

## 1.2. BANKING GROUP - MARKET RISKS

As already highlighted in the introduction, the Intesa Sanpaolo Group policies relating to financial risk acceptance are defined by the Parent Company's Management Bodies, with the support of specific Committees, including the Group Risk Governance Committee and Group Financial Risks Committee.

The Group Risk Governance Committee is in charge, beside other functions, of proposing the Group risk management strategies and policies to the Statutory bodies, of ensuring compliance with the guidelines and indications of Supervisory authority concerning risk governance and of assessing the adequacy of the Group's economic and regulatory capital. The Committee coordinates the activities of specific Technical Committees, monitoring financial and operational risks, and is chaired by the Managing Director and CEO.

The Group Financial Risks Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Statutory bodies and under coordination of the Group Risk Governance Committee.

The Group's overall financial risk profile and the eventual necessary changes are examined periodically by the Group Financial Risks Committee.

The Parent Company's Risk Management Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Bank's and the Group's system of operating limits. The Risk Management Department is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

The table below shows the items of the consolidated Balance Sheet that are subject to market risks, showing the positions for which VaR is the main risk measurement metrics and those for which the risks are monitored with other metrics. The latter mostly include the sensitivity analysis to the different risk factors (interest rate, credit spread, etc.).

(millions of euro)

	Book value (supervisory scope)	Main risk measurement metrics		
		VaR	Other	Risk factors measured using metrics included under Other
<b>Assets subject to market risk</b>	<b>499,311</b>	<b>102,383</b>	<b>396,928</b>	
Financial assets held for trading	48,159	47,190	969	Interest rate risk, credit spread, equity
Financial assets designated at fair value through profit and loss	1,192	842	350	Interest rate risk, credit spread
Financial assets available for sale	61,023	54,333	6,690	Interest rate risk, rischio equity
Financial assets held to maturity	2,051	-	2,051	Interest rate risk
Due from banks	26,231	-	26,231	Interest rate risk
Loans to customers	345,992	-	345,992	Interest rate risk
Hedging derivatives	7,534	18	7,516	Interest rate risk
Investments in associates and companies subject to joint control	7,129	-	7,129	Equity risk
<b>Liabilities subject to market risk</b>	<b>474,549</b>	<b>39,812</b>	<b>434,737</b>	
Due to banks	52,230	-	52,230	Interest rate risk
Due to customers	233,465	-	233,465	Interest rate risk
Securities issued	142,155	-	142,155	Interest rate risk
Financial liabilities held for trading	39,105	38,726	379	Interest rate risk
Financial liabilities designated at fair value through profit and loss	10	10	-	
Hedging derivatives	7,584	1,076	6,508	Interest rate risk

**REGULATORY TRADING BOOK****1.2.1. INTEREST RATE RISK AND PRICE RISK**

Consistent with the use of internal risk measurement models, the sections relative to interest rate and price risk have been grouped within the relevant portfolio.

**QUALITATIVE INFORMATION**

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:

- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 1% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading portfolios are interest rates and foreign exchange rates, both relating to linear pay-offs.

**Internal model validation**

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.

In particular, the validated risk profiles for market risks 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.

**Stressed VaR**

The requirement for stressed VaR is included when determining capital absorption effective 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 the document, the period relevant to the measurement of stressed VaR is considered set as 1 January to 31 December 2011 for both Banca IMI and Intesa Sanpaolo.

**VaR**

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).

VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period. The section "Quantitative information" presents the estimates and development 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.

**Incremental Risk Charge (IRC)**

The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading portfolio resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure is additional to VaR and enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.

**Stress test**

Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests are applied periodically to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

**Sensitivity and greeks**

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

**Level measures**

Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

**QUANTITATIVE INFORMATION****Daily VaR evolution**

During the fourth quarter of 2013, the market risks originated by Intesa Sanpaolo and Banca IMI were essentially stable compared to the previous periods: the average daily VaR for the fourth quarter of 2013 was 49.2 million euro, up by 3.4% on the third quarter.

With regard to the whole of 2013, the Group's average risk profile (57.9 million euro) decreased compared to the average values in 2012 (82.1 million euro).

**Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4<sup>th</sup> and the 3<sup>rd</sup> quarter of 2013<sup>(a)</sup>**

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	10.5	8.9	13.8	8.2	11.7	14.1
Banca IMI	38.6	34.6	42.5	39.3	50.8	59.0
<b>Total</b>	<b>49.2</b>	<b>44.7</b>	<b>54.4</b>	<b>47.6</b>	<b>62.5</b>	<b>73.2</b>

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

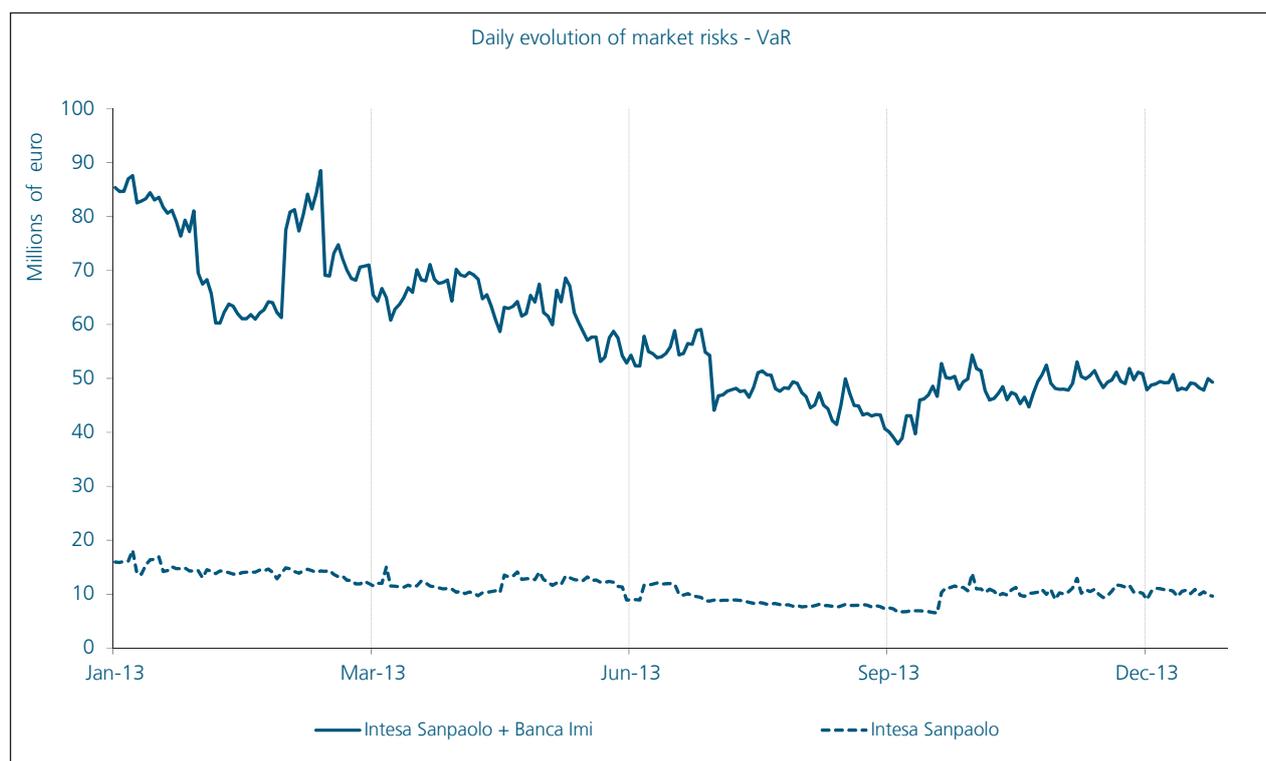
**Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between 2013-2012<sup>(a)</sup>**

(millions of euro)

	2013				2012		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	11.1	6.4	18.1	9.6	21.3	15.5	27.5
Banca IMI	46.9	31.1	74.2	39.6	60.8	41.7	92.1
<b>Total</b>	<b>57.9</b>	<b>37.8</b>	<b>88.5</b>	<b>49.3</b>	<b>82.1</b>	<b>63.5</b>	<b>115.4</b>

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

The trend in the Group's VaR, shown in the following chart, was mainly determined by Banca IMI. The VaR peaked at the start of the year in particular, following the post-elections scenario, when tensions were recorded on the Italian government spread market. The risk measures stabilised during the year. This effect is due to the departure from the calculation of the historical simulation, used to calculate VaR, of the 2012 volatility scenarios pertaining to the Italy risk.



For Intesa Sanpaolo, the breakdown of the risk profile in the fourth quarter of 2013 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 33% of total VaR. Credit spread risk, which includes the risk associated with sovereign government bonds, was the most significant component for Banca IMI, representing 63% of the total.

#### Contribution of risk factors to overall VaR<sup>(a)</sup>

4th quarter 2013	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	20%	33%	12%	25%	9%	1%	0%
Banca IMI	10%	0%	12%	63%	1%	10%	4%
<b>Total</b>	<b>13%</b>	<b>9%</b>	<b>12%</b>	<b>53%</b>	<b>3%</b>	<b>8%</b>	<b>2%</b>

<sup>(a)</sup> Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the fourth quarter of 2013, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

With regard to the hedge fund portfolio, the table below shows the exposures broken down by type of strategy adopted.

#### Contribution of strategies to portfolio breakdown<sup>(a)</sup>

	31.12.2013	31.12.2012
- Credit	47.1%	68.4%
- Catalyst Driven	19.0%	0.0%
- Equity hedged	16.0%	18.2%
- Directional trading	13.7%	13.2%
- Equity Long Only	4.0%	0.0%
- Multi-strategy	0.2%	0.2%
<b>Total hedge funds</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(a)</sup> The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

In 2013 the hedge fund portfolio maintained an asset allocation with a focus on strategies relating to distressed credit (about 47% of the total in terms of portfolio value); in addition the new "Catalyst Driven" strategy was introduced, with a weight of 19% on the total portfolio amount.

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 and foreign exchange rates as at the end of December is summarised in the following table.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+70bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-20	24	-122	201	124	-124	1	-5	20	-1
<i>of which SCP</i>					5	-5				

In particular:

- on stock market positions, a 5% decrease in stock prices with a resulting 10% increase in volatility would have led to a loss of approximately 20 million euro;
- for exposures to interest rates, a rise of the curves of +70 basis points would have had a negative impact of 122 million euro, while potential gains would be recorded in a scenario with rates close to zero;
- for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to a 124 million euro loss, of which about 5 million euro attributable to structured credit products (SCP);
- on foreign exchange exposures, a 10% increase of the euro would have resulted in a loss of approximately 5 million euro;
- lastly, for commodity exposures, gains would be recorded in case of a 50% decrease in prices; conversely, in case of an increase, the potential losses would be equal to 1 million euro.

### Backtesting

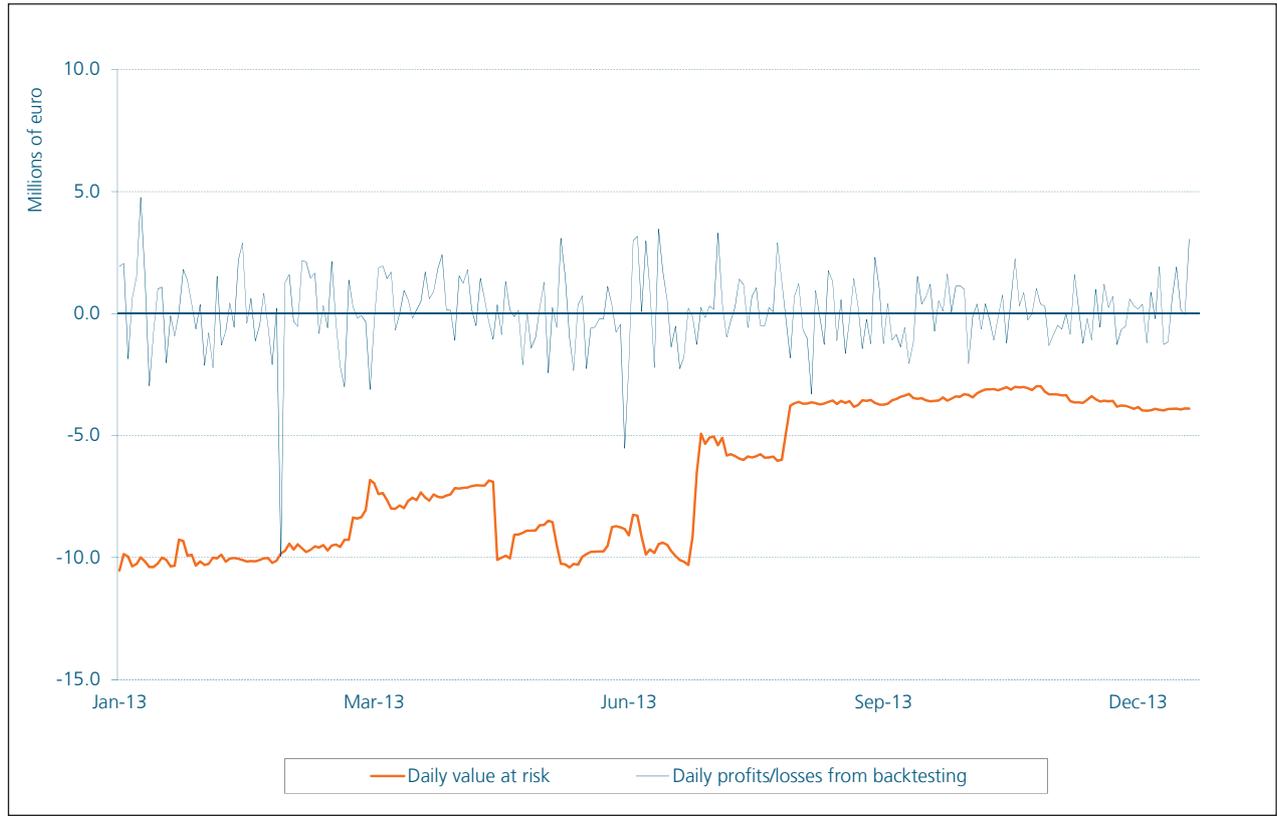
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- 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 revaluation 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.

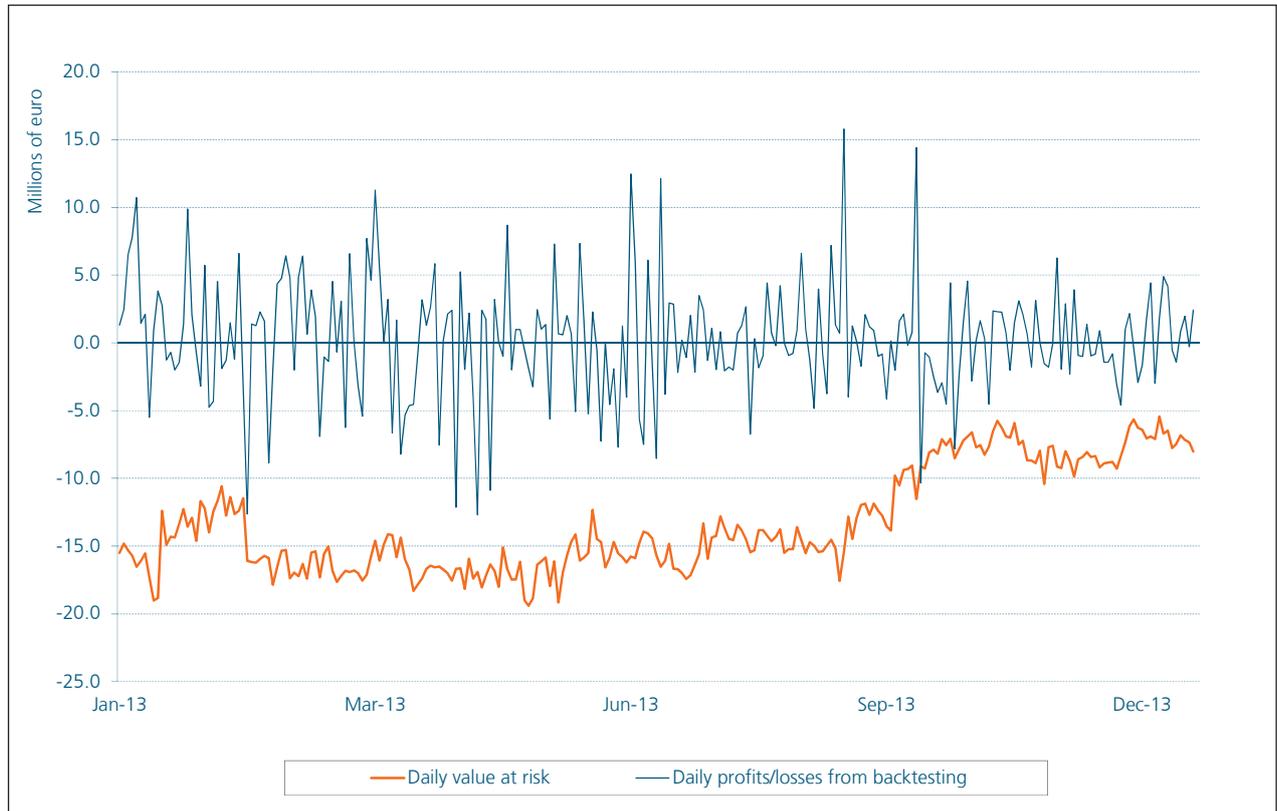
**Backtesting in Intesa Sanpaolo**

Intesa Sanpaolo’s regulatory backtesting shows only one exception occurred in the days that immediately followed the political elections of February.



**Backtesting in Banca IMI**

Banca IMI’s only backtesting exception refers to the theoretical P&L figure and can be attributed to the fluctuations in financial sector spreads.



**Issuer risk**

Issuer risk in the trading portfolio is analysed in terms of mark to market, with exposures aggregated by rating class, and it is monitored through a system of operating limits based on both rating classes and concentration indexes.

**Breakdown of exposures by type of issuer for Intesa Sanpaolo and Banca IMI<sup>(a)</sup>**

	Total	of which				Covered	Securitis.
		Corporate	Financial	Emerging			
Intesa Sanpaolo	38%	17%	1%	5%	77%	0%	
Banca IMI	62%	3%	27%	1%	19%	50%	
<b>Total</b>	<b>100%</b>	<b>8%</b>	<b>18%</b>	<b>3%</b>	<b>39%</b>	<b>32%</b>	

<sup>(a)</sup> In the Total column, the table reports the contribution to total exposure of Intesa Sanpaolo and Banca IMI to issuer risk, breaking down the contribution to exposure by type of issuer.

Period-end percentage on area total, excluding Government bonds, own bonds and including cds.

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities of the covered bond segment for Intesa Sanpaolo and the securitisation segment for Banca IMI.

**Operating limits**

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction described below.

The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

- first level limits: are approved by the Management Board, after the opinion of the Group Financial Risks Committee. Limit variations are proposed by the Risk Management Department, after the opinion of the Heads of Operating Departments. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risks Committee.
- second level limits: have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

In the second half of 2013 the Management Board resolved to decrease the VaR limit for the Group from 130 to 110 million. This decision was made to account for the changed volatility regime on the Italian government risk and in light of the average uses of the VaR for the period.

With respect to the component sub-allocated to the organisational units, it may be noted that the use of the VaR limit (held for trading component) for Intesa Sanpaolo averaged 43% in 2013, with a maximum use of 64%. For Banca IMI, the average VaR limit came to 51%, with a maximum use of 78%. It should be specified that for Banca IMI the VaR limit also includes the AFS component, inasmuch as these assets are managed in close synergy with HFT assets.

The use of the IRC limits at year end amounted to 54% for Intesa Sanpaolo (limit of 220 million euro) and 57% for Banca IMI (limit of 330 million euro).

The use of VaR operating limits on the AFS component (excluding Banca IMI) at year end was 33%. The limit for the AFS component was revised in the third quarter of 2013, raising it from 200 million euro to 150 million euro. This decision was made to account for the changed volatility regime on the Italian government risk and in light of the average uses of the VaR for the period.

**BANKING BOOK****1.2.2 INTEREST RATE RISK AND PRICE RISK****QUALITATIVE INFORMATION****A. General aspects, interest rate risk and price risk management processes and measurement methods**

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

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

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

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR). Besides measuring the equity portfolio, VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, thereby taking into account diversification benefits. Value at Risk calculation models have certain limitations, as they are based on the statistical assumption of the normal distribution of the returns and on the observation of historical data that may not be repeated in the future. Consequently, VaR results cannot guarantee that the possible future losses will not exceed the statistically calculated estimates.

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  $\pm 100$  basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by on demand customer deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. As of January 2013, an update of the methodology has been introduced, aimed at sterilizing the credit spread impact, significantly increased during the recent financial crisis. Equity risk sensitivity is measured as the impact of a price shock of  $\pm 10\%$ .

Furthermore the sensitivity of the interest margin is also measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of  $\pm 100$  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 as an forecast indicator of the future levels of the interest margin.

**B. Fair value hedging****C. Cash flow hedging**

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover the 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 and liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. Moreover, macro-hedging is carried out on the stable portion of on demand deposits and in order to cover the risk of fair value changes intrinsic in the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the date of payment of the relevant interests.

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

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

During the year no hedging activities were performed to cover the price risk of the banking book.

**D. Hedging of foreign investments**

For equity investments in Group companies held in foreign currencies, risk hedging policies are assessed by the Group Risk Governance Committee and the Group Financial Risks Committee, taking into consideration the advantages and the costs embedded in hedging transactions.

During the year foreign exchange hedges were implemented against the exchange risk on gains in foreign currency generated by the Parent Company's branches abroad.

## QUANTITATIVE INFORMATION

### Banking book: internal models and other sensitivity analysis methodologies

Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 264 million euro at the end of 2013, in line with the 270 million euro at the end of 2012.

In the case of invariance of the other income components, the aforesaid potential impact would be reflected also in the Group's year-end net income and taking into account the abovementioned assumptions concerning the measurement procedures.

In 2013, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 85 million euro with a year-end figure of 206 million euro, almost entirely concentrated on the euro currency; these figures compare with 386 million euro at the end of 2012. Interest rate risk, measured in terms of VaR, averaged 39 million euro in 2013, with a minimum value of 27 million euro and a maximum value of 56 million euro. At the end of December 2013, VaR totalled 40 million euro (83 million euro at the end of 2012).

Price risk generated by minority stakes in quoted companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level during 2013 of 68 million euro (81 million euro at the end of 2012), with peak and minimum values of 80 million euro and 33 million euro respectively (this figure coincides with the value at the end of 2013).

Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of  $\pm 10\%$  for the abovementioned quoted assets recorded in the AFS category.

#### Price risk: impact on Shareholders' Equity

		Impact on shareholders' equity (millions of euro)
Price shock	+10%	-10
Price shock	-10%	10

### 1.2.3. FOREIGN EXCHANGE RISK

#### QUALITATIVE INFORMATION

##### A. General aspects, foreign exchange risk management processes and measurement methods

"Foreign exchange risk" is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Group's balance sheet aggregates. The key sources of exchange rate risk lie in:

- foreign currency loans and deposits held by corporate and retail customers;
- purchases of securities, equity investments and other financial instruments in foreign currencies;
- conversion into domestic currency of assets, liabilities and income of branches and subsidiaries abroad;
- trading of foreign currencies and banknotes;
- collection and/or payment of interest, commissions, dividends and administrative costs in foreign currencies.

More specifically, "structural" foreign exchange risk refers to the exposures deriving from the commercial operations and the strategic investment decisions of the Intesa Sanpaolo Group.

Foreign exchange transactions, spot and forward, are carried out mostly by Banca IMI, which also operates in the name and on behalf of the Parent Company with the task of guaranteeing pricing throughout the Bank and the Group while optimizing the proprietary risk profile deriving from brokerage of foreign currencies traded by customers.

The main types of financial instruments traded include: spot and forward exchange transactions in foreign currencies, forex swaps, domestic currency swaps, and foreign exchange options.

##### B. Foreign exchange risk hedging activities

Foreign exchange risk deriving from operating positions in foreign currency in the banking book is systematically transferred from the business units to the Parent Company's Treasury Department, for the purpose of guaranteeing the elimination of such risk. Similar risk containment is performed by the various Group companies for their banking book. Essentially, foreign exchange risk is mitigated by the practice of raising funds in the same currency as assets.

Held for trading exposures are included in the trading book where foreign exchange risk is measured and subjected to daily VaR limits.

## QUANTITATIVE INFORMATION

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

(millions of euro)

	Currencies							
	US dollar	GB pound	Swiss franc	Hungarian forint	Egyptian pound	Croatian kuna	Yen	Other currencies
<b>A. FINANCIAL ASSETS</b>	<b>22,502</b>	<b>1,672</b>	<b>2,294</b>	<b>2,704</b>	<b>3,481</b>	<b>3,357</b>	<b>590</b>	<b>6,227</b>
A.1 Debt securities	3,677	871	56	943	1,168	620	182	1,965
A.2 Equities	712	51	12	1	72	24	-	122
A.3 Loans to banks	6,958	172	82	238	537	1,002	66	1,254
A.4 Loans to customers	11,155	578	2,144	1,522	1,704	1,711	342	2,886
A.5 Other financial assets	-	-	-	-	-	-	-	-
<b>B. OTHER ASSETS</b>	<b>2,813</b>	<b>349</b>	<b>61</b>	<b>360</b>	<b>85</b>	<b>186</b>	<b>73</b>	<b>396</b>
<b>C. FINANCIAL LIABILITIES</b>	<b>19,644</b>	<b>1,637</b>	<b>846</b>	<b>3,305</b>	<b>2,981</b>	<b>2,005</b>	<b>418</b>	<b>4,146</b>
C.1 Due to banks	5,877	694	492	167	8	135	87	518
C.2 Due to customers	6,505	513	293	2,940	1,967	1,870	137	2,414
C.3 Debt securities	7,262	430	61	198	1,006	-	194	1,214
C.4 Other financial liabilities	-	-	-	-	-	-	-	-
<b>D. OTHER LIABILITIES</b>	<b>459</b>	<b>229</b>	<b>17</b>	<b>86</b>	<b>-</b>	<b>209</b>	<b>11</b>	<b>145</b>
<b>E. FINANCIAL DERIVATIVES</b>								
- Options								
<i>long positions</i>	1,587	85	161	3	-	-	102	261
<i>short positions</i>	2,006	63	112	6	-	-	119	310
- Other derivatives								
<i>long positions</i>	39,736	5,153	1,497	2,437	-	94	1,237	7,004
<i>short positions</i>	42,915	5,326	3,207	1,345	-	59	1,481	7,380
<b>TOTAL ASSETS</b>	<b>66,638</b>	<b>7,259</b>	<b>4,013</b>	<b>5,504</b>	<b>3,566</b>	<b>3,637</b>	<b>2,002</b>	<b>13,888</b>
<b>TOTAL LIABILITIES</b>	<b>65,024</b>	<b>7,255</b>	<b>4,182</b>	<b>4,742</b>	<b>2,981</b>	<b>2,273</b>	<b>2,029</b>	<b>11,981</b>
<b>DIFFERENCE (+/-)</b>	<b>1,614</b>	<b>4</b>	<b>-169</b>	<b>762</b>	<b>585</b>	<b>1,364</b>	<b>-27</b>	<b>1,907</b>

## 2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is included in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as already illustrated.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 46 million euro as at 31 December 2013. This potential impact would only be reflected in the Shareholders' Equity.

## 1.2.4. DERIVATIVES

## A. FINANCIAL DERIVATIVES

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

	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
	(millions of euro)			
<b>1. Debt securities and interest rates</b>	<b>2,168,308</b>	<b>131,615</b>	<b>2,641,115</b>	<b>119,053</b>
a) Options	195,842	52,892	264,213	35,847
b) Swaps	1,970,987	-	2,376,024	-
c) Forwards	24	-	55	-
d) Futures	1,455	78,723	823	83,206
e) Others	-	-	-	-
<b>2. Equities and stock indices</b>	<b>31,672</b>	<b>26,962</b>	<b>22,432</b>	<b>19,721</b>
a) Options	31,242	25,510	21,492	18,474
b) Swaps	370	-	568	-
c) Forwards	60	-	372	-
d) Futures	-	1,452	-	1,247
e) Others	-	-	-	-
<b>3. Foreign exchange rates and gold</b>	<b>113,895</b>	<b>175</b>	<b>106,769</b>	<b>270</b>
a) Options	14,788	-	12,982	-
b) Swaps	32,153	-	24,906	-
c) Forwards	64,816	-	68,389	2
d) Futures	-	175	-	268
e) Others	2,138	-	492	-
<b>4. Commodities</b>	<b>7,677</b>	<b>1,612</b>	<b>7,714</b>	<b>2,009</b>
<b>5. Other underlying assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>2,321,552</b>	<b>160,364</b>	<b>2,778,030</b>	<b>141,053</b>
<b>AVERAGE VALUES</b>	<b>2,554,287</b>	<b>148,530</b>	<b>2,942,130</b>	<b>170,625</b>

Transactions in futures presented in the column "Over the counter" refer to transactions closed through direct participants in organised futures markets not belonging to the banking group.

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 1,163,518 million euro as at 31 December 2013 (928,321 million euro as at 31 December 2012).

## A.2. Banking book: period-end and average notional amounts

## A.2.1. Hedging

(millions of euro)

	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>1. Debt securities and interest rates</b>	<b>237,254</b>	-	<b>279,361</b>	-
a) Options	5,384	-	8,982	-
b) Swaps	231,870	-	270,379	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>2. Equities and stock indices</b>	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>3. Foreign exchange rates and gold</b>	<b>3,363</b>	-	<b>4,027</b>	-
a) Options	-	-	-	-
b) Swaps	3,363	-	4,027	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>4. Commodities</b>	-	-	-	-
<b>5. Other underlying assets</b>	-	-	-	-
<b>TOTAL</b>	<b>240,617</b>	-	<b>283,388</b>	-
<b>AVERAGE VALUES</b>	<b>260,363</b>	-	<b>257,416</b>	-

## A.2.2. Other derivatives

(millions of euro)

	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>1. Debt securities and interest rates</b>	<b>10,430</b>	-	<b>12,931</b>	-
a) Options	5,256	-	8,022	-
b) Swaps	5,174	-	4,909	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>2. Equities and stock indices</b>	<b>5,255</b>	-	<b>4,174</b>	-
a) Options	5,255	-	4,174	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>3. Foreign exchange rates and gold</b>	<b>952</b>	-	<b>3,255</b>	-
a) Options	43	-	80	-
b) Swaps	780	-	1,388	-
c) Forwards	129	-	1,787	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
<b>4. Commodities</b>	-	-	-	-
<b>5. Other underlying assets</b>	-	-	-	-
<b>TOTAL</b>	<b>16,637</b>	-	<b>20,360</b>	-
<b>AVERAGE VALUES</b>	<b>18,193</b>	-	<b>22,192</b>	-

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

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

(millions of euro)

	Positive fair value			
	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>A. Regulatory trading book</b>	<b>27,044</b>	<b>790</b>	<b>42,092</b>	<b>451</b>
a) Options	4,728	693	6,175	361
b) Interest rate swaps	20,164	-	34,071	-
c) Cross currency swaps	1,331	-	825	-
d) Equity swaps	6	-	30	-
e) Forwards	646	-	826	-
f) Futures	-	97	-	90
g) Others	169	-	165	-
<b>B. Banking book - hedging</b>	<b>7,535</b>	<b>-</b>	<b>11,651</b>	<b>-</b>
a) Options	303	-	314	-
b) Interest rate swaps	6,992	-	10,732	-
c) Cross currency swaps	240	-	605	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
<b>C. Banking book - other derivatives</b>	<b>689</b>	<b>-</b>	<b>746</b>	<b>-</b>
a) Options	289	-	212	-
b) Interest rate swaps	396	-	519	-
c) Cross currency swaps	3	-	13	-
d) Equity swaps	-	-	-	-
e) Forwards	1	-	2	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
<b>TOTAL</b>	<b>35,268</b>	<b>790</b>	<b>54,489</b>	<b>451</b>

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

(millions of euro)

	Negative fair value			
	31.12.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
<b>A. Regulatory trading book</b>	<b>33,034</b>	<b>550</b>	<b>45,922</b>	<b>506</b>
a) Options	9,476	488	8,162	433
b) Interest rate swaps	21,262	-	35,224	-
c) Cross currency swaps	1,465	-	1,593	-
d) Equity swaps	2	-	23	-
e) Forwards	645	-	725	-
f) Futures	-	62	-	73
g) Others	184	-	195	-
<b>B. Banking book - hedging</b>	<b>7,584</b>	<b>-</b>	<b>10,460</b>	<b>-</b>
a) Options	-	-	82	-
b) Interest rate swaps	7,383	-	10,145	-
c) Cross currency swaps	201	-	233	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
<b>C. Banking book - other derivatives</b>	<b>856</b>	<b>-</b>	<b>874</b>	<b>-</b>
a) Options	726	-	634	-
b) Interest rate swaps	120	-	184	-
c) Cross currency swaps	10	-	54	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	2	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
<b>TOTAL</b>	<b>41,474</b>	<b>550</b>	<b>57,256</b>	<b>506</b>

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 2,749 million euro (768 million euro as at 31 December 2012).

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
<b>1. Debt securities and interest rates</b>							
- notional amount	-	2,843	17,574	8,279	1,326	30,620	230
- positive fair value	-	451	395	227	2	1,329	11
- negative fair value	-	-12	-744	-142	-8	-72	-1
- future exposure	-	19	139	37	4	176	1
<b>2. Equities and stock indices</b>							
- notional amount	3	-	5,240	362	3,108	4	14
- positive fair value	-	-	1	1	-	-	-
- negative fair value	-	-	-4,985	-23	-203	-	-4
- future exposure	-	-	402	6	2	-	-
<b>3. Foreign exchange rates and gold</b>							
- notional amount	290	150	4,676	9,125	501	13,855	121
- positive fair value	23	-	20	104	1	382	2
- negative fair value	-	-17	-787	-96	-3	-130	-2
- future exposure	22	11	73	171	5	224	1
<b>4. Other values</b>							
- notional amount	-	-	29	43	-	3,665	-
- positive fair value	-	-	5	1	-	50	-
- negative fair value	-	-	-13	-1	-	-52	-
- future exposure	-	-	1	4	-	394	-

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

	(millions of euro)						
	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non- financial companies	Other counterparties
<b>1. Debt securities and interest rates</b>							
- notional amount	7,225	-	846,958	1,249,225	954	3,074	-
- positive fair value	2,579	-	16,115	2,778	15	166	-
- negative fair value	-10	-	-18,046	-5,395	-13	-127	-
<b>2. Equities and stock indices</b>							
- notional amount	-	-	19,210	3,571	160	-	-
- positive fair value	-	-	518	166	-	-	-
- negative fair value	-	-	-259	-144	-20	-	-
<b>3. Foreign exchange rates and gold</b>							
- notional amount	-	-	66,486	12,029	512	6,150	-
- positive fair value	-	-	573	468	154	422	-
- negative fair value	-	-	-1,388	-135	-8	-72	-
<b>4. Other values</b>							
- notional amount	-	-	529	93	-	3,318	-
- positive fair value	-	-	20	2	-	64	-
- negative fair value	-	-	-13	-2	-	-107	-

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

	(millions of euro)						
	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non- financial companies	Other counterparties
<b>1. Debt securities and interest rates</b>							
- notional amount	-	442	2,928	304	-	156	5,275
- positive fair value	-	9	-	-	-	5	3
- negative fair value	-	-	-132	-1	-	-	-269
- future exposure	-	7	4	2	-	-	2
<b>2. Equities and stock indices</b>							
- notional amount	-	-	3,843	34	-	619	510
- positive fair value	-	-	100	-	-	-	-
- negative fair value	-	-	-342	-	-	-96	-57
- future exposure	-	-	44	-	-	-	-
<b>3. Foreign exchange rates and gold</b>							
- notional amount	-	-	395	15	-	1	24
- positive fair value	-	-	32	-	-	-	-
- negative fair value	-	-	-4	-	-	-	-
- future exposure	-	-	-	-	-	-	-
<b>4. Other values</b>							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

	(millions of euro)						
	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non- financial companies	Other counterparties
<b>1. Debt securities and interest rates</b>							
- notional amount	-	-	232,858	5,721	-	-	-
- positive fair value	-	-	7,607	186	-	-	-
- negative fair value	-	-	-6,810	-518	-	-	-
<b>2. Equities and stock indices</b>							
- notional amount	-	-	230	19	-	-	-
- positive fair value	-	-	57	9	-	-	-
- negative fair value	-	-	-	-	-	-	-
<b>3. Foreign exchange rates and gold</b>							
- notional amount	-	-	3,651	229	-	-	-
- positive fair value	-	-	214	-	-	-	-
- negative fair value	-	-	-143	-68	-	-	-
<b>4. Other values</b>							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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

	(millions of euro)			
	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
<b>A. Regulatory trading book</b>	<b>887,782</b>	<b>924,614</b>	<b>509,156</b>	<b>2,321,552</b>
A.1 Financial derivatives on debt securities and interest rates	796,677	873,637	497,994	2,168,308
A.2 Financial derivatives on equities and stock indices	6,830	23,156	1,686	31,672
A.3 Financial derivatives on foreign exchange rates and gold	80,756	23,663	9,476	113,895
A.4 Financial derivatives - other values	3,519	4,158	-	7,677
<b>B. Banking book</b>	<b>73,099</b>	<b>118,670</b>	<b>65,485</b>	<b>257,254</b>
B.1 Financial derivatives on debt securities and interest rates	70,684	114,459	62,541	247,684
B.2 Financial derivatives on equities and stock indices	1,354	2,968	933	5,255
B.3 Financial derivatives on foreign exchange rates and gold	1,061	1,243	2,011	4,315
B.4 Financial derivatives - other values	-	-	-	-
<b>Total 31.12.2013</b>	<b>960,881</b>	<b>1,043,284</b>	<b>574,641</b>	<b>2,578,806</b>
<b>Total 31.12.2012</b>	<b>1,436,773</b>	<b>1,043,367</b>	<b>601,638</b>	<b>3,081,778</b>

**A.10 Over the counter financial derivatives: counterparty risk/financial risk – internal models**

Since as at 31 December 2013, the Group was not authorised to use EPE internal models to calculate counterparty risk for regulatory purposes, it has not prepared this table; rather, it has prepared tables from A.3 to A.8 above. As at 31 December 2013, for the Parent Company and Banca IMI the Group used EPE internal model metrics to monitor replacement risk for operational purposes through daily calculation of the PFE (Potential Future Exposure) measure at the 95<sup>th</sup> percentile associated with the OTC derivatives in the trading and banking book. During the third quarter of 2013 an application for validation with the aim of obtaining authorisation to use the internal counterparty risk model for regulatory purposes was submitted to the Bank of Italy in reference to the Parent Company Intesa Sanpaolo and Banca IMI.

**B. CREDIT DERIVATIVES****B.1. Credit derivatives: period-end and average notional amounts**

	(millions of euro)			
	Regulatory trading book		Banking book	
	single counterparty	more counterparties (basket)	single counterparty	more counterparties (basket)
<b>1. Protection purchases</b>				
- Credit default products	18,565	46,994	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	-	-	-	-
- Others	-	-	-	-
<b>Total 31.12.2013</b>	<b>18,565</b>	<b>46,994</b>	-	-
<b>Average values</b>	<b>22,870</b>	<b>49,571</b>	-	-
<b>Total 31.12.2012</b>	<b>25,745</b>	<b>52,159</b>	-	-
<b>2. Protection sales</b>				
- Credit default products	18,004	46,690	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	67	-	-	-
- Others	-	-	-	-
<b>Total 31.12.2013</b>	<b>18,071</b>	<b>46,690</b>	-	-
<b>Average values</b>	<b>31,400</b>	<b>49,600</b>	-	-
<b>Total 31.12.2012</b>	<b>24,993</b>	<b>52,520</b>	-	-

Part of the contracts in force as at 31 December 2013, shown in the table above, has been included within the structured credit products, namely: 229 million euro of protection purchases and 160 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.

For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

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

	(millions of euro)	
	Positive fair value	
	31.12.2013	31.12.2012
<b>A. Regulatory trading book</b>	<b>1,497</b>	<b>1,544</b>
a) Credit default products	1,402	1,394
b) Credit spread products	-	-
c) Total rate of return swap	95	150
d) Others	-	-
<b>B. Banking book</b>	-	-
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
<b>TOTAL</b>	<b>1,497</b>	<b>1,544</b>

Part of the positive fair values, recognised as at 31 December 2013, and shown in the table above, has been included within the structured credit products, namely: 51 million attributable to positions taken on creditworthiness indexes and protection purchases as part of structured packages.

For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

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

(millions of euro)

	Negative fair value	
	31.12.2013	31.12.2012
<b>A. Regulatory trading book</b>	<b>1,734</b>	<b>1,879</b>
a) Credit default products	1,636	1,737
b) Credit spread products	-	-
c) Total rate of return swap	98	142
d) Others	-	-
<b>B. Banking book</b>	<b>-</b>	<b>-</b>
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
<b>TOTAL</b>	<b>1,734</b>	<b>1,879</b>

Part of the negative fair values, recognised as at 31 December 2013, and shown in the table above, has been included within the structured credit products, namely: 49 million attributable to long positions on creditworthiness indexes and protection sales not included under the US subprime category.

For further information on the relative economic and risk effects, see the chapter on structured credit products in this Part of the Notes to the consolidated financial statements.

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non- financial companies	Other counterparties
<b>REGULATORY TRADING BOOK</b>							
<b>1. Protection purchases</b>							
- notional amount	-	88	290	577	-	-	-
- positive fair value	-	61	-	26	-	-	-
- negative fair value	-	-	-2	-3	-	-	-
- future exposure	-	4	21	38	-	-	-
<b>2. Protection sales</b>							
- notional amount	-	-	421	762	-	-	-
- positive fair value	-	-	3	97	-	-	-
- negative fair value	-	-	-1	-317	-	-	-
- future exposure	-	-	7	23	-	-	-
<b>BANKING BOOK</b>							
<b>1. Protection purchases</b>							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
<b>2. Protection sales</b>							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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

	(millions of euro)						
	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non- financial companies	Other counterparties
<b>REGULATORY TRADING BOOK</b>							
<b>1. Protection purchases</b>							
- notional amount	-	-	44,743	19,861	-	-	-
- positive fair value	-	-	126	80	-	-	-
- negative fair value	-	-	-806	-323	-	-	-
<b>2. Protection sales</b>							
- notional amount	-	-	46,318	17,260	-	-	-
- positive fair value	-	-	813	291	-	-	-
- negative fair value	-	-	-129	-153	-	-	-
<b>BANKING BOOK</b>							
<b>1. Protection purchases</b>							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
<b>2. Protection sales</b>							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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

	(millions of euro)			
	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
<b>A. Regulatory trading book</b>				
A.1 Credit derivatives with "qualified reference obligation"	11,872	104,403	2,110	118,385
A.2 Credit derivatives with "unqualified reference obligation"	1,847	9,648	440	11,935
<b>B. Banking book</b>				
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	-	-	-
<b>Total 31.12.2013</b>	<b>13,719</b>	<b>114,051</b>	<b>2,550</b>	<b>130,320</b>
<b>Total 31.12.2012</b>	<b>19,621</b>	<b>131,334</b>	<b>4,462</b>	<b>155,417</b>

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

As at 31 December 2013, the Group was not authorised to use EPE-type internal models for supervisory purposes.

## C. CREDIT AND FINANCIAL DERIVATIVES

## C.1. Over the counter credit and financial derivatives: net fair values and future exposure by counterparty

	(millions of euro)						
	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non- financial companies	Other counterparties
<b>1. Financial derivatives - bilateral agreements</b>							
- positive fair value	2,570	-	1,660	208	158	416	-
- negative fair value	-	-	-1,382	-2,859	-29	-69	-
- future exposure	106	-	799	2,933	40	335	-
- net counterparty risk	2,676	-	887	241	193	723	-
<b>2. Credit derivatives - bilateral agreements</b>							
- positive fair value	-	-	-	1	-	-	-
- negative fair value	-	-	-3	-2	-	-	-
- future exposure	-	-	1	3	-	-	-
- net counterparty risk	-	-	1	3	-	-	-
<b>3. "Cross product" agreements</b>							
- positive fair value	-	-	1,042	464	-	-	-
- negative fair value	-	-	-2,896	-571	-	-	-
- future exposure	-	-	2,974	797	-	-	-
- net counterparty risk	-	-	3,166	807	-	-	-

In the above table, the net amount of counterparty risk has been decreased, in accordance with regulatory provisions governing counterparty risk, to account for the transactions in OTC derivatives transferred to the Swapclear circuit (LCH group), amounting to 2,856 million euro.