security charges	222	229	-7	-3.1
Other	175	178	-3	-1.7
Personnel expenses	**1,270**	**1,300**	**-30**	**-2.3**
Information technology expenses	153	153	-	-
Management of real estate assets expenses	141	148	-7	-4.7
General structure costs	102	108	-6	-5.6
Professional and legal expenses	105	85	20	23.5
Advertising and promotional expenses	34	23	11	47.8
Indirect personnel costs	27	23	4	17.4
Other costs	85	77	8	10.4
Indirect taxes and duties	247	216	31	14.4
Recovery of expenses and charges	-217	-195	22	11.3
Administrative expenses	**677**	**638**	**39**	**6.1**
Property and equipment	87	84	3	3.6
Intangible assets	89	90	-1	-1.1
Adjustments	**176**	**174**	**2**	**1.1**
Operating costs	**2,123**	**2,112**	**11**	**0.5**

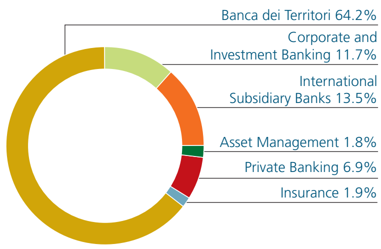
Figures restated, where necessary, considering the changes in the scope of consolidation.

At the quarterly level, operating costs increased slightly (+0.5%) compared to the previous quarter, reaching 2,123 million euro, due to the increase in administrative expenses (+6.1%), and most markedly in legal, professional and advertising expenses.

(millions of euro)

	30.06.2015	30.06.2014	Changes	
			amount	%
Banca dei Territori	2,433	2,471	-38	-1.5
Corporate and Investment Banking	442	399	43	10.8
International Subsidiary Banks	511	507	4	0.8
Private Banking	260	241	19	7.9
Asset Management	68	62	6	9.7
Insurance	73	72	1	1.4
Total business areas	**3,787**	**3,752**	**35**	**0.9**
Corporate Centre	448	396	52	13.1
Intesa Sanpaolo Group	**4,235**	**4,148**	**87**	**2.1**

Business areas



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

The increase in operating costs for the Group is attributable to all Business Units, with the exception of Banca dei Territori (-1.5%), which accounts for 64,2% of all costs for the business areas and managed to cut administrative and personnel expenses. Corporate and Investment Banking (+10.8%) and Asset Management (+9.7%) saw increases in both personnel and administrative expenses. Increases were reported by Private Banking (+7.9%) and, to a lesser extent, the International Subsidiary Banks (+0.8%) and Insurance (+1.4%), in relation to greater personnel expenses.

Operating margin

The operating margin for the first half of 2015 amounted to 5,165 million euro, up 16.7% on the figure recorded in the same period of the previous year (4,424 million euro) due to the increase in revenues. At the quarterly level, operating margin recorded in the second quarter was 4.4% lower than in the first quarter, which included greater capital gains.

Adjustments to/write-backs on assets

Net provisions for risks and charges

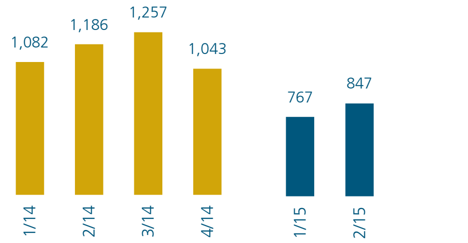
In the first half of 2015 net provisions for risks and charges stood at 260 million euro, up compared to 236 million euro in the corresponding period of the previous year. This caption also includes the estimated costs for the entire year relating to the new banking crisis resolution mechanism and the new deposit guarantee system, 95 million euro and 43 million euro, respectively.

Net adjustments to loans

(millions of euro)

	30.06.2015	30.06.2014	Changes	
			amount	%
Doubtful loans	-811	-1,135	-324	-28.5
Unlikely to pay	-631	-872	-241	-27.6
Past due loans	-184	-197	-13	-6.6
Performing loans	-40	-56	-16	-28.6
Net losses/recoveries on impairment of loans	**-1,666**	**-2,260**	**-594**	**-26.3**
Net adjustments to/recoveries on guarantees and commitments	**52**	**-8**	**60**	
Net adjustments to loans	**-1,614**	**-2,268**	**-654**	**-28.8**

Quarterly development Net adjustments to loans



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

The significant reduction in net adjustments to loans for the first half of 2015, as compared to the same period of the previous year, was the result of both actions implemented under the plan aimed at enhancing credit monitoring and, above all, a gradual stabilisation of the general economic context, which made it possible to contain the deterioration of the loan portfolio after the considerable adjustments implemented in 2013 and 2014.

More specifically, in the first six months of 2015, net adjustments to loans amounted to 1,614 million euro, down 28.8% compared to the same period in 2014, essentially due to lower provisions for doubtful positions and unlikely to pay exposures. Action taken on the value of loans has allowed adequate coverage both of non-performing and performing loans to be maintained. Doubtful positions required total net adjustments of 811 million euro, a 28.5% drop compared to the first six months of 2014, with an average coverage ratio of 63.1%. Net impairment losses on loans included in the unlikely to pay category, totalling 631 million euro, decreased by 27.6% compared to the first half of the previous year, with a coverage ratio of 23.6%, up compared to the levels of the end of 2014. Net impairment losses on past due loans declined by 13 million euro compared to the same period of 2014 (-6.6%). The coverage ratio for forborne positions within the non-performing loans category was 24.4% at the end of the half-year.

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

(millions of euro)

	2015		Changes	
	Second quarter	First quarter	amount	%
Doubtful loans	-410	-401	9	2.2
Unlikely to pay	-313	-318	-5	-1.6
Past due loans	-102	-82	20	24.4
Performing loans	-25	-15	10	66.7
Net losses/recoveries on impairment of loans	**-850**	**-816**	**34**	**4.2**
Net adjustments to/recoveries on guarantees and commitments	**3**	**49**	**-46**	**-93.9**
Net adjustments to loans	**-847**	**-767**	**80**	**10.4**

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

Impairment losses in the second quarter of 2015 exceeded the first quarter but were lower than all quarters of the previous year, when they were consistently above one billion.

Net impairment losses on other assets

In the first half of 2015, impairment losses on assets other than loans came to 40 million euro, compared to the 79 million euro recorded in the same period in 2014.

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

Profits on investments held to maturity and on other investments came to 66 million euro and derive from recoveries in the value of equity investments and gains on the sale of properties. The caption compares with the 310 million euro recorded for the first half of 2014, most of which was attributable to the sale of significant equity interests, including those in SIA, Pirelli & C. and NH Italia.

Income before tax from continuing operations

Income before tax from continuing operations came to 3,317 million euro, compared to the 2,151 million euro recorded in the first six months of 2014.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred taxes came to 1,163 million euro, for an effective tax rate of 35.1%, far below the 59.3% recorded for the corresponding period of 2014, which was affected by the retroactive increase in the rate applicable to the capital gain on the stake held in the Bank of Italy.

Charges (net of tax) for integration and exit incentives

This caption amounted to 31 million euro, of which 16 million euro attributable to private banking, compared to the 20 million euro reported for the first six months of the previous year.

Effect of purchase price allocation (net of tax)

This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. In the first half of 2015, these costs amounted to 59 million euro, continuing the structural decline that began in previous years.

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

No income or loss on discontinued operations was recorded during the period.

Net income (loss)

The Group closed the first half of 2015 with net income of 2,004 million euro, almost triple the 720 million euro recorded for the same period of 2014 due mainly to the significant growth in net fee and commission income and profits on trading and the decline in adjustments.

Balance sheet aggregates

General aspects

A condensed balance sheet is prepared to permit a more immediate understanding of the Group's assets and liabilities. Where necessary, comparative figures are restated to account for 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 to measure assets and liabilities are not considered, as they are deemed irrelevant. Last, please note that no intragroup relations are netted where their amount is not significant.
Breakdowns of restatements and aggregations of captions are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.
Aggregations of captions referred to:
- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the inclusion of technical insurance reserves reassured with third parties in Other assets;
- the aggregation in one single caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued into just one caption;
- the aggregation into one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as an aggregate and net of any treasury shares.

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

Reclassified balance sheet

(millions of euro)

Assets	30.06.2015	31.12.2014	Changes amount	%
Financial assets held for trading	51,996	53,741	-1,745	-3.2
of which: Insurance Companies	*754*	*785*	*-31*	*-3.9*
Financial assets designated at fair value through profit and loss	49,407	43,863	5,544	12.6
of which: Insurance Companies	*48,203*	*42,657*	*5,546*	*13.0*
Financial assets available for sale	135,438	124,176	11,262	9.1
of which: Insurance Companies	*71,463*	*71,604*	*-141*	*-0.2*
Investments held to maturity	1,426	1,471	-45	-3.1
Due from banks	31,147	31,611	-464	-1.5
Loans to customers	344,199	339,002	5,197	1.5
Investments in associates and companies subject to joint control	1,756	1,810	-54	-3.0
Property, equipment and intangible assets	12,210	12,399	-189	-1.5
Tax assets	14,952	14,504	448	3.1
Non-current assets held for sale and discontinued operations	27	29	-2	-6.9
Other assets	25,841	24,737	1,104	4.5
Total Assets	**668,399**	**647,343**	**21,056**	**3.3**

Liabilities and Shareholders' Equity	30.06.2015	31.12.2014	Changes amount	%
Due to banks	62,493	51,959	10,534	20.3
Due to customers and securities issued	358,854	354,685	4,169	1.2
of which: Insurance Companies	*1,319*	*1,289*	*30*	*2.3*
Financial liabilities held for trading	43,221	46,381	-3,160	-6.8
of which: Insurance Companies	*138*	*333*	*-195*	*-58.6*
Financial liabilities designated at fair value through profit and loss	43,451	37,622	5,829	15.5
of which: Insurance Companies	*43,451*	*37,622*	*5,829*	*15.5*
Tax liabilities	2,973	2,471	502	20.3
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	26,842	23,928	2,914	12.2
Technical reserves	79,645	79,701	-56	-0.1
Allowances for specific purpose	4,591	5,364	-773	-14.4
Share capital	8,725	8,725	-	-
Reserves	36,415	36,329	86	0.2
Valuation reserves	-1,449	-1,622	-173	-10.7
Minority interests	634	549	85	15.5
Net income (loss)	2,004	1,251	753	60.2
Total Liabilities and Shareholders' Equity	**668,399**	**647,343**	**21,056**	**3.3**

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

Quarterly development of the reclassified balance sheet

(millions of euro)

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

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

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

In the first half of 2015, Intesa Sanpaolo's consolidated assets increased compared to the end of 2014 (+3.3%). With regard to assets, growth was posted in both total financial assets and loans to customers. In detail, financial assets available for sale increased by 11.3 billion euro, financial assets designated at fair value through profit and loss by 5.5 billion euro, and loans to customers by 5.2 billion euro, essentially due to the positive performance of commercial banking loans. There were decreases in financial assets held for trading (-1.7 billion euro) and exposure to banking counterparties (-0.5 billion euro). With regard to liabilities, there were increases in amounts due to banks of 10.5 billion euro, in financial liabilities designated at fair value through profit and loss of 5.8 billion euro, and in amounts due to customers and securities issued of 4.2 billion euro, whereas financial liabilities held for trading decreased by 3.2 billion euro. Technical reserves, attributable to the Group's insurance companies, were essentially stable.

Loans to customers

(millions of euro)

	30.06.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	27,937	8.1	27,003	8.0	934	3.5
Mortgages	135,855	39.5	135,851	40.1	4	-
Advances and other loans	115,487	33.5	112,068	33.0	3,419	3.1
Commercial banking loans	**279,279**	**81.1**	**274,922**	**81.1**	**4,357**	**1.6**
Repurchase agreements	**17,843**	**5.2**	**16,927**	**5.0**	**916**	**5.4**
Loans represented by securities	**13,477**	**3.9**	**13,837**	**4.1**	**-360**	**-2.6**
Non-performing loans	**33,600**	**9.8**	**33,316**	**9.8**	**284**	**0.9**
Loans to customers	**344,199**	**100.0**	**339,002**	**100.0**	**5,197**	**1.5**

Quarterly development Loans to customers

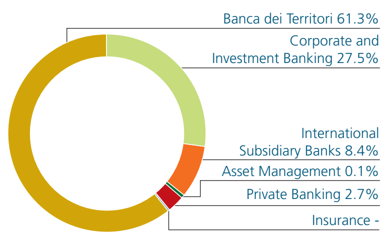
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As at 30 June 2015, Intesa Sanpaolo Group loans to customers surpassed 344 billion euro, up 1.5% compared to the end of the previous year.
The trend in lending since the beginning of the year was essentially due to the increase in commercial banking loans (+4.4 billion euro, or +1.6%). Also contributing to the overall change was the increase in reverse repurchase agreement transactions, the balance of which increased by 916 million euro (+5.4%). The recovery in commercial banking loans, which benefited from the improved outlook for the economy, was largely due to advances and other loans, which rose by 3.4 billion (+3.1%), and, to a lesser extent, current accounts (+934 million, or +3.5%).
In the domestic medium-/long-term loan market, in the first half of 2015 disbursements to households (including the small business accounts having similar needs to family businesses) amounted to 6.4 billion euro and disbursements to businesses under the Banca dei Territori scope (including Corporate segment customers with turnover of up to 350 million euro) came to approximately 5.7 billion euro. During the same period, medium-/long-term disbursements to segments included in the scope of the Corporate Division in Italy amounted to 6.3 billion euro. Including the extra-captive activities of Mediocredito, disbursements within Italy came to approximately 19 billion euro. On the whole, medium-/long-term disbursements for the Group during the half-year surpassed 22 billion euro.
As at 30 June 2015, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 15.2% for total loans. The estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global system figure for the end of June is not yet available.

(millions of euro)

	30.06.2015	31.12.2014	Changes	
			amount	%
Banca dei Territori	186,039	183,671	2,368	1.3
Corporate and Investment Banking	83,466	82,385	1,081	1.3
International Subsidiary Banks	25,411	24,974	437	1.7
Private Banking	8,136	7,614	522	6.9
Asset Management	231	473	-242	-51.2
Insurance	28	13	15	
Total business areas	**303,311**	**299,130**	**4,181**	**1.4**
Corporate Centre	40,888	39,872	1,016	2.5
Intesa Sanpaolo Group	**344,199**	**339,002**	**5,197**	**1.5**

Business areas



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

In the analysis of loans by business area, Banca dei Territori, which accounts for over 60% of the aggregate of the Group's business areas, recorded the most substantial increase in absolute terms (+2.4 billion euro, or +1.3%) compared to the end of the previous year, due essentially to loans to retail customers. Loans also increased in the Corporate and Investment Banking Division (+1.1 billion euro, or +1.3%), due to the growth in business for the International Network & Global Industries Department and the Global Banking & Transactions Department. There was also growth in the loans of the International Subsidiary Banks Division (+1.7%), primarily those of subsidiaries operating in Egypt and Slovakia, and Private Banking loans, which were up by 6.9%. Conversely, the Asset Management Division, total lending for which was modest, posted a decline. The growth in Corporate Centre loans (+2.5%) is largely attributable to an increase in reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia and other central entities.

Loans to customers: credit quality

(millions of euro)

	30.06.2015		31.12.2014		Change
	Net exposure	**% breakdown**	**Net exposure**	**% breakdown**	**Net exposure**
Doubtful loans	14,255	4.1	14,218	4.2	37
Unlikely to pay	18,129	5.3	17,845	5.2	284
Past due loans	1,216	0.4	1,253	0.4	-37
Non-performing loans	**33,600**	**9.8**	**33,316**	**9.8**	**284**
of which forborne	***7,838***		**7,190**		**648**
Performing loans	297,122	86.3	291,849	86.1	5,273
of which forborne	*8,953*		*8,529*		*424*
Loans represented by performing securities	13,477	3.9	13,837	4.1	-360
of which forborne	*127*		*4*		*123*
Loans to customers	**344,199**	**100.0**	**339,002**	**100.0**	**5,197**

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

As at 30 June 2015, the Group's non-performing loans, net of adjustments, rose slightly compared to the end of the previous year (+0.9%). While non-performing loans remained stable as a percentage of total loans to customers at 9.8%, NPL cash coverage ratio was 47.3%, compared to the 47% recorded at the end of 2014.
In further detail, doubtful loans came to 14.3 billion euro, net of adjustments, at the end of the first six months of 2015 (up by 0.3% compared to the beginning of the year), and represented 4.1% of total loans, down from 4.2% at the end of 2014; during the same period, the coverage ratio increased from 62.8% to 63.1%. Loans included in the unlikely to pay category amounted to 18.1 billion euro, up slightly compared to 31 December 2014 (+1.6%), accounting for 5.3% of total loans to customers. The coverage ratio, at 23.6%, also increased compared to the beginning of the year. Past due loans totalled 1.2 billion euro, down 3% compared to the end of 2014, with a coverage ratio of 15.1%. Within the non-performing loan category, forborne exposures (generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, according to the definition introduced by the European Banking Authority with the aim of harmonising the classification of non-performing loans at the European level) amounted to 7.8 billion euro, with an average coverage ratio of 24.4%.
The coverage ratio for performing loans was 0.8%, stable compared to the end of 2014.
The forborne exposures included in the performing portfolio amounted to 9.1 billion euro.

Customer financial assets

(millions of euro)

	30.06.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	364,897	42.9	359,808	43.5	5,089	1.4
Direct deposits from insurance business and technical reserves	124,415	14.6	118,612	14.4	5,803	4.9
Indirect customer deposits	484,984	57.0	465,777	56.3	19,207	4.1
Netting [(a)]	-123,096	-14.5	-117,323	-14.2	5,773	4.9
Customer financial assets	**851,200**	**100.0**	**826,874**	**100.0**	**24,326**	**2.9**

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 2015, customer financial assets exceeded 850 billion euro, up 2.9% from the beginning of the year due, above all, to indirect customer deposits (+19.2 billion euro, or +4.1%), which benefited from the growth in assets under management. Direct deposits from banking business posted growth of 5.1 billion euro (+1.4%) thanks to repurchase agreements and securities lending, as well as current accounts and deposits, which more than offset the decline in securities funding, which includes bonds, certificates of deposit and subordinated notes. The insurance segment recorded growth of 5.8 billion euro (+4.9%), entirely attributable to the increase in financial liabilities designated at fair value through profit and loss associated with unit-linked products.

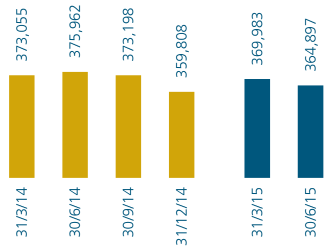
Direct deposits from banking business

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

(millions of euro)

	30.06.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	203,791	55.8	199,789	55.5	4,002	2.0
Repurchase agreements and securities lending	28,233	7.7	20,572	5.7	7,661	37.2
Bonds	92,195	25.3	98,864	27.5	-6,669	-6.7
of which designated at fair value (*)	-	-	-	-	-	-
Certificates of deposit	6,880	1.9	6,834	1.9	46	0.7
Subordinated liabilities	14,074	3.9	14,516	4.0	-442	-3.0
Other deposits	19,724	5.4	19,233	5.4	491	2.6
of which designated at fair value (**)	*7,362*	*2.0*	*6,412*	*1.8*	*950*	*14.8*
Direct deposits from banking business	**364,897**	**100.0**	**359,808**	**100.0**	**5,089**	**1.4**

Quarterly development
Direct deposits from banking business



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

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

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

The total of direct deposits from banking business, in the amount of 365 billion euro, was up 1.4% compared to the end of December 2014, with diverging performances by the main deposit types.

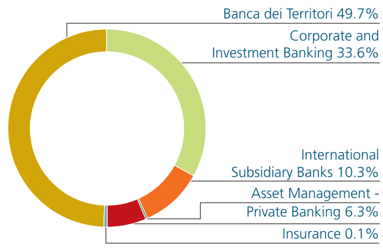
Repurchase agreements and securities lending posted the greatest growth (+7.7 billion euro, or +37.2%) as the Group's business with ordinary customers and institutional counterparties also increased, while current accounts and deposits showed growth of 4 billion euro (+2%), driven by the increase in the demand component. These increases more than made up for the downward trend of the other types of deposits, especially related to bonds (-6.7 billion euro, or -6.7%), maturities for which were largely reinvested in asset management products. Subordinated liabilities decreased by 3%. The other types of funding increased: the decline in commercial papers and other sums available to customers was more than offset by the increases in the protected-capital certificates issued by Banca IMI and designated at fair value.

At the end of June 2015, the share of the Group's direct deposits on the harmonised domestic market, consisting of deposits and bonds, according to the ECB definition, was estimated at 15%. 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)

	30.06.2015	31.12.2014	Changes	
			amount	%
Banca dei Territori	153,641	162,409	-8,768	-5.4
Corporate and Investment Banking	103,661	97,709	5,952	6.1
International Subsidiary Banks	31,748	30,998	750	2.4
Private Banking	19,562	17,959	1,603	8.9
Asset Management	9	9	-	-
Insurance	190	182	8	4.4
Total business areas	**308,811**	**309,266**	**-455**	**-0.1**
Corporate Centre	56,086	50,542	5,544	11.0
Intesa Sanpaolo Group	**364,897**	**359,808**	**5,089**	**1.4**

Business areas



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

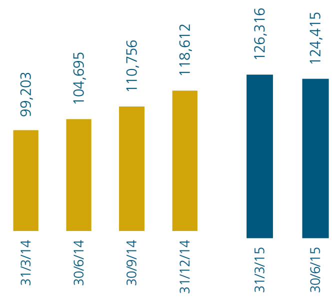
The breakdown by Group business areas shows that Banca dei Territori, which accounts for approximately one-half of the aggregate attributable to the Group's total business areas, has declined by 5.4% compared to the beginning of the year, due to the downtrend in securities issued, associated with the maturity of retail and personal bonds. Conversely, Corporate & Investment Banking increased by +6.1%, due largely to repurchase agreement transactions by Banca IMI and, to a lesser extent, to amounts due to customers of the International Network and Global Industries Department. Funding in the International Subsidiary Banks Division also rose (+2.4%), essentially attributable to amounts due to customers, as well as in the Private Banking Division (+8.9%) thanks mainly to the increase in current accounts and repurchase agreements. The increase in the Corporate Centre's funding (+11%) is to be viewed in the light of the expansion of repurchase agreements with institutional counterparties, as well as in the light of the issue of wholesale securities, certificates and commercial papers.

Direct deposits from insurance business and technical reserves

(millions of euro)

	30.06.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**43,451**	**34.9**	**37,622**	**31.7**	**5,829**	**15.5**
Index-linked products	*500*	*0.4*	*449*	0.4	*51*	*11.4*
Unit-linked products	*42,951*	*34.5*	*37,173*	31.3	*5,778*	*15.5*
Technical reserves	**79,645**	**64.0**	**79,701**	**67.2**	**-56**	**-0.1**
Life business	79,156	63.6	79,217	66.8	-61	-0.1
Mathematical reserves	*69,437*	*55.8*	*67,466*	*56.9*	*1,971*	*2.9*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*4,870*	*3.9*	*5,314*	*4.5*	*-444*	*-8.4*
Other reserves	*4,849*	*3.9*	*6,437*	*5.4*	*-1,588*	*-24.7*
Non-life business	*489*	0.4	*484*	0.4	5	1.0
Other insurance deposits (***)	**1,319**	**1.1**	**1,289**	**1.1**	**30**	**2.3**
Direct deposits from insurance business and technical reserves	**124,415**	**100.0**	**118,612**	**100.0**	**5,803**	**4.9**

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.

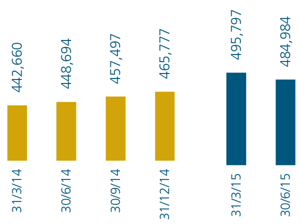
Direct deposits from insurance business came to over 124 billion euro at the end of June 2015, up 4.9% from the beginning of the year. Financial liabilities of the insurance business designated at fair value grew by 5.8 billion euro (+15.5%), attributable to the contribution from unit-linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies, remained essentially unchanged compared to the beginning of the year. The stability derives from the increase in mathematical reserves associated with the greater volumes and the opposite effect on deferred liabilities to policyholders attributable to the decrease in investment values recorded in the final days of June in relation to the Greek crisis.

Indirect customer deposits

(millions of euro)

	30.06.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	80,862	16.7	76,335	16.4	4,527	5.9
Open-ended pension funds and individual pension plans	5,430	1.1	5,193	1.1	237	4.6
Portfolio management	112,199	23.1	101,790	21.9	10,409	10.2
Life technical reserves and financial liabilities	116,220	24.0	109,264	23.5	6,956	6.4
Relations with institutional customers	9,766	2.0	9,133	1.9	633	6.9
Assets under management	**324,477**	**66.9**	**301,715**	**64.8**	**22,762**	**7.5**
Assets under administration and in custody	**160,507**	**33.1**	**164,062**	**35.2**	**-3,555**	**-2.2**
Indirect customer deposits	**484,984**	**100.0**	**465,777**	**100.0**	**19,207**	**4.1**

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

As at 30 June 2015, indirect customer deposits totalled 485 billion euro, up 4.1% over the end of the previous year. During the half-year, customers continued to reposition into forms of professional asset management, which were the destination for new funding inflows without overlooking the need to maintain adequate liquidity in current accounts. Assets under management, which account for almost two-thirds of the total aggregate, increased 22.8 billion euro compared to the beginning of the year (+7.5%), owing to net inflows and, to a lesser extent, the revaluation of assets under management. Attention should be drawn to the excellent performance of all main product lines of asset management, confirming the uptrend that began in 2013: portfolio management increased by 10.4 billion euro (+10.2%), mutual funds by 4.5 billion euro (+5.9%) and life insurance policies by 7 billion euro (+6.4%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by relations with institutional customers (+633 million euro, or +6.9%) and collective and individual pension forms, which increased by 237 million euro, or +4.6%. In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 13.7 billion euro in the first half of 2015.
On the other hand, assets under administration declined by 3.6 billion euro (-2.2%), attributable to the net outflows of retail customer assets.

Financial assets and liabilities

(millions of euro)

	30.06.2015		31.12.2014		Changes	
		of which Insurance Companies		*of which Insurance Companies*	**amount**	**%**
Financial assets held for trading	51,996	*754*	53,741	*785*	-1,745	-3.2
of which derivatives at fair value	*31,654*	*7*	*36,729*	*8*	*-5,075*	*-13.8*
Financial assets designated at fair value through profit and loss	49,407	*48,203*	43,863	*42,657*	5,544	12.6
Financial assets available for sale	135,438	*71,463*	124,176	*71,604*	11,262	9.1
Investments held to maturity	1,426		1,471		-45	-3.1
Total financial assets	**238,267**	***120,420***	**223,251**	***115,046***	**15,016**	**6.7**
Financial liabilities held for trading (*)	**-35,859**	***-138***	**-39,969**	***-333***	**-4,110**	**-10.3**
of which derivatives at fair value	*-32,945*	*-138*	*-37,779*	*-333*	*-4,834*	*-12.8*

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

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

The table above illustrates the breakdown of financial assets and the financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, 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 rose by 6.7% as a result of upturns in all components except financial assets held for trading and investments held to maturity, which declined by 3.2% and 3.1%, respectively. Financial assets available for sale increased by 11.3 billion euro (+9.1%). Financial assets designated at fair value through profit and loss recorded a more limited increase (+5.5 billion euro, or 12.6%), entirely attributable to equities and quotas of UCI. The decline in financial assets held for trading (-1.7 billion euro, or -3.2%) was entirely due to trading derivatives, a change which was offset in financial liabilities held for trading.

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

(millions of euro)

	30.06.2015		31.12.2014		Changes	
		of which Insurance Companies		*of which Insurance Companies*	**amount**	**%**
Bonds and other debt securities held for trading and designated at fair value through profit and loss	21,892	*3,499*	19,094	*3,792*	2,798	14.7
of which designated at fair value (fair value option)	*4,283*	*3,204*	*4,517*	*3,425*	*-234*	*-5.2*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	47,669	*45,263*	41,620	*39,481*	6,049	14.5
of which designated at fair value (fair value option)	*44,936*	*44,811*	*39,185*	*39,071*	*5,751*	*14.7*
Other assets designated at fair value through profit and loss	188	*188*	161	*161*	27	16.8
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**69,749**	***48,950***	**60,875**	***43,434***	**8,874**	**14.6**
Financial liabilities held for trading (*)	**-2,914**	-	**-2,190**	-	**724**	**33.1**
Net value of financial derivatives	-1,157	*-120*	-811	*-289*	346	42.7
Net value of credit derivatives	-134	*-11*	-239	*-36*	-105	-43.9
Net value of trading derivatives	**-1,291**	*-131*	**-1,050**	*-325*	**241**	**23.0**
Financial assets / liabilities, net	**65,544**	***48,819***	**57,635**	***43,109***	**7,909**	**13.7**

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

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

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss exceeded 65 billion euro, up 13.7% compared to the end of 2014. In detail, this trend was determined largely by the increase in the stock of equities and quotas of UCI. Financial liabilities held for trading increased, as did the net value of trading derivatives.

Financial assets available for sale

(millions of euro)

	30.06.2015	*of which Insurance Companies*	31.12.2014	*of which Insurance Companies*	Changes amount	Changes %
Bonds and other debt securities	122,772	*65,026*	112,931	*66,122*	9,841	8.7
Equities and quotas of UCI	12,654	*6,437*	11,233	*5,482*	1,421	12.7
Securities available for sale	**135,426**	***71,463***	**124,164**	***71,604***	**11,262**	**9.1**
Loans available for sale	**12**	-	**12**	-	-	-
Financial assets available for sale	**135,438**	***71,463***	**124,176**	***71,604***	**11,262**	**9.1**

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

Financial assets available for sale amounted to over 135 billion euro, up 9.1% compared to the figure recorded as at 31 December 2014.
This caption consists primarily of bonds and other debt securities not held for trading, with increases reported by the Parent Company and Banca IMI 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 2015, together with the effects on the income statement and shareholders' equity reserves of the transfer from designation at fair value to measurement at amortised cost or from designation at fair value through profit and loss to fair value through shareholders' equity.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.06.2015	Fair value at 30.06.2015	Income components in case of no transfer (before tax) Valuation	Income components in case of no transfer (before tax) Other	Annual income components (before tax) Valuation	Annual income components (before tax) Other
Debt securities	Financial assets held for trading	Loans	690	665	12	4	8	5
Equities and quotas of UCI	Financial assets held for trading	Financial assets available for sale	-	-	-1	-	-	-
Debt securities	Financial assets available for sale	Loans	5,240	4,318	851	63	701	59
Loans	Financial assets available for sale	Loans	42	44	-43	1	-43	1
TOTAL			**5,972**	**5,027**	**819**	**68**	**666**	**65**

Had the Group not reclassified the above financial assets, a total of 153 million euro in greater positive mark-to-market income components and about 3 million euro in other positive components would have been recognised during the half-year. No portfolio transfers were made in the first half of 2015.

Net interbank position

The net interbank position as at 30 June 2015 came to a negative 31.3 billion euro, a growth on the figure recorded at the end of 2014 (-20.3 billion euro). The increase of net interbank debt was driven by the loans entered into with the European Central Bank following participation in the TLTRO auctions for 15 billion euro in the first half of 2015, in addition to the 12.6 billion euro raised in the last fourth months of 2014.

Exposure to sovereign risk by country of residence of the borrower

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

(millions of euro)

	DEBT SECURITIES							LOANS
	BANKING GROUP					INSURANCE COMPANIES (*)	TOTAL	
	Loans and Receivables	Financial assets available for sale	Investments held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading			
EU Countries	**7,653**	**50,948**	**1,003**	**815**	**9,083**	**54,194**	**123,696**	**19,768**
Austria	-	-	3	-	6	6	15	-
Belgium	-	1,169	-	-	75	10	1,254	-
Bulgaria	-	-	-	-	-	35	35	-
Croatia	134	105	23	815	3	33	1,113	908
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	18	-	18	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	81	-	-	142	8	231	9
France	105	5,694	-	-	891	77	6,767	15
Germany	40	7,140	-	-	756	2,063	9,999	-
Greece	-	-	-	-	-	-	-	-
Hungary	30	239	-	-	230	31	530	254
Ireland	-	225	-	-	-	88	313	-
Italy	7,048	28,990	376	-	5,652	50,751	92,817	17,758
Latvia	-	-	-	-	-	-	-	55
Lithuania	-	40	-	-	-	-	40	-
Luxembourg	-	-	-	-	-	-	-	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	728	-	-	533	127	1,388	-
Poland	26	47	-	-	155	15	243	-
Portugal	17	-	-	-	18	-	35	20
Romania	-	175	-	-	7	51	233	8
Slovakia	-	970	601	-	22	-	1,593	111
Slovenia	-	202	-	-	-	8	210	162
Spain	253	4,795	-	-	161	891	6,100	468
Sweden	-	-	-	-	414	-	414	-
United Kingdom	-	348	-	-	-	-	348	-
North African Countries	**-**	**1,409**	**-**	**-**	**-**	**-**	**1,409**	**-**
Algeria	-	-	-	-	-	-	-	-
Egypt	-	1,409	-	-	-	-	1,409	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**226**	**-**	**226**	**-**

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

As shown in the table, exposure to Italian government securities totals roughly 93 billion euro - in addition to around 18 billion euro in loans - which represents a decrease of approximately 1 billion euro from the 94 billion euro exposure reported as at December 2014.

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

This investment strategy is aimed at taking advantage of the positive effects of ECB monetary policy.

Shareholders' equity

As at 30 June 2015, the Group's shareholders' equity, including net income for the period, came to 45,695 million euro compared to the 44,683 million euro at the end of the previous year. The change in shareholders' equity was essentially due to the increase in net income accruing in 2015 and the decrease in the negative balance of valuation reserves. No changes in share capital occurred during the first half of the year.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2014	Change in the period	Valuation reserves as at 30.06.2015	
				% breakdown
Financial assets available for sale	840	-524	316	-21.8
of which: Insurance Companies	*617*	*-131*	*486*	*-33.5*
Property and equipment	-	-	-	-
Cash flow hedges	-1,362	219	-1,143	78.9
Legally-required revaluations	350	-2	348	-24.0
Other	-1,450	480	-970	66.9
Valuation reserves	**-1,622**	**173**	**-1,449**	**100.0**

As at 30 June 2015, the negative balance of the Group's valuation reserves came to -1,449 million euro, improving compared to the negative value at the end of December 2014 (-1,622 million euro). Performance for the period was positively affected by other reserves (+480 million euro) and cash flow hedge reserves (+219 million euro), and negatively affected by reserves for financial assets available for sale (-524 million euro).

Own funds and capital ratios

(millions of euro)

Own funds and capital ratios	30.06.2015	31.12.2014
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	37,648	36,547
Additional Tier 1 capital (AT1) net of regulatory adjustments	1,487	1,700
TIER 1 CAPITAL	**39,135**	**38,247**
Tier 2 capital net of regulatory adjustments	9,075	8,043
TOTAL OWN FUNDS	**48,210**	**46,290**
Risk-weighted assets		
Credit and counterparty risks	242,649	231,394
Market and settlement risk	16,234	16,476
Operational risks	20,376	21,157
Other specific risks (a)	1,037	763
RISK-WEIGHTED ASSETS	**280,296**	**269,790**
% Capital ratios		
Common Equity Tier 1 capital ratio	13.4%	13.5%
Tier 1 capital ratio	14.0%	14.2%
Total capital ratio	17.2%	17.2%

[a] Including, inter alia, further specific capital requirements, in terms of risk-weighted assets, demanded by the Supervisory Authority to specific Group entities.

Own funds, risk weighted assets and the capital ratios at 30 June 2015 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation no. 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285 and 286 and the update to Circular 154.
Regulatory provisions governing own funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from Common Equity when the framework is fully effective, will only have a partial percentage effect on Common Equity Tier 1 capital. Generally, the residual percentage, after the applicable portion, is included in/deducted from Additional Tier 1 capital (AT1) or Tier 2 capital (T2), or is considered among risk-weighted assets.
Specific transitional provisions have also been established for subordinated instruments that do not meet the requirements envisaged in the new regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from Own Funds (over a period of eight years).
Accordingly, the prudential ratios as at 30 June 2015 take account of the adjustments envisaged by the transitional provisions for 2015.
As at 30 June 2015, total Own Funds came to 48,210 million euro, against risk-weighted assets of 280,296 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. The increase in RWA related to credit risk compared to 31 December 2014 may be attributed, in part, to the impact of the European Commission Decision, which, when published in the specific list, specified the nations for which a regime equivalent to the one prevailing in the

European Union for the weighting of exposure to central banks and government bodies is applicable as of 1 January 2015, thereby eliminating the possibility to apply the previously preferential weighting indistinctly for each foreign nation.
The total capital ratio stood at 17.2%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (its Tier 1 ratio) was 14.0%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity ratio) was 13.4%.
It should be noted that Common Equity Tier 1 capital takes account of net income for the first half of the year, in that the regulatory requirements for its inclusion have been met (pursuant to article 26 (2) of the CRR), and thus also of the related pro-rata dividend, calculated as half of the dividend that the 2014-2017 Business Plan envisages to be distributed in 2016 (totalling 2 billion euro).
Finally, on the basis of Article 467 (2) of the CRR, adopted by the Bank of Italy in Circular 285, the Intesa Sanpaolo Group has opted to exclude unrealised gains or losses on exposures to central administrations classified among financial assets available for sale (AFS) from its Own Funds. The effect on Common Equity Tier 1 capital as at 30 June 2015 was 13 basis points positive.

Reconciliation of shareholders' equity and Common Equity Tier 1 capital

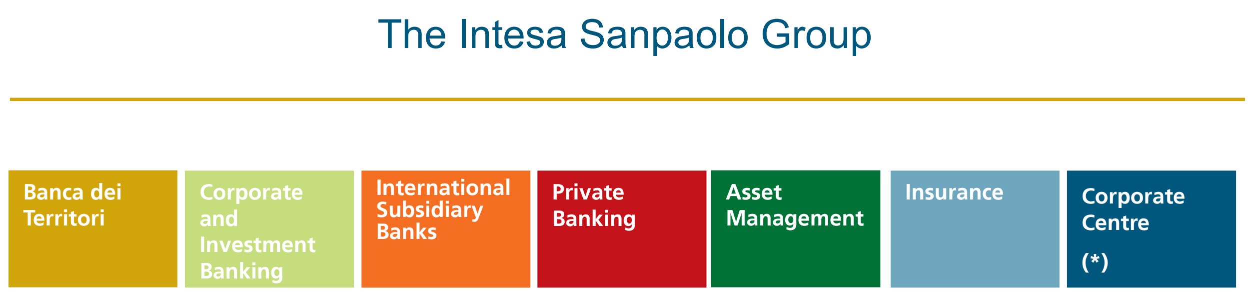
(millions of euro)

Captions	30.06.2015	31.12.2014
Group Shareholders' equity	45,695	44,683
Minority interests	634	549
Shareholders' equity as per the Balance Sheet	**46,329**	**45,232**
Presumed pro-rata dividend to Intesa Sanpaolo shareholders in accordance with the Business Plan	-1,000	-
Shareholders' equity following presumed distribution to shareholders	**45,329**	**45,232**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Capital of savings shares eligible for inclusion in AT1	-485	-485
- Minority interests eligible for inclusion in AT1	-10	-6
- Minority interests eligible for inclusion in T2	-6	-5
- Ineligible minority interests on full phase-in	-579	-492
- Ineligible net income for the period [a]	-	-1,251
- Treasury shares included under regulatory adjustments	52	63
- Other ineligible components on full phase-in	-1	11
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**44,300**	**43,067**
Regulatory adjustments (including transitional adjustments)	**-6,652**	**-6,520**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**37,648**	**36,547**

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

Breakdown of consolidated results by business area and geographical area

In the first half of 2015, the Intesa Sanpaolo Group organisational structure was based on six Business Units. In addition there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.



(*) Includes the Group's Treasury and the Capital Light Bank

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

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

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

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

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
30.06.2015	4,699	1,782	1,048	887	371	650	-37	9,400
30.06.2014	4,818	1,735	997	706	247	511	-442	8,572
% change [(a)]	-2.5	2.7	5.1	25.6	50.2	27.2	-91.6	9.7
Operating costs								
30.06.2015	-2,433	-442	-511	-260	-68	-73	-448	-4,235
30.06.2014	-2,471	-399	-507	-241	-62	-72	-396	-4,148
% change [(a)]	-1.5	10.8	0.8	7.9	9.7	1.4	13.1	2.1
Operating margin								
30.06.2015	2,266	1,340	537	627	303	577	-485	5,165
30.06.2014	2,347	1,336	490	465	185	439	-838	4,424
% change [(a)]	-3.5	0.3	9.6	34.8	63.8	31.4	-42.1	16.7
Net income (loss)								
30.06.2015	698	829	276	372	223	393	-787	2,004
30.06.2014	670	725	231	247	120	296	-1,569	720
% change [(a)]	4.2	14.3	19.5	50.6	85.8	32.8	-49.8	
Loans to customers								
30.06.2015	186,039	83,466	25,411	8,136	231	28	40,888	344,199
31.12.2014	183,671	82,385	24,974	7,614	473	13	39,872	339,002
% change [(b)]	1.3	1.3	1.7	6.9	-51.2		2.5	1.5
Direct deposits from banking business								
30.06.2015	153,641	103,661	31,748	19,562	9	190	56,086	364,897
31.12.2014	162,409	97,709	30,998	17,959	9	182	50,542	359,808
% change [(b)]	-5.4	6.1	2.4	8.9	-	4.4	11.0	1.4
Risk-weighted assets								
30.06.2015	91,345	82,983	30,691	8,387	1,029	-	65,861	280,296
31.12.2014	92,491	80,198	25,973	7,278	917	-	62,933	269,790
% change [(b)]	-1.2	3.5	18.2	15.2	12.2	-	4.7	3.9
Absorbed capital								
30.06.2015	8,221	7,469	2,921	784	111	4,378	5,927	29,811
31.12.2014	8,324	7,219	2,491	683	98	4,134	5,664	28,613
% change [(b)]	-1.2	3.5	17.3	14.8	13.3	5.9	4.6	4.2

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

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

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

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.06.2015	30.06.2014	Changes	
			amount	%
Net interest income	2,473	2,785	-312	-11.2
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	2,172	1,982	190	9.6
Profits (Losses) on trading	32	29	3	10.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	22	22	-	-
Operating income	**4,699**	**4,818**	**-119**	**-2.5**
Personnel expenses	-1,486	-1,495	-9	-0.6
Other administrative expenses	-946	-974	-28	-2.9
Adjustments to property, equipment and intangible assets	-1	-2	-1	-50.0
Operating costs	**-2,433**	**-2,471**	**-38**	**-1.5**
Operating margin	**2,266**	**2,347**	**-81**	**-3.5**
Net provisions for risks and charges	-29	-24	5	20.8
Net adjustments to loans	-1,019	-1,152	-133	-11.5
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,218**	**1,171**	**47**	**4.0**
Taxes on income from continuing operations	-507	-470	37	7.9
Charges (net of tax) for integration and exit incentives	-11	-16	-5	-31.3
Effect of purchase price allocation (net of tax)	-2	-15	-13	-86.7
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**698**	**670**	**28**	**4.2**

(millions of euro)

	30.06.2015	31.12.2014	Changes	
			amount	%
Loans to customers	186,039	183,671	2,368	1.3
Direct deposits from banking business	153,641	162,409	-8,768	-5.4
Risk-weighted assets	91,345	92,491	-1,146	-1.2
Absorbed capital	8,221	8,324	-103	-1.2

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

Banca dei Territori's operating income was 4,699 million euro in the first half of 2015, amounting to 50% of the Group's consolidated operating income, down 2.5% on the same period of the previous year. In more detail, there was a decrease in net interest income (-11.2%), primarily due to lower contributions from loans to customers, both in terms of volumes and margins. By contrast, net fee and commission income increased (+9.6%), most markedly on asset management and bancassurance products and fees. Other income components reported an increase in profits on trading, rising from 29 million euro to 32 million euro. Operating costs, amounting to 2,433 million euro, fell (-1.5%) compared to the same period of the previous year, as a result of cost containment in personnel and administrative expenses. The operating margin amounted to 2,266 million euro, down 3.5% on the first six months of 2014. Income before tax from continuing operations improved (+4%), amounting to 1,218 million euro, driven by the decline in adjustments to loans (-11.5%). 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 1.1% during the first half of 2015. In greater detail, adjustments during the period by the Network Banks with respect to Banca dei Territori amounted to 855 million euro (compared to loans of 141,002 million euro), broken down as follows: Intesa Sanpaolo 376 million euro, Banco di Napoli 81 million euro, Banca dell'Adriatico 34 million euro, CR Veneto 100 million euro, CR Friuli Venezia Giulia 32 million euro, Banca di Trento e Bolzano 19 million euro, Carisbo 50 million euro, CR Romagna 36 million euro, the Banca CR Firenze Group 115 million euro, Banca Monte Parma 12 million euro.

Lastly, after allocation to the Division of charges for integration of 11 million euro and the economic effects of purchase price allocation for 2 million euro, net income amounted to 698 million euro, up 4.2%.
On a quarterly basis, the second quarter of 2015 reported an operating margin up slightly (+0.6%) on the first quarter, due to lower operating costs (-1%), while revenues were essentially stable. After adjustments and provisions, income before tax from continuing operations was down moderately (-2.2%) compared to the previous quarter. Net income performed similarly (-5.8%).
The balance sheet figures at the end of June 2015 showed loans to customers of 186,039 million euro, up (+2.4 billion euro, or +1.3%) compared to the end of the previous year essentially as a result of growth in loans to retail customers. Direct deposits from banking business of 153,641 million euro were down by 5.4%, primarily owing to the downward trend in securities issued and associated with the maturity of retail and personal bonds.

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

With effect from 1 June 2015, as part of the reorganisation of the consumer credit business, following the partial spin-off of Intesa Sanpaolo Personal Finance to Intesa Sanpaolo with the aim of specialising captive and extra-captive distribution networks, while optimising their respective particular characteristics, the range of personal loans has been transferred to Intesa Sanpaolo, which has become the consumer credit hub of excellence for the entire Group.
Intesa Sanpaolo Personal Finance, concurrently renamed Accedo S.p.A., remains dedicated to one-fifth of salary loans and special-purpose loans, through a network of single-firm agents and financial intermediaries.

Marketing Department – Retail Area

Remote and Internet-banking Offerings	In the context of a strategy of gradually enhancing the integration of the physical and digital channels, in the first half of the year credit cards (with the exception of the Platinum card) and loans became available online, or remotely, for all Group bank customers on multi-channel contracts. The online branch has become a part of the remote investment advisory scenario. Online managers call selected customers from branches to propose investment solutions (bonds, certificates and asset management products).
Multichannel Project	The Multichannel Project has simplified the credit card issuance process, which is now automated for cards with limits below 5,000 euro. The key elements of the new methodology are automatic customer credit rating assessment and assignment of credit limit depending on the rating. Personal loans granted by Intesa Sanpaolo Personal Finance now have a new credit process with four different customer journeys and differentiated responses (Superfast, Fast, Controlled, Refused) depending on the customer rating and the amount requested. This enables the disbursement of personal loans in just a few minutes.
Mortgages	During the half-year, various initiatives were launched with the aim of increasing loans and supporting households and the property market, including through subrogation, while also promoting protection products through campaigns that allow customers to pair the policies "ViaggiaConMe" or "aCasaConMe" with their loans at no charge for one year.
Cards	In conjunction with Expo Milano 2015, an event to which the Group is the Official Global Partner, Intesa Sanpaolo created Flash Expo, a prepaid card using the MasterCard circuit available in three versions (named rechargeable card, bearer rechargeable card and disposable bearer card).
Mobile payments	In further expansion of the range of digital payment instruments, aimed at making it increasingly simple and immediate to transfer funds, private customers with current accounts or prepaid cards with IBANs linked to online transaction services now have access to JiffyPay, which uses the new person-to-person (P2P) solution developed and managed by SIA and available for use by all SEPA institutions. The new service represents an alternative to the use of cash for receiving and sending small sums simply and quickly using a smartphone.
Intesa Sanpaolo Casa	A new Group company, Intesa Sanpaolo Casa, was established with the aim of meeting customers' full home needs. The company focuses on transactions in the residential property market, by offering innovative and distinctive solutions and services. The business model provides for a network of real estate agencies managed by employees as a "shop-in-shop" at bank branches; the first seven agencies opened in late June in Milan, Rome and Turin, will be followed by other openings later in the year.
Protection	The new "aCasaConMe" policy has been designed to offer simple, concrete solutions using a distinct, innovative approach. It addresses problems relating to the home by linking a home insurance policy to a smart device which is able to detect danger and alert the customer to emergencies (fire, flood, burglary) even remotely, 24 hours a day. In addition, the "ViaggiaConMe" policy has been made more competitive through a promotion for new customers, and basic assistance costs have been reduced. A process to update information using pre-existing quotes has also been introduced and renewal proposals are sent to customers in the period before the expiry date. The end of the half-year saw the launch of "MotoConMe", an innovative new policy offered by Intesa Sanpaolo Assicura for cars and motorcycles, which combines customisable insurance cover with the opportunity to purchase a device that, once installed on a vehicle, allows its position to be determined, sends out an alert in the event of attempted theft and records the travel itinerary. Finally, the temporary life insurance policy from Intesa Sanpaolo Vita, "Mi Curo dei Miei", was renewed, providing protection of the nuclear family, in the event the insured dies before the other family members.
Senior	For customers over 65, the initiative "Riconoscimento Salute Senior" was implemented, with a free telephone booking system for medical services at participating facilities and additional paid services, such as home delivery of test results, a medical and pharmaceutical advice service, ambulance or taxi service and the ability to request a house call by a general practitioner.
Loans	During the half-year, Group banks continued to support households and businesses facing numerous environmental emergencies. In particular: – Cariromagna, Carisbo, Banca Monte Parma and Banca dell'Adriatico have allocated up to 50 million euro for loans to businesses, small artisans and merchants, tourism operators, farmers and families from Emilia Romagna and Marche who suffered damage due to bad weather in early February; – Banca CR Firenze has allocated up to 15 million euro for new lending with a maturity of up to 5 years with a fixed or variable rate and discounted terms, with a waiver of administration fees. These loans will be granted to businesses and families damaged by the exceptional storms which hit Tuscany at the beginning of March.

Loans	In addition, in response to the riots that laid waste to central Milan on 1 May, Intesa Sanpaolo has allocated up to 100 million euro and made available loans with special conditions, with repayment beginning after the end of Expo, intended to support companies, shops, small businesses, citizens and condominium residents who sustained extensive damages.
Non-banking offering	In order to diversify the business proposition in non-banking sectors, Intesa Sanpaolo has launched a partnership with the Iren Group to offer customers the opportunity to make transparent and immediate savings on their electricity bills.
Prestito della Speranza	The "Prestito della Speranza" has been renewed in an exclusive partnership with the Italian Episcopal Conference (CEI). The aim is to disburse 100 million euro of loans guaranteed by a 25 million euro CEI fund deposited at Banca Prossima, and distributed under the joint aegis of Vobis (Volunteer Bankers In Society) and the diocesan Caritas network. The new Prestito della Speranza 3.0 is not only for the needy, but a few targeted categories have been added including life choice projects, entrepreneurship for the young, and start-up businesses.

Marketing Department – *Personal Area*

Investment	In the first half of 2015, the diversification of customer portfolios continued according to the rationale underlying the need-based approach (spending, reserves, investment and pension) and the Recommended Portfolios. The range of investment products was extended following the launch of: – twenty-seven mutual funds; – "GP Unica Facile", a new portfolio management line, characterised by an entry threshold of 50,000 euro; – Intesa Sanpaolo Vita's "Giusto Mix" which is a combined policy offering a mix of protection and investment; – two new internal funds of the unit-linked policy ISPL Prospettiva 2.0 offered by Intesa Sanpaolo Life; – Group bonds (denominated in euro and U.S. dollars) and certificates.
Pensions	In response to the changes in the law brought on by the 2015 Stability Law, allowing workers to request termination indemnity payments with their pay from 2015 to 2018, Intesa Sanpaolo developed a commercial initiative intended for the 1.6 million retail and personal customers of the Banca dei Territori Division, aimed at providing a high-quality advisory service concerning the fundamental issue of pension planning and presenting the opportunities relating to both the tax deductible nature of pension contributions and the lower tax rates applicable to termination indemnity benefits paid into supplementary pension schemes.
Cards	In addition to its Flash Expo prepaid cards, Intesa Sanpaolo launched its new Carta Oro Exclusive, an innovative, prestigious contactless credit card intended for Personal customers who have expressed a need for access to a credit limit always suited to their spending needs, with access to completely secure online management.
Geocontrol	New Geocontrol functionality is available via the "La tua banca" app (for iPhone, Android smart phone, iPad and Android tablet) and on MSite, for customers with internet, mobile and telephone banking services. This enables customers to control the Geocontrol service from a smart phone or tablet in order to protect themselves from card cloning fraud. Geocontrol allows users to define the geographical area where their cards can be used.

Marketing Department – *Business Area*

Agreements

Following the requests made by the main business associations, the ABI delayed introducing the ABI Agreement on Credit until 31 March 2015. The Agreement allows for access to various benefits, such as the suspension of principal payments on loans for a maximum of twelve months, the extension of the repayment period for medium-/long-term loans and the extension of due dates for short-term loans.
Also extended to 31 March 2015 were the measures relating to the “Italy Investment Projects” line, an instrument dedicated to SMEs that, despite the economic crisis, have continued to undertake new investments. The “Public Administration Receivables” line, whereby participating banks made available advance or discounting transactions at financial conditions indexed on the cost of ECB funding, was likewise extended.
On 31 March 2015, the Italian Banking Association and the main trade associations signed a new agreement, extending the agreement previously in effect until 30 June 2015, pending implementation.

During the half-year, the roll-out of the new national agreement signed in 2014 with Confindustria Piccola Industria continued at a local level, with Confindustria's regional associations in Lombardia, Emilia Romagna, Piemonte, Toscana, Campania, Veneto, Friuli Venezia Giulia and Trentino Alto Adige. This agreement is the fifth since 2009 and is entitled "Una crescita possibile"(Possible growth). It aims to invest in the growth potential of Italian entrepreneurship, to encourage dynamism, growth and competitiveness. As part of this partnership, 10 billion euro of new lending have been allocated, in addition to 35 billion euro already made available.

Intesa Sanpaolo, UniCredit and KKR Credit, part of KKR & Co. LP, a leading global investment company, reached an agreement whereby, where certain conditions are met, the two banks will transfer their debt and equity exposures to a selected number of companies subject to restructuring to a vehicle managed by the Italian platform launched by KKR Credit.

Intesa Sanpaolo signed a strategic partnership deal with GSO Capital Partners which is a company specialising in credit investment, and a part of the Blackstone LP Group. The aim is to supply an alternative source of funding to medium sized enterprises in the Italian market by offering a nationally integrated, systematic credit solution.

Through its Setefi electronic payments management subsidiary, the Intesa Sanpaolo Group entered into an agreement with Alipay which is the leading Chinese supplier of online payments services. The aim is to give major Italian brands enhanced commercial opportunities in China and South East Asia.

Through Banca CR Firenze and CR Pistoia e Lucchesia, the Intesa Sanpaolo Group extended its partnership with Federalberghi Toscana, according to a new agreement that provides regional hotels with access to short-, medium- and long-term loans at special rates.

Intesa Sanpaolo and Sistema Moda Italia, one of the foremost organisations representing the textile and fashion industry in the Western world, also signed a new agreement that reinforces their previous three-year understanding and that through innovative instruments and channels aims to support the commercial penetration by industry firms of international markets with growing spending capacity, where high-quality Italian products are highly appreciated.

Internationalisation

In the context of strengthening and relaunching activities to support the international expansion of businesses, the Intesa Sanpaolo Group launched a highly specialised training programme project called “Trading Lab: Think International!”, delivered by Intesa Sanpaolo Formazione. This project is a concrete deliverable relating to the "Una crescita possibile" agreement between Intesa Sanpaolo and Confindustria Piccola Industria, and its goal is to help locally-rooted entrepreneurs in taking new business opportunities by giving them the skills and knowledge required for them to project themselves internationally. Just under 150 local businesses took part in the first initiatives, held in Padova, Torino, Napoli and Milano.

Web platform

In the context of the initiatives taking place for Expo Milano 2015, an e-commerce portal has been launched via the "Created in Italia" business website, which allows the Bank's business customers to benefit from a promotional space on national and international markets, allowing the publication of information and multimedia content about their own activities. The initiative has been designed for top companies in Italy's world-beating sectors of food, fashion and design.
As part of the strategy of identifying new instruments allowing Italian companies to seize international growth opportunities for their businesses, including by exploiting the potential of the Web, Intesa Sanpaolo participated, as the initiative's sole banking sponsor, in Expo Business Matching, an online platform promoted by the Milan Chamber of Commerce, Promos, Fiera di Milano and Pricewaterhouse Coopers, which supports B2B matching processes and the development of networking between Italian and international companies.
In this same context, Intesa Sanpaolo launched a partnership, as banking partner in Italy, with Opportunity Network, through which companies may access this innovative digital platform that allows them to form partnerships based on trust securely and anonymously.
The end of the half-year also saw the launch of Tech Marketplace, an innovative digital platform that complements the other business matching platforms and promotes interaction between start-ups, SMEs and large companies, allowing tech start-ups and SMEs to offer their innovations to larger firms, thereby facilitating the meeting of supply and demand for technological innovation, with the aim of creating partnerships, commercial agreements and acquisitions.

Loans	In order to promote the paying down of the amounts due from the Public Administration, Intesa Sanpaolo commenced non-recourse trading activities (in accordance with Law Decree No. 66/2014 and Law 89/2014) in certified amounts due from the Public Administration to businesses, professionals, entities and associations.
Services	In order to provide companies a full, integrated range of invoice management services, the new service "Anticipo Fatture Italia Web" was made available on the Inbiz portal. The service allows applications for advances against invoices in euro issued to debtors based in Italy to be managed in a fully autonomous manner.
Programma Filiere	Intesa Sanpaolo developed "Programma Filiere", a new model of collaboration between banks and businesses, created with the aim of encouraging the growth of production chains of excellence in the Italian entrepreneurial system by improving credit access conditions and defining a range of custom products for companies with production-related dealings. Programma Filiere is based on three pillars: investments (access to credit under improved conditions, discounts on products and services, and training for participating companies), innovation (identification of the industrial production chain and signing of a specific contract - the production chain agreement - with the lead company); and a new approach (formalisation of the production chain, with a risk assessment that takes account of qualitative elements, establishment of a production chain limit, and tailor-made commercial offerings dedicated to both companies and their employees).

Product companies

In the first half of 2015, **Mediocredito Italiano** benefited from the unification of marketing coordination of short- and medium-/long-term products. In particular, the sales volume of medium- and long-term products was 2,329 million euro, representing growth of 11% (+237 million euro) compared with the corresponding period in 2014, whilst factoring turnover was 28 billion euro, up by 7% compared to the same period of 2014 (+1.8 billion euro).
Mediocredito Italiano disbursed loans totalling 1,625 million euro, growing by 37% compared to the same period of the previous year. With 1,429 million euro of loans disbursed (+50%), Banca dei Territori accounts for 88% of total volumes, whilst the Corporate and Investment Banking Division, represents 11% of volumes (181 million euro, down 20%). "Subito Mediocredito" generated 26% of the channelled lending in the Banca dei Territori Division (compared with 46% in the first six months of 2014). The Specialist Desks dedicated to the principal economic sectors generated long-term loan disbursements of 247 million euro (15% of the total), which rose by 7% compared with the same period in 2014. Loans with dedicated EIB, Cassa Depositi e Prestiti and Plafond Investimenti Italia funding came to 182 million euro, 11% of total disbursements, falling sharply by 637 million euro compared with the first half of the previous year. The use of this type of funding decreased as a result of the fall in interest rates and the availability of TLTRO dedicated funding which began to be available in the fourth quarter of 2014; these funds were used in respect of loans totalling 1,165 million euro in the first half of the year (including loans deriving from renegotiations), equal to 72% of total loans disbursed.
Turning to the commercial performance of the leasing business, Mediocredito Italiano entered into new contracts for a total of 704 million euro (-22%) during the half-year. Contracts entered into by customers of the Banca dei Territori Division amounted to 609 million euro (-9%), representing 87% of total volumes. Customers in the Corporate Division signed contracts totalling 73 million euro, marking a decrease (-65%) compared with the same period in the previous year. In the first half of 2015, the best-selling leasing product was instrumental, the percent weight of which rose from 31% in the first half of 2014 to 53%. There was a slight increase in the weight of car leasing (from 8% to 10%), whereas there were decreases in the weight of the real estate segment (from 56% to 34%) and energy segment (from 5% to 2%). Leasing contracts with dedicated EIB, Cassa Depositi e Prestiti and Plafond Investimenti Italia funding, equal to 110 million euro, made up 16% of the total contracts entered into over the period.
The contracts with dedicated TLTRO funding, which have been available since the third quarter of 2014, amounted to 344 million euro and constituted 49% of the total.
Turning to the commercial performance of the factoring business, in the first half of 2015 Mediocredito reported a turnover of 28 billion euro, a 7% increase on the same period of 2014, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 30.4% which is 13 percentage points higher than the second largest player in the Italian market. Non-recourse factoring accounted for a greater share of factoring business (88%) than in the same period of 2014 (86%). Compared with 30 June 2014, outstanding receivables, equal to 15 billion euro, posted growth (+9%) and period-end loans (advances) amounted to 13 billion euro, up +13.9%. This growth is principally explained by the increase in turnover volumes and, to a lesser extent, by the increase in disbursement percentage (which rose from 82% to 86%). The international activities related to the import and export factoring segments (both directly and intermediated through the correspondent bank members of Factors Chain International) and the foreign-on-foreign operations, predominantly conducted under the freedom to provide services in other European Union countries. The volumes generated represent 26% of the total turnover, down on the first six months of 2014 (33%).
In terms of income statement figures, Mediocredito's operating margin in the first half of 2015 was 341 million euro, down 12.3% on the same period of the previous year. This trend may be attributed to the decrease in revenues (-13.2%) which was not sufficiently counterbalanced by a decrease in operating costs (-17.4%). Income before tax from continuing operations, amounting to 178 million euro, down by 18.3%, while net income amounted to 118 million euro (-12.6%).

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 14.6 million euro cards managed by Setefi as at 30 June 2015 are cards issued directly by the Parent Company and the Group banks (approximately +6% compared with the end of June 2014). The number of POS amounted to approximately

350,000. In the first half of 2015, 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 2014. The total number of transactions handled came to approximately 444 million euro, while the amount transacted stood at approximately 32 billion euro. It should be noted that, as a result of the completion during 2014 of the migration to Setefi of the authorisation system for the acceptance of payments by Bancomat/Pagobancomat cards (via both ATMs and POS terminals), Setefi processed an incremental 162 million transactions (authorisation) over the half-year, amounting to around 22 billion euro. Of the main initiatives undertaken during the period, the activities in distributing the "Mobile POS" product (which led to the installation of approximately 45,000 new "Move and Pay Business" devices) and the launch of a highly innovative product to offer primary public transport operators the ability to accept all payment cards on their services.
One of the Company's other initiatives has been the gradual implementation of integrated services to promote growth in the e-commerce market, including the integration with PayPal, and the development of cooperation with Alipay which is designed to process payments (via an internet Wallet) to facilitate the purchase of Italian products and services. Setefi partner merchants will be able to accept payments via Alipay and thereby have a solution to address the increasing demand for Italian products in emerging markets.
Special attention was paid to implementing the Mobile Payments platform for mobile devices working with the main telecommunications providers. Agreements have also been developed with the main restaurant voucher providers in the market, on moving to electronic processing. With regard to the development of acquiring initiatives in new countries, Setefi operates in France, Germany, the United Kingdom, Spain, Switzerland and Austria, and has already obtained authorisation to operate in Greece, Portugal, Holland and the Principality of Monaco. Recently, it has also been authorised to operate in 18 other EU countries (Belgium, Bulgaria, Cyprus, Croatia, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, Poland, the Czech Republic, Romania, Slovakia, Slovenia and Sweden).
Over the first half of 2015, Setefi recorded income before tax from continuing operations for 107 million euro, which corresponded to a 12.3% reduction compared with the same period in 2014. This was a result of lower revenues (-7.7%), and increased operating costs (+14.7%) driven by administrative expenses. Net income also fell to 72 million (-11.2%).

Banca Prossima

During the first half of 2015, Banca Prossima, which operates in the non-profit sector with 79 local branches and approximately 290 specialists distributed across the country, continued to acquire new customers for the Group. As at the end of June the Bank had a customer base numbering around 53,700. Financial assets amounted to 6.4 billion euro, of which 4.1 billion euro in indirect customer deposits and 2.3 billion euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 2.4 billion euro (of which 1.6 billion euro had been used). In the first half of 2015, the company reported revenues of 35 million euro (+9.3% compared to the same period of 2014), achieving an operating margin of 7.2 million euro and net income of 4.6 million euro, both more than doubled the levels of the first half of the previous year.
Over the course of the half-year, the commercial focus was mainly those customers passed to Banca Prossima as a result of the contribution of Intesa Sanpaolo and Banco di Napoli's nonprofit customer business lines, which took effect at the end of November 2014. At the beginning of the year, the "iNProspettiva" initiative was launched in partnership with Intesa Sanpaolo Formazione, the Group's nonprofit training arm. The goal is to plan and deliver training to the organisations which are customers of the bank. Following termination of the pilot phase, the NPbuy portal went live in the month of March. This is a purchasing system for the nonprofit sector which has been developed along with external partners. In order to facilitate acquisitions, Banca Prossima has made a number of financial solutions available to organisations using the portal, alongside immediate payment services. In addition, the guidelines governing the new Ti.S.Co. "Titoli di sviluppo delle comunità" (community development securities) transactions were defined during the half-year. This allows organisations wishing to support the Third Sector to underwrite a bond which is then sold via a private placement. The sums raised are used to finance projects with social benefits, at a reduced interest rate. Finally, the range of financial solutions "A scuola con Prossima" was marketed during the half-year. The line is dedicated to officially recognised private pre-schools and elementary schools managed by non-profit organisations. The initiative consists of advancing the ministerial grants awarded each year by the Ministry of Education, Universities and Research.

Corporate and Investment Banking

(millions of euro)

Income statement	30.06.2015	30.06.2014	Changes amount	%
Net interest income	776	887	-111	-12.5
Profits (losses) on investments carried at equity	4	2	2	
Net fee and commission income	400	406	-6	-1.5
Profits (Losses) on trading	601	442	159	36.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	-2	3	
Operating income	**1,782**	**1,735**	**47**	**2.7**
Personnel expenses	-172	-149	23	15.4
Other administrative expenses	-269	-249	20	8.0
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-442**	**-399**	**43**	**10.8**
Operating margin	**1,340**	**1,336**	**4**	**0.3**
Net provisions for risks and charges	4	-3	7	
Net adjustments to loans	-132	-263	-131	-49.8
Net impairment losses on other assets	-2	-	2	-
Profits (Losses) on investments held to maturity and on other investments	-	4	-4	
Income (Loss) before tax from continuing operations	**1,210**	**1,074**	**136**	**12.7**
Taxes on income from continuing operations	-381	-349	32	9.2
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**829**	**725**	**104**	**14.3**

(millions of euro)

	30.06.2015	31.12.2014	Changes amount	%
Loans to customers	83,466	82,385	1,081	1.3
Direct deposits from banking business [(a)]	103,661	97,709	5,952	6.1
Risk-weighted assets	82,983	80,198	2,785	3.5
Absorbed capital	7,469	7,219	250	3.5

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

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

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

In the first half of 2015, the Division recorded operating income of 1,782 million euro (representing 19% of the Group’s consolidated total), up by 2.7% compared to the same period of 2014.
In detail, net interest income of 776 million euro was down (-12.5%) primarily as a result of the erosion of margins on loans to customers, and as a result of a lower contribution from the capital markets segment. Net fee and commission income, at 400 million euro, was down (-1.5%), owing to the decrease in fee and commission income deriving from commercial banking business, only partially mitigated by the growth observed in the investment banking sector. Profits on trading, equal to 601 million euro, grew by 36%, mainly due to the increased contribution from capital markets and proprietary trading activities. Operating costs amounted to 442 million euro, up 10.8% compared to the same period of 2014, due to higher personnel and administrative expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 1,340 million euro, remained essentially in line with the amount recorded in the first half of 2014 (+0.3%). Income before tax from continuing operations, amounting to 1,210 million euro, was up 12.7% due to the lower adjustments to loans. 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 0.3% during the first half of 2015. In greater detail, adjustments during the period by the Network Banks with respect to Corporate amounted to 87 million euro (compared to loans of 58,665 million euro), broken down as follows: Intesa Sanpaolo 66 million euro, CR Veneto 11 million euro, Carisbo 7 million euro, Banca di Trento and Bolzano 3 million euro,

CR Firenze 1 million euro and Banco di Napoli 1 million euro of write-backs each. Finally, net income came to 829 million euro, up 14.3% on the same period of 2014.
In quarterly terms, the second quarter of 2015 showed a decrease in operating income (-10.6%) compared to the first quarter, attributable to the decline in profits on trading. The revenue performance, along with stable operating costs, resulted in a decrease in operating margin of 13.8%. There were also declines in income before tax from continuing operations (-21.6%), due to greater adjustments to loans, and in net income (-17.5%).
The Division's intermediated volumes increased compared to the end of December 2014 (+3.9%). In detail, direct deposits from banking business, amounting to 103,661 million euro, increased by 6.1%, mainly due to repurchase agreement operations at Banca IMI and, to a lesser extent, the decline in customer deposits in the International Network and Global Industries Department. Loans to customers of 83,466 million euro showed growth of +1.3% as a result of increased activity in the International Network and Global Industries, and Global Banking & Transaction Departments.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group
Organisational structure	
International Network and Global Industries Department	The Department manages relationships with around 1,200 multinational industrial groups operating in eight key sectors with high growth potential: Automotive & Industrial; Basic Resources & Diversified; Consumer, Retail & Luxury; Healthcare & Chemicals; Infrastructures; Oil & Gas; Power & Utilities; and Telecom, Media & Technology. Using the International Network, which comprises branches abroad, representative offices and international corporate banks as well as cooperation with the International Subsidiary Banks Division, the Department provides specialist assistance in supporting the internationalisation of Italian businesses, developing their exports, and managing and developing their relationships with international counterparties. The partnership with Banca IMI ensures coverage as well as developing investment banking (ECM, DCM, M&A) and structured finance activities, whilst leasing, factoring and subsidised financing business is carried out in partnership with Mediocredito Italiano
Corporate and Public Finance Department	The Department is responsible for servicing approximately 700 Italian large and medium corporates, by means of a global and integrated offer of products and services overseen by all the Divisions and Group product companies. It also serves central governments, public entities, local authorities, universities, public utilities, general contractors and public and private healthcare providers
Global Banking & Transaction Department	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Structured Finance	The scope of the Division includes the structured finance activity carried out by Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and primary market	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) activities performed by Banca IMI
Distribution structure	In Italy, the Corporate and Investment Banking Division draws on a total of 39 branches dedicated to corporate customers and public customers. At the international level, it operates in 29 countries in support of the cross-border operations of its customers through a specialised network of branches, representative offices and subsidiaries that engage in corporate banking activity

In April 2015, as part of the process of achieving the objectives set in the 2014-2017 Business Plan, the scope of activity of the Corporate and Investment Banking Division was changed: the assets previously managed by the Merchant Banking Department were reallocated to the Corporate Centre. In particular, the management of the SGR stakes, specialised funds, Project MIR, and IMI Investimenti has been taken over by the Capital Light Bank, whilst the management of the equity stakes and coordination of the Equiter subsidiary has been assigned to the Corporate Affairs Department.

International Network and Global Industries Department

In the first half of 2015, the International Network and Global Industries Department continued to act as financial partner to its customers by participating, along with Banca IMI, in a number of syndicated loans, including those to Whirlpool, ChemChina-Camfin for the acquisition of Pirelli, and Valentino.
In DCM business, the Department participated in the issue of a number of bonds, including those of RCI Banque, ZF Friedrichshafen and Ansaldo Energia. In Project Finance activity, the Group took part in financing the construction of a new hospital in Turkey.

The International Network directly covers 29 countries through 14 wholesale branches, 17 representative offices and three subsidiary banks. In the first half of 2015, international development activities continued, further proof of the Group's growing commitment to supporting companies that operate, or intend to operate, on international markets. In particular, in addition to increasing the attention to and coverage of relationships with Italian and international customers, investments in high-potential markets continued. The half-year saw the launch of operation in Sao Paolo, Brazil of the Group's subsidiary with a Banco Multiplo license (a retail and investment bank also authorised to operate on the foreign-exchange market), established with the aim of improving local coverage, heretofore provided by a representative office. In the context of initiatives aimed at improving presence in the Gulf area, where the Group is the sole Italian bank which operates directly, the Group is currently in the process of opening a branch in Abu Dhabi in the United Arab Emirates, as the natural next step after the representative office opened in 2012, as well as a level-IV branch – equivalent to a representative office – in Doha, Qatar. By year-end - provided that the necessary authorisation is obtained - the representation offices in Washington, United States, and Jakarta, Indonesia, will become operational.
The International Network includes:
- Société Européenne de Banque, which recorded net income of 79 million euro in the first half of 2015, down slightly (-0.6%) on the same period of 2014 due to rising operating costs, while revenues remained stable;
- Intesa Sanpaolo Bank Ireland, which showed net income of 39 million euro, down 12.3% compared with the first six months of last year. This was primarily caused by a reduction in operating income (-7.6%) as a result of reduced net interest income and greater adjustments to loans.

Corporate and Public Finance Department

In the first half of 2015, the Department continued to promote initiatives and marketing campaigns to support its customer base. As already commenced in the last part of last year the funds made available as part of the TLTRO programme (Targeted Long Term Refinancing Operation) were used in order to supply Italian businesses with financial support at competitive conditions. In the context of commercial banking, in addition to the growing loans, the Department continued to support initiatives designed to strengthen trade flows, cash management products, SEF and TEF, as well as the services provided by the Group product companies, such as factoring. In collaboration with Banca IMI, investment banking products continued to be offered with the aim of driving the origination of new transactions. Dealing in market risk hedging products (interest rates, currencies and commodities) increased considerably. Advice and financing continued to be provided in view of the international development of Italian customers.
The Department launched the Front Office Excellence programme for the commercial network, involving over 400 people. Various initiatives are under way to optimise the operational activities coordinated by the network, use the Group's marketing tools better, and reconfigure the Performance Dialogue meeting process at all levels. At the same time, the Department continued to drive the enhancement of public finance and contributed significantly to the project to establish the Capital Light Bank.
In addition, "Programma Filiere" was launched in collaboration with Banca dei Territori. The programme is intended for customers of both the Corporate and Public Finance Department and the International Network & Global Industries Department and is aimed at developing production chains of excellence in the Italian entrepreneurial system. On the basis of an agreement with the lead companies, the programme allows the Bank to support the suppliers of such production chains by improving credit access conditions and offering tailor-made products.

Global Banking & Transaction Department

The scenario facing the Global Banking & Transaction Department in the first half of 2015 saw a contradiction between the demands of yield-seeking investors, and the banks which went to the market asking for new financing to support growth. At the same time, the banks have been forced to develop strategic plans focusing on core competences, become more selective in terms of product and market return on investment, and more inclined to contain structural costs, all in order to ensure closer compliance with the capital ratios required by the European regulatory institutions.
The Asset Management & Insurance business was characterised by intensive activity with institutional investors, who resumed investment in peripheral countries, and in Italy in particular, thanks to the improvement in the economic situation, lower rates and QE. For the Group, these flows translated into increased volumes on the secondary market (primarily the bond market), opportunities with the private-equity funds interested in Italian financial companies and possible financing for funds with the intention of purchasing loan portfolios. In the meantime, marketing efforts continued for transactional products, with excellent results, particularly with insurance customers. Lastly, the Department continued to lead the market for structured finance transactions, primarily with real-estate funds.
In the Trade Finance and Correspondent Banking business, the TEF office saw a marked decline in activity in China (due to the domestic economic slowdown and the considerable liquidity injection provided by the Chinese Central Bank in late October 2014) and an increase in loans in Turkey. Work in support of customers' exports, and particularly with the aim of mitigating risks in Mediterranean African countries, remained very intense.
The Export Credit sector continued to perform well, driven by recovering demand for goods and services of Italian origin, with requests for services in target areas such as Africa (and in particular Egypt, Nigeria, the Ivory Coast and Kenya), former CIS nations

(Russia, Kazakhstan and Belarus) and Latin America (Mexico, Paraguay and Brazil). Requests relate primarily to the energy and infrastructure sectors. Business was also strong in the field of Commodities Financing, where there was renewed demand from Russian commodity producers (Metalloinvest, ILIM, Eurochem and Bashneft). There were also strong opportunities in Africa (Ghana Cocoa Board) and Latin America (Brazil and Ecuador). There was a further increase in participation in Supply Chain Finance programmes (Mondelez International, Ball Corporation, Virgin Media, and Bombardier).
Working with the Division's marketing resources, the Cash and Local Custody unit launched a marketing campaign for the entire customer base with the goal of promoting next-generation cash products (e.g. electronic invoicing, CBill, Inbiz Forex, My Bank, Billing) together with traditional products. In addition, various projects have been launched including new services on the Inbiz portal, PriceLab, JBilling, Intercompany payments and the new transactional product catalogue. In view of the upcoming deadline for implementation of the standard ISO 20022 XML and migration of niche products to the SEPA standard, a project was launched with the aim of conducting analyses and contacting customers to assess customer knowledge of system deadlines and better understanding customers' intentions regarding migration methods.
In activities relating to Securities Services and Post Trading Services, the main commercial initiatives involved the marketing of the value proposition for Target2Securities, partly in cross-selling with Banca IMI. During the half-year, seven new Italian and international customers were obtained (new onboarding activities), and business development activities were launched with two domestic customers.
In Network Management activity, the Department continued to work with both external customers, with the support of Treasury, and with Banca IMI, with the aim of launching new activities on international markets and the related post-trading services.
With regard to the Target2Securities project, relating to the Eurosystem's new securities settlement platform, project work continued, with the intensification of communications and tests with the aim of preparing customers for the migration, which will take place in late August.
Lastly, the Cash Management Financial Institutions business mainly focused on drawing up business development plans to grow the customer base, with particular success with both near-banking/insurance customers and domestic bank customers.

Structured Finance

In the first half of 2015, in a scenario of volatility and strong liquidity on the financing market, Banca IMI continued to occupy a position of leadership in Italy and strengthened its position at the European and global level, intensifying its outreach to customers through its offices in Milan, London, New York and Hong Kong.
In a market characterised by aggressive competition, the overall result shows considerable growth of fee and commission income, particularly in the second quarter. Attention should be drawn to the transactions Atlandes, FCA, Cheniere, Freeport LNG, Metro 5, Avio, Millmerran Power Erg-Wind and Statuto Himlaya.

Proprietary Trading

In the first half of 2015, Proprietary Trading made a positive contribution to the income statement in terms of revenues, and grew compared with the same period of 2014.
The Hedge Fund portfolio, which amounted to 819 million euro as at 30 June 2015, grew from 733 million euro at the beginning of the year and contributed positively to trading revenues in the first half of 2015. The analysis of changes in the portfolio showed a positive impact substantially linked to the depreciation of the euro on the dollar, which affected the value of the positions denominated in that currency. The portfolio also continued to yield strong results in the second quarter of 2015, both in absolute terms and relative to hedge fund indices, in the absence of salient changes to the strategic asset allocation. The majority of the performance in the second quarter derives from funds operating on the Chinese equity market and funds benefiting from M&A operations in the USA, carried out by companies operating in the media and healthcare industries. With a view to prudence, activities were implemented for the sale of part of the portfolio as well as hedging, pending a reduction in volatility and clarification of market trends.
Overall, as at 30 June 2015, the risk exposure to structured credit products and funded and unfunded ABSs/CDOs amounted to 3 billion euro (2.5 billion euro as at 31 December 2014).

Investment Banking, Capital Market and primary market

The first half of the year saw a positive performance by capital markets in EMEA, and by the Italian market in particular. The driving factors primarily related to the launch of the ECB's QE programme, the low price of oil and the strong depreciation of the euro against the U.S. dollar. However, near the end of the half-year the markets saw a sharp increase in volatility in light of the Greek crisis and signs of slowing Chinese economic growth.
In Equity Capital Market business, Banca IMI acted as joint global coordinator, joint bookrunner and sole manager for the IPOs by Inwit, OVS and Massimo Zanetti Beverage Group, co-bookrunner in the capital increase by Banca Monte dei Paschi di Siena, placing agent in the capital increase by MolMed and joint bookrunner in the accelerated bookbuilding for the La Doria transaction. At the international level, it acted as co-lead manager in the capital increase by Telefonica, placing agent in the capital increase by Eurocommercial Properties NV, co-bookrunner in the placement of the convertible bond issued by Unibail-Rodamco, and, finally, co-manager in the placement of the bond issued by America Movil convertible into shares of Kpn.
In M&A business, advisory services were rendered in the sectors telecoms, energy & utility and consumer & retail (Wind, Enel, Italgas, F2i, Yoox, Clessidra, 21Investimenti, and Maire Tecnimont). In the financial institutions sector, Banca IMI assisted Fondazione Carige.
In Debt Capital Markets business in the EMEA area, the bank originated total new issues of 637 billion euro. During the period, Banca IMI continued to play a leading role on the Italian market as bookrunner, while also continuing to strengthen its presence on international markets.
During the half-year, the Global Markets area recorded growth compared to the first half of the previous year.

In securities markets, QE resulted in an increase in customer activity in the first part of the half-year, when was then corrected in light of rate expectations and tensions surrounding Greece. There were increases in customer activity in Latin American securities, gold-related activity (1,300 transactions closed during the half-year) and international customer volumes relating to the commodities natural gas and coal. Mention should also be made of the launch of liquidity provider activity for the securities De Longhi and Zanetti Beverage Group and the physical natural gas project in the commodities area. Activity was particularly intense in the foreign exchange area, with growth of the international franchise and customers operating on multi- and single-dealer platforms (InBiz).
Attention should also be drawn to the bank's role as lead manager in public issues by Cassa Depositi e Prestiti and Autostrade per l'Italia, placed through the main domestic distributors, the issue of equity- and commodity-linked certificates on indices and shares, the placement of Banca IMI certificates through the Banca dei Territori network, and the closing of contingent hedging transactions with U.S. customers. Direct listing on Borsa Italiana's MOT continued successfully, with six bond issues launched in currencies other than the euro. The Market Hub benefited from the performances of the equity market and significantly increased its volumes in listed derivatives, while also acquiring new Italian and international customers.
Commercial loan securitisation transactions were structured in the context of the Agri-Food and Automotive, Electronics and Mechanics programme, along with various collateralised lending transactions. As sole arranger, the bank finalised the securitisation of secured loan portfolios, the placement of the senior tranche of the Alba Leasing transaction and the Tibet transaction, with the issue of commercial mortgage-backed securities placed on capital markets.

International Subsidiary Banks

(millions of euro)

Income statement	30.06.2015	30.06.2014	Changes	
			amount	%
Net interest income	735	711	24	3.4
Profits (losses) on investments carried at equity	36	26	10	38.5
Net fee and commission income	262	255	7	2.7
Profits (Losses) on trading	48	61	-13	-21.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	-33	-56	-23	-41.1
Operating income	**1,048**	**997**	**51**	**5.1**
Personnel expenses	-278	-266	12	4.5
Other administrative expenses	-183	-189	-6	-3.2
Adjustments to property, equipment and intangible assets	-50	-52	-2	-3.8
Operating costs	**-511**	**-507**	**4**	**0.8**
Operating margin	**537**	**490**	**47**	**9.6**
Net provisions for risks and charges	-7	-16	-9	-56.3
Net adjustments to loans	-157	-159	-2	-1.3
Net impairment losses on other assets	-	-5	-5	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**373**	**310**	**63**	**20.3**
Taxes on income from continuing operations	-96	-77	19	24.7
Charges (net of tax) for integration and exit incentives	-1	-2	-1	-50.0
Effect of purchase price allocation (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**276**	**231**	**45**	**19.5**

(millions of euro)

	30.06.2015	31.12.2014	Changes	
			amount	%
Loans to customers	25,411	24,974	437	1.7
Direct deposits from banking business	31,748	30,998	750	2.4
Risk-weighted assets	30,691	25,973	4,718	18.2
Absorbed capital	2,921	2,491	430	17.3

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

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

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

In the first half of 2015, the Division’s operating income came to 1,048 million euro, growing by +5.1% compared to the same period of the previous year. A detailed analysis shows that net interest income came to 735 million euro, an increase compared to 711 million euro in the first half of 2014 (+3.4%), mainly due to the positive trends reported by Bank of Alexandria (+48 million euro), partially offset by CIB Bank (-12 million euro), VUB Banka (-8 million euro), and Banca Intesa Beograd (-4 million euro). Net fee and commission income, amounting to 262 million euro, grew by +2.7% compared with the same period of the previous year. Profits on trading, amounting to 48 million euro, decreased by 21.3% due to the lower contributions from CIB Bank (-7 million euro), and Privredna Banka Zagreb (-5 million euro), only partially offset by the growth of Banca Intesa Beograd (+11 million euro).
Operating costs, amounting to 511 million euro, were up slightly compared to the first half of 2014 (+0.8%). As a result of the above revenue and cost trends, the operating margin came to 537 million euro, up 9.6%. Income before tax from continuing operations, amounting to 373 million euro, was up compared to 310 million euro in the same period of the previous year

(+20.3%), benefiting from lower provisions and adjustments. The Division closed the first half of 2015 with net income of 276 million euro (+19.5%).
On a quarterly basis, the second quarter of 2015 reported an increase in operating margin of more than 13.7% compared to the first quarter, benefiting from greater revenues (+7.3%), which were also reflected in income before tax from continuing operations (+25%) and net income (+29.9%).
The Division's intermediated volumes increased compared to the end of December 2014 (+2.1%) owing to the favourable trend in loans to customers (+1.7%) as well as amounts due to customers under direct deposits from banking business (+2.4%).

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean	Presence in Egypt, and the Russian Federation
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,117 branches in 10 countries

South-Eastern Europe

In the first half of 2015, the operating income of the **Privredna Banka Zagreb** group was 212 million euro, essentially in line with the same period of the previous year. Operating costs of 96 million euro increased slightly (+0.8%), attributable to the performance of personnel expenses and amortisation and depreciation. The operating margin came to 115 million euro, down slightly (-0.5%) on the first six months of 2014. Income before tax from continuing operations, amounting to 91 million euro, was up 19.3% benefiting from the lower adjustments to loans. Lastly, net income came to 73 million euro (+20.5%).

Banca Intesa Beograd, including Intesa Leasing Beograd, generated operating margin of 75 million euro, up 7.2% on the first six months of 2014. Operating income increased by 3.7% due to the growth trend in profits on trading. Operating costs decreased by 1.7%. Income before tax from continuing operations amounted to 41 million euro, compared to 40 million euro in the same period of the previous year (+4.3%), while net income stood at 35 million euro (+5.1%).

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first half of 2015 with an operating margin of 9.8 million euro, up 21.6% on the same period of 2014. This trend can be attributed to the growth in net interest income, fee and commission income and profits on trading, only partly offset by the +2.8% growth in operating costs. Income before tax from continuing operations, amounting to 6.7 million euro, increased by 27.9%, while net income amounted to 6 million euro (+28%).

Intesa Sanpaolo Bank Albania reported an operating margin of 14 million euro, up on the first six months of 2014 (+5.6%), primarily due to an improvement of profits on trading and net fee and commission income. Income before tax from continuing operations came to 12 million euro, up on the first half of the previous year (+12.7%). Net income performed similarly (+12.7%).

Intesa Sanpaolo Bank Romania recorded a total operating margin of 7.8 million euro, down slightly (-1.4%) on the same period of the previous year. This performance was due to a decrease in operating income (-4.2%), due to lower interest income and fee and commission income, only partially offset by a decline in operating costs (-5.7%). The company reported a net income of 7.4 million euro, a considerable improvement compared with the first half of 2014, essentially due to lower adjustments to loans.

Central-Eastern Europe

Banka Koper generated operating income of 42 million euro, down 4.8% compared with the first half of 2014 as a result of negative trends in net interest income and profits on trading. Operating costs were in line with those for the first half of 2014. Net income came to 5.5 million euro, up 6.6% on the first six months of the previous year.

The **VUB Banka** Group achieved an operating margin of 153 million euro, up 12.2% compared with the same period of 2014, due to an increase in operating income (+7%), mainly attributable to net fee and commission income and other operating income, which more than offset the decline in net interest income (-3.7%). Income before tax from continuing operations, amounting to 108 million euro, increased by 11.9%, while net income amounted to 83 million euro (+9.1%).

The increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties experienced by the country, as well as of the recent provisions governing loans in foreign currencies approved by the Hungarian Parliament, severely affected the performance of this subsidiary bank. The **CIB Bank** group (excluding the FUT business unit which now houses the bad debts managed by the Capital Light Bank) showed operating income of 67 million euro, down by 23.1% compared to the first half of 2014. Operating costs were down slightly (-1%). Net income showed a negative balance of 17 million euro, compared to a net loss of 8.3 million euro posted in the same period of the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia closed the first half of the year with a net loss of 9.8 million euro, compared to a net income of 0.6 million euro in the same period of 2014. Operating income decreased (-11%), due to reductions across all main components. Operating costs were down 26.4%. Net adjustments to loans amounted to 29 million euro, up considerably compared to the first half of the previous year.

Bank of Alexandria reported an operating margin of 104 million euro, up 42% compared to the same period of 2014. Operating income of 189 million euro grew by +34%, predominantly as a result of higher net interest income (+45.4%) and net fee and commission income (+40%). Operating costs increased (+25.3%), largely as a result of the growth in personnel expenses and administrative expenses. Following net adjustments to loans of 21 million euro, up 44.4%, net income amounted to 53 million euro, up 50.1% on the first half of 2014.

Other companies

The operating income reported by **ISP Card** came to 18 million euro, up by 2.8% compared with the same period of the previous year. Operating costs rose to 16 million euro (+2.1%). The company closed the first half of the year with a net income of 1.8 million euro (approximately -5.8%).

Private Banking

(millions of euro)

Income statement	30.06.2015	30.06.2014	Changes	
			amount	%
Net interest income	97	114	-17	-14.9
Profits (losses) on investments carried at equity	7	7	-	-
Net fee and commission income	766	575	191	33.2
Profits (Losses) on trading	22	13	9	69.2
Income from insurance business	-	-	-	-
Other operating income (expenses)	-5	-3	2	66.7
Operating income	**887**	**706**	**181**	**25.6**
Personnel expenses	-143	-125	18	14.4
Other administrative expenses	-109	-109	-	-
Adjustments to property, equipment and intangible assets	-8	-7	1	14.3
Operating costs	**-260**	**-241**	**19**	**7.9**
Operating margin	**627**	**465**	**162**	**34.8**
Net provisions for risks and charges	-12	-42	-30	-71.4
Net adjustments to loans	-	-1	-1	
Net impairment losses on other assets	-	1	-1	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**615**	**423**	**192**	**45.4**
Taxes on income from continuing operations	-185	-128	57	44.5
Charges (net of tax) for integration and exit incentives	-16	-	16	-
Effect of purchase price allocation (net of tax)	-42	-48	-6	-12.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**372**	**247**	**125**	**50.6**

(millions of euro)

	30.06.2015	31.12.2014	Changes	
			amount	%
Assets under management	131,730	121,590	10,140	8.3
Risk-weighted assets	8,387	7,278	1,109	15.2
Absorbed capital	784	683	101	14.8

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

The Private Banking Division coordinates the operations of Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland.
The corporate transactions involving the transfer of controlling interests in Intesa Sanpaolo Private Banking, Sirefid and Intesa Sanpaolo Private Bank (Suisse) to Banca Fideuram were finalised on 30 June. Concurrently, the operational management business unit of Intesa Sanpaolo Private Banking was transferred to Banca Fideuram, and the latter's name changed to Fideuram - Intesa Sanpaolo Private Banking. The integration activities carried out during the half-year, involving over 100 resources in the launch of 72 projects at ten dedicated worksites, resulted in the creation of a new company focused on the following objectives: ensuring greater market visibility for the Group's significant private-banking activities, achieving significant revenue synergies and managing resources efficiently.

In the first half of 2015, the Division generated income before tax from continuing operations of 615 million euro, up by 192 million euro (+45.4%) compared with the same period of the previous year, as a result of growth in operating income (+181 million euro) and lower provisions (-30 million euro). Operating costs increased (+19 million euro) as a result of higher personnel expenses.

The trend in operating income can be attributed to the considerable growth in net fee and commission income (+191 million euro, or +33.2%), as a result of strong growth in assets under administration and increased profitability, due to expansion in assets under management (mutual funds, portfolio management and insurance products), a wider range of added value products and increasing demand for advisory services. Among other revenue components, net interest income decreased by 17 million euro

(-14.9%), due in part to the downtrend in benchmark rates, which was not offset by similar elasticity in the cost of funding, whereas profits on trading and other income increased by 7 million euro.
On a quarterly basis, income before tax from continuing operations increased in the second quarter of 2015 compared to the first (+15.3%). Income grew by 33 million euro as a result of significant growth in net fee and commission income (+51 million euro), which more than offset the decline in profits on trading (-15 million euro) and other income (-3 million euro). This result was also driven by lower provisions of 13 million euro, whereas operating costs increased slightly (+5 million euro). Net income increased by 8.7% in the second quarter compared to the first.

As at 30 June 2015, assets gathered, which also include the contribution of the trust mandates for Sirefid, amounted to 188.6 billion euro (+9.8 billion euro compared to the end of 2014). The positive development is attributable to the market performance of assets (+5.4 billion euro) and the positive trend in net inflows (+4.4 billion euro). This latter was significantly higher than it was in the same period of 2014 (1.6 billion euro). The result for the first half of the year also demonstrates a favourable mix effect with a strong increase in assets under management and (+6.7 billion euro) and a reduction in assets under administration (cash and securities) of 2.3 billion euro.

Business	Generating new inflows of assets and managing them, using a network of financial advisors and in-house private bankers serving a customer base with high savings potential
Mission	Improve and broaden the product portfolio and increase the service levels offered by allowing the customers to choose the network which best satisfies their needs; assist customers in the informed management of their wealth, based on a detailed analysis of their real requirements and risk profile; and offering fully transparent financial and pensions advice in accordance with the regulations
Organisational structure	
Fideuram	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of over 5,000 Fideuram and Sanpaolo Invest financial advisors
Intesa Sanpaolo Private Banking	Bank dedicated to private customers (with over 1 million euro in financial assets), providing financial services which are designed to preserve and increase wealth and provide continuity, using a network of around 800 in-house private bankers
SIREFID	Company specialised in the provision of fiduciary services
Distribution structure	Network of 227 branches with 5,855 private bankers

Asset Management

(millions of euro)

Income statement	30.06.2015	30.06.2014	Changes amount	%
Net interest income	1	1	-	-
Profits (losses) on investments carried at equity	38	18	20	
Net fee and commission income	329	222	107	48.2
Profits (Losses) on trading	1	6	-5	-83.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	2	-	2	-
Operating income	**371**	**247**	**124**	**50.2**
Personnel expenses	-31	-28	3	10.7
Other administrative expenses	-36	-34	2	5.9
Adjustments to property, equipment and intangible assets	-1	-	1	-
Operating costs	**-68**	**-62**	**6**	**9.7**
Operating margin	**303**	**185**	**118**	**63.8**
Net provisions for risks and charges	-1	2	-3	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**302**	**187**	**115**	**61.5**
Taxes on income from continuing operations	-75	-45	30	66.7
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-19	-19	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-4	-3	1	33.3
Net income (loss)	**223**	**120**	**103**	**85.8**

(millions of euro)

	30.06.2015	31.12.2014	Changes amount	%
Assets under management	221,339	202,765	18,574	9.2
Risk-weighted assets	1,029	917	112	12.2
Absorbed capital	111	98	13	13.3

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

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

The new Asset Management Division has a mission to develop the best asset management solutions for Group customers through the subsidiary Eurizon Capital.

Overall, total assets managed by Eurizon Capital at the end of June 2015 came to 221.3 billion euro (net of duplications), up 9.2% since the beginning of the year, primarily as a result of net inflows. In the first half of 2015, net inflows came to 17.7 billion euro, due to the strong performance of mutual funds (primarily fixed-term funds established in both Luxembourg and Italy), retail portfolio management schemes (principally due to the contributions of the new "GP Unica Facile", "GP Unica" and "GP Obiettivo Private lines) and captive insurance products, consisting of line I insurance contracts, the category to which traditional life policies are classified, as well as of unit-linked policies. Eurizon Capital's share of assets under management was 15.7% as at 30 June 2015 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio), from 15.2% at the end of December 2014.
Operating income for the first half of 2015, amounting to 371 million euro, grew by 50.2% compared to the same period of the previous year, benefiting from the favourable performance of net fee and commission income (+48.2%). This performance is largely attributable to the increase in average assets under management, which considerably exceeded the level of the first six months of 2014. Operating costs increased (+9.7%), as a result of the growth in both personnel and administrative expenses, especially the obligatory part linked to funds managed (fund administration charges). As a result of the above revenue and cost trends, the operating margin came to 303 million euro, up 63.8% compared to the same period of 2014. Eurizon Capital closed the first half of 2015 with a net income of 223 million euro (+85.8%).

On a quarterly basis, the second quarter of 2015 showed an increase of 37.5% in operating margin compared to the first quarter, due to growth in operating income (+31.5%) and, particularly, in net fee and commission income (+30.4%). Net income performed similarly (+36.4%).

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

Insurance

(millions of euro)

Income statement	30.06.2015	30.06.2014	Changes	
			amount	%
Net interest income	-	-	-	-
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	-	-	-	-
Profits (Losses) on trading	-	-	-	-
Income from insurance business	651	506	145	28.7
Other operating income (expenses)	-1	5	-6	
Operating income	**650**	**511**	**139**	**27.2**
Personnel expenses	-32	-29	3	10.3
Other administrative expenses	-40	-42	-2	-4.8
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-73**	**-72**	**1**	**1.4**
Operating margin	**577**	**439**	**138**	**31.4**
Net provisions for risks and charges	-	-	-	-
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-1	-1	
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**577**	**438**	**139**	**31.7**
Taxes on income from continuing operations	-168	-123	45	36.6
Charges (net of tax) for integration and exit incentives	-1	-	1	-
Effect of purchase price allocation (net of tax)	-15	-19	-4	-21.1
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**393**	**296**	**97**	**32.8**

(millions of euro)

	30.06.2015	31.12.2014	Changes	
			amount	%
Assets under management	124,415	118,611	5,804	4.9
Risk-weighted assets	-	-	-	-
Absorbed capital	4,378	4,134	244	5.9

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

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

Income before tax from continuing operations was 577 million euro, recording growth of 139 million euro (+31.7%) compared to the same period of the previous year as a result of higher operating income (+139 million euro), while costs remained essentially stable. Income from insurance business was 651 million euro, recording growth of 145 million euro following the significant increase in the net investment result which benefited from higher capital gains (including the gain of 58 million euro on the sale of Union Life). The technical margin fell, due to lower class III and VI fee and commission income, higher class I trailing commissions rebated to the network and higher interest expenses on subordinated loans. Thanks to revenue growth and attentive cost management, the cost/income ratio fell to 11.2%, an improvement compared to 14.1% in the same period of the previous year.
On a quarterly basis, income before tax from continuing operations in the second quarter of 2015 declined (-13.6%) compared to the first quarter, primarily owing to the drop in operating income (-11.3%). In particular, the decrease in income from insurance business (-10.8%) was due to the lower valuation of securities caused by the market decline in June, which was offset by the recognition of the aforementioned capital gain on the sale of the Chinese insurance company.

Direct deposits from insurance business, amounting to 124,415 million euro, increased 4.9% since the beginning of the year, attributable to the development of financial liabilities of the insurance segment designated at fair value.

New life business showed an improvement of 7.4% compared with the first half of 2014. This was mainly driven by unit-linked policies; payments grew by 18.7%; premium and payment trends generated a net flow of 5,615 million euro, which was slightly lower than the 5,991 million euro in the same period of the previous year.

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

Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department and the Capital Light Bank) generated an operating loss of 37 million euro in the first half of 2015, compared to operating loss of 442 million euro for the same period of the previous year. This performance was mainly due to the marked improvement in profits on trading and net interest income, which, though still negative, benefited from a gradual reduction in the cost of liquidity. The revenue performance was reflected in all of the main income statement items and the net loss, which came to 787 million euro, was half that of 1,569 million euro reported in the first six months of 2014.

Capital Light Bank

The Capital Light Bank business unit was set up to extract value from non-core assets, and release resources which can be invested in growth. Its aim is to manage the reduction of a significant stock of the Bank’s non-core assets, and specifically: non-performing loans, repossessed properties, discontinued business units, investments held for sale and other portfolios of assets which do not respond to the development priorities of the Business Plan. The specialist skills concentrated in the new business unit will also service the other Group structures, particularly specific business areas such as credit collection and the management of pledgedassets.

In the first half of 2015, work continued on completing the organisational structure of the Capital Light Bank and implementing the operating processes aimed at achieving the objectives set in the Business Plan.
With regard to doubtful loans, which account for more than half the transferred assets to be realised, the new organisational model for the Loan Recovery Department entered into effect. The model is characterised by two complementary aspects: the first of these relates to a lesser use of external debt recovery companies, which are involved solely in cases of small positions of an unsecured nature only, whereas the second aims to exploit the internal expertise of the Department, which has been made almost exclusively responsible for managing new doubtful positions, in addition to the previously managed stock of such loans. The Department has also been reorganised, through the creation of units specialised in particular types of debts and recovery statuses, while also preserving units operating at the geographical level. June saw the positive conclusion of the contest for managers launched at the beginning of the year with the aim of improving recovery performances. The activities of Re.O.CO. continued in the first half of the year, with the intention of managing real estate collateral in a more pro-active manner. This entails both direct involvement in auctions and "auction support" whereby external investors are encouraged to intervene. Cases for intervention were chosen carefully so as to reconcile the objective pursued by Re.O.CO. of maximising the recovery of doubtful positions secured by real-estate assets with the goal of minimising the investment of additional capital. Among non-strategic assets, in January 2015 the entire equity investment in NH Hotel Group SA was sold. In June, the entire equity interest in Telecom Italia arising from the de-merger of Telco was disposed of. In developments relating to international subsidiaries, from an accounting standpoint the Ukrainian bank Pravex is once again subject to line-by-line consolidation, since the sale agreement signed in early 2014 was not finalised. During the half-year, the FUT division of the Hungarian subsidiary CIB Bank continued positively with the process of disposing of its non-core assets. In reference to the ex-public finance customers and assets transferred into the scope of the business unit, work has begun on forming a team of dedicated managers reporting directly to the management of the Capital Light Bank. In addition, the portfolios in question are being specifically analysed to assess the expedience and feasibility of extraordinary transactions, also in view of improving capital use at the Group level.

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 developments relating to settlement risks, in the first half of 2015 Intesa Sanpaolo remained a critical player and systemic bank in the area of euro payment flows, with stable market share in the Eurosystem's main payment systems. The Target2 Securities project continued with the testing phase, set to be concluded in late August 2015 with the migration of the Bank to the new system.

In the first half of the year, money markets were affected by both the expansionary monetary policies of the ECB, which since the beginning of the year has purchased approximately 194 billion euro of public securities issued by Euro Area governments, and by the intensification of the Greek crisis near the end of the second quarter. The level of liquidity has remained high, owing in part to the continuation of the TLTRO auctions, which saw total bids of 171.8 billion euro during the period. The Intesa Sanpaolo Group participated for a total of 15 billion euro during the half-year, in addition to the 12.6 billion euro in the last four months of 2014. The increased level of liquidity in the Eurosystem kept downwards pressure on short-term money-market rates. The Eonia overnight rate fixed consistently in negative territory and Euribor fixings continued their slow decline, to stabilise late in the half-year. Intesa Sanpaolo's short-term securities funding programmes suffered a considerable decline in the first few months of the year, due to the effect of the S&P downgrade, to then register increased interest starting in March.

The government bond portfolio was affected by the fluctuation of interest rates and government credit spreads. Since the beginning of the year, the BTP-Bund spread, in light of the tumultuous economic scenario, initially fell below 100 bps, to then widen significantly in June (when it momentarily reached 158 bps). The portfolio held for liquidity purposes was affected by several investment strategies that fostered additional diversification of sovereign credit risk through the reduction of the weight of the Italian government in favour of European core countries. The sale of these assets yielded benefits, and the portfolio re-composition, with medium-/long-term purchases, allowed the decline in net interest income to be contained. In addition, there was also an increase in the volumes of the bank's repurchase transactions, partly in light of the aforementioned persistent liquidity conditions on Italian and international markets. Investments in covered bonds were reduced due to an unfavourable risk/reward ratio.

Medium/long-term funding recorded a slight slowdown in deposits compared to the first half of the previous year.
On the domestic market, the Group placed total securities of 4.2 billion euro, primarily consisting of structured financial instruments (71%) and plain-vanilla securities (29%). The breakdown by average life shows a prevalence of securities in the two to three year range (42%), followed by four to five years (33%) and then securities maturing in six to seven years (25%).
In addition, in order to optimise the Group's regulatory portfolio, a liability management transaction was finalised on the LT2 security issued in 2013 in the amount of 1.576 billion euro. In particular, the nominal value of the securities exchanged was 737.7 million euro, whereas the nominal value of the security offered in exchange was 781.9 million euro, with maturity in seven years.
On international markets, unsecured institutional funding transactions were completed for a total of approximately 7.2 billion euro during the half-year. Of these, 3.3 billion euro was placed in the first quarter (two senior benchmarks for a total of 2.75 billion euro and a private placement of 500 million euro issued by the Bank of Ireland. The Bank of Ireland also finalised a transaction in the Formosa format denominated in renminbi with 3 year maturity for a total of approximately 64 million euro). In the second quarter, institutional funding amounted to 3.85 billion euro (public issues for a total of 1.5 billion euro, and in particular a ten-year T2-type subordinated instrument of 500 million euro and a five-year senior floating-rate instrument of 1 billion euro). A new 1 billion euro, 7 year, fixed-rate covered bond was placed on the institutional market as part of the programme guaranteed by ISP CB Ipotecario. It is quoted on the Luxembourg exchange and rated Aa2 by Moody's.
During the half-year, Banca CR Firenze joined the multi-originator CB issue programme guaranteed by ISP OBG, as additional selling bank, for the initial amount of 1.6 billion euro.

As regards monitoring and managing the loan collateral, the procedure named A.Ba.Co. (Collateralised Bank Assets), allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators”. At the end of the half-year, the gross outstanding amount lodged as pledge by the Group was 7.1 billion euro.

Active Value Management (AVM)

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

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2015	7,402	1,567	431	9,400
30.06.2014	6,797	1,488	287	8,572
% change [(a)]	8.9	5.3	50.2	9.7
Loans to customers				
30.06.2015	294,995	37,342	11,862	344,199
31.12.2014	293,281	35,364	10,357	339,002
% change [(b)]	0.6	5.6	14.5	1.5
Direct deposits from banking business				
30.06.2015	308,315	48,321	8,261	364,897
31.12.2014	306,492	43,926	9,390	359,808
% change [(b)]	0.6	10.0	-12.0	1.4

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 30.06.2015 and 30.06.2014

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

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group continued to be concentrated primarily in the Italian market. Italy accounted for 79% of revenues, 86% of loans to customers and 84% 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), in the Russian Federation and in the Mediterranean area (Egypt).
As regards the performance of operations in the first half of 2015, overall bank funding volumes were essentially stable in Italy, rose in other European countries and decreased in other countries. The increase in loans to customers at an overall level was the result of essential stability in Italy and growth in other European countries and in the Rest of the World. The increase in operating income was greater in Italy than in other European countries. Revenue growth was even stronger, in percent terms, in the Rest of the World.

Risk management

BASIC PRINCIPLES

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

BASEL 3 REGULATIONS AND THE INTERNAL PROJECT

With effect from 1 January 2014, the reforms of the accords by the Basel Committee ("Basel 3") were implemented in the EU legal framework. Their aim is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance, and strengthen banks' transparency and disclosures. In doing so, the Committee maintained the approach based on three Pillars, which was at the basis of the previous capital accord, known as "Basel 2", supplementing and strengthening it to increase the quantity and quality of intermediaries' available capital as well as introducing counter-cyclical regulatory instruments, provisions on liquidity risk management and financial leverage containment.
Therefore, the EU implemented "Basel 3" through two legislative acts:

- Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), which governs the prudential supervision requirements of Pillar 1 and public disclosure requirements (Pillar 3);
- Directive 2013/36/EU of 26 June 2013 (CRD IV), which, among other things, deals with the access to the activity of credit institutions, freedom of establishment, freedom to provide services, supervisory review process, and additional equity reserves.

EU legislation is complemented by the provisions issued by the Bank of Italy and referring to Circular no. 285 of 17 December 2013, which contains the prudential supervision regulations applicable to banks and Italian banking groups, reviewed and updated to adjust the internal regulations to the new elements of the international regulatory framework, with special reference to the new regulatory and institutional structure of banking supervision of the European Union and taking into account the needs detected while supervising banks and other intermediaries.

In order to comply with the new rules envisaged by Basel 3, the Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

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

With respect to credit risks, the Group received authorisation to use internal ratings-based approaches effective from the report as at 31 December 2008 on the Corporate portfolio for a scope extending to the Parent Company, network banks in the Banca dei Territori Division and the main Italian product companies.
Progressively, the scope of application has been gradually extended to include the SME Retail and Retail Mortgage portfolios, as well as other Italian and international Group companies, as shown in the following table.

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

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

With reference to the Parent Company Intesa Sanpaolo and to Banca IMI, the Bank of Italy granted the authorisation to use the internal counterparty risk model for regulatory purposes, starting from the first quarter of 2014.
The advanced measurement approach for counterparty risk is in the development phase for the Banks of the Banca dei Territori Division, with the aim of launching the validation process for regulatory purposes in 2015.

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

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

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

As mentioned, as part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) on a quarterly basis.

CREDIT RISK

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

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

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

Credit quality

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
The overall watch-list and non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. Constant monitoring of the quality of the loan portfolio is pursued through specific operating checks for all the phases of loan management, through the use of both IT procedures and systematic supervision of positions with the aim of detecting any symptoms of difficulty and promote corrective measures to prevent possible deterioration of credit risk.
Positions are detected and automatically entered in the credit management processes by way of daily and monthly checks, using objective risk indicators.
They allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and for credit risk control.
Within the Group, in accordance with pre-set rules, positions which are attributed a persistent high-risk rating are intercepted (manually or automatically) and classified to the following categories based on their risk profile, in accordance with the new regulatory provisions on credit quality: doubtful loans, exposures to borrowers in default or similar situations; unlikely to pay (new category of non-performing loans which substantially includes the repealed category of substandard loans). This category includes all on- and "off"-balance sheet exposures which the bank, based on its opinion, deems unlikely to be completely repaid by the borrower (principal and/or interest) without the implementation of actions such as enforcement of guarantees. This assessment is irrespective of the presence of any amounts (or instalments) due and unpaid.
The category of non-performing loans also includes past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy. Lastly, non-performing exposures also include the individual foreborne exposures which comply with the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority Implementing Technical Standards). The latter do not represent a separate category of non-performing assets, rather, they are an attribute of the above categories of non-performing assets.

(millions of euro)

	30.06.2015			31.12.2014			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	38,602	-24,347	14,255	38,210	-23,992	14,218	37
Unlikely to pay	23,721	-5,592	18,129	23,156	-5,311	17,845	284
Past due loans	1,433	-217	1,216	1,472	-219	1,253	-37
Non-performing loans	**63,756**	**-30,156**	**33,600**	**62,838**	**-29,522**	**33,316**	**284**
of which forborne	***10,366***	***-2,528***	***7,838***	***9,405***	***-2,215***	***7,190***	***648***
Performing loans	299,502	-2,380	297,122	294,235	-2,386	291,849	5,273
of which forborne	*9,243*	*-290*	*8,953*	*8,758*	*-229*	*8,529*	*424*
Performing loans represented by securities	13,775	-298	13,477	14,111	-274	13,837	-360
of which forborne	*131*	*-4*	*127*	*4*	*-*	*4*	*123*
Loans to customers	**377,033**	**-32,834**	**344,199**	**371,184**	**-32,182**	**339,002**	**5,197**

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

The table above shows, for the first six months of 2015, a slight increase (+0.9%) of non-performing loans net of adjustments compared to the end of the previous year.
With non-performing loans amounting to 9.8% of total loans to customers (unchanged compared to the end of the year), the Group maintained a rigorous provisioning policy suited to covering expected losses, also considering the collateral and guarantees. Specific coverage of non-performing loans came to 47.3%, similar to the level at the end of 2014 (47%).
In particular, as at 30 June 2015, doubtful loans, net of adjustments, reached 14.3 billion euro, substantially unchanged since the beginning of the year. The incidence on total loans was 4.1%, with a coverage ratio of 63.1%.

Loans included in the unlikely to pay category increased by 1.6% on 31 December 2014, amounting to 18.1 billion euro. These loans as a proportion of total loans to customers equalled 5.3% and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 23.6%, up slightly on the figure at the end of the prior year.

Past due loans totalled 1.2 billion euro, down 3% compared to the end of 2014. This type of non-performing loans accounted for 0.4% of the total. The coverage ratio came to 15.1%, compared with 14.9% as at the end of 2014.
Net foreborne non-performing positions amounted to 7.8 billion euro, with a coverage ratio of 24.4% and a weight of 2.3% (2.1% as at 31 December 2014).
Performing exposures increased, from 291.8 billion euro in the previous year to 297.1 billion euro. In this context, the cumulated collective adjustments on these loans totalled 0.8% of the gross exposure to customers, a value that is essentially in line with the figure recorded at the end of the previous year.
Forborne performing positions amounted to 9.1 billion euro, with a coverage ratio of 3.1%, and represent 2.6% of total loans to customers (2.5% at the end of 2014).

MARKET RISKS

TRADING BOOK

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

Other Group subsidiaries hold smaller trading portfolios with a marginal risk (approximately less than 1% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates, and foreign exchange rates relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
Effective from the report as at 30 September 2012, both banks have received authorisation from the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the Incremental Risk Charge into the calculation of the capital requirement for market risks.

Effective from June 2014, market risks are to be reported according to the internal model for capital requirements for the Parent Company's hedge fund portfolios (the full look-through approach).
The risk profiles validated are: (i) generic/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

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

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of this document, the period relevant to the measurement of stressed VaR had been set as 1 January to 31 December 2011 for Intesa Sanpaolo and at 1 July 2011 to 30 June 2012 for Banca IMI.

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

During the second quarter of 2015, the market risks generated by Intesa Sanpaolo and Banca IMI increased compared to the average values of the first quarter of 2015. The average VaR for the period totalled 85 million euro compared to 77 million euro as at 31 March 2015.

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

(millions of euro)

Var [(a)]	2015 average 2nd quarter	2015 minimum 2nd quarter	2015 maximum 2nd quarter	2015 average 1st quarter	2014 average 4th quarter	2014 average 3rd quarter	2014 average 2nd quarter	2014 average 1st quarter
Intesa Sanpaolo	13.8	7.0	18.3	12.1	8.2	9.3	9.6	9.4
Banca IMI	71.1	55.8	113.6	64.6	52.0	32.9	35.0	37.0
Total	**84.9**	**69.3**	**122.8**	**76.7**	**60.3**	**42.2**	**44.7**	**46.5**

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

(millions of euro)

Var [(a)]	2015 average 1st half	2015 minimum 1st half	2015 maximum 1st half	2014 average 1st half	2014 minimum 1st half	2014 maximum 1st half
Intesa Sanpaolo	12.9	6.0	18.5	9.5	7.9	12.0
Banca IMI	67.9	54.0	113.6	36.0	23.8	45.7
Total	**80.8**	**64.5**	**122.7**	**45.6**	**32.0**	**55.5**

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

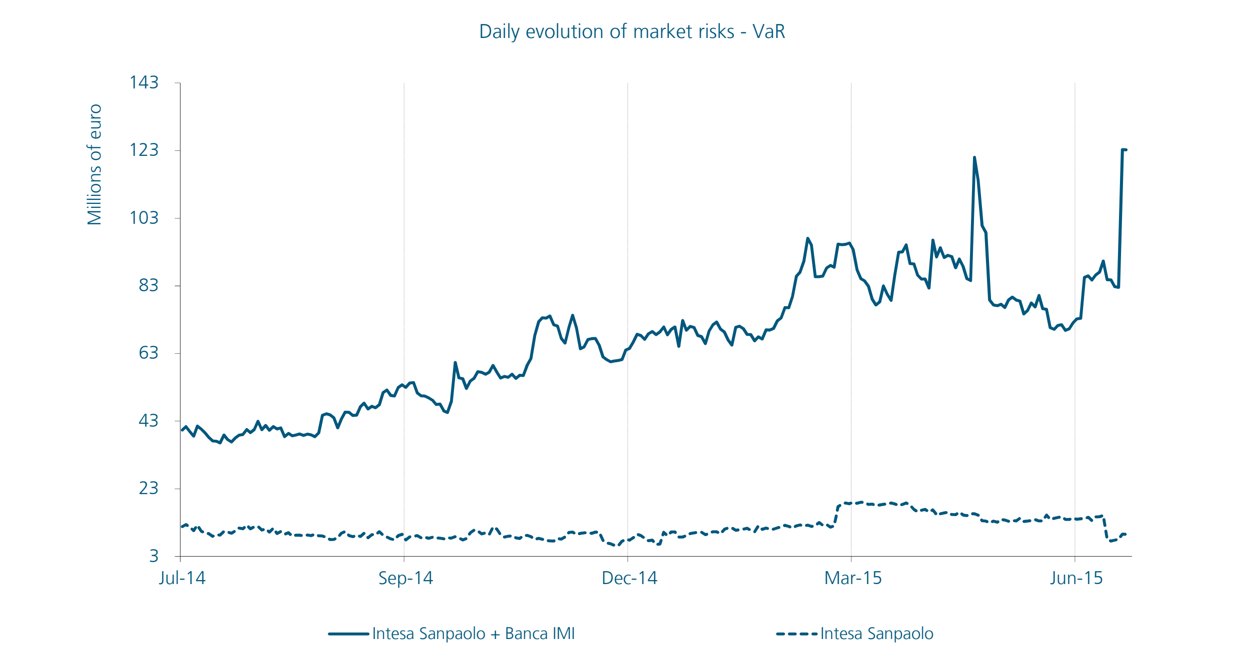
For Intesa Sanpaolo the breakdown of risk profile in the second quarter of 2015 with regard to the various factors shows the prevalence of the risk generated by equities, which accounted for 57% of total VaR; for Banca IMI credit spread risk was the most significant, representing 67% of total VaR.

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

2nd quarter 2015	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	57%	7%	8%	20%	7%	1%	0%
Banca IMI	3%	0%	23%	67%	1%	3%	3%
Total	**11%**	**1%**	**21%**	**60%**	**2%**	**3%**	**2%**

[(a)] Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the second quarter of 2015, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

The evolution of VaR in the last twelve months is set out below.
The first part of the first half of 2015 saw growth in risks as a result of the increase in Banca IMI's exposures in Italian and Spanish government bonds (taken within the limits approved by the Risk Appetite Framework 2015). In the following period, the risk measures showed peaks due to volatility on financial markets (specifically of government credit spreads) relating to the uncertainties linked to the Greek debt crisis. Specifically, at the beginning of May there was a sharp rise in VaR on Banca IMI, which flattened out in the following few days, mainly due to the rolling scenario and then to sales. In any event, in the period indicated, the Group's overall limit, amounting to 130 million euro, was never exceeded. The second increase in risk, occurring for Banca IMI at the end of the period analysed, was also recorded due to the same trends in volatility of variables in the Eurozone as a result of the Greek crisis. In relation to the latter event, though the changes in parameters were highly volatile, they were lower than the peaks recorded in the last sovereign crises in the Eurozone in the last few years. Therefore, also thanks to the appropriateness of the Group's VaR limit established for the trading book (including the AFS book only for Banca IMI), the risk measures and any mitigation actions in case the Group limit is neared shall be monitored during the third quarter of 2015.



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

– on stock market positions, a bearish scenario, that is a 5% decrease in stock prices with a simultaneous 10% increase in volatility would have led to a 16 million euro theoretical loss; the opposite scenario would have led to a 6 million euro theoretical gain;
– on interest rate exposures, a parallel +40 basis point shift in the yield curve would have led to a 143 million euro loss, whereas a bearish rates scenario would imply potential gains for 48 million euro;
– on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a theoretical 233 million euro loss;
– on foreign exchange exposures, an increase of the euro against the other currencies would have led to a theoretical loss of approximately 11 million euro;
– lastly, on commodity exposures, the risk profile shows a potential theoretical loss (-1 million euro) in the event of a 20% 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%	+40bp	lower rate	-25bp	+25bp	-10%	+10%	-20%	+20%
Total	-16	6	-143	48	231	-233	6	-11	6	-1

Backtesting

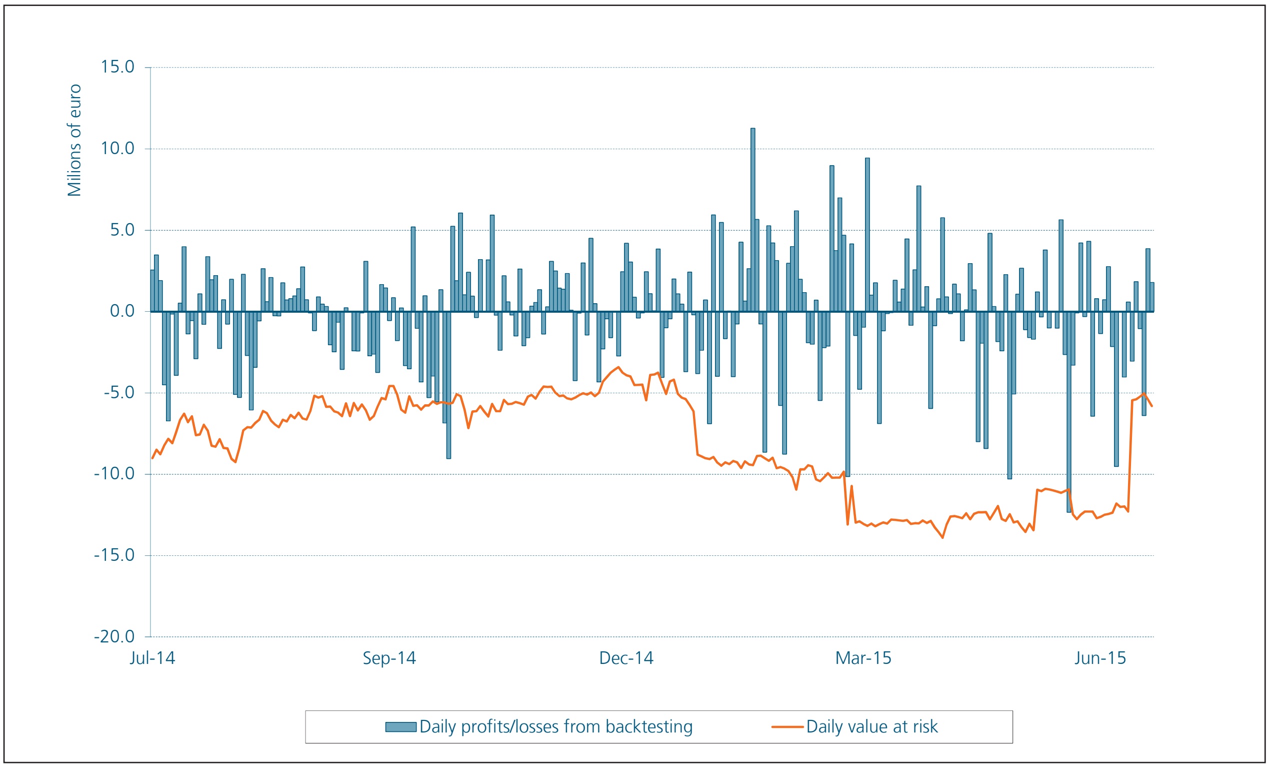
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

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

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

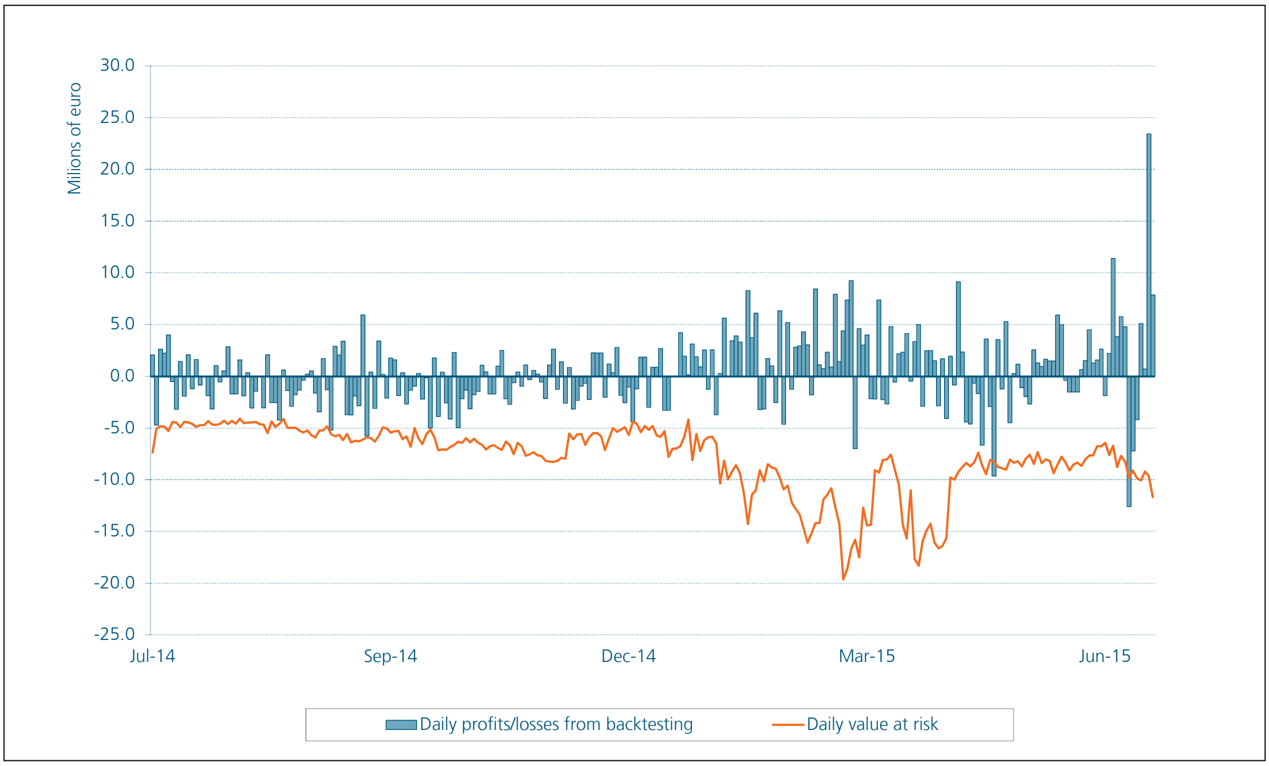
Backtesting in Intesa Sanpaolo

There were four backtesting exceptions during the last year. The exceptions can be attributed to the volatility of the credit markets following the ECB's announcements in mid-October (delay in QE) and, more recently, to the effects of the Greek debt crisis on the fixed-income markets.



Backtesting in Banca IMI

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



BANKING BOOK

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

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

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a specific asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets or liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Group is exposed to this risk from the date on which the rate is set and the interest payment date.
Another hedging method used is the cash flow hedge, which has the purpose of stabilising interest flow on both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges).
The Risk Management Head Office 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 2015, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 100 million euro settling at 148 million euro at the end of June, almost entirely concentrated on the euro currency; this figure compares with 190 million euro at the end of 2014.
Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 341 million euro at the end of June 2015 (217 million euro at the end of 2014).
Interest rate risk, measured in terms of VaR, averaged 18 million euro during the first six months of 2015 (11 million euro at the end of 2014), with a minimum value of 10 million euro and a maximum value of 45 million euro; the latter figure coincides with the value at the end of June. Price risk generated by minority stakes in listed companies, mostly held in the AFS (available for sale) category and measured in terms of VaR, recorded an average level of 38 million euro in the first six months of 2015 (30 million euro at the end of 2014), with a minimum value of 22 million euro and a maximum value of 52 million euro; these figures compare with a value of 38 million euro at the end of June.
Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows sensitivity to a 10% negative shock equal to 9 million euro at the end of June 2015.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).

The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.

In March 2015 the corporate bodies of Intesa Sanpaolo approved the update of the "Guidelines for Group Liquidity Risk Management", implementing the latest regulatory provisions issued through the so-called «Delegated Regulation» and by the Basel Committee (BCBS October 2014). These Guidelines illustrate the tasks of the various company functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

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

From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warning indicators used to activate emergency plans.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department, the Planning Head Office Department and the Active Value Management Department, responsible for liquidity management, and the Risk Management Head Office 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 the timing of which is certain or estimated to fall within a period of 12 months, in order to respond to periods of tension, including extended periods of tension, on the various funding sourcing markets, also by establishing adequate liquidity reserves in the form of liquid securities on private markets and securities eligible for refinancing with Central Banks. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Liquidity Coverage Ratio) respectively.

The cumulative projected wholesale imbalances indicator measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. The Liquidity Coverage Ratio (LCR) is aimed at strengthening the short-term liquidity risk profile, ensuring a detention of sufficient unencumbered high quality liquid assets (HQLA) that can be easily and immediately converted into cash in the private markets to satisfy the short-term liquidity requirements (30 days) in a liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio of: (i) the stock of HQLA to (ii) the total net cash outflows calculated according to the scenario parameters defined by the regulations. The Delegated Regulation implies a gradual introduction of the regulatory framework of LCR according to the following schedule: from 1 October 2015 to 31 December 2015 = 60%; from 1 January to 31 December 2016 = 70%; from 1 January to 31 December 2017 = 80%; from 1 January 2018 = 100%.

The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to adopt the structural requirement provided for by the regulatory provisions of Basel 3: Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. NSFR's regulatory requirement is still subject to a period of observation: the European Commission is required to present a legislative proposal that will come into force from 2018.

Within the Liquidity Policy it is also envisaged the time extension of the stress scenario for the LCR indicator, provided by the new regulatory framework, measuring, for up to 3 months, the effect of specific acute liquidity tensions (at bank level) combined with a widespread and general market crisis. The internal management guidelines also envisage an alert threshold (Stressed soft ratio) for the LCR indicator up to 3 months, with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions.

The Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Risk Management Head Office Department.

In the first six months of 2015, the Group's liquidity position remained within the risk limits provided for in the Group's Liquidity Policy: both the LCR and NSFR indicators were respected, as they reached a level well above the phased-in requirements. As at 30 June 2015, the eligible liquidity reserves for the Central Banks, without considering cash components, came to 110.2 billion

euro (109.7 billion euro at the end of March 2015), of which 58 billion euro, net of haircut, was unencumbered (57.8 billion euro at the end of March 2015).
Also the stress tests, when considering the high availability of liquidity reserves (liquid or eligible), yielded results in excess of the target threshold for the Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.
Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the main risk factors.

INFORMATION ON FINANCIAL PRODUCTS

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

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

General principles

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

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

The fair value of financial instruments is determined according to a hierarchy of criteria based on the origin, type and quality of the information used. In detail, this hierarchy assigns top priority to quoted prices (unadjusted) in active markets and less importance to unobservable inputs. Three different levels of input are identified:

- level 1: input represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the entity as at the measurement date;
- level 2: input other than quoted prices included in level 1 that are directly or indirectly observable for the assets or liabilities to be measured;
- level 3: unobservable input for the asset or liability.

The Group has set up guidelines overseeing the process of identification and control of the classification of measurement inputs, governing the hierarchical application of fair value levels and introducing high level principles to be used to govern input levels.
The document "Fair Value Hierarchy Rules" defines, with regard to the respective financial instrument pricing models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.
The rules are based on the verification of the degree of observability of inputs used in the measurement techniques, classifying financial instruments whose inputs are all observable on the market (ref. IFRS 13 par. 81-85) as Level 2.

As level 1 inputs are available for many financial assets and liabilities, some of which are traded in more than one active market, the company must pay particular attention to defining both of the following aspects:

- the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
- whether the company can complete a transaction involving the asset or liability at that price and in that market as at the measurement date.

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

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

The following are considered as level 1 financial instruments:

- contributed equities;
- contributed bonds (i.e. quoted on the EuroMTS circuit, or for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices);
- harmonised mutual funds contributed;
- spot exchange rates;
- derivatives for which quotations are available on an active market (for example, futures and exchange traded options).

Finally, level 1 instruments also include hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, and the check list, which is the summary document of significant information on underlying assets of the fund, does not highlight any critical points in terms of liquidity risk or counterparty risk.

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

When no quotation on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
Such techniques include:
- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2);
- valuations performed using – in whole or in part but primarily – inputs not identified from parameters observed on the market, for which estimates and assumptions made by the valuator are used (level 3).

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

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

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

The following are measured under the Mark-to-Model Approach:
- debt securities for which at least one significant input for the purposes of calculating fair value is not observable on the market;
- debt securities and complex credit derivatives (CDOs and some ABS) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- some loans, of a smaller amount, classified in the available-for-sale portfolio;
- derivative transactions relating to securitisations and equity-risk structured options;
- some OTC interest-rate derivatives relating to correlations between CMS (Constant Maturity Swap) rates;
- some commodities options;
- derivatives with counterparties in default;
- some derivatives for which the bCVA is calculated through the use of historical PD with a significant impact on the transaction's total fair value.

Regarding the valuation techniques used for financial instruments (securities, derivatives, structured products, hedge funds) classified within levels 2 and 3 of the fair value hierarchy, some changes were recorded compared to the description in the Annual Report 2014.

The list of active markets was revised, eliminating the Markit platform from said list. As result, in terms of fair value level, all the instruments measured are reclassified through the Markit proxy. With regard to the attribution of fair value hierarchy levels, it is also underlined that, for the hedge funds managed through the Managed Account Fund (MAF) platform, the platform's characteristics make it possible to perform an analysis of the financial instruments underlying the funds and to assign the fair value hierarchy level based on the prevalence, in terms of percentage of NAV, of the weight of assets priced according to the various levels.

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

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

In particular, in valuing the derivative contracts, the Group considers the (own and counterparty) non-performance risk which is calculated through the bilateral Credit Value Adjustment method. Valuation of the "credit risk free" component of OTC derivatives determines the initial choice of the level of the fair value hierarchy, according to the level of observability of market parameters. Calculation of the component linked to the insolvency risk of the counterparty/issuer, with unobservable parameters such as historical PD, may involve reclassification to level 3 of the fair value hierarchy.

Fair value hierarchy

Assets and liabilities measures at fair value on a recurring basis: fair value by level

(millions of euro)

Assets / liabilities at fair value	30.06.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	17,687	33,352	957	14,433	38,055	1,253
2. Financial assets designated at fair value through profit or loss	47,613	1,315	479	41,579	1,806	478
3. Financial assets available for sale	124,880	5,323	5,235	114,081	5,032	5,063
4. Hedging derivatives	-	8,461	14	-	9,206	4
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**190,180**	**48,451**	**6,685**	**170,093**	**54,099**	**6,798**
1. Financial liabilities held for trading	4,927	38,024	270	4,189	41,919	273
2. Financial liabilities designated at fair value through profit or loss	-	43,451	-	-	37,622	-
3. Hedging derivatives	-	8,416	6	-	10,291	9
Total	**4,927**	**89,891**	**276**	**4,189**	**89,832**	**282**

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

In addition to the transfers relating to financial assets and liabilities measured at level 3 as detailed above, note that the following transfers were made during the first half of 2015:
- from level 1 to level 2:
  financial assets held for trading for 181 million euro (book value as at 30 June 2015);
  financial assets available for sale for 128 million euro (book value as at 30 June 2015);
  financial liabilities held for trading for 90 million euro (book value as at 30 June 2015).
- from level 2 to level 1:
  financial assets held for trading for 498 million euro (book value as at 30 June 2015);
  financial assets designated at fair value through profit and loss for 46 million euro (book value as at 30 June 2015);
  financial assets available for sale for 39 million euro (book value as at 30 June 2015);
  financial liabilities held for trading for 158 million euro (book value as at 30 June 2015).

Transfers between fair value levels derive from the empirical observation of phenomena inherent in the instrument in question or its market.
The transfer from level 1 to level 2 is due to the fact that an adequate number of contributors no longer being present, namely to the limited number of investors holding the existing float. These cases often occur when approaching maturity of the instruments.

Conversely, securities that have limited liquidity and number of negotiations upon issue – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

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

Half-yearly changes in assets designated at fair value on a recurring basis (level 3)

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
1. Initial amount	**1,253**	**478**	**5,063**	**4**	**-**	**-**
2. Increases	**751**	**83**	**808**	**14**	**-**	**-**
2.1 Purchases	512	-	333	-	-	-
2.2 Gains recognised in:	64	-	174	-	-	-
2.2.1 Income statement	*64*	-	*64*	-	-	-
- of which capital gains	*43*	-	*1*	-	-	-
2.2.2 Shareholders' equity	*X*	*X*	*110*	-	-	-
2.3 Transfers from other levels	160	61	145	14	-	-
2.4 Other increases	15	22	156	-	-	-
3. Decreases	**-1,047**	**-82**	**-636**	**-4**	**-**	**-**
3.1 Sales	-469	-61	-208	-	-	-
3.2 Reimbursements	-36	-	-131	-	-	-
3.3 Losses recognized in:	-165	-5	-52	-4	-	-
3.3.1 Income statement	*-165*	*-5*	*-24*	*-4*	-	-
- of which capital losses	*-110*	*-5*	*-24*	*-4*	-	-
3.3.2 Shareholders' equity	*X*	*X*	*-28*	-	-	-
3.4 Transfers to other levels	-339	-	-45	-	-	-
3.5 Other decreases	-38	-16	-200	-	-	-
4. Final amount	**957**	**479**	**5,235**	**14**	**-**	**-**

Half-yearly changes in liabilities designated at fair value on a recurring basis (level 3)

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Hedging derivatives
1. Initial amount	**273**	**-**	**9**
2. Increases	**87**	**-**	**2**
2.1 Issues	12	-	-
2.2 Losses recognised in:	21	-	-
2.2.1 Income statement	*21*	-	-
- of which capital losses	*21*	-	-
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Transfers from other levels	52	-	2
2.4 Other increases	2	-	-
3. Decreases	**-90**	**-**	**-5**
3.1 Reimbursements	-16	-	-
3.2 Repurchases	-38	-	-
3.3 Gains recognised in:	-31	-	-5
3.3.1 Income statement	*-31*	-	*-5*
- of which capital gains	*-4*	-	*-5*
3.3.2 Shareholders' equity	*X*	*X*	-
3.4 Transfers to other levels	-5	-	-
3.5 Other decreases	-	-	-
4. Final amount	**270**	**-**	**6**

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

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

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2015		31.12.2014	
	Book value	Fair value	Book value	Fair value
1. Investments held to maturity	1,426	1,467	1,471	1,519
2. Due from banks	31,147	31,252	31,611	31,558
3. Loans to customers	344,199	355,255	339,002	351,407
4. Investment property	279	298	330	405
5. Non-current assets held for sale and discontinued operations	27	33	29	26
Total	**377,078**	**388,305**	**372,443**	**384,915**
1. Due to banks	62,493	62,016	51,959	51,926
2. Due to customers	242,222	242,728	230,917	231,457
3. Securities issued	116,632	117,729	123,768	126,036
4. Liabilities associated with non-current assets	-	-	-	-
Totale	**421,347**	**422,473**	**406,644**	**409,419**

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 lists the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value.

(thousands of Euro)

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
Held for trading and available for sale securities	Credit spread	-96	1 bp
Held for trading and available for sale securities	Correlation	79	1%
Held for trading and available for sale securities	CPR	-101	-1%
Held for trading and available for sale securities	Recovery rate	-239	-1%
OTC Derivatives - Equity	Historical volatility for the underlying Euro Class S.p.a.	-679	10%
OTC Derivatives - Interest rate	Correlation for spread options between swap rates	-1,187	0.10
OTC Derivatives - Inflation linked	Correlations between interest rates, inflation rates and credit spreads	-233	0.10
OTC Derivatives - Credit default swap	Credit default swap spread curve	-51	10 bp
OTC Derivatives - Equity	Correlation between underlying equity baskets	-248	0.10

The sensitivity analysis performed on level 3 structured credit products highlights a negative change in fair value, referring to complex credit derivatives, for an amount not material[4] when the following parameters change:
- risk-neutral probability of default derived from market spreads (10%);
- recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
- correlation between the value of collateral present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
- expected residual duration of the contracts (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, which are taken to the income statement when the financial instrument is initially measured.

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

This difference shall be recognised in the income statement only when it arises from changes of the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and

[4] This amount is shown net of the adjustments to valuations relating to the main input parameters which were already considered to determine the fair value of financial instruments (see previous paragraph "Fair value measurement of financial assets and liabilities").

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 DOP amount trend deferred in the balance sheet, indicating the portion taken to the income statement.

(millions of euro)

1. Initial amount	**10**
2. Increases	**-**
2.1 New transactions	-
3. Decreases	**-9**
3.1 Releases to the income statement	-9
4. Final amount	**1**

STRUCTURED CREDIT PRODUCTS

The risk exposure to structured credit products reached 3,024 million euro as at 30 June 2015 with respect to funded and unfunded ABS/CDOs, compared to 2,492 million euro as at 31 December 2014, in addition to an exposure of 11 million euro with respect to structured packages, which compares with the 21 million euro observed as at 31 December 2014.
The rise in the exposure to funded and unfunded ABS/CDOs classified in the trading portfolio (from 1,821 million euro in December 2014 to 2,426 million euro in June 2015) is largely attributable to higher investments in ABS by the subsidiary Banca IMI, part of which was classified to the available-for-sale portfolio, to European ABS/CDOs acquired by the Parent Company. Banca IMI's investments mainly consist of securities with underlying residential mortgages and CLOs with mainly AA ratings. The Parent Company invested in European RMBS with mainly Aaa ratings.
With regard to the exposure represented by securities classified under the loan portfolio, on the other hand, another decrease was recorded (from 671 million euro in December 2014 to 598 million euro in June 2015), mostly attributable to sales that concerned the portfolio of the Parent Company.

From an income statement perspective, structured credit products generated a loss of 1 million euro as at 30 June 2015 compared to the 40 million euro income recorded at the end of 2014.
The exposure to funded and unfunded ABS/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of 5 million euro. The profit on this segment was a result of the effects of:
– European and US funded ABS/CDOs (+3 million euro), comprising 2 million euro attributable to the Parent Company and 1 million euro attributable to the subsidiary Banca IMI. The impact was the result of the profits realised on the partial disposal of the trading book (8 million euro) and of the write-downs of outstanding positions (-5 million euro);
– unfunded Multisector CDO positions for 2 million euro;

As regards the exposure to funded and unfunded ABS/CDOs, it should be noted that the securities classified by the subsidiary Banca IMI to the available-for-sale portfolio recorded a decrease in fair value of 1 million euro, accounted for in the specific shareholders' equity reserve.
The securities reclassified to the loan portfolio had a negative impact of 2 million euro on the income statement as at 30 June 2015. This result is due exclusively to impairment losses on a number of securities included in the portfolio.
The "Monoline risk" and "Non-monoline packages" made a negative contribution of 4 million euro to "Profits (Losses) on trading – caption 80" as at 30 June 2015, compared with the 1 million euro loss recorded as at 31 December 2014. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPES)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds (CB), developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above.
For consolidation purposes, note that the implementation of the new IFRS 10 standard caused the deconsolidation of insurance SPEs (UCI underlying insurance policies), the risk of which is borne by the insured parties rather than by the Group company.
No amendments to the criteria are reported for the other SPE categories compared to the information already provided in the 2014 financial statements.

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

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

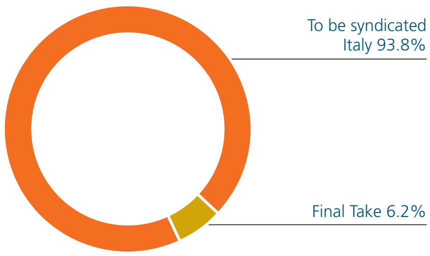
Moreover, the securitisation transaction was finalised in February through the fully owned vehicle Intesa Sanpaolo Securitisation Vehicle S.r.l.. Three series of securities were issued, each with senior and junior class, in Euro for 241.5 million, in CHF for 57.3 million and in HUF for 17.1 billion,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

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

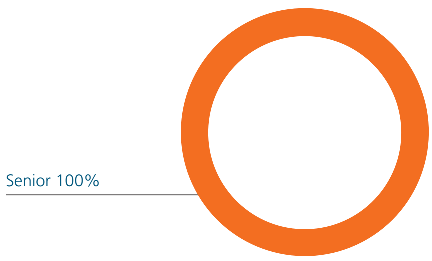
LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's shares/quotas, 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 2015, 108 transactions for a total amount granted of 2,940 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.

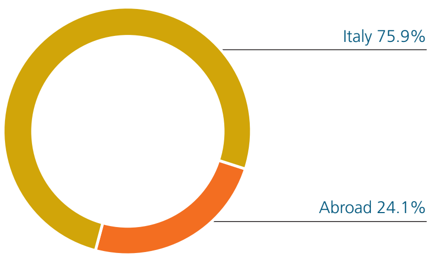
Breakdown by type of risk



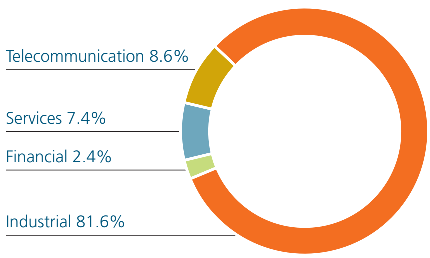
Breakdown by subordination level



Breakdown by geographical area



Breakdown by economic sector



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 30 June 2015 totalled 819 million euro, compared to 733 million euro recorded in December 2014. The analysis of changes in the portfolio showed a positive impact substantially linked to the depreciation of the euro on the dollar, which affected the value of the positions denominated in that currency.
As at the same date, the overall result of the investments in this segment was positive for 51 million euro, compared to 16 million euro of the "Profits (Losses) on trading – caption 80" in the first half of 2014.
Net profits of 51 million euro, recognised as at 30 June 2015 are almost fully attributable to the positive valuation of the outstanding portfolio (46 million euro) and to a minimum extent (4 million euro) to profits on trading of positions and (1 million euro) on foreign exchange transactions, deriving from the sharp appreciation of the US dollar against the euro, even with a breakeven position in foreign currency.
Net capital gains on the final residual amount (46 million euro) were spread across 25 positions, 19 of which with capital gains (54 million euro) and 6 with capital losses (8 million euro).

The portfolio continued to show good performance also in the second quarter of 2015, both in absolute terms and in relation to hedge fund indices. No significant changes were made to strategic asset allocation.
The majority of the performance in the second quarter of 2015 derives from funds operating on the Chinese equity market and funds benefiting from M&A operations in the USA, carried out by companies operating in the media and healthcare industries. With a view to prudence, activities were implemented for the sale of part of the portfolio as well as hedging, pending a reduction in volatility and clarification of market trends.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 June 2015, the Intesa Sanpaolo Group presented, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), a positive fair value, not having applied netting agreements, of 7,574 million euro (8,731 million euro as at 31 December 2014). The notional value of such derivatives totalled 45,800 million euro (49,251 million euro as at 31 December 2014). Of these, notional value of plain vanilla contracts was 41,713 million euro (44,543 million euro as at 31 December 2014), and of structured contracts was 4,087 million euro (4,708 million euro as at 31 December 2014).
Please note that the positive fair value of structured contracts outstanding with the 10 customers with the highest exposures was 521 million euro (558 million euro as at 31 December 2014). The same indicator, referred to the total contracts with a positive fair value, was 5,008 million euro.
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,734 million euro as at 30 June 2015 (1,306 million as at 31 December 2014).
The notional value of such derivatives totalled 20,804 million euro (17,000 million euro as at 31 December 2014). Of these, notional value of plain vanilla contracts was 18,557 million euro (15,150 million euro as at 31 December 2014), and of structured contracts was 2,247 million euro (1,850 million euro as at 31 December 2014).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 30 June 2015, this led to a positive effect of 92 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 RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual or out-of-contract liability or other disputes; ICT (Information and Communication Technology) risk and model risk. Strategic and reputational risks are not included.

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

With regard to operational risk, on 31 December 2009 the Group adopted the Advanced Measurement Approach (AMA - internal model), in partial use with the standardised (TSA) and basic approaches (BIA) to determine the associated capital requirement for regulatory purposes. The AMA approach was adopted by the main banks and companies in the Banca dei Territori, Corporate and Investment Banking, Private Banking and Asset Management Divisions, by the Intesa Sanpaolo Group Services consortium and by VUB Banka (including Consumer Financial Holding and VUB Leasing) and PBZ Banka.
The remaining companies, currently using the Standardised approach, will migrate progressively to the Advanced approach, based on the roll-out plan presented to the Management and Supervisory Authorities.

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

The Group has a centralised function within the 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 the prevailing regulations, the individual Organisational Units are responsible for the identification, assessment, management and mitigation of risk. Specific functions have been identified within these Organisational Units responsible for the Operational Risk Management processes of their unit (collection and structured census of information relating to operational events, scenario analyses and assessment of the level of risk associated with the business environment).

The Integrated Self- diagnosis process, conducted on an annual basis, allows the Group to:
- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
- create significant synergies with the other functions with control duties of the Personnel and Organisation Department that supervise the planning of operational processes and business continuity issues, with the Administrative and Financial Governance and with control functions (Compliance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-diagnosis process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (Self-diagnosis).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the Head Office Department and managed by a dedicated IT system) and external events (by the Operational Riskdata eXchange Association).
The qualitative component (Scenario analysis) 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 (Business Environment AssessmentEvaluation), to take account of the effectiveness of controls in the various organizational units.

Operational risks are monitored by an integrated reporting system, which provides Management with support information for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was 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 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 2013, in order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to applicable regulations the Group subscribed an insurance coverage policy named Operational Risk Insurance Programme, which offers additional coverage to

traditional policies, significantly increasing the limit of liability, transferring the risk of significant operational losses to the insurance market. The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013, with immediate effect of its benefits on operations and on the capital requirements.
To determine its capital requirements, the Group employs a combination of the approaches allowed under applicable regulations. The capital absorption resulting from this process amounts to 1,630 million euro as at 30 June 2015, slightly down compared to 31 December 2014 (1,693 million euro) due to the periodic update to the databases on external events and insurance coverage "eligible" for capital purposes.

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

Tax litigation
With regard to pending tax litigation and the related risks and provisions, detailed information is provided in the Notes to the 2014 consolidated financial statements.
The Milan Guardia di Finanza tax verification regarding Intesa Sanpaolo, which began in November 2013, was concluded in February, with the notification of a report of findings containing claims for higher taxes totalling 107.2 million, in addition to 14.8 million for interest and penalties.
This dispute initially moved forward with the notification of verification notices in June concerning VAT for 2007 and 2008, regarding the attribution of autonomous relevance to the control and supervisory activity, implicit in the service of custodian bank. The administrative settlement of the dispute is under way, in line with the recent decision of the Italian Revenue Agency, which limited the portion referred to the remuneration of said activity to 28.3%. To that end, a total of 5.1 million is due for taxes and interest, without the application of the related sanctions, due to the recognition of the objective uncertainty concerning the reference regulations.
The second, partial follow up on said verification regards the notification of a verification notice for the alleged failure to apply withholdings for 2008 on interest relating to short-term deposits on the US market, containing a claim for 92.6 million euro, including interest and penalties. That verification notice will be contested, as it is deemed illegitimate, along with the remaining findings contained in that report on findings.
Another new position, which relates to a claim for a total of 31.5 million euro for taxes, penalties and interest, relates to the recovery of registration tax on contributions and subsequent sales of shares, relating to a transaction carried out with State Street concerning the securities services business, which was previously challenged in terms of reclassification as a mere transfer of a business unit, and is now being challenged in terms of its related valuation.
Lastly, an important agreement was reached with the Italian Revenue Agency, on the complete settlement of all claims relating to the fiscal consolidation tax return for 2005, which was reached following the sharp reduction of the related total tax claims for taxes and penalties, from the original 331.7 million euro to 5.8 million euro.
The most significant dispute in terms of quantity included in that settlement, which amounts to 326 million euro, relates to the sale without recourse of loans to Castello Finance Srl, which was challenged in terms of the alleged non-deductibility for tax purposes of losses on loans, based on the argument of the absence of "certain and exact" elements required by the case law of the Court of Cassation. The Revenue Agency has now completely abandoned that claim, as in the case in question all the conditions set out in Circular no. 26/E of 1 August 2013 apply for the recognition of the deductibility of losses.
As regards other Group companies, on 21 May 2014, the Tax Police Squad of the Milan Guardia di Finanza initiated a verification of direct taxes on the subsidiary Eurizon Capital S.A. – Luxembourg, for the tax periods from 2004 to 2013, based on the allegation (presumed according to the documentation acquired during the access phase of Eurizon Capital SGR on 11 December 2012) that the Luxembourg company may be considered as resident for tax purposes in Italy pursuant to Article 73, paragraph 3 of the Combined Tax Regulations. On conclusion of the verification, on 10 February 2015, the auditors thus notified a report on findings to Eurizon Capital S.A. regarding the company's alleged tax residence in Italy, due to the presence in Italy of its administrative offices and main purpose, and the failure to declare income of approximately 731 million euro for IRES purposes. On 23 June 2015, the subsidiary then received a formal notification of the related verification notices (issued by the Milan Provincial Department of the Italian Revenue Agency) for the tax periods 2004 to 2008, for a total amount of 122 million euro of IRES tax due, plus interest and penalties.
Based on assessments by the advisors appointed by the Luxembourg company, which the Parent Company's Tax Service agrees with, the subsidiary considers the findings put forth by the auditors to be unfounded. In this regard, it is important to note that Eurizon Capital SA:
- has operated in Luxembourg since 1988 with a structure comprising over 50 highly qualified employees, who therefore posses suitable skills to autonomously carry out the business functions of the company;
- is subject to supervision by the Luxembourg regulatory authorities, as this is provided for on-site at its administrative headquarters;
- has always acted in full compliance with national tax regulations and the treaty against double taxation between Italy and Luxembourg.

The activities carried out in Italy by Eurizon Capital in relation to Eurizon Capital SA, on the other hand, have always been limited to the exercise of management and coordination pursuant to civil regulations and the fulfilment of obligations required by the national supervisory authorities.
Currently, contacts are ongoing with the Italian Revenue Agency to demonstrate, in a pre-trial phase, the appropriateness of the subsidiary's conduct.

A last report regards Intesa Sanpaolo Group Service and, specifically, the positive settlement - on 21 May 2015 - of the verification with acceptance pursuant to Article 6 of Legislative Decree 218/1997 on the verification notices for IRES, IRAP and VAT, for which comprehensive disclosure was provided in the Annual Report 2014.

INSURANCE RISKS

Life business

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

Non-life business

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

Financial risks

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

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life and Fideuram Vita) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
As at 30 June 2015, the investment portfolios of Group companies, recorded at book value, amounted to 126,281 million euro. Of these, a part amounting to 77,848 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 48,433 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and free capital.
In terms of breakdown by asset class, net of derivative financial instruments, 90.1% of assets, i.e. approximately 70,263 million euro, were bonds, whereas assets subject to equity risk represented 2.1% of the total and amounted to 1,654 million euro. The remainder (6,056 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (7.8%).
The carrying value of derivatives came to approximately -125 million euro, almost entirely relating to effective management derivatives.[5]. The hedging derivatives amounted to a total of approximately 6 million euro.

At the end of the first six months of 2015, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,441 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 73 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 6.1 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.7 years. The related portfolios of assets have a modified duration of around 5.6 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 3,996 million euro. Based on this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 30 million euro rise which partly offsets the corresponding loss on the bonds.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 5.4% of total investments and A bonds approximately 4.6%. Low investment grade securities (BBB) were approximately 87.2% of the total and the portion of speculative grade or unrated was minimal (approximately 2.8%).
A considerable portion of the BBB area is made up of securities issued by the Italian Republic.
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks approximately made up 78.2% of the total investments, while financial companies (mostly banks) contributed almost 14.2% of exposure and industrial securities made up approximately 7.6%.

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

At the end of the second quarter of 2015, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 4,110 million euro, with 3,384 million euro due to government issuers and 726 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 30 June 2015 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	1,486,372,075	9.380%
Blackrock Inc [(1)]	775,978,889	4.897%
Fondazione Cariplo	767,029,267	4.840%
Fondazione C.R. di Padova e Rovigo	531,264,450	3.353%
Ente C.R. Firenze	514,655,221	3.248%
Norges Bank [(2)]	331,386,184	2.091%
People's Bank of China	317,642,846	2.005%

[(1)] Fund management.

[(2)] Also on behalf of the Government of Norway.

Transactions with related parties

1. Procedural features

As of 31 December 2012, the Group has applied the "Group procedures regulating the conduct of transactions with Intesa Sanpaolo S.p.A. related parties and Group associated entities", approved in June 2012 by the Management Board and Supervisory Board, upon favourable opinion by the Control Committee.

These Regulations take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, as well as the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008.

The Regulations apply to the entire Intesa Sanpaolo Group and govern the deals with Related Parties of Intesa Sanpaolo and Associated Entities of the Intesa Sanpaolo Group with respect to the following aspects:

– the criteria for identifying Related Parties and Associated Entities;
– the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
– market disclosure for transactions with Related Parties;
– the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to Associated Entities;
– the rules governing organisational controls and safeguards;
– the general rules for disclosure and abstention for the management of the personal interests by board members and general managers, employees and company staff, including other than Associated Entities.

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

The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each significant intermediary monitored with regulatory capital greater than 2% of the consolidated shareholders' equity. The following are considered to be associated entities for each monitored significant bank or intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) board members and general managers and their relative close family members up the second degree and significant subsidiary entities.

As a form of self-regulation, the Bank has extended the regulations in terms of transactions with related parties, as well as those on activities involving risk and conflicts of interest with respect to Associated Entities, to shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital of over 2%, calculated only 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 Committee for Transactions with Related Parties, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Regulations – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Management Board upon recommendation by the Committee for Transactions with Related Parties, and, for strategic transactions, authorisation of the Supervisory Board is also required.
The Regulations envisage specific controls in cases where the Management Board approves a more or less significant transaction and the Supervisory Board authorises a strategic transaction, despite the negative opinion of the independent Committee.
Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.
The Regulations also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Bank funding transactions carried out at market or standard conditions and intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and do not present market or standard conditions). For ordinary intragroup transactions at market conditions, reporting is on an aggregate annual basis.
Lastly, each Italian subsidiary bank, as direct recipient of the Bank of Italy's supervisory regulations, in addition to having adopted the "Group regulations on the management of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", has adopted an additional set of specific rules and procedures.
Transactions undertaken by Italian subsidiary banks with Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.
For the sake of completeness, note that the Italian banks of the Intesa Sanpaolo Group are required to apply Article 136 of the Consolidated Law on Banking, The version of this regulation in force since 27 June 2015, following the amendment introduced by Legislative Decree no. 74 of 12 May 2015, requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank officers to contract obligations, directly or indirectly, with the bank of which they act as officers.
In Intesa Sanpaolo - even regarding Related Parties or Associated Entities - the operation requires a prior resolution adopted unanimously by the Management Board, excluding the vote of the interested member, with the unanimous approval of the members of the Supervisory Board. Without the approval of all the members of the control body, it is strictly prohibited for the transaction in question to go ahead.
Furthermore, the requirements envisaged by the Italian Civil Code (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.
Article 2391, paragraph 1 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director holds an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per Article 2391 of the Italian Civil Code.
In addition, the version of Article 53 of the Consolidated Law on Banking in force since 27 June 2015, following the amendment introduced by Legislative Decree no. 74/2015, requires banks' shareholders and directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

2. Information on balances with related parties

Receivable and payable balances with related parties as at 30 June 2015 within the consolidated accounts – other than those intragroup – amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.

	30.06.2015	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	2,905	0.5
Total other assets	17	0.1
Total financial liabilities	1,261	0.3
Total other liabilities	430	0.2

Equity investments in companies subject to significant influence or joint control (carried at equity), amounting to 1,756 million euro, are to be added to the foregoing balance sheet aggregates.

	30.06.2015	
	Amount (millions of euro)	**Impact** (%)
Total interest income	58	0.8
Total interest expense	2	0.1
Total fee and commission income	36	0.8
Total fee and commission expense	5	0.6
Total operating costs	69	1.6

In the first half of the year, the net provisions or losses on non-performing loans for the existing balances with related parties were of insignificant amounts.

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of operations with fully consolidated entities, with the category of Significant Shareholders of Intesa Sanpaolo 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 show the impact of related party transactions on the Group's cash flows, as this was not significant.

For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate columns by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments totalling 2.5 billion euro.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees and committments given	Guarantees and committments received
Subsidiaries not consolidated on a line-by-line basis	-	-	-	-	9	2	-	72	-	3	7	-
Companies subject to joint control and their subsidiaries	18	-	-	-	327	3	1	329	-	1	107	286
Associates and their subsidiaries	329	-	198	-	2,008	7	6	289	41	60	3,243	556
Managers, Key Managers and their related parties	-	-	-	-	13	1	-	15	-	1	2	17
Pension funds	-	-	-	-	1	3	-	237	-	365	1	-
Total	**347**	**-**	**198**	**-**	**2,358**	**16**	**7**	**942**	**41**	**430**	**3,360**	**859**
Shareholders (*)	-	-	-	-	2	1	-	271	-	-	87	3

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

For the sake of completeness, the Group's most significant associates – and the companies controlled by them – included under related parties in accordance with the version of IAS 24 in effect are: Bank of Quingdao Co. Ltd., Autostrade Lombarde S.p.A., Penghua Fund Management Co. Ltd., A4 Holding S.p.A., Cassa di Risparmio di Fermo S.p.A., Autostrada Pedemontana Lombarda S.p.A., Coinv S.p.A., LKS 2 S.a., GCL Holdings L.P. S.a.r.l., Iren S.p.A., Termomeccanica S.p.A. and Mater-BI S.p.A.. The main companies subject to joint control (joint venture) include Re Consult Infrastrutture S.p.A., Tangenziali Esterne di Milano S.p.A., Mir Capital Sca Sicar and Allfunds Bank SA..

3. Information on transactions with related parties

More significant transactions

During the first half of 2015 the Group did not carry out any transactions that qualified as non-ordinary “more significant transactions” and/or at non-market or non-standard conditions that would have resulted – in accordance with the Group Regulations on the management of transactions with related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group – in an obligation to publish a market disclosure document.

Other significant transactions

The transactions entered into with related parties in the first half of 2015 fall within the scope of the Group’s ordinary activities and are generally entered into at market conditions, based on valuations of mutual economic interest, in line with the internal procedures mentioned above.
The most notable less significant transactions concluded during the first half of 2015 by the Parent Company or subsidiaries with related parties are reported below.
Transactions with fully consolidated intragroup related parties are not included in this report since they are netted at consolidated level.
Relations between the Intesa Sanpaolo Group, Bank Managers, their close family members and entities controlled by them refer to the Group’s normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations.

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

In February 2015 the incorporation of a newco Equiter S.p.A., was also finalised. This company specialises in venture capital investments in the utilities, infrastructure and environment sectors, and is 50.52%-owned by Oldequiter S.p.A. (previously named Equiter) and the remaining 49.48%-owned by Compagnia di San Paolo. The establishment of a partnership operating in the "Mission Related Investments (MRI)" sector aligns with the growing interest of banking foundations in MRI as part of a gradual decreasing of the traditional disbursement of “grants” in favour of a logic of "financial sustainability" of the projects selected. In April, Oldequiter contributed a business line comprised of shares held in IREN, Sagat, Enerpoint Energy S.r.l. and the units held in the funds PPP Italia and Henderson PFI Secondary Fund LP. The set of assets contributed by Compagnia di San Paolo for the share capital increase of Equiter was composed of units held in the funds F2i, Fondo Centro Impresa, Fondo di Promozione del Capitale di Rischio per il Mezzogiorno, Fondo PPP Italia, Fondo Arcadia Small Ca and Fondo Innogest Capital II.
It is also noted that Ente Cassa di Risparmio di Firenze exercised the put option held in relation to Banca CR Firenze, based on a consulting agreement and put option signed with the Parent Company in May 2014. This agreement granted the Ente a put option on the equity investment of 10.26% of the capital of Cassa di Risparmio di Firenze, with an exercise price of 182.5 million euro.

With regard to the Group's most significant relationships with entities under joint control and associates and their subsidiaries, during the period loans and renewals were granted to Termomeccanica S.p.A., Tm.e. S.p.A., Termomeccanica Ecologia, Manucor, Alitalia-Società Aerea Italiana S.p.A., Re Consult Infrastrutture, Euromilano S.p.A., Tangenziale Esterna S.p.A., Serenissima Partecipazioni S.p.A., Jm Investments S.p.A., Allfunds Bank S.a., LimaCorporate S.p.A., Pirelli e C. S.p.A., Italconsult S.p.A., Re.Consult Infrastrutture, Società di Progetto Autostrada Diretta Brescia Milano and other minor companies, transactions whose interest rates were in line with market rates. With regard to the extension of the loans granted to Autostrada Pedemontana Lombarda, the bodies of Intesa Sanpaolo resolved, through the special decision-making procedure described above, and having assessed the company's financial situation, to maintain the economic conditions in force, even though they are no longer in line with market conditions. In greater detail regarding loans, for the investee Pirelli & C., Intesa Sanpaolo has been requested to participate (for 35%) in relation to the corporate transaction for the launch of a takeover bid by the Chinese group Chem China on Pirelli & C. S.p.A., in granting ordinary credit facilities at market conditions, with the Group providing an amount of approximately 2.4 billion euro.

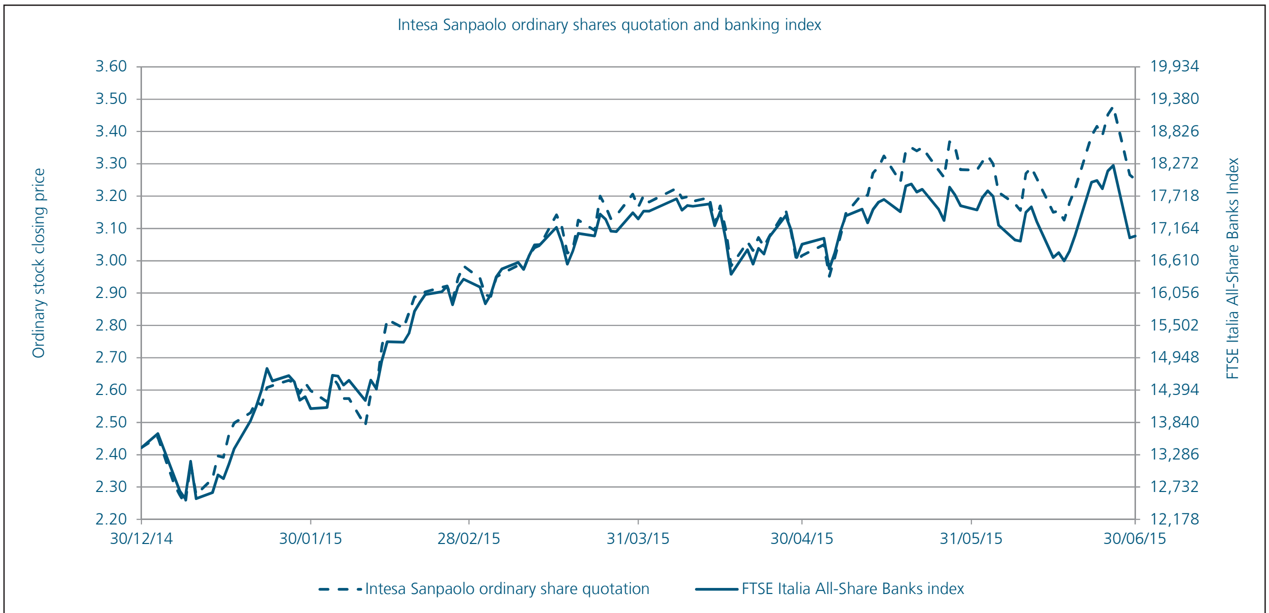
Analysing the situation of Telco S.p.A., it is noted that following its partial demerger, effective 18 June 2015, Telco IS S.r.l., a company 100%-owned by Intesa Sanpaolo S.p.A. was incorporated. This newco was assigned the portion of shareholders' equity of the demerged company Telco S.p.A., comprised of the Telecom Italia shares held (equal to 1.64% of its ordinary share capital) and the debt of approximately 188 million euro deriving from the shareholders' loan to Telco by the shareholder Intesa Sanpaolo.
On 19 June, Telco IS sold Intesa Sanpaolo the shares of Telecom Italia it owned for a total value of 255 million euro. This amount, not yet settled, will be subsequently offset with the shareholders' loan of Telco IS to the Parent Company, and definitively settled in the subsequent merger of the vehicle into Intesa Sanpaolo.
For the purpose of completeness, it is noted that considering the partial demerger of Telco and the resulting termination of the shareholders' agreement, the conditions no longer apply for considering Telco, and the Telecom Italia S.p.A. Group as related parties of the Intesa Sanpaolo Group.
As part of the reorganisation of the Merchant Banking sector, on 24 March Intesa Sanpaolo and Imi Investimenti contributed their private equity units, used in managing merchant banking operations, to Manzoni S.r.l.. Subsequently, effective 31 March, the non-proportional demerger of Manzoni to Melville S.r.l. took place. The closing of the operation occurred on 21 April with the Parent Company's transfer of all quotas held in the two vehicles, and Imi Investimenti's transfer of 9.8% of the units held to a newly-established fund (Renaissance Fund) held by Private Equity International S.a. and Neuberger Bergman. Overall, the Intesa Sanpaolo Group transferred 72.5% of the units of both vehicles, retaining an investment of approximately 27.4%.
For the subsidiary Manzoni, based on an analysis of the articles of association which regulated its governance, a situation of control exists, while for the subsidiary Melville (over which a significant influence continues to be exercised) given that a direct

interest in the vehicle has been retained in addition to the indirect portion (held through the investee transferee fund) the conditions for derecognising the assets subject of the initial contriubution do not apply.
Commercial agreements include supply agreements concluded by Intesa Sanpaolo Group Services and Fideuram with Telecom Italia and the partnership agreement between the Parent Company (on its own behalf and on behalf of the Banche dei Territori) and Intesa Sanpaolo Smart Care S.r.l. (a subsidiary of Intesa Sanpaolo Vita, consolidated at equity due to immateriality) to support the latter in distributing its insurance products and services. This latter transaction was considered non-ordinary, as the type of service offered, which adds to the traditional home protection policy the distribution of technological devices to detect and report situations of danger, also providing suitable electronic services on a subscription basis, is innovative in the banking field.

Other significant information
With regard to investments carried at equity, value adjustments were posted amounting to 1 million euro for Prelios S.g.r. S.p.A. and a revaluation of 39 million euro for Telco S.p.A..
For Pension Funds in which Group Companies are co-obliged by virtue of guarantees given, during the year payments were made for the settlement of the technical imbalance of the Complementary Pension Fund for the personnel of Banco di Napoli – Section A, previously recognised in the 2014 financial statements. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

Stock price performance

In a scenario of increased risk appetite of investors, greater visibility of economic recovery and a decrease in returns driven by the quantitative easing of the ECB, the European banking index reached record levels in the first few days of April, with a performance up 20% on the beginning of the year. Subsequently, the return of tensions concerning Greece resulted in a correction of the index, which thus closed the first half of 2015 with a performance of 11.4%, 2.6% higher than the Eurostoxx 50 index (8.8%).
In that scenario, the Italian banking sector also benefited from the greater visibility of economic recovery and the decrease in the BTP-Bund spread, and the expectations of a new process of consolidation following the reform of the cooperative bank sector. The Italian banking index closed the first half of 2015 up by 27%, 8.9% higher than the FTSE MIB index.
Intesa Sanpaolo's ordinary share performance in the first half of 2015 recorded a trend correlated with that of the banking sector indices, with a downturn in the first ten days of January, when it reached its low point, followed by a strong upwards trend until the end of the first quarter, then fluctuating performance in April and a subsequent recovery, which resulted in the stock recording an increase of 34.3% at the end of June compared to the end of 2014. The price of Intesa Sanpaolo savings shares increased by 38.9% at the end of June 2015 compared to the end of 2014. The discount with respect to ordinary shares decreased to approximately 12% at the end of June 2015 from 15% at the end of 2014.
Intesa Sanpaolo's capitalisation rose to 54.2 billion euro at the end of June 2015, from 40.3 billion euro at the end of 2014.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares carrying different rights for the allocation of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share. Net income attributable to both ordinary and savings shares was determined considering the most recent dividends attributed to each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, in equal weight to all shares outstanding. The Earnings Per Share (EPS) indicator is presented both in the "basic" and in the "diluted" formula: basic EPS is calculated by dividing income theoretically attributable to holders of different categories of shares by the weighted average number of the shares outstanding; diluted EPS takes into account the effect of any future issues of ordinary shares.

	30.06.2015		30.06.2014	
	Ordinary shares	**Savings shares**	**Ordinary shares**	**Savings shares**
Weighted average number of shares	15,825,954,612	932,490,561	15,481,944,993	932,490,561
Income attributable to the various categories of shares *(millions of euro)*	1,883	121	679	41
Basic EPS (*euro*)	0.12	0.13	0.04	0.04
Diluted EPS (*euro*)	0.12	0.13	0.04	0.04
Basic EPS annualised (*) (*euro*)	0.24	0.26	0.09	0.09
Diluted EPS annualised (*) (*euro*)	0.24	0.26	0.09	0.09

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

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, and hence indirectly to the company's overall assets. The index, while measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, is affected significantly by the external factors that influence stock prices. Also for the Intesa Sanpaolo Group, the performance of the index – as at 30 June 2015 indicated in relation to both average figures and year-end figures – was impacted significantly by the dynamics of the market.

(millions of euro)

	30.06.2015	1st half 2015	2014	2013	2012	2011
Market capitalisation	54,200	49,812	38,096	24,026	20,066	27,006
Shareholders' equity	45,695	45,189	44,599	46,918	48,327	50,287
Price / book value	**1.19**	**1.10**	**0.85**	**0.51**	**0.42**	**0.54**

Ratings

Following the introduction of a new bank rating methodology, on 17 March 2015 Moody's placed the global long-term rating of many banks under review. Intesa Sanpaolo's "Baa2" long-term ratings on deposits and on senior unsecured notes were placed under review for a possible one-notch upgrade. The "P-2" short-term rating was affirmed. On 22 June 2015 Moody's published the results of the rating review: ISP's long-term rating on deposits and senior notes was upgraded one notch to "Baa1" with a stable outlook, while the "P-2" short-term rating and the rating on subordinated debt were affirmed.
On 1 April 2015, Fitch confirmed Intesa Sanpaolo's long- and short-term ratings at "BBB+/F2", with a stable outlook. The agency also confirmed its viability rating at "bbb+". This action was taken as part of the periodic review of the ratings.
On 2 April 2015 DBRS confirmed the "A (low)" long-term rating and improved the trend from negative to stable. The improvement in the trend reflects the similar action concerning the rating of the Republic of Italy on 27 March 2015 and the agency's opinion of the strength of ISP's operating performance in a scenario of slow recovery of the domestic economy. The "R-1 (low)" short-term rating and the related stable trend have been affirmed.

	Rating Agency			
	DBRS	**Fitch**	**Moody's**	**Standard & Poor's**
Short-term debt	R-1 (low) (*)	F2	P-2	A-3
Long-term debt	A(low)	BBB+	Baa1 (**)	BBB-
Outlook / Trend	Stable	Stable	Stable	Stable
Viability	-	bbb+	-	-

(*) Stable trend.

(**) Ratings on deposits and senior notes

Forecast for the year

In the upcoming months, the economic recovery is expected to continue in the Euro Area and Italy, buoyed by low oil prices, the weak exchange rate, favourable financial conditions and marginally expansionary fiscal policies. The U.S. Federal Reserve could begin to raise its official rates in the second half of the year. In the Eurozone execution of the securities purchasing programme by the ECB will keep medium- and long-term interest rates low, while also reducing correlation with the U.S. market, whereas official rates are expected to remain unchanged throughout the year. The divergence of monetary policies could result in a further decline of the euro/dollar exchange rate.
In the early July update of global economy forecasts, the IMF slightly lowered the growth rate of emerging economies, now estimated at 4.2% (from 4.3%) and down on the 4.6% of 2014. The slowdown reflects the negative impact of lower raw materials prices, stricter financial terms, particularly in Latin America, and geopolitical tensions. Growth in the Asian countries still remains the highest among the emerging countries but is forecast to slow down from 6.8% in 2014 to 6.6% in 2015.
With regard to countries with ISP subsidiaries, for 2015 a growth of 2.7% is forecast for CEE countries, a little slower than the 3.1% of 2014 - due to a more limited trend in Hungary (+2.8%) and Slovenia (+2%) - whilst in the SEE countries the GDP performance is expected to rise from +1.4% in 2014 to +2% in 2015 with acceleration in all countries in the region. In the CIS countries, for 2015 a decline in GDP is forecast in Russia (-3.5%) and Ukraine (-10%) followed by a limited upturn in 2016, assuming an easing of the geopolitical scenario and a modest recovery in oil prices. For Russia, the 2015 forecast was reviewed upwards as figures from the first half of the year were less negative than expected.
In Egypt, growth is expected to see a gradual acceleration as a result of stabilisation of the domestic political context and the recent investment support measures. GDP is forecast to increase by 4.4% in 2015.
As regards the Italian banking system, the remainder of 2015 sees prospects for a further gradual improvement in lending as a result of the highly favourable monetary conditions, the slowdown applied to the supply side and the recovery in demand also from businesses, following the already sound recovery in applications from households. However, at the annual average level, the total volume of loans is expected to continue to decline slightly and only to rise modestly near the end of the year, lagging behind the economic recovery by several quarters. In addition, in certain banking system segments the prudential capital requirements, along with continuing high levels of non-performing loans, will presumably continue to affect the recovery of lending.
In terms of funding, a moderate growth is forecast for deposits, whilst the overall performance will feel the effect of households' portfolio reallocation process in favour of asset management. On the other hand, banks' funding needs should remain limited, given the performance of loans and the extensive refinancing from the ECB. These factors will continue to favour the reduction of customer deposit costs. In a context of very low, where not negative, market rates, and improved credit access conditions, the loan rate environment is expected to remain more relaxed.

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

The Management Board

Milan, 31 July 2015

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

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

   of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements, in the first half of 2015.

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 2015 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[6].

3. The undersigned also certify that:

   3.1. The half-yearly condensed consolidated financial statements as at 30 June 2015:
   – have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   – correspond to the results of the books and accounts;
   – give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer 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.

31 July 2015

Carlo Messina
Managing Director and CEO

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

[6] 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.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI

Telefono +39 02 6763.1
Telefax +39 02 67632445
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Intesa Sanpaolo Group, 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, as at and for the six months ended 30 June 2015. 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 express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

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. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as adopted in Italy (Italian-ISA) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

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 2015 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 4 August 2015

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

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

Reconciliation between published consolidated income statement as at 30 June 2014 and adjusted consolidated income statement as at 30 June 2014

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

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

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

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

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

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

Reconciliation between published consolidated income statement as at 30 June 2014 and adjusted consolidated income statement as at 30 June 2014

(millions of euro)

	First half 2014 Published (*)	Effects of IFRS 5 application (a)	First half 2014 Adjusted
10. Interest and similar income	8,162	10	8,172
20. Interest and similar expense	-3,236	-10	-3,246
30. Interest margin	**4,926**	**-**	**4,926**
40. Fee and commission income	3,914	6	3,920
50. Fee and commission expense	-773	-	-773
60. Net fee and commission income	**3,141**	**6**	**3,147**
70. Dividend and similar income	238	-	238
80. Profits (Losses) on trading	228	-5	223
90. Fair value adjustments in hedge accounting	-51	-	-51
100. Profits (Losses) on disposal or repurchase of	460	-	460
a) loans	*40*	-	*40*
b) financial assets available for sale	*622*	-	*622*
c) investments held to maturity	-	-	-
d) financial liabilities	*-202*	-	*-202*
110. Profits (Losses) on financial assets and liabilities designated at fair value	472	-	472
120. Net interest and other banking income	**9,414**	**1**	**9,415**
130. Net losses / recoveries on impairment	-2,139	-5	-2,144
a) loans	*-2,045*	*-5*	*-2,050*
b) financial assets available for sale	*-87*	-	*-87*
c) investments held to maturity	-	-	-
d) other financial activities	*-7*	-	*-7*
140. Net income from banking activities	**7,275**	**-4**	**7,271**
150. Net insurance premiums	8,487	-	8,487
160. Other net insurance income (expense)	-9,493	-	-9,493
170. Net income from banking and insurance activities	**6,269**	**-4**	**6,265**
180. Administrative expenses	-4,222	-15	-4,237
a) personnel expenses	*-2,541*	*-9*	*-2,550*
b) other administrative expenses	*-1,681*	*-6*	*-1,687*
190. Net provisions for risks and charges	-238	-	-238
200. Net adjustments to / recoveries on property and equipment	-163	-1	-164
210. Net adjustments to / recoveries on intangible assets	-297	-1	-298
220. Other operating expenses (income)	336	-1	335
230. Operating expenses	**-4,584**	**-18**	**-4,602**
240. Profits (Losses) on investments in associates and companies subject to joint control	292	-	292
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260. Goodwill impairment	-	-	-
270. Profits (Losses) on disposal of investments	29	-	29
280. Income (Loss) before tax from continuing operations	**2,006**	**-22**	**1,984**
290. Taxes on income from continuing operations	-1,228	-	-1,228
300. Income (Loss) after tax from continuing operations	**778**	**-22**	**756**
310. Income (Loss) after tax from discontinued operations	-22	22	-
320. Net income (loss)	**756**	**-**	**756**
330. Minority interests	-36	-	-36
340. Parent Company's net income (loss)	**720**	**-**	**720**

(*) Figures originally published in the Half-yearly report as at 30 June 2014

(a) Income statement figures for the first half of 2014 for the Ukrainian subsidiary Pravex Bank, the sale agreement for which was terminated in the first half of 2015.

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

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

(millions of euro)

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

(*) Figures originally published in the Annual Report 2014

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

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

(millions of euro)

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

(*) Figures originally published in the Annual Report 2014

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

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

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

The consolidated income statement at 30 June 2014 did not require restatement.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		30.06.2015	31.12.2014 restated	Changes amount	%
10.	Cash and cash equivalents	5,840	6,647	-807	-12.1
20.	Financial assets held for trading	51,996	53,741	-1,745	-3.2
30.	Financial assets designated at fair value through profit and loss	49,407	43,863	5,544	12.6
40.	Financial assets available for sale	135,438	124,176	11,262	9.1
50.	Investments held to maturity	1,426	1,471	-45	-3.1
60.	Due from banks	31,147	31,611	-464	-1.5
70.	Loans to customers	344,199	339,002	5,197	1.5
80.	Hedging derivatives	8,475	9,210	-735	-8.0
90.	Fair value change of financial assets in hedged portfolios (+/-)	60	59	1	1.7
100.	Investments in associates and companies subject to joint control	1,756	1,810	-54	-3.0
110.	Technical insurance reserves reassured with third parties	23	27	-4	-14.8
120.	Property and equipment	5,055	5,146	-91	-1.8
130.	Intangible assets	7,155	7,253	-98	-1.4
	of which				
	- goodwill	*3,914*	*3,899*	*15*	*0.4*
140.	Tax assets	14,952	14,504	448	3.1
	a) current	*3,479*	*3,076*	*403*	*13.1*
	b) deferred	*11,473*	*11,428*	*45*	*0.4*
	- of which convertible into tax credit (Law no. 214/2011)	*8,840*	*8,824*	*16*	*0.2*
150.	Non-current assets held for sale and discontinued operations	27	29	-2	-6.9
160.	Other assets	11,443	8,794	2,649	30.1
Total Assets		**668,399**	**647,343**	**21,056**	**3.3**

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2015	31.12.2014 restated	Changes amount	%
10.	Due to banks	62,493	51,959	10,534	20.3
20.	Due to customers	242,222	230,917	11,305	4.9
30.	Securities issued	116,632	123,768	-7,136	-5.8
40.	Financial liabilities held for trading	43,221	46,381	-3,160	-6.8
50.	Financial liabilities designated at fair value through profit and loss	43,451	37,622	5,829	15.5
60.	Hedging derivatives	8,422	10,300	-1,878	-18.2
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,085	1,449	-364	-25.1
80.	Tax liabilities	2,973	2,471	502	20.3
	a) current	*1,181*	*779*	*402*	*51.6*
	b) deferred	*1,792*	*1,692*	*100*	*5.9*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	17,335	12,179	5,156	42.3
110.	Employee termination indemnities	1,359	1,482	-123	-8.3
120.	Allowances for risks and charges	3,232	3,882	-650	-16.7
	a) post employment benefits	*720*	*1,167*	*-447*	*-38.3*
	b) other allowances	*2,512*	*2,715*	*-203*	*-7.5*
130.	Technical reserves	79,645	79,701	-56	-0.1
140.	Valuation reserves	-1,449	-1,622	-173	-10.7
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,119	9,054	65	0.7
180.	Share premium reserve	27,349	27,349	-	-
190.	Share capital	8,725	8,725	-	-
200.	Treasury shares (-)	-53	-74	-21	-28.4
210.	Minority interests (+/-)	634	549	85	15.5
220.	Net income (loss)	2,004	1,251	753	60.2
Total Liabilities and Shareholders' Equity		**668,399**	**647,343**	**21,056**	**3.3**

Restated consolidated income statement

The consolidated income statement did not require restatement.

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the consolidated balance sheet - Assets	30.06.2015	31.12.2014 restated
Financial assets held for trading		51,996	53,741
	Caption 20 - Financial assets held for trading	*51,996*	*53,741*
Financial assets designated at fair value through profit and loss		49,407	43,863
	Caption 30 - Financial assets designated at fair value through profit and loss	*49,407*	*43,863*
Financial assets available for sale		135,438	124,176
	Caption 40 - Financial assets available for sale	*135,438*	*124,176*
Investments held to maturity		1,426	1,471
	Caption 50 - Investments held to maturity	*1,426*	*1,471*
Due from banks		31,147	31,611
	Caption 60 - Due from banks	*31,147*	*31,611*
Loans to customers		344,199	339,002
	Caption 70 - Loans to customers	*344,199*	*339,002*
Investments in associates and companies subject to joint control		1,756	1,810
	Caption 100 - Investments in associates and companies subject to joint control	*1,756*	*1,810*
Property, equipment and intangible assets		12,210	12,399
	Caption 120 - Property and equipment	*5,055*	*5,146*
	+ Caption 130 - Intangible assets	*7,155*	*7,253*
Tax assets		14,952	14,504
	Caption 140 - Tax assets	*14,952*	*14,504*
Non-current assets held for sale and discontinued operations		27	29
	Caption 150 - Non-current assets held for sale and discontinued operations	*27*	*29*
Other assets		25,841	24,737
	Caption 10 - Cash and cash equivalents	*5,840*	*6,647*
	+ Caption 160 - Other assets	*11,443*	*8,794*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*23*	*27*
	+ Caption 80 - Hedging derivatives	*8,475*	*9,210*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*60*	*59*
Total Assets	**Total Assets**	**668,399**	**647,343**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	30.06.2015	31.12.2014 restated
Due to banks		62,493	51,959
	Caption 10 - Due to banks	*62,493*	*51,959*
Due to customers and securities issued		358,854	354,685
	Caption 20 - Due to customers	*242,222*	*230,917*
	+ Caption 30 - Securities issued	*116,632*	*123,768*
Financial liabilities held for trading		43,221	46,381
	Caption 40 - Financial liabilities held for trading	*43,221*	*46,381*
Financial liabilities designated at fair value through profit and loss		43,451	37,622
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*43,451*	*37,622*
Tax liabilities		2,973	2,471
	Caption 80 - Tax liabilities	*2,973*	*2,471*
Liabilities associated with non-current assets held for sale and discontinued operations		-	-
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	-	-
Other liabilities		26,842	23,928
	Caption 100 - Other liabilities	*17,335*	*12,179*
	+ Caption 60 - Hedging derivatives	*8,422*	*10,300*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,085*	*1,449*
Technical reserves		79,645	79,701
	Caption 130 - Technical reserves	*79,645*	*79,701*
Allowances for specific purpose		4,591	5,364
	Caption 110 - Employee termination indemnities	*1,359*	*1,482*
	Caption 120 - Allowances for risks and charges	*3,232*	*3,882*
Share capital		8,725	8,725
	Caption 190 - Share capital	*8,725*	*8,725*
Reserves (net of treasury shares)		36,415	36,329
	Caption 170 - Reserves	*9,119*	*9,054*
	Caption 180 - Share premium reserve	*27,349*	*27,349*
	– Caption 200 - Treasury shares	*-53*	*-74*
Valuation reserves		-1,449	-1,622
	Caption 140 - Valuation reserves	*-1,449*	*-1,622*
Minority interests		634	549
	Caption 210 - Minority interests	*634*	*549*
Net income (loss)		2,004	1,251
	Caption 220 - Net income (loss)	*2,004*	*1,251*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**668,399**	**647,343**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	First half 2015	First half 2014 restated
Net interest income		**3,958**	**4,211**
	Caption 30 - Interest margin	*4,392*	*4,926*
	- Caption 30 (partial) - Contribution of insurance business	*-1,007*	*-1,029*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*12*	*6*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*277*	*94*
	+ Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	*-*	*-*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*307*	*251*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*-22*	*-35*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-1*	*-2*
Profits (losses) on investments in associates and companies subject to joint control (carried at equity)		**43**	**11**
	Caption 70 - Dividend and similar income	*268*	*238*
	- Caption 70 (partial) - Contribution of insurance business	*-82*	*-41*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-186*	*-197*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*43*	*11*
Net fee and commission income		**3,794**	**3,310**
	Caption 60 - Net fee and commission income	*3,597*	*3,147*
	- Caption 60 (partial) - Contribution of insurance business	*210*	*169*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*-13*	*-6*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-*
Profits (Losses) on trading		**976**	**555**
	Caption 80 - Profits (Losses) on trading	*366*	*223*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-50*	*-51*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*1,403*	*622*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-121*	*-202*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*511*	*472*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*186*	*197*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-277*	*-94*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net fee and commission interest	*-*	*-*
	- Caption 80 (partial) - Contribution of insurance business	*-1,042*	*-612*
Income from insurance business		**625**	**506**
	Caption 150 - Net insurance premiums	*6,081*	*8,487*
	+ Caption 160 - Other net insurance income (expense)	*-7,372*	*-9,493*
	+ Caption 30 (partial) - Contribution of insurance business	*1,007*	*1,029*
	+ Caption 60 (partial) - Contribution of insurance business	*-210*	*-169*
	+ Caption 70 (partial) - Contribution of insurance business	*82*	*41*
	+ Caption 80 (partial) - Contribution of insurance business	*1,042*	*612*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-5*	*-1*
Other operating income (expenses)		**4**	**-21**
	Caption 220 - Other operating income (expenses)	*363*	*335*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-6*	*-5*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-352*	*-343*
	- Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*3*	*-8*
	- Caption 220 (partial) - Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*-4*	*-*
Operating income		**9,400**	**8,572**
Personnel expenses		**-2,570**	**-2,497**
	Caption 180 a) - Personnel expenses	*-2,607*	*-2,550*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*15*	*18*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*22*	*35*
Administrative expenses		**-1,315**	**-1,322**
	Caption 180 b) - Other administrative expenses	*-1,715*	*-1,687*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*29*	*11*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of other expenses)	*13*	*6*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*352*	*343*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*6*	*5*
Adjustments to property, equipment and intangible assets		**-350**	**-329**
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-167*	*-164*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-270*	*-298*
	- 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)	*4*	*1*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*6*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-9*	*-8*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*84*	*140*
Operating costs		**-4,235**	**-4,148**
Operating margin		**5,165**	**4,424**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	First half 2015	First half 2014 restated
Operating margin		**5,165**	**4,424**
Net provisions for risks and charges		**-260**	**-236**
	Caption 190 - Net provisions for risks and charges	*-261*	*-238*
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*1*	*2*
Net adjustments to loans		**-1,614**	**-2,268**
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*23*	*40*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-1,382*	*-2,050*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-307*	*-251*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*52*	*-7*
	- Caption 100 a) (partial) - Components of the profits (losses) on disposal of loans relating to net interest income	*-*	*-*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*-*	*-*
Net impairment losses on other assets		**-40**	**-79**
	+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-32*	*-87*
	+ 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	*5*	*1*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-4*	*-1*
	- 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)	*-6*	*-*
	+ Caption 220 (partial) - Other operating income (expenses) (Impairment losses on repurchased property and equipment)	*-3*	*8*
Profits (Losses) on investments held to maturity and on other investments		**66**	**310**
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-*
	+ Caption 220 (partial) Other operating income (expenses) (Profits (losses) on disposal of repurchased property and equipment)	*4*	*-*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*81*	*292*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-43*	*-11*
	+ Caption 270 - Profits (Losses) on disposal of investments	*24*	*29*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*-*	*-*
Income (Loss) before tax from continuing operations		**3,317**	**2,151**
Taxes on income from continuing operations		**-1,163**	**-1,276**
	Caption 290 - Taxes on income from continuing operations	*-1,120*	*-1,228*
	- Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	*-*	*-*
	- Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*-15*	*-9*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*-28*	*-39*
Charges (net of tax) for integration and exit incentives		**-31**	**-20**
	+ Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*-15*	*-18*
	+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*-29*	*-11*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-2*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*15*	*9*
Effect of purchase price allocation (net of tax)		**-59**	**-99**
	+ Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*-12*	*-6*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*9*	*8*
	- 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)	*-84*	*-140*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*-*	*-*
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*-*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*28*	*39*
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
	Caption 260 - Goodwill impairment	-	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Intangible assets)	*-*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)	*-*	*-*
Income (Loss) after tax from discontinued operations		**-**	**-**
	Caption 310 - Income (Loss) after tax from discontinued operations	*-*	*-*
Minority interests		**-60**	**-36**
	Caption 330 - Minority interests	*-60*	*-36*
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**2,004**	**720**

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

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

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

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

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

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

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

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

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

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

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

AT1
Additional Tier 1 (AT1) In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds (e.g. savings shares).

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

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

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

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

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

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

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

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

Bookrunner
See Lead manager and Joint lead manager.

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

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

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

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

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

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

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

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

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

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

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

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

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including

securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

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

Certificates
Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date - an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the optional structure to obtain full or partial protection of the invested capital, which takes the form of full or partial returns of the premiums paid, irrespective of the performance of the parameters set in the contracts.
Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - market managed by Borsa Italiana, and on the EuroTLX market).

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

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

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

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

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

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

Common equity tier 1 ratio (CET1 Ratio)
The ratio of Common Equity Tier 1 (CET1) to total risk-weighted assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair value
The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

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

Fair Value Option (FVO)
The Fair Value Option is one option for classifying a financial instrument.

When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

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

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

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

Forward Rate Agreement
See "Forwards".

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

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

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

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

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

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

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

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

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

Grandfathering
The new composition of own funds according to Basel 3 and other less significant measures shall enter into force following a transitional period. Specifically, old instruments included in Basel 2 regulatory capital which are not included as per Basel 3 shall be gradually eliminated (known as the grandfathering period).

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

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

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

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

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

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

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

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

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

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

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

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

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LDA - Loss Distribution Approach
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 Lead bank of a bond issue syndicate.
The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the borrower. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in

addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

Leveraged & acquisition finance
See "Acquisition finance".

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

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

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

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

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

Mark-down
Difference between the 1-month Euribor and interest rates on household and business current accounts.

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

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

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

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

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

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate clients for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

Non-performing
Term generally referring to loans for which payments are overdue.

Operational risk
The risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual or non-contractual liability or other disputes; it does not include strategic risk (losses due to wrong management strategies) or reputational risk (loss of market shares as a consequence of negative publicity regarding the bank).

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (call option) or to sell (put option) a financial instrument at a set

price (strike price) within (American option) or on (European option) a given future date.

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

Outsourcing
The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

Past due loans
"Past due loans" are non-performing loans on which payments are past due on a continuing basis for over 90/180 days, in accordance with the definition set forth in current supervisory reporting rules.

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

Pool (transactions)
See "Syndicated lending".

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk, and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Ratings
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or

financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

Risk-free
Return on risk-free investments. For the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on ten-year Bunds has been adopted, while for countries with "strong" growth prospects, the return on 30-year Bunds has been used.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

Risk Weighted Assets (RWA)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)
It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor’s index).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stakeholders
Subjects who, acting in different capacities, interact with the firm’s activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company’s shares at a certain price (strike price).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank’s overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export sector.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or doubtful loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate swap, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g).

Tier 1
Tier 1 equity includes Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1).

Tier 1 ratio
The ratio of Tier 1 capital, which includes Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) to total risk-weighted assets.

Tier 2
Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.
Specific transitional provisions (grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to own funds components (Tier 1 plus Tier 2).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change in or underestimation of volatility.

Vega01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO’s cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See “Asset management”.

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking

Banking activity mainly consisting of high-value transactions concluded with major counterparties.

Contacts

Intesa Sanpaolo S.p.A.

Registered office
Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office
Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations & Price-Sensitive Communication
Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

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GALLERIE D'ITALIA.
THREE MUSEUM CENTRES: A CULTURAL NETWORK FOR THE COUNTRY.

Through the Gallerie d'Italia project, Intesa Sanpaolo intends to share its artistic and architectural heritage with the public at large: 1,000 works of art displayed in historic palazzi in three cities, forging the links in a museum network that is unique of its kind.

In an architectural complex of great value, the **Gallerie di Piazza Scala** in Milan host a selection of two hundred nineteenth-century works of the Lombard school, along with a display itinerary dedicated to Italian art of the twentieth century.
The **Gallerie di Palazzo Leoni Montanari** in Vicenza display the most important collection of Russian icons in the West, examples of eighteenth-century Veneto art and a collection of ceramics from Attica and Magna Graecia.
In Naples, the **Gallerie di Palazzo Zevallos Stigliano** present the *Martyrdom of Saint Ursula*, one of Caravaggio's last masterpieces, along with works of southern Italian art ranging from the seventeenth to the early twentieth century.

Cover photo

Apulian red-figure volute krater
depicting: *Maidens at the Fountain and Amazonomachy*
Workshop of the Baltimore Painter
330-310 BC
h. max. 73 cm, diam. rim 35.5 cm
Intesa Sanpaolo Collection

This Apulian red-figure volute krater belongs to the Intesa Sanpaolo collection of ceramics from Attica and Magna Graecia. It was made around 330-310 BC in the Workshop of the Baltimore Painter – one of the most important late Apulian workshops which operated between Canosa and Ruvo and was specialised in vases of large proportions.
The main side is decorated with a scene of Amazonomachy – a battle between Greeks and Amazons – while the neck of the krater is adorned with a figurative scene portraying a group of maidens at a fountain. The damsels are posed around a double-spouted fountain gushing forth within a *naiskos* (small temple). They collect and carry the water using the large recipients designed for this purpose, known as *hydriae*.
In Ancient Greece, as in all cultures in different parts of the world and in different periods, water has a very strong symbolic significance. It generates life and evokes the concept of birth, and also of rebirth and transformation: it is a dynamic element, representing the flow of becoming. It represents purifying energy and a means of regeneration. Water has always been a vital element, a common good to be shared, a precious and inestimable resource to be defended as the source and guarantee of life and wellbeing.