1.4. BANKING GROUP – OPERATIONAL RISK

QUALITATIVE INFORMATION

General aspects, operational risk management processes and measurement methods

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
With regard to operational risk, the Group was authorised, effective from 31 December 2009, to use the Advanced AMA Approaches (internal model) to determine the associated capital requirement on an initial scope that includes the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was authorised to extend the Advanced approaches to a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka. The remaining companies, currently using the Standardised approach, will migrate progressively to the Advanced approaches starting from the end of 2011, based on the gradual rollout plan presented to the Supervisory Authority.
The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

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

The Integrated self-assessment process, which has been conducted on an annual basis since 2008, has allowed the Group to:
– identify, measure, monitor and mitigate operational risk; and
– create significant synergies with the specialised functions of the Organisation and Security Department that supervise the planning of operational processes and business continuity issues and with control functions (Compliance and Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/05, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing monitoring of these risks.

The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (the Operational Risk Management eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company's business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly serious operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst loss); 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 and internal control factors, to take account of the effectiveness of internal controls in the various organisational units.

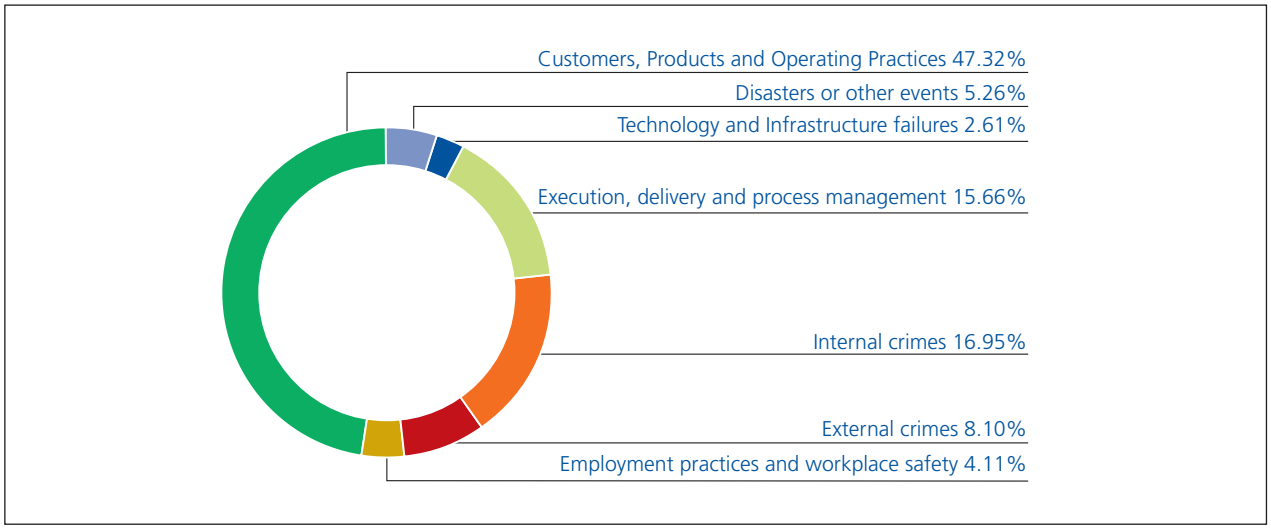
Operational risks are monitored by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme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

QUANTITATIVE INFORMATION

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to approximately 2,174 million euro.

The following is an illustration of the breakdown of capital requirement calculated with the Advanced Measurement Approach (AMA) by type of operational event.

Breakdown of capital requirement (Advanced Measurement Approach – AMA) by type of operational event



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 when there are legal obligations for which it is probable that funds will be disbursed to meet such obligations and where the amount of the disbursement may be reliably estimated.
The most complex legal procedures are described in the paragraphs below.

Dispute relating to anatocism - After March 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interim interest payable on current accounts to be unlawful, assuming that the relevant clauses in bank contracts do not integrate the contract with a "regulatory" standard practice, but rather with a "commercial" practice, and therefore, such clause are not adequate to derogate from the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.
The subsequent Legislative Decree 342 of 1999 confirmed the legitimacy of interim capitalisation of interest on current accounts, as long as interest is calculated with the same frequency on deposits and loans. From April 2000 (the date on which this regulation came into effect), quarterly capitalisation of both interest income and expense was applied to all current accounts.
Therefore the dispute on this issue concerns only those contracts which were stipulated before the indicated date.
In the judgment of the United Sections of 4 November 2004, the Court of Cassation again excluded the possibility that said use may be considered regulatory for the period prior to 2000.
In the judgment handed down by its Joint Sections on 2 December 2010, the Court of Cassation again made its voice heard on the matter, finding any form of capitalisation of interest to be unlawful and further ruling that the ten-year term of prescription applicable to account-holders' entitlement to reimbursement of unduly paid interest begins to toll on the date the account is closed, if the account had an overdraft facility and the facility's limit was respected, or on the date on which deposits were made to cover part or all of previous interest debits if the account was drawn beyond such limits or did not have an overdraft facility.
Without prejudice to the fact that the application of the above principles is limited to contracts entered into prior to 2000, it is not believed possible to arrive at an a-priori estimate of the impact that this judgment may have on ongoing and possible future proceedings, given that the possibility that the account-holders' claims may be reduced due to prescription will need to be verified case by case, according to existence of proof regarding whether there were active lines of credit on the current account from which quarterly interest was paid and depending on how the overdraft facilities were employed.
The overall number of pending cases is at an insignificant level in absolute terms, and is the subject of constant monitoring. The risks related to these disputes are covered by appropriate, adequate provisions to the allowances for risks and charges.
Lastly, in Law 10/2011, published in edition 47 of the Official Journal on 26 February 2011, in conversion of Law Decree 225 of 29 December 2010 ("Annual Extensions Act"), the legislator enacted a statute that provides an official criterion for interpreting the tolling of the ten-year term of prescription by establishing that in banking transactions via a current account, the term in question begins to toll on the date of individual account entries, while also stating that amounts paid prior to the entry into force of the cited conversion law are to remain unaffected and thus cannot be claimed.

Litigation regarding bonds in default - Group policy on management of complaints on financial instruments sold sets out a case-by-case assessment, with particular attention paid to the suitability of the instruments with respect to the position of the single investor.
On the subject of Parmalat bonds in particular, Intesa Sanpaolo extended, in agreement with all of the associations representing consumers at the national level, the same mediation procedure successfully applied to former Banca Intesa Group customers to former Sanpaolo IMI Group customers who had purchased these securities.
The extended procedure consequently involved all the approximately 27,000 customers of the former Sanpaolo IMI Group who bought Parmalat bonds that were then converted into shares and warrants of the new Parmalat. Approximately 16,800 customers, approximately 4,500 of whom belong to the Banche dei Territori network, elected to participate in the procedure. The review of claims ended in June 2010 with a total of approximately 15 million euro in reimbursements. The evaluation process was based on the principle of fairness and was conducted by five committees organised at a regional level. Committees are equally divided into a representative of the Bank and a representative of the consumer association chosen by the customer from among those that elected to participate in the initiative.
Former Sanpaolo IMI Group customers also benefited from the support offered by the Sanpaolo IMI Customer Parmalatbond Committee. Formed in 2004, the Committee's mission is to provide free protection for the rights to compensation of participants, including by filing a civil claim in the pending trials of those responsible for the default. The results of these initiatives include four important settlements reached by the Committee and the parties against whom civil claims were brought in the trials. These settlements resulted in the recovery of approximately 97 million euro, distributed amongst the participants.
For the Argentina bonds, complaints are managed by the ordinary procedure in place for any other financial product, according to a case-by-case assessment of the individual positions. As in other legal risk assessment procedures, provisions to account for a dispute are authorised on an individual basis after reviewing the specific circumstances that apply to particular cases.
The same criteria are applied to the assessments of claims relating to bonds issued by companies belonging to the Lehman Brothers Group whose default was declared in September 2008. The dispute in question, which is limited in scope, is covered by appropriate allowances that reflect each case's specific qualities. As part of a system-wide initiative, the Intesa Sanpaolo Group oversaw and secured the establishment of proof of debt in the insolvency procedures pending in various foreign countries for its customers who hold the aforementioned bonds, at no cost to its customers.

The Cirio Group default - In November 2002, the Cirio Group, one of Italy's largest agro-industrial operators, defaulted on the repayment of a loan issued on the Euromarket. This event led to a cross default on all its existing issues. The bonds issued by the Cirio Group had a nominal value totalling approximately 1.25 billion euro. Both the former Intesa Group and the former Sanpaolo IMI Group – like the other major banking groups – had granted loans to the Cirio Group.
In April 2007, ten companies of the Cirio group in Extraordinary Administration notified Intesa Sanpaolo and Banca Caboto (presently Banca IMI), as well as five other banks, considered to be severally liable, of the filing of a claim for the reimbursement of alleged damages deriving from:
– the worsening of the default of the Cirio group, from the end of 1999 to 2003, favoured also by the issue in the 2000/-2002 period of 6 bond issues; the damages thereof are quantified – adopting three different criteria – with the main criteria in 2,082 million euro and, with the control criteria, in 1,055 million euro or 421 million euro;
– the impossibility by the Extraordinary Administration procedures of undertaking bankruptcy repeal, for undetermined amounts, in the event that the default of Cirio group companies was not postponed in time;
– the payment of fees of 9.8 million euro for the placement of the various bond issues.

In a judgment filed on 3 November 2009, the Court of Rome found the Cirio Group's claims to be unfounded on the merits and therefore rejected said claims on the grounds of a lack of a causal relationship between the actions of the banks named defendants in the suit and the claimed damage event.
The claimants appealed this judgment and at the first hearing the proceedings were adjourned until 6 July 2011.

Equitalia Polis S.p.A. (former Gest Line S.p.A.) - Tax-collection litigation - With three different transactions, the first in September 2006, the second in December 2007 and the last in April 2008, the Bank, as part of the state's internalisation of tax collection activities, sold to Equitalia S.p.A. (a company owned by Agenzia delle Entrate and INPS) the entire share capital of Gest Line S.p.A., now Equitalia Polis, which performed tax-collection activities in the former Sanpaolo IMI Group.
Intesa Sanpaolo also undertook to indemnify the buyer against any out-of-period expenses associated with the collection activity carried out up to the moment of sale of the investment (September 2006): the most significant share of such contingent liabilities may be attributed to ongoing proceedings before the Court of Auditors regarding alleged irregularities committed by the collection agent, in particular in activity performed in the early Nineties.
In addition, a statute that calls for any payment obligations associated with the collection activity carried out by the transferred company prior to the sale to be transferred directly to the seller entered into force in 2005.
Although Gest Line availed itself of the option afforded to it by Law 311/2004 to remedy irregularities deriving from the performance of collection activity by paying an amount determined according to the parameter of three euro per inhabitant served, some regional sections of the Court of Auditors, which were hearing the cases regarding those irregularities, and later the Central Sections on appeal, have found that the amnesty statute does not apply to the circumstances at issue in the case. Law Decree 248/2007 was then enacted with the aim of providing an official interpretation of the scope of application of the above amnesty. Nonetheless, the situation in case law has remained essentially unchanged.
Finally, Law Decree 40 of 25 March 2010 allowed parties that have sold their interests in collection agencies to settle on advantageous terms all proceedings pending at 26 May 2010 in connection with collection activity conducted through 30 June 1999 by paying 10.91% of the amounts at issue.
On 29 October 2010 the Bank opted to reach such an advantageous settlement, agreeing to pay the indicated percentage of 10.91% by the stated terms.
The Group is currently awaiting the receipt of notice of extinguishment of all proceedings affected by the statute in question, including the most recent lost-revenue trial initiated by the Public Prosecutor before the Court of Auditors, Emilia Romagna section, which is to continue solely for the part referring to municipal taxes, much more limited in amount that the original claim.

Banca Infrastrutture Innovazione e Sviluppo and Municipality of Taranto litigation - Banca Infrastrutture Innovazione e Sviluppo (BIIS), as the successor to Banca OPI, was involved in a case pending before the Court of Taranto brought by the Municipality of Taranto in relation to the subscription in May 2004 by Banca OPI for a 250 million euro bond issued by the Municipality.
In its judgement of 27 April 2009, the Court declared the invalidity of the operation, ordering the Bank to reimburse, with interest, the partial repayments of the loan made by the Municipality of Taranto. The latter was ordered to reimburse, with interest, the loan granted. Lastly, the Court ordered compensation in favour of the Municipality, to be calculated by separate proceedings.
Both parties appealed against the judgement. Moreover, the Bank requested the stay of enforcement of the judgement and brought a case for negative clearance. The Municipality and Bank have agreed not to enforce the judgement, given that the trial is expected to be concluded by next spring.
According to the legal firms assisting BIIS, there are valid grounds to believe that the first level judgement will be modified.
In February 2010, the insolvency procedure entity for the Municipality of Taranto informed BIIS that the Municipality's debt to the Bank for the repayment of the 250 million euro bond had been added to "the insolvency procedures' list of debts". The fact that the Municipality's debt to the Bank has been included in the insolvency procedure's "list of debts" instead of in the "rebalanced financial statements" does not, in and of itself, have consequences for the Bank's right to repayment of its loan to the Municipality and, accordingly, on the position's risk profile. The Bank appealed the judgement before the Regional Administrative Court of Puglia, which in a ruling handed down in February 2011 rejected the appeal due to lack of jurisdiction, without prejudice to the claims against the Municipality.

Codacons class action - On 5 January 2010, Codacons, acting on behalf of a single account holder, served Intesa Sanpaolo with a writ of summons for a class-action suit pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit, brought before the Court of Turin, sought a finding that the new fee structure introduced by the Bank to replace the overdraft charges was unlawful and, accordingly, a sentence ordering the Bank to provide compensation for the alleged damages, possibly also to be determined on an equitable basis, suffered by the claimant (who has quantified them at 1,250 euro) and all other customers in the same class who elect to participate in the initiative.
On 4 June 2010, the Court of Turin filed an order stating the inadmissibility of such class action. The order was appealed before the Turin Court of Appeal, which in an order filed on 25 October 2010 rejected the appeal. Codacons also appealed this judgment before the Court of Cassation, where the proceedings are still pending.

Altroconsumo class action - On 17 November 2010, the association Altroconsumo, acting on behalf of three account holders, served Intesa Sanpaolo with a writ of summons for a class-action suit pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit seeks a finding that application of overdraft charges and the new fee for overdrawing accounts without credit facilities in place is unlawful.
It also seeks an inquiry into whether the "threshold rate" set out in Law 108/96 (usury) has been exceeded and a sentence enjoining the restitution of any amounts collected by the Bank in excess of that threshold.
At present, the claim has been quantified at the total amount of approximately 456 euro in relation to the accounts cited by the three claimants in the trial. The summons specifies that the first hearing is set for 23 March 2011.
Appropriate initiatives are being taken to combat the counterparty's action, in light of the positive experience with the previous class action brought by Codacons.

Angelo Rizzoli litigation - In September 2009, Angelo Rizzoli filed suit against Intesa Sanpaolo (as the successor of the former Banco Ambrosiano) and four other parties seeking a finding of nullity for the transactions undertaken between 1977 and 1984 alleged to have resulted in a detrimental loss of the control that he would have exercised over Rizzoli Editore S.p.A. and claiming compensation in an amount ranging from 650 to 724 million euro according to entirely subjective damage quantification criteria.
Rizzoli's claims, in addition to being without foundation on the merits due to the lack of a breach of the provision that prohibits preferential collateral rights argued to have occurred in the transactions whereby Rizzoli Editore S.p.A. was transferred, are also inadmissible at a preliminary procedural level, as held by the Bank in its motion of appearance, on the grounds that the Milan Court of Appeal had already decided the matter in its judgment of 1996, which has become *res judicata*, as well as that Rizzoli lacked an interest to sue due to prescription of claims for compensation or restitution and usucaption by third parties.
After the customary briefs were exchanged by the parties, at the hearing of 18 January 2011 the judge reserved the decision of the preliminary claims.

Allegra Finanz AG – This civil dispute involves various banks, including Intesa Sanpaolo, and pertains to the Parmalat default. By writ of summons served on 31 January 2011, Allegra Finanz AG and 16 other international institutional investors brought suit before the Court of Milan against several leading international financial institutions, Intesa Sanpaolo and Eurizon Capital SGR (as the successor to Nextra), seeking a sentence of joint and several - or, subordinately, pro-rata - compensation for damages quantified in the total amount of 129 million euro, in addition to interest and currency appreciation, the sum corresponding to the losses claimed by the claimants as a result of investments in bonds and shares issued by various Parmalat group companies, net of partial repayment received according to the restructuring plan.
The claimants allege that the defendants, acting in various capacities and in different ways, contributed to concealing the Parmalat group's true economic conditions through financial transactions that deceitfully allowed it to survive, resulting in the transfer of the risk of default to investors.
Intesa Sanpaolo's involvement in the proceedings relates to a private placement of 300 million euro by Parmalat Finance Corporation BV fully subscribed for by Nextra in June 2003, a transaction that, as stated by the claimants themselves, resulted in a settlement between Nextra and the Parmalat extraordinary administration procedure. The first hearing has been scheduled for 19 September 2011. The implications of this legal initiative are being assessed.

Other judicial and administrative proceedings involving the New York branch - A criminal investigation is underway in the United States, instigated by the New York District Attorney's Office and the Department of Justice, aimed at verifying the methods used

for clearing through the United States payments in dollars to/from countries embargoed by the US government in the years from 2001 to 2008.
The investigation involves the treatment of payment orders in dollars generally issued in the SWIFT interbank payments settled through US banks, and the alleged omission or alteration of the information relating to the originators and beneficiaries of these payments. The Bank is cooperating in full with this investigation. A parallel administrative proceeding is also underway, initiated in March 2007 by the US banking supervisory authorities that, having found certain weaknesses in 2006 in the anti-money laundering systems of the New York branch, requested a series of actions (already implemented) to strengthen the anti-money laundering procedures and an examination of the payment traffic of the first half of 2006 by an independent consultant to verify the existence of any violations of the local anti-money laundering and embargo regulations. While a settlement involving the payment of a fine by ISP is still possible, available information do not allow for a forecast of the timing, outcome and amount of the possible fine.

Labour litigation
The dispute with the Turin office of INPS regarding non-payment by Sanpaolo IMI of contributions to finance involuntary unemployment relating to the period 1 November 2002 - 31 December 2006 - described in further detail in the 2008 and 2009 financial statements - was put to rest through a settlement in the total amount of 33.4 million, with the use of the specific provision to the specific allowance for risks.
In general, all labour litigation is covered by provisions adequate to meet any outlays.

Tax litigation
Overall tax litigation risks are covered by adequate provisions to allowances for risks and charges.
The Parent Company is a party to 252 litigation proceedings, in which a total of 1,040 million euro are at issue, including disputes in both administrative and judicial venues at various instances. The actual risks associated with these proceedings were quantified at 109 million euro at 31 December 2010.
No specific provisions were recognised to account for the new disputes that arose in 2010, the total amount at issue in which comes to 867 million euro in taxes, penalties and interest, owing to the arbitrary nature of the underlying arguments, which make it wholly unlikely that the associated litigation proceedings, initiated in a timely manner, will have a negative outcome.
Such proceedings include the following, remarkable for the amounts at issue or the nature of the claims:

- the sale without recourse of doubtful loans to Castello Finance S.r.l., transacted in 2005 by Banca Intesa and the merged Intesa Gestione Crediti: contested amount of 342 million euro in IRES, penalties and interest, assuming that the conditions of certainty and finality required under art. 101 of the Consolidated Income Tax Act do not apply;
- structured-finance transactions undertaken in 2005 involving shares of companies listed in Italy, contested in the total amount of 377 million euro in IRES, IRAP, penalties and interest, under the assumption of alleged misuse of a right;
- alleged irregularities in the trading of raw gold with a counterparty belonging to a Swiss multinational; the associated claim is 42 million euro, in addition to penalties and interest;
- contribution of branches to Cariparma and Friuladria and subsequent sale of shares to Crédit Agricole. The amount of the claim is 44 million euro in registration tax and interest, without penalties due to the anti-avoidance basis of the allegation, owing to the re-designation of such transactions to constitute a single step-based process to be considered on a par with the sale of a business unit;
- sale of branches by order of the Competition Authority, with a claim of 7 million euro in registration tax, due to the greater goodwill allocated than acknowledged by the counterparty and the documents.

The Group's other Italian and international companies within the scope of consolidation are parties to tax litigation proceedings in which a total of 614 million euro is at stake at 31 December 2010, reflected by specific allowances of 51 million euro.
The most significant disputes that arose in 2010 in this area also revolve around interpretative issues; the charges brought in this connection appear largely groundless.
These include:

- Cassa di Risparmio in Bologna, for 21 million euro in IRES, IRAP and VAT, penalties and interest, largely claimed in relation to an exchange with the Municipality of Bologna as part of a complex real-estate transaction;
- Mediocredito Italiano, for a total of 20 million euro in IRES, penalties and interest in connection with its participation in 2005 in the without-recourse sale of loans to Castello Finance S.r.l..

Disputes that gave rise to further consequences in addition to the charges brought in previous years include:

- Intesa Investimenti, which was served notice of assessments of IRES for 2004, in the total amount of 67 million euro, and IRES and IRAP for 2005, in the amount of 112 million euro arising from the audit of 2004, 2005 and 2006 that provided the basis for a total claim of 211 million euro in taxes, penalties and interest due to the re-designation of financial income collected through investment in an English Open-End Investment Company (OEIC);
- Banca IMI, which was served notice of assessments relating to 2005, in the total amount of 24 million euro, arising from audits of Banca IMI and the former Banca Caboto, for the years 2004-2006, which provided the basis for a total claim of 105 million euro in taxes, penalties and interest, to be added to the 5 million euro associated with the similar dispute for 2003. The above disputes relate primarily to transactions involving share dividends, as well as other matters pertaining to operations typical of capital markets and investment banking. On 8 March 2010, the Provincial Tax Committee of Milan granted part of the appeal filed against the IRPEG and IRAP assessment notice for the tax period 2003;
- Centro Leasing Banca, which was served notice of assessments relating to 2005, in the amount of 5 million euro, in connection with the audit of years 2003-2007, which formed the basis of a total claim of 56 million euro in IRES, IRAP, VAT, penalties and interest in connection with a group of real-estate sale-and-leaseback transactions re-designated as secured lending transactions on the basis of the jurisdictional principle of misuse of a right. The audits of 2003 and 2004 have already been annulled in their entirety by the Provincial Tax Committee of Florence;
- Leasint, whose disputes, in the total amount of 37 million euro, are primarily attributable to the following issues: one group regards transactions for which there was found to be no record with the counterparties, another the question of whether the ordinary VAT regime or the special lump-sum VAT regime is applicable to boat leasing and the third the problem of standing to pay for "registration tax" on leased vehicles. Finally, there is the Calit case, whose underlying deeds of contribution and

subsequent sale of the investment to the Crédit Agricole Group have been reclassified as the sale of a business unit.
Pending international charges, whose total amount comes to approximately 16 million euro, are not material in amount when compared to the volume of the Group's business.

On the whole, many of the charges at issue in litigation, and particularly those arising from audits of which notice was given in 2010, appear utterly ungrounded and, as stated above, based solely upon interpretations of tax statutes that are without merit in that they are in conflict with provisions of law and, in many cases, alleged "misuse of a right", a legal construct created in other terms and for other purposes in the case law of the Court of Cassation that does not exist in the body of Italian statutes.
Essentially in order to facilitate any application of deflationary procedures for litigation in connection with certain assessments and the foreseeable outcome of ongoing audits, the amount of 100 million euro has been allocated to allowances for risks and charges.
The Group companies' rights are protected by external and internal professionals of considerable ability and experience who are determined to see that those rights are respected in the competent Italian and European venues.
As mentioned above, specific provisions of adequate amount have been recognised to account for the other litigation, the risks of which are systematically and diligently assessed.