Interim Statement as at 31 March 2015

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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 8.724.861.778,88 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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INTESA SANPAOLO

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Banca FIDEURAM
BANCA IMI
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BANCO DI NAPOLI
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CASSA DI RISPARMIO DEL VENETO
CARISBO
INTESA SANPAOLO PRIVATE BANKING
MEDIOCREDITO ITALIANO

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,306	Intesa Sanpaolo Private Banking	55
	Banca Fideuram	37
	Banca Prossima	27
	Mediocredito Italiano	3
	Banca IMI	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
102	CR del Veneto	344
	CR in Bologna	174
	CR del Friuli Venezia Giulia	102
	CR di Forlì e della Romagna	88
	Banca di Trento e Bolzano	71
	Banca Monte Parma	58
	Intesa Sanpaolo Private Banking	35
	Banca Fideuram	22
	Banca Prossima	14
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
224	Banca CR Firenze	557
	Banca dell'Adriatico	107
	Banca Fideuram	21
	Intesa Sanpaolo Private Banking	21
	Banca Prossima	9
	Banco di Napoli	3
	Mediocredito Italiano	3

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
4	Banco di Napoli	603
	Banca dell'Adriatico	96
	Banca Prossima	19
	Intesa Sanpaolo Private Banking	17
	Banca Fideuram	11
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
233	Banca Prossima	9
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Mediocredito Italiano	2

Figures as at 31 March 2015

Product Companies

INTESA SANPAOLO VITA

Bancassurance and Pension Funds

MEDIOCREDITO ITALIANO

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EurizonCapital

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INTESA SANPAOLO PERSONAL FINANCE

Consumer Credit

SIREFID

Fiduciary Services

SETEFI

Electronic Payments

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

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

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

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

VÚB BANKA

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

OCEANIA

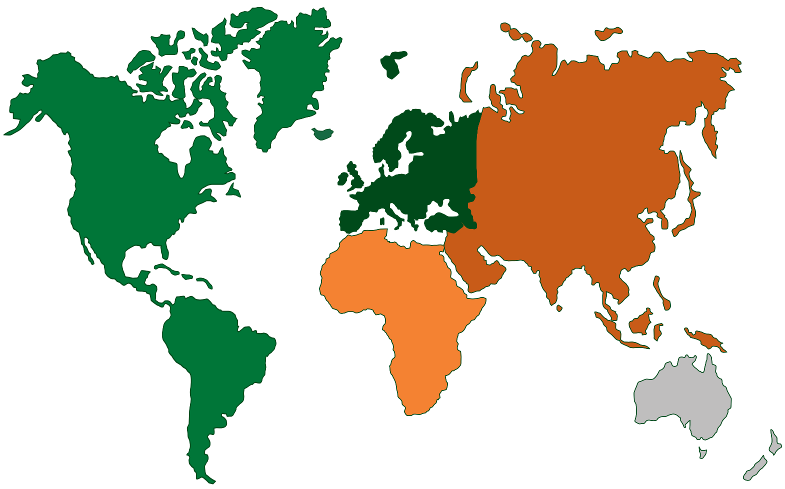
Representative Offices
Sydney

ASIA

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

EUROPE

Direct Branches	Representative Offices
Amsterdam	Athens
Frankfurt	Brussels(2)
Innsbruck(1)	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	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	71
Russian Federation	Banca Intesa	57
Serbia	Banca Intesa Beograd	178
Slovakia	VUB Banka	230
Slovenia	Banka Koper	52
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank(3)	232
United Kingdom	Banca IMI	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	171
Casablanca			
Tunis			

Figures as at 31 March 2015
(1) Branch of Italian subsidiary Banca di Trento e Bolzano
(2) International and Regulatory Affairs
(3) Currently included under discontinued operations

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 | EurizonCapital 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

Ernesto RIVA

Independent Auditors

KPMG S.p.A.

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

Overview of the first quarter 2015

Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	31.03.2015	31.03.2014	**Changes** amount	**Changes** %
Net interest income	1,973	2,100	-127	-6.0
Net fee and commission income	1,812	1,580	232	14.7
Profits (losses) on trading	602	151	451	
Income from insurance business	343	255	88	34.5
Operating income	4,753	4,108	645	15.7
Operating costs	-2,106	-2,086	20	1.0
Operating margin	2,647	2,022	625	30.9
Net adjustments to loans	-755	-1,077	-322	-29.9
Income after tax from discontinued operations	-19	-13	6	46.2
Net income (loss)	1,064	503	561	

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

	Operating income 31.03.2015	**Operating income** 31.03.2014	**Operating costs** 31.03.2015	**Operating costs** 31.03.2014
Banca dei Territori	2,348	2,427	1,233	1,263
Corporate and Invest. Banking	956	875	224	208
International Subsidiary Banks	506	487	254	250
Private Banking	427	350	128	120
Asset Management	160	101	32	28
Insurance	345	261	35	39

	Operating margin 31.03.2015	**Operating margin** 31.03.2014	**Net income (loss)** 31.03.2015	**Net income (loss)** 31.03.2014
Banca dei Territori	1,115	1,164	351	332
Corporate and Invest. Banking	732	667	461	421
International Subsidiary Banks	252	237	120	114
Private Banking	299	230	178	122
Asset Management	128	73	94	47
Insurance	310	222	204	144

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

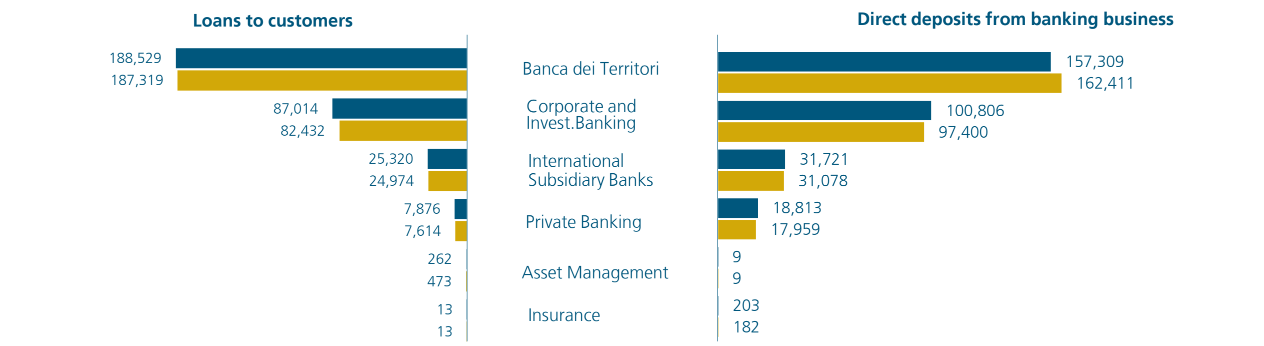
(*) The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.

31.03.2015
31.03.2014

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)	31.03.2015	31.12.2014	Changes amount	Changes %
Financial assets	250,414	223,225	27,189	12.2
of which: Insurance Companies	*122,997*	*115,046*	*7,951*	*6.9*
Loans to customers	346,147	339,105	7,042	2.1
Total assets	682,418	646,427	35,991	5.6
Direct deposits from banking business	369,868	359,629	10,239	2.8
Direct deposits from insurance business and technical reserves	126,316	118,612	7,704	6.5
Indirect deposits:	495,797	465,777	30,020	6.4
of which: Assets under management	*323,493*	*301,715*	*21,778*	*7.2*
Shareholders' equity	46,187	44,683	1,504	3.4

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



Operating structure	**31.03.2015**	**31.12.2014**	**Changes amount**
Number of employees	**89,315**	**89,486**	**-171**
Italy	64,736	64,800	-64
Abroad	24,579	24,686	-107
Number of financial advisors	**5,051**	**5,044**	**7**
Number of branches [(a)]	**5,779**	**5,867**	**-88**
Italy	4,392	4,473	-81
Abroad	1,387	1,394	-7

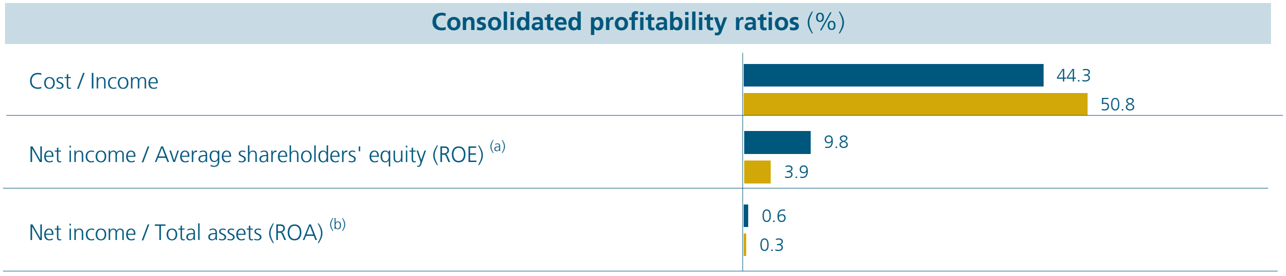
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

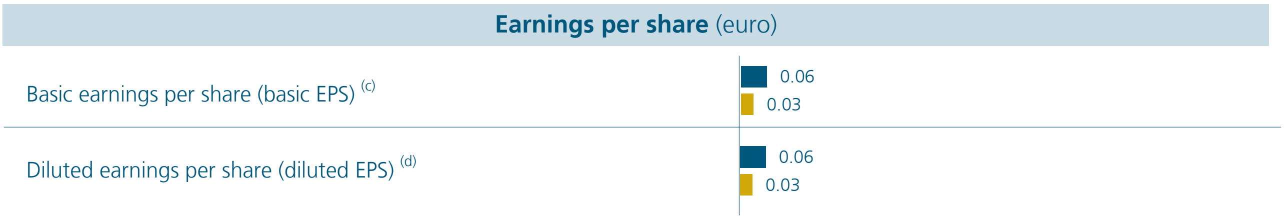
(*) The figures from the comparative period have been restated to reflect the changes in the Group's organisational model, which became operational in late 2014.

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

31.03.2015
31.12.2014

Other alternative performance measures





Figures restated where required by international accounting standards and, 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.

31.03.2015
31.03.2014

Consolidated risk ratios (%)

Net doubtful loans / Loans to customers	4.2	4.2
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	62.7	62.7

Consolidated capital ratios (%) (e)

Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	13.0	13.5
TIER 1 Capital / Risk-weighted assets	13.6	14.2
Total owns funds / Risk-weighted assets	16.4	17.2
Risk-weighted assets (millions of euro)	280,485	269,790
Absorbed capital (millions of euro)	29,650	28,689

Risk-weighted assets by sector (e) (millions of euro) / **Absorbed capital by sector** (e) (millions of euro)

Risk-weighted assets			Absorbed capital	
98,512	96,797	Banca dei Territori	8,866	8,712
89,885	86,092	Corporate and Invest. Banking	8,090	7,748
31,804	27,556	International Subsidiary Banks	3,020	2,633
7,907	7,278	Private Banking	739	681
1,072	917	Asset Management	112	97
-	-	Insurance	4,193	4,214

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation 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.

31.03.2015 (dark blue bars)

31.12.2014 (yellow bars)

Executive summary

The macroeconomic context

The economy and the financial and currency markets

The global economy remains in a phase of moderate expansion, with differing prospects for the various geographical areas. The decline in commodities prices benefits advanced nations, to the detriment of commodity-exporting countries, and particularly energy-exporters. The considerable appreciation of the dollar favours producers in the Eurozone to the detriment of those based in the United States and other countries with currencies more closely tied to the dollar, thereby creating the conditions for greater convergence of economic growth rates. In addition, in the first quarter of this year, U.S. GDP growth was held back by temporary factors relating to union agitation at ports on the west coast and particularly adverse meteorological conditions.
Economic indicators show that growth in the Eurozone accelerated in the first quarter. The confidence climate improved across all sectors, and the rate of change in industrial production rose in February. Greater optimism by companies and households was also fostered by the new monetary policy measures adopted by the European Central Bank, which in March launched a Public Sector Purchase Programme (PSPP) integrating the two previous programmes dedicated to covered bonds and ABSs. At least until September 2016, this programme commits the ECB to the purchase of securities of 60 billion euro each month, of which more than 40 billion euro of government bonds and bonds issued by supranational organisations and other public entities. It is estimated that purchases will exceed the net supply of government bonds in the Eurozone during the period concerned.
The announcement of the programme was followed by a sharp decline in government bond yields, a further drop in money market rates and renewed depreciation of the euro on currency markets. The lower rates brought yields to maturity into negative territory for large portions of the government debt of highly rated countries. At the end of the quarter, the yield on ten-year German Bunds was 0.185%, 35 basis points lower than at 31 December 2014. The effect was also positive for Italian Treasury debt: the yield on the ten-year BTP fell from 1.35% to 1.25%, despite the increase in risk premiums compared to German bonds. The PSPP also allowed to limit the negative effects of the new Greek crisis on the market. The new Athenian government has yet to reach an agreement with the Eurogroup and IMF to secure additional financial aid and is seeing its financial autonomy gradually reduced.
Risk premiums on Italian government debt reached a low of 88 basis points on 12 March, shortly after the launch of the programme, and closed the quarter at 105 basis points, compared to 123 basis points at the end of 2014.
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 marginally but stably negative since 26 February. The three-month rate, which was 0.08% at the beginning of the year, had declined to 0.02% on 31 March.
In Italy, the highly positive performance of confidence indices is compatible with a resumption of gross domestic product growth in the first quarter. The weak euro is supporting exports, particularly towards the dollar area, while lower energy prices are increasing the operating margins of businesses and the real income of families. After a long period of decline, production also recovered in the construction industry in January and February compared to the fourth quarter of 2014. However, the continuing uncertain performance of industrial production at the beginning of the year indicates that the recovery remains modest. Employment began to fall once more, after the increase seen in 2014, although with indications that new hires include more indefinite term workers than in the past. Inflation was negative throughout the quarter, with lows reached in January and a subsequent recovery tied to fuel prices.

International equity markets began 2015 with an overall positive performance, but with very differing degrees of intensity by geographical area. The divergence of the monetary policies of the Federal Reserve and ECB resulted in sharp depreciation of the euro on currency markets, which intensified in March when the ECB's securities purchase programme was launched.
The main beneficiaries were Euro Area equity markets, and in particular securities with the greatest focus on exports to the U.S. dollar area. The currency factor was in addition to the abrupt decline in oil prices, with a positive effect on the disposable income of consumers and, looking forward, on the margins of industrial companies. Finally, the expansionary monetary conditions in the Euro Area triggered a recovery of the credit cycle, providing further support for expectations of an economic recovery.
Announcements of numerous mergers and acquisitions, associated with a general increase in risk appetite by investors, translated into significant gains for Euro Area equity markets. The EuroStoxx index closed the quarter up 18.2%; the CAC 40 gained 17.8%, whereas the DAX 30 posted the greatest increase of all major Eurozone benchmark indices (+22%). Finally, the IBEX 35 posted smaller gains (+12.1%). Outside the Eurozone, the Swiss market index SMI was up 1.6% over the quarter, while the English market index FTSE posted gains of 3.2%.
The S&P 500 index closed the period essentially unchanged (+0.44%), whereas the major equity markets in Asia reported strong positive performances: the Chinese benchmark index SSE A-Share closed the first quarter up 15.9%, whereas the Nikkei 225 index was up 10.1% at the end of March.
The Italian equity market achieved decidedly positive performances during the quarter, owing to improved expectations of an economic recovery, the decline in government bond yields and the continuation of the institutional reform process, which is contributing to reduce aversion to country risk for international investors. The FTSE MIB index closed the quarter up 21.8%, and the FTSE Italia All Share index posted a slightly greater increase (+22.8%) at the end of March. Lastly, mid-cap shares performed even more robustly, with the FTSE Italia STAR index up 32.8% at the end of the quarter.

On bond markets, the European corporate segment closed the first three months of 2015 on a positive note, although with differentiated performances and with spreads far from the lows recorded during the period.

The announcement of the launch of the ECB's purchase programme, despite the failure to include corporate securities among those eligible, resulted in a considerable reduction of yields on investment grade and high yield securities. An abrupt correction then occurred in early March, probably due to excessively low yields and the high level of activity on the primary market, with the most significant effect on low-beta securities (investment grade), whereas the search for returns continued to support riskier securities.
During the quarter, the investment grade segment saw industrial securities report higher returns than their financial counterparties, which showed widening spreads. The speculative segment performed more positively, driven by investors' greater risk appetite.
In the derivative segment, with the iTraxx indices representative of the cost of hedging against the risk of default, the greater propensity for risk was also reflected in improved performance by the synthetic crossover index (which includes 50 non-financial issuers with sub-investment grade ratings).
As far as new issues are concerned, after a rather weak start of the year, the primary market saw a substantial recovery of activity, with volumes that also benefited from issues in euro by U.S. firms aimed at exploiting low rates in the Eurozone, and from an increase in the issuance of subordinated securities. It should be noted that the current financing conditions have resulted in an increase in transactions aimed at optimising financial structure through the repurchase of securities in issue and their replacement with longer-term securities with more favourable conditions.

The emerging economies and markets

In the first few months of 2015, economic activity in emerging economies grew at a more modest pace than in late 2014. The year-on-year growth rate in industrial production for a sample representing 75% of the GDP of emerging countries fell to 3.3% in January and February, compared to 3.9% in the fourth quarter of 2014. The slowdown was due to the decline in production in Latin American countries with commodity-driven exports (in particular Argentina and Brazil), the CIS nations (in particular Russia and Ukraine, where specific factors tied to local geopolitical tensions also had an impact) and the MENA area. The slowing growth recorded in these areas was only partly offset by faster growth in various countries in the CEE/SEE area, which benefited from the recovery of manufacturing in Europe, and by the overall stability of Asian nations.
Though in an international scenario characterised by considerable slowing, and in some areas even by a decline in consumer prices, the year-on-year inflation rate for that same sample of emerging countries increased slightly, rising from 4.3% in December 2014 to 4.9% in March 2015. The increase in inflation related primarily to countries that saw their currencies depreciate significantly, such as Brazil (from 6.4% to 8.1%), Russia (from 11.4% to 16.9%), Egypt (from 10.1% to 11.5%) and, above all, Ukraine (from 24.9% to 45.8%). On the other hand, price levels fell in Slovakia, Slovenia and Hungary, and, among the SEE countries, in Bosnia and Croatia, and price growth levels were in any event below the bottom end of the target range identified by the respective central banks in Romania and Serbia.

The divergence of inflation and exchange rates supported different monetary policy stances. In some emerging countries, central banks increased rates, such as in Brazil, where the SELIC rate rose from 11.75% at the end of 2014 to 12.75% in March 2015, and in Ukraine, where the benchmark rate was raised from 14% to 30%. In other countries, faced with inflationary pressures of a temporary nature or price increases as a result of administrative measures, central banks instead cut rates, such as in the cases of Turkey (where the maximum rate was reduced from 11.25% to 10.75%) and Egypt (where the minimum rate fell from 9.25% to 8.75%). In yet other countries (such as China and India), in response to slowing inflation it was decided to loosen monetary policy in order to support domestic demand. In Russia, the stabilisation of the financial markets and recovery of the exchange rate recorded in the first few months of the year, following the extreme tension witnessed in December, allowed the central bank to lower its benchmark rate from 17%, to which it had been raised at the end of 2014, to 14% in March 2015. The ECB's expansionary policy also created conditions favourable to widespread cuts of benchmark rates in Central and South Eastern Europe, with reductions in Romania (-25 basis points, to 2.50%), Hungary (-15 basis points, to 1.95%), Albania (-25 basis points, to 2%) and Serbia (-50 basis points, to 7.5%).
On financial markets, the MSCI emerging markets equity index gained 6.5% in the first quarter. Of the main markets, Shanghai continued to rally (+15.9% during the quarter), and Moscow (+11.3%) recovered part of the losses recorded in the previous year. The strength of these markets offset the relative weakness of commodity-exporting nations in Latin America and the Middle East. With regard to countries with ISP subsidiaries, in addition to Russia, considerable price increases were seen in the countries that presented the strongest growth prospects, and in particular in CEE countries.
On currency markets, in the first quarter of 2015 the dollar continued to appreciate against emerging currencies overall (OITP – Other Important Trading Partners - index +1.8%). The dollar appreciated the most against the currencies of countries in positions of greater relative financial vulnerability, such as the Brazilian real (+20%), the Turkish lira (+12%), and the South African rand (+5%), whereas China's renminbi (-0.1%), India's rupee (-0.9%) appreciated slightly. In the CIS area, geopolitical tensions and concerns relating to debt positions triggered a further severe decline in the value of the Ukrainian hryvnia, which only partly recovered following the considerable increase in the central bank's benchmark rates. The Russian rouble, after continuing to depreciate in January (falling to 70 RUB:1 USD), then posted a significant recovery, ending the first quarter up 1.6% (at 55 RUB:1 USD) and then falling back to 50 in the first half of April. In Central and South Eastern European countries with ISP subsidiaries, the major currencies depreciated against the dollar but remained essentially stable against the euro, with some exceptions, such as in the case of the Hungarian forint, which appreciated 4%, and the Serbian dinar, with depreciated slightly less than 1% against the single currency.

On bond markets, from January to March 2015 the EMBI spread index increased 15 basis points, driven primarily by Latin America (+34 basis points). In countries with ISP subsidiaries, CDSs generally fell, in parallel to the movements recorded in peripheral European countries. The spread also fell once more in Russia (-50 basis points, to near 350 basis points), although the country lost its investment grade rating from S&P, which in January lowered its rating to BB+, and from Moody's, which in February lowered its rating to Ba1. The spread remained essentially stable at around 320 basis points in Egypt, but leapt above 14,000 basis points in Ukraine, where, due to debt restructuring concerns, ratings by major agencies were repeatedly cut (now CC for S&P).

The banking system

Rates and spreads

The cost of bank funding continued to decline gradually in early 2015, owing in part to the shift towards less costly forms of funding. The overall deposit rate declined markedly at the beginning of the year and then more moderately over the course of the quarter, primarily affecting rates on time deposits and balances held by non-financial companies. In particular, rates on current accounts reached all-time lows, according to the statistics available since the beginning of 2003. The average rate on bonds also continued to decline gradually during the quarter, while the marginal cost of fixed-rate bond issues amounted to near 1% at the beginning of the year, a level never reached in the previous decade.
Rates on loans also continued to decline. In particular, the average rate on new loans to non-financial companies fell below 2.3%, an average of one percentage point less at the quarterly level than in the first quarter of 2014, and a low since mid-2010. 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 average rate on new mortgage loans to households for house purchases also continued. 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. The decline in spreads already observed in 2014 continued in early 2015.
Rates on outstanding loans also continued the decline that began in the second half of 2014, although at a more gradual pace.
As a result of the decrease in the cost of funding, the spread between lending and funding rates reached another high at the beginning of the year, rising to more than 2.3% (an estimated average of 2.31% in the first quarter of 2015, +6 basis points compared to the fourth quarter of 2014 and +12 basis points compared to one year earlier). The contribution from deposits, measured on short-term rates, remained in negative territory, but improved slightly due to the decrease in rates on current accounts (mark-down on the 1-month Euribor of -0.24% at the quarterly average level, from -0.26% in the fourth quarter of 2014). The mark-up on the 1-month Euribor continued the gradual decline recorded in 2014, though remaining at high levels (4.49% on average for the first two months of 2015, from 4.54% in the fourth quarter of 2014).

Loans

In the first few months of 2015, bank loans to the private sector continued to decline, though at a slower rate than on average in 2014. The recovery of loans to businesses from the lows of the recessionary cycle came to a halt in the first two months of the year, followed by an improvement in March. In particular, the annual change in short-term loans to non-financial companies returned to negative territory, after falling back towards zero at the end of 2014. On the other hand, the rate of decline of medium-/long-term loans to businesses continued to slow gradually. Loans to households continued to decline very slowly, while also showing a slower rate of decline than on average in 2014. Residential mortgage loan disbursements continued to recover. However, this has yet to translate into an increase in outstanding loans.
Loan performance continued to be affected by weak demand. In particular, according to a credit survey at Italian banks, demand from businesses was unchanged in the first few months of 2015, just as at the end of 2014. However, in confirmation of an improved demand situation, banks indicated that they expected a robust recovery of demand from businesses in the second quarter. Demand remained stronger from households, which continued to submit increased applications for mortgage loans for house purchases, with a moderate recovery of the demand for consumer credit at year-end as well. Among credit supply factors, competitive pressure continued to moderately encourage the easing of credit access conditions, whereas banks continued to show reduced concern with the perceived risk associated with the expectations for the economy in general and for particular sectors and businesses. Companies' opinions of credit access conditions also continued to improve.
The growth of gross doubtful loans slowed further, while continuing at a rapid pace.

Direct deposits

As regards funding, previous trends continued in the first quarter of 2015. In particular, deposits continued to grow, building on the recovery seen in 2014, and bonds continued to plummet. 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 grew at a double-digit rate in the first two months of the year. In particular, the rate of increase in current accounts further accelerated, after starting the year at 11% yoy. At the same time, time deposits continued to decline. The growth in deposits continued to be offset by the significant drop 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 decline in debt securities held in custody by banks for customers continued at an average pace slightly higher than that of 2014. 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 three months of the year the Italian market for open-ended mutual funds posted record inflows, approximately twice that recorded in the corresponding months of 2014, with assets under management exceeding 750 billion euro. Net inflows into the category were driven primarily by flexible funds, then, to a lesser extent, by bond funds. Net inflows into equity funds resumed, whereas money-market and hedge funds continued to show net outflows. More than two-thirds of inflows were into foreign funds, but most of these are offered by Italian groups. In addition, funding continues to be led by banking operators. Net inflows to portfolio management were also particularly positive, especially in terms of retail portfolio management.

With regard to insurance, in the first three months of 2015 new life business continued to perform especially positively, in particular as regards unit-linked policy business. However, traditional products continued to occupy a primary position on the market, accounting for 70% of all new business and showing more modest growth during the quarter. Insurance business also showed a dominant role of bank and postal branches, especially as regards traditional products, whereas for products with greater financial content funding is more equally distributed between branches and financial advisors.

Intesa Sanpaolo in the first three months of 2015

Consolidated results

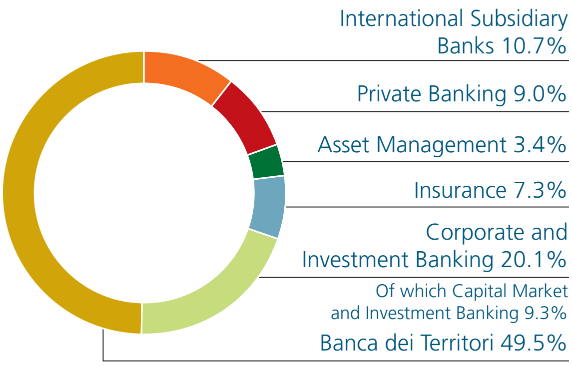
The consolidated income statement for the quarter ended 31 March 2015 presents a net income of 1,064 million euro, more than double the 503 million euro of the first quarter of the previous year, due to the strong increase in operating income, driven by bull financial market performance throughout the quarter: profits on trading increased significantly and fee and commission income remained at high levels, as did income from the insurance segment.
On the other hand, operating costs were essentially stable.
These trends allowed operating margin to increase by more than 30% compared to the first quarter of 2014. Income before tax from continuing operations benefited from the reduced need for adjustments, allowing pre-tax income to increase by more than 87%.
A detailed breakdown of the components of operating income shows that the income statement for the first quarter recorded net interest income of 1,973 million euro, down 6% compared to the first quarter of 2014, relating to the decrease in customer dealing, due to the decrease in average volumes, and lower interest on financial assets.
The services segment generated net fee and commission income of 1,812 million euro, repeating the positive result of the previous quarter, and showing an increase of 14.7% on the first quarter of 2014, due above all to the positive contribution from financial instrument dealing and management activities (around +31%) and renewed interest among customers in professional asset management.
Profits on trading were 602 million euro, up significantly from 151 million euro in the first quarter of 2014, due to trading activity aimed at maximising the contribution from bull 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 343 million euro (approximately +35%), due to the higher net investment result, and in part, in this case as well, to capital gains on debt securities.
As a consequence of the trends discussed above, in the first quarter of 2015 operating income amounted to 4,753 million euro, up 15.7% compared to the first three months of 2014, and representing an essentially identical increase on the previous quarter.
Operating costs increased marginally (+1 to 2,106 million euro). Personnel expenses increased slightly (+1.9%), attributable to the effects of full application of the old employment contract, despite a constant decrease in the average workforce.
Adjustments also increased (+6.1%), especially amortisation of intangible assets, whereas other administrative expenses decreased (-2.2%), confirming the success of structural measures aimed at containing such expenses.
Operating margin therefore amounted to 2,647 million euro, up significantly compared to the first three months of 2014 (+30.9%).
Adjustments and provisions for risks, as a whole, decreased by approximately 22%, due to lesser needs for adjustments to loans (approximately -30%), which more than offset the greater provisions for risks and charges, attributable above all to the new banking crisis resolution mechanism.
Income before tax from continuing operations came to 1,785 million euro, up approximately 87% compared to the same period of the previous year.
After recognition of income tax for the period of 647 million euro (+77.7%), charges for integration and exit incentives of 6 million euro and purchase price allocation effects of 26 million euro, as well as losses on discontinued operations of 19 million euro and minority interests of 23 million euro, the Group's income statement for the first quarter closed, as already noted, with net income of 1,064 million euro, more than twice the 503 million euro of the first three months of 2014.

As to balance sheet aggregates, loans to customers amounted to 346 billion euro (+2.1% compared to the end of 2014). The growth of commercial banking loans, up 2.1% overall, due to the positive performances of current accounts, mortgages, and, above all, advances and loans, and of loans represented by securities (+3.7%) was in addition to the increase in short-term financial loans represented by repurchase agreements (approximately +4.2%).
On the funding side, direct deposits from banking business grew to 370 billion euro (+2.8% compared to the end of 2014). The decline in funding through bonds (-5.7%) and certificates of deposit (-2.6%) was offset by the positive performances of current accounts and deposits (approximately +2%), combined with the significant increase (approximately 12 billion euro) in outstanding repurchase agreements.
Direct deposits from insurance business, which include technical reserves, also increased (+6.5% to over 126 billion euro). The overall increase was attributable both to the technical reserves (approximately +4%), which represent the amount owed to customers who have bought traditional insurance policies, and to the higher value of financial liabilities of the insurance segment designated at fair value (approximately +12%), particularly of unit-linked products. The new business of Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 6.7 billion euro for the period.
At 31 March 2015, indirect customer deposits had reached nearly 496 billion euro, up 6.4% compared to the end of 2014. During the quarter, the repositioning of customers continued toward forms of professional asset management, which was one of the main channels in asset gathering. Assets under management increased (approximately +22 billion euro, or 7.2%) as a result of net inflows and the revaluation of assets under management, with a positive performance recorded for all the main technical forms managed: portfolio management, life policies and mutual funds.
Assets under administration increased as well (approximately 8 billion euro, or 5%) due to bull financial markets.

Results of the business areas

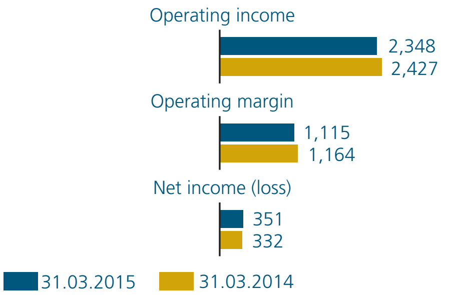
In the first quarter of 2015, the Intesa Sanpaolo Group organisational structure was based on six business areas. These are in addition to the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.
This new organisational structure, implemented in late 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 20%), commercial banking activity abroad (approximately 11%), private banking activity (9%), insurance activity (approximately 7%) and asset management (approximately 3%).

Operating income: Breakdown by business area [1]



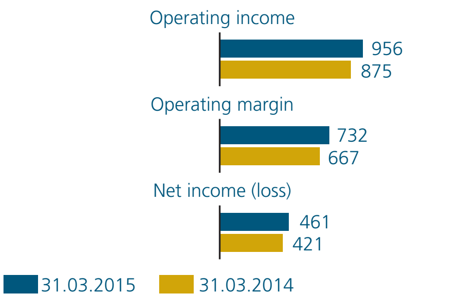
[1] Excluding Corporate Centre

Banca dei Territori



In the first quarter of 2015, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 2,348 million euro, down 3.3% compared to the first three months of 2014. More precisely, the decrease in net interest income (-11.9%) was partly offset by the increase in net fee and commission income (+8.8%), driven by fees and commissions relating to asset management and bancassurance products, and by profits on trading (approximately +23%). Operating costs fell (-2.4%) due to the containment of personnel expenses and effective control of administrative expenses. As a consequence of the above trends, operating margin decreased (-4.2%), whereas income before tax from continuing operations increased (+5.1%) due to the reduced need for adjustments to loans. After accounting for the Division's taxes (241 million euro), charges for integration (4 million euro) and effects of purchase price allocation (a positive 2 million euro), net income stands at 351 million euro, up 5.7%.
The balance sheet figures at the end of March 2015 showed a slight increase in loans to customers compared to the end of the previous year (+0.6% to 188,529 million euro), essentially to be attributed to the increase in loans to business customers. Direct deposits from banking business decreased (-3.1% to 157 billion euro), owing to the downward trend in securities issued and related to the maturity of retail bonds, which completely offset the modest increase in amounts due to customers.

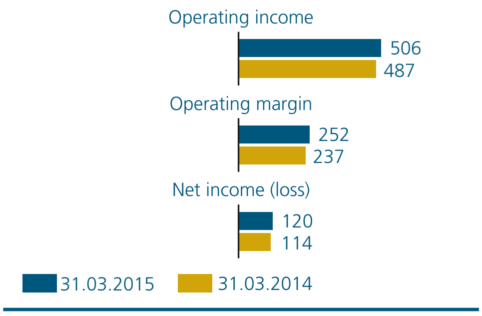
Corporate and Investment Banking



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 quarter of 2014 (+9.3% to 956 million euro).
In detail, net interest income declined (-16.5%), primarily as a result of smaller margins on loans to customers and the lesser contribution by the capital markets segment. On the other hand, net fee and commission income increased (+6.3%) in relation to the positive results of the investment banking segment, as did profits on trading (+57.4%), due to the greater contribution from capital markets and proprietary trading activity.
Operating costs were up (+7.7%) due to higher personnel and administrative expenses. As a result of the above revenue and cost trends, the operating margin increased (+9.7%), as did income before tax from continuing operations (+8.7%), favoured by lower adjustments to loans.

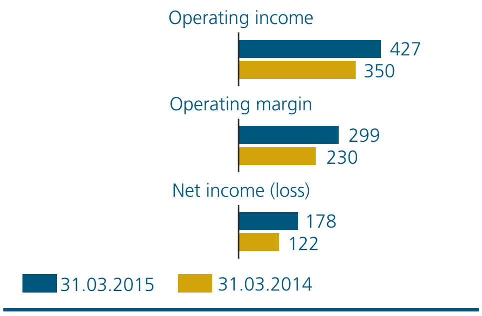
The Division closed the income statement for the first quarter with net income of 461 million euro (+9.5%).
The Division’s intermediated volumes increased compared to the end of December 2014. In detail, direct deposits from banking business were up (+3.5% to 100,806 million euro), largely attributable to repurchase agreements by Banca IMI. Loans to customers also increased (+5.6% to 87,014 million euro), to be attributed to the increased transactions of the departments International Network and Global Industries, Global Banking and Transactions and of Banca IMI.

International Subsidiary Banks



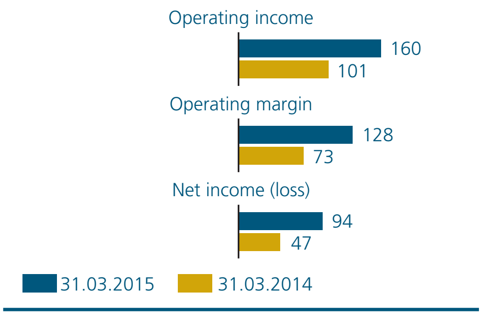
In the first quarter of 2015, the operating income of the International Subsidiary Banks Division – which oversees the Group’s commercial operations on international markets through subsidiary and associated banks primarily involved in retail banking operations – increased compared to the first three months of the previous year (+3.9% to 506 million euro). The increase in net interest income (+3.4%), the growth of net fee and commission income (+2.4%) and the larger contribution of companies carried at equity (+4 million euro) more than offset the decline in profits on trading (approximately -24%). Operating costs were up (+1.6%). As a result of the above revenue and cost trends, the operating margin increased (+6.3%), as did income before tax from continuing operations (+11.4%). The Division closed the first quarter of 2015 with net income of 120 million euro (+5.3%).
The Division’s intermediated volumes increased compared to the end of December 2014 (+1.8%) owing to the positive trend in both loans to customers (+1.4%) and direct deposits from banking business (+2.1%), primarily the component due to customers.

Private Banking

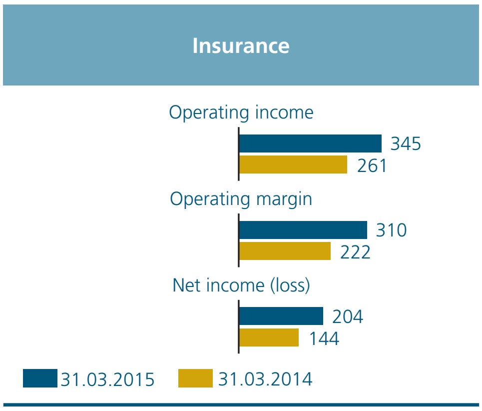


When the ongoing integration process is complete, the establishment of the Private Banking Division, which provides the private and high net worth individuals segment with specific products and services, will result in the creation of a service hub aimed at the current customers of Intesa Sanpaolo Private 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 quarter of 2015, the Division recorded an increased income before tax from continuing operations (+34.4% to 285 million euro). The increase in operating income (+22%), essentially to be attributed to higher fee and commission income (+25.6%) and greater profits on trading (+12 million euro), more than offset the higher operating costs (+6.7%). The income statement closed with a quarterly net income of 178 million euro (approximately +46%).
At the end of the quarter, assets under administration were approximately 187 billion euro (+12 billion euro compared to the end of 2014). The positive overall results were due to the market performance of assets and net inflow trends, driven by the asset management component.

Asset Management



The new Asset Management Division is tasked with developing asset management solutions aimed at the Group's customers, non-Group distribution networks and institutional customers, through the subsidiary Eurizon Capital.
During the quarter, the Division's operating income increased (+58.4% to 160 million euro) compared to the previous period due to the increase in net fee and commission income (+62.5%), which benefited from the growth of average assets under management. Despite the increase in operating costs (+14.3%), to be attributed to both personnel expenses and administrative costs, the operating margin rose sharply (+75.3%). The Division closed the first quarter of 2015 with a net income of 94 million euro, twice the amount of the first quarter of 2014.
Overall, total assets managed as at the end of March 2015 came to approximately 223 billion euro (+9.8% since the beginning of the year), as a result of net inflows and favourable financial market performance.
As at 31 March 2015, Eurizon Capital’s market share of assets under management was 15.5% (15.2% at the end of 2014).



The new Insurance Division oversees management of the subsidiaries Intesa Sanpaolo Vita and Fideuram Vita, with the mission of further developing the insurance and pension product mix targeting Group customers.
The Division's income before tax from continuing operations increased (+39.6% to 310 million euro) compared to the first three months of the previous year, due to the rise in operating income (approximately +32%) and lower costs (approximately -10%). In further detail, income from insurance business increased (approximately +35%) due to the rise in the net investment result, which benefited from greater capital gains. The decrease in operating costs may be attributed to savings on administrative costs. The cost/income ratio fell to 10.1% from 14.9% in the first quarter of 2014.
New insurance business was up approximately 3% compared to the first quarter of 2014, to be attributed primarily to unit-linked products. Direct deposits from insurance business, amounting to 126 billion euro, increased 6.5%, attributable to financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.

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 capability, low leverage, adequate capital position, and prudent asset valuations.

Group liquidity remains high: as at 31 March 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. As at 31 March 2015, liquidity reserves eligible with the various central banks came to 110 billion euro (97 billion euro at the end of December 2014), of which 58 billion euro, net of the 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 comes from retail branch network (266 billion euro). Furthermore, approximately 6 billion euro in bonds were placed during the quarter, of which approximately 4.3 billion euro on the wholesale market. In the first quarter of 2015, approximately 10 billion euro of funding was obtained from the targeted longer-term refinancing operation (TLTRO) programme launched by the European Central Bank. This source yielded funding of approximately 4 billion euro in September 2014 and of 8.5 billion euro in December 2014.

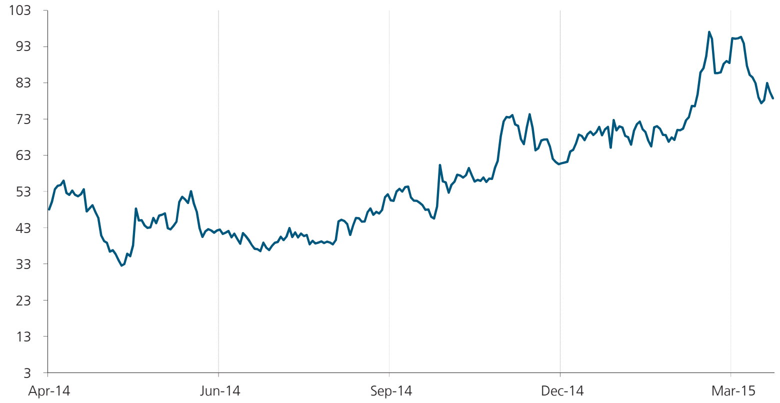
Intesa Sanpaolo Group leverage continues to be at the best levels recorded in the sector.

The capital base also remains high. Own funds, risk-weighted assets and the capital ratios at 31 March 2015 were calculated according to the new harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in (EU) Regulation 575/2013 (CRR) of 26 June 2013, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circulars 285 and 286 (issued in 2013) and Circular 154 (updated during 2013).
At the end of the first quarter, total own funds came to 46,015 million euro, against risk-weighted assets of 280,485 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The total capital ratio stood at 16.4%, while the ratio of the Group’s tier 1 capital to its total risk-weighted assets (its tier 1 ratio) was 13.6%. The Common Equity Tier 1 ratio stood at 13.0%.
As the regulatory conditions (assessment by the independent auditors) for its inclusion (Art. 26, paragraph 2 of the CRR) have not been met, common equity tier 1 capital does not include net income for the quarter or, for consistency, the related pro-rata dividend, determined on a conventional basis as one-fourth of the dividends indicated in the 2014-2017 Business Plan as distributable in 2016 (totalling 2 billion euro). If interim net income and pro-rata dividend had been considered, the capital ratios would have been as follows: a CET 1 ratio of 13.2%, a tier 1 ratio of 13.8%, and a total capital ratio of 16.6%.

With regard to the insurance segment, as at 31 March 2015 the available individual solvency margin of Intesa Sanpaolo Vita, the Group’s main insurance company, was 4,294 million euro, up on the 4,033 million euro of 31 December 2014 due to the net income for the period. The capital absorption was 2,789 million euro, up compared to 2,736 million euro as at 31 December 2014. The margin is 1,505 million euro higher than the requirement under the supervisory provisions. The solvency ratio as at 31 March 2015 was 153.9%, 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 at relatively low levels, 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 reported in the first quarter of 2015 is essentially to be attributed to Banca IMI's positioning in Italian and Spanish government bonds. The Group’s average risk profile for the quarter was 76.7 million euro, compared to the 2014 average of 48.5 million euro.

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 (62.7%) and substandard loans (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 2,364 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 (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 73% using level 1 inputs, around 24% 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 quarter saw an increase in the exposure to European countries (above all Spain, France, Germany and Italy), mostly within the context of the banking perimeter. 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 50%), with a duration of 4.6 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 over the quarter generated a negative impact of 4 million euro (plus 2 million euro in profits from disposals). For hedge funds, the impact of fair value changes during the period considered was 38 million euro.

In the current volatile market environment, measuring the recoverable amount of intangible assets is also particularly difficult. However, with regard to intangible assets and goodwill, no problem issues were identified during the quarter – also in consideration of the short length of time since the last impairment test – requiring the remeasurement of their recoverable values.

Lastly, with regard to the going-concern assumption, the Directors of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the interim statement as at 31 March 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 new 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 genetic 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 envisages 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. In the first quarter of the year, following the roll-out of the new service model, the number of dedicated managers increased by over 700 (approximately 3,000 total), and such managers continued to receive training. The commercial initiatives launched in the previous quarter continued, in addition to new initiatives such as the Spring Loan Campaign and the initiative "Mutuo&ViaggiaConMe".
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. The first part of the year saw completion of the roll-out of the sale processes for credit cards and personal loans at all clone banks. 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. Finally, work continued on implementing the new integrated model for managing telephone contact between branches and contact units.
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 in the first quarter 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. In addition, work was done to enhance advisory support (deeper specialist coverage within the network, addition of a new Web assistance service and development of an advanced digital advisory model). Particular care was also devoted to supporting the growth of the Private Banking Division by establishing a dedicated team, improving promotional materials and launching a dedicated product line. Special 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 this context, approval was obtained from the CSSF (the Luxembourg authority) to open a branch in Hong Kong, and the authorisation procedure with the Bank of Italy remains ongoing. In addition, the Board of Directors of Eurizon Capital approved the plan to establish 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. 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. Lastly, the Group is participating in the Magnifica 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.
The SME Finance Hub is the Group's specialised credit and business advisory service unit. Implementation of the new commercial model continued in the first quarter, 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 launch of development activity for 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 spin-off 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, 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 commercial development of the policy "ViaggiaConMe", including special promotions in conjunction with mortgage lending.
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 collaboration with the Private Banking Division. The process of consolidating the multi-originator platform for the sale of non-performing loans (NPLs), with a focus on cooperative banks and tier-II banks, is ongoing. In addition, preparation work was carried out for the launch of the Commodities initiative, 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. With regard to the new subsidiary in Brazil, the local regulator completed its pre-operational inspection as part of the process leading up to the granting of a licence, and the final planning activities for the go-live were finalised. Work on commercial development of the branch in Istanbul (Turkey) and reinforcement of the SEB unit and ISP Benelux continued.
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 pavilion, was inaugurated and presented to the press at the end of March. At the pavilion, the bank will offer not only banking services to visitors to the event (available throughout the exposition's opening hours), but also promotional opportunities for its customers representing the finest of what Italy has to offer. To that end, a schedule of the events (more than 1,000) to be held within the exposition space was drawn up and 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 exposition 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. The commercial launch of the portal is planned to coincide with the beginning of Expo.
Intesa Sanpaolo is also supporting the event in the area of ticketing services (230,000 tickets sold as at the end of March). Finally, Intesa Sanpaolo launched a line of payment cards dedicated to EXPO 2015: in addition to the named prepaid card Flash EXPO (30,000 cards sold as at the end of March), two other versions have been designed for visitors to the event (a disposable version for tourists and a bearer card).
With regard to the "new jobs" envisaged in the 2014-17 Business Plan, in the first quarter the Group's Management Board approved and incorporated, by notarised deed, Intesa Sanpaolo Casa, a new company that will operate in residential transactions between individuals (including non-customers) and between individuals and the Group's construction company customers. The process leading up to operational release of the service is currently being finalised.
In the first quarter 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. The project was launched in June 2014 and concluded in February 2015 with extension to the entire network. The pilot phase yielded highly positive results.

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 quarter 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 (46 closures in March 2015) was carried out. With regard to the "Counter Service Development" initiative, counter closures at 1 PM were introduced at an additional 611 branches, along with 33 new consulting points (at the end of March, there were thus a total of 1,240 branches with counter closures at 1 PM and 130 consulting points). The new branch layout concept was consolidated, with the creation of a prototype in Bonola (Milan). Finally, the roll-out plan continued on the network (180 new assisted self-service counters) and the plan to replace obsolete ATMs was expedited.
In the "Investment House" initiative, work in the first quarter of the year focused on developing the product range. The process leading up to the "Financial Advisory" project continued, as did work relating to the offering of asset management products according to a multi-channel scheme.
In the "Business-Entrepreneur" project, the new local network began to operate, the manager training plan continued and 14 pilot 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 quarter 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 forms were implemented.
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. In the area of selective growth involving Italian corporate customers, dedicated commercial campaigns were launched and planning began for products and services focused on Business Solutions customers. 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. The new organisational model for International Subsidiary Banks based on control functions and staff functions was finalised in the first quarter. In addition, initiatives aimed at simplifying governance and optimising synergies between PBZ and ISP BiH (Nexus project) were launched. 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 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 are in the advanced stages and are set to conclude in 2015. Finally, the rationalisation of the local presence resulted in the closure of 46 branches in the first quarter (for a total of 319 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 quarter saw the finalisation of the organisational model and continuation of the process of populating the structures, a necessary condition to achieving full operation. During the same period, the Loan Recovery Department collected more than 200 million euro. Organisational rationalisation in Ukraine resulted in a reduction of the workforce by more than 250 units. In developments relating to equity investments, NH Hotels was sold, resulting in a capital gain of 20 million euro. Finally, in corporate transactions, the spin-off 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. In total, 15 projects have been completed since the company's creation, for a total of approximately 15 million euro of benefits. REOCO is currently concentrating on analysing approximately 100 case files, from which to select around 30 projects to be carried out by year-end.

d) People and investments as key enablers
Following development of technology and customer trends, the bank has 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 March 2015, approximately 3,600 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 managers 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.

Forecast for the whole 2015
In the remainder of the year, the economic recovery is expected to gain momentum 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, while 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. However, market performance will be weighed down by the uncertainty surrounding the prospects of the financial crisis in Greece. The divergence of monetary policies could result in a further decline of the euro/dollar exchange rate.
In March 2015, leading economic indicators continued to support expectations of a slowdown in major emerging economies during the year. In the BRIC nations, the manufacturing PMI was above the critical threshold of 50 only in India (53.1), while it decreased below that level in Brazil (46.2) and Russia (48.1). In China (the most recent available figure is 49.6), it continued to fluctuate around the threshold level.
Compared to its January 2015 update, in its April 2015 World Economic Outlook the IMF left its previous projections unchanged, continuing to call for a slowdown of GDP growth in emerging economies to 4.3% in 2015 (from 4.6% in 2014). Cuts to growth expectations were applied for several countries in the CIS area (and in particular Russia, where GDP is now expected to decline by 3.8%), Latin America (with Brazil expected to enter into recession with a 1% decrease in GDP), the MENA area and Sub-Saharan Africa. Only Asia (thanks to India, now expected to grow at a rate of 7.5%, higher than the 6.8% expected in China) saw its projections revised upwards. In Central and Southern Europe, upwards revisions of projections, applied to CEE and SEE countries, were offset by expectations of more modest growth (though representing a recovery on 2014) in Turkey.
In the Italian banking system, lending business is expected to improve gradually in 2015. However, although monetary conditions are highly favourable to a recovery of lending, the continuing weakness of demand from business continues to justify the outlook of a weak credit market. At the annual average level, total volumes are 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 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 a certain weakness of loans and the extensive refinancing from the ECB. These factors will 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 achieve 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, 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.

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets	31.03.2015	31.12.2014	Changes amount	%
Financial assets held for trading	62,257	53,741	8,516	15.8
of which: Insurance Companies	*823*	*785*	*38*	*4.8*
Financial assets designated at fair value through profit and loss	48,620	43,863	4,757	10.8
of which: Insurance Companies	*47,361*	*42,657*	*4,704*	*11.0*
Financial assets available for sale	138,067	124,150	13,917	11.2
of which: Insurance Companies	*74,813*	*71,604*	*3,209*	*4.5*
Investments held to maturity	1,470	1,471	-1	-0.1
Due from banks	34,750	31,372	3,378	10.8
Loans to customers	346,147	339,105	7,042	2.1
Investments in associates and companies subject to joint control	2,066	1,944	122	6.3
Property, equipment and intangible assets	12,010	12,127	-117	-1.0
Tax assets	14,308	14,431	-123	-0.9
Non-current assets held for sale and discontinued operations	183	229	-46	-20.1
Other assets	22,540	23,994	-1,454	-6.1
Total Assets	**682,418**	**646,427**	**35,991**	**5.6**

Liabilities and Shareholders' Equity	31.03.2015	31.12.2014	Changes amount	%
Due to banks	57,868	51,495	6,373	12.4
Due to customers and securities issued	364,168	354,506	9,662	2.7
of which: Insurance Companies	*1,303*	*1,289*	*14*	*1.1*
Financial liabilities held for trading	54,394	46,376	8,018	17.3
of which: Insurance Companies	*234*	*333*	*-99*	*-29.7*
Financial liabilities designated at fair value through profit and loss	42,088	37,622	4,466	11.9
of which: Insurance Companies	*42,088*	*37,622*	*4,466*	*11.9*
Tax liabilities	3,227	2,323	904	38.9
Liabilities associated with non-current assets held for sale and discontinued operations	140	201	-61	-30.3
Other liabilities	25,849	23,868	1,981	8.3
Technical reserves	82,925	79,701	3,224	4.0
Allowances for specific purpose	5,189	5,273	-84	-1.6
Share capital	8,725	8,725	-	-
Reserves	37,545	36,329	1,216	3.3
Valuation reserves	-1,147	-1,622	-475	-29.3
Minority interests	383	379	4	1.1
Net income (loss)	1,064	1,251	-187	-14.9
Total Liabilities and Shareholders' Equity	**682,418**	**646,427**	**35,991**	**5.6**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Quarterly development of the consolidated balance sheet

(millions of euro)

Assets	2015	2014			
	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	62,257	53,741	55,445	52,071	52,352
of which: Insurance Companies	*823*	*785*	*745*	*763*	*834*
Financial assets designated at fair value through profit and loss	48,620	43,863	40,197	38,459	36,665
of which: Insurance Companies	*47,361*	*42,657*	*39,024*	*37,303*	*35,539*
Financial assets available for sale	138,067	124,150	115,391	118,350	113,424
of which: Insurance Companies	*74,813*	*71,604*	*63,628*	*61,395*	*57,098*
Investments held to maturity	1,470	1,471	1,465	1,455	1,526
Due from banks	34,750	31,372	29,437	30,882	28,052
Loans to customers	346,147	339,105	337,265	332,211	339,020
Investments in associates and companies subject to joint control	2,066	1,944	2,170	2,128	1,951
Property, equipment and intangible assets	12,010	12,127	12,104	12,200	12,304
Tax assets	14,308	14,431	15,109	14,973	14,938
Non-current assets held for sale and discontinued operations	183	229	277	369	468
Other assets	22,540	23,994	24,844	25,207	24,433
Total Assets	**682,418**	**646,427**	**633,704**	**628,305**	**625,133**

Liabilities and Shareholders' Equity	2015	2014			
	31/3	31/12	30/9	30/6	31/3
Due to banks	57,868	51,495	34,495	34,557	41,819
Due to customers and securities issued	364,168	354,506	367,118	370,175	366,795
of which: Insurance Companies	*1,303*	*1,289*	*544*	*568*	*569*
Financial liabilities held for trading	54,394	46,376	44,573	41,183	41,482
of which: Insurance Companies	*234*	*333*	*416*	*411*	*369*
Financial liabilities designated at fair value through profit and loss	42,088	37,622	35,461	33,441	31,433
of which: Insurance Companies	*42,088*	*37,622*	*35,453*	*33,433*	*31,424*
Tax liabilities	3,227	2,323	3,091	2,593	2,825
Liabilities associated with non-current assets held for sale and discontinued operations	140	201	211	203	212
Other liabilities	25,849	23,868	24,194	25,992	23,394
Technical reserves	82,925	79,701	74,759	70,694	67,210
Allowances for specific purpose	5,189	5,273	4,675	4,694	4,360
Share capital	8,725	8,725	8,554	8,549	8,549
Reserves	37,545	36,329	36,166	36,230	37,031
Valuation reserves	-1,147	-1,622	-1,308	-1,241	-1,076
Minority interests	383	379	512	515	596
Net income (loss)	1,064	1,251	1,203	720	503
Total Liabilities and Shareholders' Equity	**682,418**	**646,427**	**633,704**	**628,305**	**625,133**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Consolidated income statement

(millions of euro)

	31.03.2015	31.03.2014	Changes amount	%
Net interest income	1,973	2,100	-127	-6.0
Profits (losses) on investments carried at equity	28	30	-2	-6.7
Net fee and commission income	1,812	1,580	232	14.7
Profits (Losses) on trading	602	151	451	
Income from insurance business	343	255	88	34.5
Other operating income (expenses)	-5	-8	-3	-37.5
Operating income	**4,753**	**4,108**	**645**	**15.7**
Personnel expenses	-1,297	-1,273	24	1.9
Other administrative expenses	-636	-650	-14	-2.2
Adjustments to property, equipment and intangible assets	-173	-163	10	6.1
Operating costs	**-2,106**	**-2,086**	**20**	**1.0**
Operating margin	**2,647**	**2,022**	**625**	**30.9**
Net provisions for risks and charges	-126	-55	71	
Net adjustments to loans	-755	-1,077	-322	-29.9
Net impairment losses on other assets	-9	-12	-3	-25.0
Profits (Losses) on investments held to maturity and on other investments	28	75	-47	-62.7
Income (Loss) before tax from continuing operations	**1,785**	**953**	**832**	**87.3**
Taxes on income from continuing operations	-647	-364	283	77.7
Charges (net of tax) for integration and exit incentives	-6	-7	-1	-14.3
Effect of purchase price allocation (net of tax)	-26	-46	-20	-43.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-19	-13	6	46.2
Minority interests	-23	-20	3	15.0
Net income (loss)	**1,064**	**503**	**561**	
Basic EPS - euro	**0.06**	**0.03**		
Diluted EPS - euro	**0.06**	**0.03**		

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

Quarterly development of the consolidated income statement

(millions of euro)

	2015	2014			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,973	2,060	2,110	2,104	2,100
Profits (losses) on investments carried at equity	28	2	53	-19	30
Net fee and commission income	1,812	1,812	1,646	1,724	1,580
Profits (Losses) on trading	602	81	136	409	151
Income from insurance business	343	186	240	251	255
Other operating income (expenses)	-5	-14	21	-12	-8
Operating income	**4,753**	**4,127**	**4,206**	**4,457**	**4,108**
Personnel expenses	-1,297	-1,353	-1,251	-1,215	-1,273
Other administrative expenses	-636	-805	-648	-666	-650
Adjustments to property, equipment and intangible assets	-173	-188	-168	-164	-163
Operating costs	**-2,106**	**-2,346**	**-2,067**	**-2,045**	**-2,086**
Operating margin	**2,647**	**1,781**	**2,139**	**2,412**	**2,022**
Net provisions for risks and charges	-126	-294	-12	-181	-55
Net adjustments to loans	-755	-1,034	-1,248	-1,179	-1,077
Net impairment losses on other assets	-9	-84	-64	-67	-12
Profits (Losses) on investments held to maturity and on other investments	28	5	73	235	75
Income (Loss) before tax from continuing operations	**1,785**	**374**	**888**	**1,220**	**953**
Taxes on income from continuing operations	-647	-183	-322	-912	-364
Charges (net of tax) for integration and exit incentives	-6	-74	-9	-13	-7
Effect of purchase price allocation (net of tax)	-26	-45	-49	-53	-46
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-19	-15	-11	-9	-13
Minority interests	-23	-9	-14	-16	-20
Net income (loss)	**1,064**	**48**	**483**	**217**	**503**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

Report on operations

Economic results

The favourable conditions during the quarter, as described in relation to the macroeconomic scenario, particularly as concerns growth in exports, declining energy costs and the improving performance of the financial markets, have brought about signs of recovery in Italy, as well, thereby supporting operating margins for businesses. Within a landscape of persistently weak domestic demand, performance for the Intesa Sanpaolo Group was markedly positive, featuring growth in revenues, especially in terms of fees and commissions and trading, along with a limited increase in costs, all of which made it possible to improve operating margin by over 30% compared to the same period of 2014. Thanks to an equally significant decline in net adjustments to loans, net profit for the first quarter of 2015 reached 1,064 million euro, thereby doubling the figure posted for the first three months of 2014.

Operating income

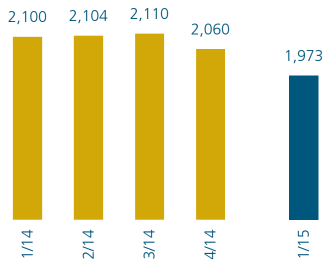
Operating income for the quarter totalled 4,753 million euro, up 15.7% compared to the 4,108 million euro of the same period of 2014 due to the increase in net fees and commissions (+14.7%), in profits on trading and in income from insurance business (+34.5%), which more than offset the decline in net interest income.

Net interest income

(millions of euro)

	31.03.2015	31.03.2014	Changes	
			amount	%
Relations with customers	2,160	2,395	-235	-9.8
Securities issued	-1,043	-1,217	-174	-14.3
Differentials on hedging derivatives	218	294	-76	-25.9
Customer dealing	**1,335**	**1,472**	**-137**	**-9.3**
Financial assets held for trading	64	70	-6	-8.6
Investments held to maturity	12	16	-4	-25.0
Financial assets available for sale	218	286	-68	-23.8
Financial assets	**294**	**372**	**-78**	**-21.0**
Relations with banks	**11**	**-19**	**30**	
Non-performing assets	**334**	**284**	**50**	**17.6**
Other net interest income	**-1**	**-9**	**-8**	**-88.9**
Net interest income	**1,973**	**2,100**	**-127**	**-6.0**

Quarterly development Net interest income



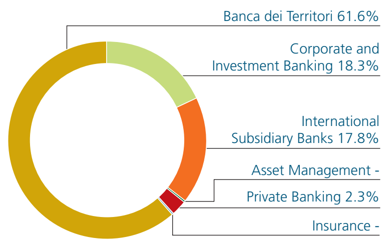
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

Net interest income settled at 1,973 million euro, down 6% compared to the first quarter of 2014 due to both the trend in lending and the decline in interest on financial assets.
Customer dealing amounted to 1,335 million euro, down 9.3% compared to the same period of the previous year as 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 21% compared to the same period of 2014 due mainly to the reduction in interest on financial assets available for sale (-68 million euro), sales of which went to benefit profits on trading.
Net interest on the interbank market came to an income balance of 11 million euro, thereby improving from the net loss of 19 million euro for the first quarter of last year due to the reduction in interest expense on interbank funding, which includes the exposure to the ECB, which averaged roughly 15 billion euro for the quarter.
Compared to the fourth quarter of 2014, net interest income slipped by 4.2% due to the decline in interest income on operations with customers and the reduction in income on financial assets.

(millions of euro)

	31.03.2015	31.03.2014	Changes amount	Changes %
Banca dei Territori	1,261	1,431	-170	-11.9
Corporate and Investment Banking	374	448	-74	-16.5
International Subsidiary Banks	364	352	12	3.4
Private Banking	48	57	-9	-15.8
Asset Management	-	-	-	-
Insurance	-	-	-	-
Total business areas	**2,047**	**2,288**	**-241**	**-10.5**
Corporate Centre	-74	-188	-114	-60.6
Intesa Sanpaolo Group	**1,973**	**2,100**	**-127**	**-6.0**

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

Banca dei Territori, which accounts for 62% of business area results, recorded a decline of 11.9% in net interest income, 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 (-16.5%) 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 15.8% due, in part, to the downward trend in benchmark interest rates and a reduced elasticity of 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

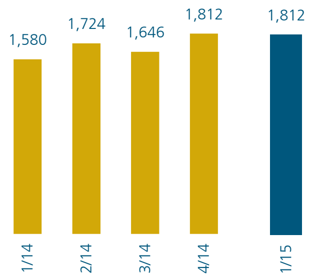
For the first quarter of 2015, this aggregate totalled 28 million euro, which is in line with the 30 million euro posted for the same period of 2014 thanks to the contribution of companies consolidated at equity, particularly related to the subsidiaries in China and Luxembourg.

Net fee and commission income

(millions of euro)

	31.03.2015	31.03.2014	Changes amount	Changes %
Guarantees given / received	93	71	22	31.0
Collection and payment services	84	85	-1	-1.2
Current accounts	254	279	-25	-9.0
Credit and debit cards	121	117	4	3.4
Commercial banking activities	**552**	**552**	**-**	**-**
Dealing and placement of securities	153	152	1	0.7
Currency dealing	11	10	1	10.0
Portfolio management	584	387	197	50.9
Distribution of insurance products	265	227	38	16.7
Other	55	41	14	34.1
Management, dealing and consultancy activities	**1,068**	**817**	**251**	**30.7**
Other net fee and commission income	**192**	**211**	**-19**	**-9.0**
Net fee and commission income	**1,812**	**1,580**	**232**	**14.7**

Quarterly development
Net fee and commission income



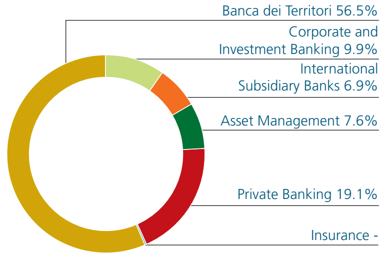
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

Net fee and commission income for the quarter, which makes up over one-third of operating income, came to 1,812 million euro, up 14.7% compared to the same period in 2014 thanks, above all, to management fees and commissions.
Fees and commissions on commercial banking activities were stable with the increases in fees and commissions on guarantees issued (+31%) and on debit and credit cards (+3.4%) entirely absorbed by the reduction in fees and commissions on current accounts (-9%) and on payment and collection services (-1.2%).
Management, dealing and financial consultancy activities provided the greatest contribution, generating net fee and commission income of 1,068 million euro, up 30.7% compared to the first quarter of 2014. Contributing to this trend were fee and commission income on portfolio management (+197 million euro), particularly regarding both collective and individual proprietary portfolios, the distribution of insurance products (+38 million euro) and other management and dealing commissions (+14 million euro). Other net fee and commission income came to 192 million euro, declining by 19 million euro due to a reduction in lending volumes.

(millions of euro)

	31.03.2015	31.03.2014	Changes amount	Changes %
Banca dei Territori	1,061	975	86	8.8
Corporate and Investment Banking	187	176	11	6.3
International Subsidiary Banks	129	126	3	2.4
Private Banking	358	285	73	25.6
Asset Management	143	88	55	62.5
Insurance	-	-	-	-
Total business areas	**1,878**	**1,650**	**228**	**13.8**
Corporate Centre	-66	-70	-4	-5.7
Intesa Sanpaolo Group	**1,812**	**1,580**	**232**	**14.7**

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

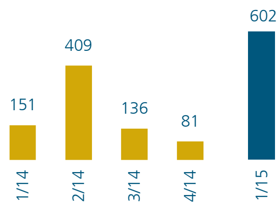
With regard to business areas, all Business Units recorded an increase in net fee and commission income. Banca dei Territori, which accounts for 56.5% of the fee and commission income of the business units, provided the most significant contribution in absolute terms (+8.8%, or 86 million euro), mainly due to fee and commission income on asset management and bancassurance products. Asset management posted a significant increase (+62.5%) as a result of the marked growth in average assets under management compared to the first quarter of 2014, as did Private Banking (+25.6%) 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. The International Subsidiary Banks and Corporate and Investment Banking divisions posted more modest increases (+2.4% and +6.3% respectively). As regards the latter, growth for the investment banking segment, in particular, was only partially offset by the decline in fee and commission income on commercial and transaction banking activity.

Profits (Losses) on trading

(millions of euro)

	31.03.2015	31.03.2014	Changes amount	Changes %
Interest rates	-2	16	-18	
Equity instruments	70	99	-29	-29.3
Currencies	87	20	67	
Structured credit products	-2	10	-12	
Credit derivatives	-23	-5	18	
Commodity derivatives	18	4	14	
Trading result	**148**	**144**	**4**	**2.8**
Trading on AFS securities and financial liabilities	**454**	**7**	**447**	
Profits (Losses) on trading	**602**	**151**	**451**	

Quarterly development Profits (losses) on trading



Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

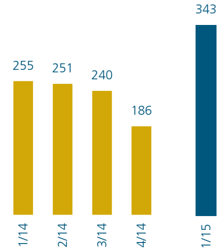
In the first quarter of 2015, trading activities yielded a profit of 602 million euro, thereby quadrupling the 151 million euro recorded in the same period of 2014. The Group benefited from the favourable performance of the financial markets, which enabled the realisation of latent gains on the portfolios 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. A comparison with the first quarter of 2014 shows greater income on AFS securities and financial liabilities (+447 million euro). Profits from trading remained essentially stable (+4 million euro) with gains on foreign exchange transactions being almost entirely absorbed by losses for the other components, particularly interest rates and equity instruments.
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.
A comparison with the previous year, which also recorded a number of gains, points to significantly greater profits from trading than in any quarter of 2014.

Income from insurance business

(millions of euro)

Captions (a)	31.03.2015			31.03.2014			Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Technical margin	**-7**	**12**	**5**	**3**	**11**	**14**	**-9**	**-64.3**
Net insurance premiums (b)	3,119	56	3,175	4,658	51	4,709	-1,534	-32.6
Net charges for insurance claims and surrenders (c)	-2,505	-24	-2,529	-1,864	-24	-1,888	641	34.0
Net charges for changes in technical reserves (d)	-1,392	-	-1,392	-3,137	-	-3,137	-1,745	-55.6
Gains (losses) on investments pertaining to insured parties on insurance products (e)	843	-	843	423	-	423	420	99.3
Net fees on investment contracts (f)	37	-	37	39	-	39	-2	-5.1
Commission expenses on insurance contracts (g)	-105	-13	-118	-113	-11	-124	-6	-4.8
Other technical income and expense (h)	-4	-7	-11	-3	-5	-8	3	37.5
Net investment result	**321**	**17**	**338**	**234**	**7**	**241**	**97**	**40.2**
Operating income from investments	3,502	17	3,519	1,170	7	1,177	2,342	
Net interest income	*492*	*1*	*493*	*511*	*3*	*514*	*-21*	*-4.1*
Dividends	*22*	-	*22*	*10*	-	*10*	*12*	
Gains/losses on disposal	*582*	*16*	*598*	*207*	*4*	*211*	*387*	
Valuation gains/losses	*2,432*	-	*2,432*	*457*	-	*457*	*1,975*	
Portfolio management fees paid (i)	*-26*	-	*-26*	*-15*	-	*-15*	*11*	*73.3*
Profit/loss pertaining to third party underwriters of mutual funds (j)	-	-	-	-	-	-	-	-
Gains (losses) on investments pertaining to insured parties	-3,181	-	-3,181	-936	-	-936	2,245	
Insurance products (k)	*-695*	-	*-695*	*-427*	-	*-427*	*268*	*62.8*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-148*	-	*-148*	*4*	-	*4*	*-152*	
Investment products (m)	*-2,338*	-	*-2,338*	*-513*	-	*-513*	*1,825*	
Income from insurance business	**314**	**29**	**343**	**237**	**18**	**255**	**88**	**34.5**

Quarterly development
Income from insurance business



Figures restated where required by international accounting standards and, 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 quarter 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 343 million euro, up 34.5% 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 was due to an improvement in the net investment result, which increased from the 234 million euro of the first quarter of 2014 to 321 million euro for the first quarter of the year under review, driven essentially by the significant increase in operating income from investments as a result of greater realised gains and greater revaluations of the portfolio of securities designated at fair value through profit or loss. The technical margin, on the other hand, decreased by 10 million euro, 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 11 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.

Income from insurance business in the first quarter of 2015, including both the life and non-life businesses, was higher than that of the various quarters of the previous year as a result of the financial component.

(millions of euro)

	31.03.2015				31.03.2014
	Periodic premiums	Single premiums	Total	*of which new business*	
Life insurance business	**48**	**3,071**	**3,119**	*3,071*	**4,658**
Premiums issued on traditional products	41	2,979	3,020	*2,979*	4,604
Premiums issued on unit-linked products	3	6	9	*6*	14
Premiums issued on capitalisation products	-	1	1	*1*	-
Premiums issued on pension funds	4	85	89	*85*	40
Non-life insurance business	**23**	**34**	**57**	*12*	**52**
Premiums issued	24	36	60	*33*	54
Change in premium reserves	-1	-2	-3	*-21*	-2
Premiums ceded to reinsurers	**-**	**-1**	**-1**	*-*	**-1**
Net premiums from insurance products	**71**	**3,104**	**3,175**	***3,083***	**4,709**
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	29	3,500	3,529	*3,502*	1,771
Total business from investment contracts	**29**	**3,500**	**3,529**	***3,502***	**1,771**
Total business	**100**	**6,604**	**6,704**	***6,585***	**6,480**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

As at 31 March 2015, the total business of the insurance segment reached premiums of 6,704 million euro compared to total inflows of 6,480 million euro for the first quarter of 2014. This increase is largely attributable to new unit-linked contract business, which offset the decline in premiums issued against traditional life policies. New business came to 6,585 million euro.

Other operating income (expenses)

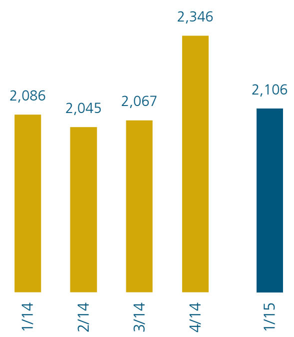
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In the first quarter of 2015, this caption showed a loss of 5 million euro, compared to 8 million euro of losses recorded in the same period of 2014.

Operating costs

(millions of euro)

	31.03.2015	31.03.2014	Changes	
			amount	%
Wages and salaries	890	900	-10	-1.1
Social security charges	229	233	-4	-1.7
Other	178	140	38	27.1
Personnel expenses	**1,297**	**1,273**	**24**	**1.9**
Information technology expenses	152	154	-2	-1.3
Management of real estate assets expenses	147	159	-12	-7.5
General structure costs	108	106	2	1.9
Professional and legal expenses	85	82	3	3.7
Advertising and promotional expenses	23	27	-4	-14.8
Indirect personnel costs	23	21	2	9.5
Other costs	77	80	-3	-3.8
Indirect taxes and duties	216	223	-7	-3.1
Recovery of expenses and charges	-195	-202	-7	-3.5
Administrative expenses	**636**	**650**	**-14**	**-2.2**
Property and equipment	84	86	-2	-2.3
Intangible assets	89	77	12	15.6
Adjustments	**173**	**163**	**10**	**6.1**
Operating costs	**2,106**	**2,086**	**20**	**1.0**

Quarterly development Operating costs



Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

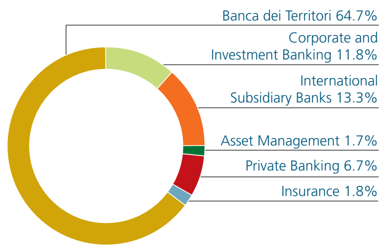
Operating costs came to 2,106 million euro for a moderate increase (+1%) compared to the first three months of 2014. Personnel expenses increased slightly (+1.9%, or 24 million euro) compared to the first quarter of 2014, reaching 1,297 million euro, due, in terms of the fixed component, to full application of the 2012 national collective bargaining agreement. These expenses were partly contained through ongoing reductions in the average workforce (-0.8%).

Administrative expenses came to 636 million euro, down 2.2% compared to the same period of the previous year. This containment of expenses is mainly attributable to real estate management (-12 million euro) and to advertising and promotional expenses (-4 million euro), only partly offset by the increase in legal and professional fees (+3 million euro). Adjustments totalled 173 million euro, up 6.1% on the same period of the previous year due to an increase in the amortisation of intangible assets. The cost/income ratio for the period was 44.3%, a clear improvement compared to the 50.8% of the first quarter of 2014 and an even greater improvement compared to the 56.8% of the fourth quarter of the same year.

(millions of euro)

	31.03.2015	31.03.2014	Changes	
			amount	%
Banca dei Territori	1,233	1,263	-30	-2.4
Corporate and Investment Banking	224	208	16	7.7
International Subsidiary Banks	254	250	4	1.6
Private Banking	128	120	8	6.7
Asset Management	32	28	4	14.3
Insurance	35	39	-4	-10.3
Total business areas	**1,906**	**1,908**	**-2**	**-0.1**
Corporate Centre	200	178	22	12.4
Intesa Sanpaolo Group	**2,106**	**2,086**	**20**	**1.0**

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation.

The increase in operating costs for the Group is attributable to all Business Units, with the exception of Banca dei Territori (-2.4%), which accounts for nearly 65% of all costs for the business areas and managed to cut administrative and personnel expenses, and the Insurance business (-10.3%), where administrative expenses declined. Corporate and Investment Banking (+7.7%) and Asset Management (+14.3%) saw increases in both personnel and administrative expenses. Costs for Private Banking and the International Subsidiary Banks also increased (by 6.7% and 1.6%, respectively) as a result of personnel expenses.

Operating margin

The operating margin for the first quarter of 2015 amounted to 2,647 million euro, up 30.9% on the figure recorded in the same period of the previous year (2,022 million euro) due to the increase in revenues. Compared to the fourth quarter of 2014, operating margin was up 48.6%.

Adjustments to/write-backs on assets

Net provisions for risks and charges

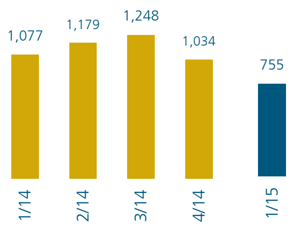
In the first quarter of 2015, net provisions for risks and charges came to 126 million euro, increasing from the 55 million euro of the first quarter of 2014 and largely (75 million euro) attributable to allocations for actions under the new mechanism for resolving the banking crises.

Net adjustments to loans

(millions of euro)

	31.03.2015	31.03.2014	Changes	
			amount	%
Doubtful loans	-392	-558	-166	-29.7
Substandard loans	-253	-344	-91	-26.5
Restructured loans	-63	-19	44	
Past due loans	-82	-134	-52	-38.8
Performing loans	-14	-42	-28	-66.7
Net losses/recoveries on impairment of loans	**-804**	**-1,097**	**-293**	**-26.7**
Net adjustments to/recoveries on guarantees and commitments	**49**	**20**	**29**	
Net adjustments to loans	**-755**	**-1,077**	**-322**	**-29.9**

Quarterly development Net adjustments to loans



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The significant reduction in net adjustments to loans for the first quarter 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.
In the first quarter of 2015, in particular, net adjustments to loans stood at 755 million euro, down 29.9% compared to the same period of 2014, due essentially to the lower provisions for doubtful and substandard loans: a similar change compared to the final quarter of the previous year. 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 392 million euro, a 29.7% drop

compared to the first three months of 2014, with an average coverage ratio stable at 62.7%. Net impairment losses on substandard loans, totalling 253 million euro, decreased by 26.5% compared to the first quarter of the previous year, with a coverage ratio of 23.6%, which is also in line with the end of 2014. Net impairment losses on past due loans declined by 52 million euro compared to the same period of 2014 (-38.8%), while net impairment losses on restructured loans increased by 44 million euro.
Lastly, within performing loans, the generic reserve offered a stable coverage ratio for the physiological risk inherent in the portfolio of 0.8%.

Net impairment losses on other assets
In the first three months of 2015, impairment losses on assets other than loans came to 9 million euro, mainly attributable to impairment on investments. This compares to the figure of 12 million euro recorded in the corresponding period of 2014.

Profits (Losses) on investments held to maturity and on other investments
Profits on investments held to maturity and on other investments came to 28 million euro, as compared to the 75 million euro recorded for the first quarter of 2014, which was largely attributable to the sale of the entire equity investment held by Intesa Sanpaolo in Pirelli & C.

Income before tax from continuing operations
Income before tax from continuing operations came to 1,785 million euro, as compared to 953 million for the first three months of 2014 and 374 million euro for the fourth quarter of that same year.

Other income and expense captions

Taxes on income from continuing operations
Current and deferred taxes came to 647 million euro for an effective tax rate of 36.2%, which represents a slight decline from the 38.2% of the same period of 2014.

Charges (net of tax) for integration and exit incentives
This caption amounted to 6 million euro, which is essentially in line with the 7 million euro reported for the first three 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. For the first quarter of 2015, these costs came to 26 million euro, thereby continuing the structural decline in this caption (46 million euro for the first quarter of 2014 and 74 million euro for the first quarter of 2013).

Income (Loss) from discontinued operations (net of tax)
In the first quarter of 2015, losses were recorded on discontinued operations for 19 million euro, entirely attributable to the Ukrainian subsidiary Pravex-Bank. This figure is compared to the negative balance of 13 million euro recorded in the first three months of 2014 and referring to the same subsidiary.

Net income (loss)
The Group closed the first quarter of 2015 with net income of 1,064 million euro, more than doubling the 503 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

In the first quarter of 2015, Intesa Sanpaolo's consolidated assets increased compared to the end of 2014 (+5.6%), with growth being posted in both financial assets and loans. More specifically, financial assets available for sale increased by 13.9 billion euro, financial assets held for trading increased by 8.5 billion euro, and financial assets designated at fair value increased by 4.8 billion euro. Loans to customers rose by 7 billion euro due essentially to growth in commercial banking loans, while exposure to banking counterparties increased by 3.4 billion euro. On the liability side, amounts due to customers and securities issued rose by 9.7 billion euro; financial liabilities held for trading, by 8 billion euro; and amounts due to banks, by 6.4 billion euro. Financial liabilities designated at fair value and technical reserves, both attributable to the Group's insurance companies, also increased by 4.5 and 3.2 billion euro, respectively.

Loans to customers

(millions of euro)

	31.03.2015	% breakdown	31.12.2014	% breakdown	Changes amount	Changes %
Current accounts	27,150	7.8	27,025	8.0	125	0.5
Mortgages	136,314	39.5	135,834	40.0	480	0.4
Advances and other loans	117,066	33.8	112,021	33.0	5,045	4.5
Commercial banking loans	**280,530**	**81.1**	**274,880**	**81.0**	**5,650**	**2.1**
Repurchase agreements	**17,637**	**5.1**	**16,927**	**5.0**	**710**	**4.2**
Loans represented by securities	**14,351**	**4.1**	**13,837**	**4.1**	**514**	**3.7**
Non-performing loans	**33,629**	**9.7**	**33,461**	**9.9**	**168**	**0.5**
Loans to customers	**346,147**	**100.0**	**339,105**	**100.0**	**7,042**	**2.1**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

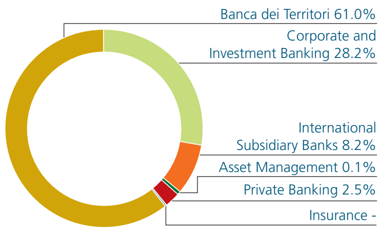
Quarterly development Loans to customers

As at 31 March 2015, Intesa Sanpaolo Group loans to customers surpassed 346 billion euro, up 2.1% compared to the end of the previous year.
The trend in lending since the beginning of the year was essentially due to the 5.7 billion euro increase in commercial banking loans. Also contributing to the overall change was the growth in loans represented by securities and reverse repurchase agreements, the balances of which increased by 710 million euro (+4.2%) and 514 million euro (+3.7%), respectively. 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 5 billion euro (+4.5%), and, to a lesser extent, to mortgages (+480 million euro, or 0.4%) and current accounts (+125 million euro, or 0.5%).
In the domestic medium-/long-term loan market, in the first quarter of 2015 disbursements to households (including the small business accounts having similar needs to family businesses) amounted to 2.5 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 2.4 billion euro. During the same period, medium-/long-term disbursements to segments included in the new scope of the Corporate Division in Italy amounted to 2.3 billion euro. Including the extra-captive activities of Mediocredito, disbursements within Italy came to approximately 8 billion euro. On the whole, medium-/long-term disbursements for the Group during the quarter surpassed 9 billion euro.
As at 31 March 2015, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was estimated at 14.8% for total loans. This estimate is based on the sample deriving from the ten-day report of the Bank of Italy as the global system figure for the end of March is not yet available.

(millions of euro)

	31.03.2015	31.12.2014	Changes amount	Changes %
Banca dei Territori	188,529	187,319	1,210	0.6
Corporate and Investment Banking	87,014	82,432	4,582	5.6
International Subsidiary Banks	25,320	24,974	346	1.4
Private Banking	7,876	7,614	262	3.4
Asset Management	262	473	-211	-44.6
Insurance	13	13	-	-
Total business areas	**309,014**	**302,825**	**6,189**	**2.0**
Corporate Centre	37,133	36,280	853	2.4
Intesa Sanpaolo Group	**346,147**	**339,105**	**7,042**	**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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation 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 a slight increase (+0.6%) compared to the end of the previous year, due essentially to loans to small and medium-sized businesses. Loans also increased in the Corporate and Investment Banking Division, which made the greatest contribution (+4.6 billion euro, or 5.6%), generated by the growth in business for the International Network & Global Industries Department, the Global Banking & Transactions Department, and Banca IMI. Loans in the International Subsidiary Banks Division posted growth (+1.4%), which is mainly attributable to subsidiaries operating in Egypt, Slovakia, Russia and Croatia. Private Banking rose by 3.4%, largely due to growth in current account facilities and debt securities. Conversely, the Asset Management Division, total lending for which was modest, posted a decline (-44.6%). The growth in Corporate Centre loans (+2.4%) is largely attributable to an increase in reverse repurchase agreement transactions with Cassa di Compensazione e Garanzia and other central structures.

Loans to customers: loan portfolio quality

(millions of euro)

	31.03.2015		31.12.2014		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	14,413	4.2	14,178	4.2	235
Substandard loans	15,485	4.5	15,485	4.6	-
Restructured loans	2,536	0.7	2,546	0.8	-10
Past due loans	1,195	0.3	1,252	0.3	-57
Non-performing loans	**33,629**	**9.7**	**33,461**	**9.9**	**168**
Performing loans	298,167	86.2	291,807	86.0	6,360
Performing loans represented by securities	14,351	4.1	13,837	4.1	514
Loans to customers	**346,147**	**100.0**	**339,105**	**100.0**	**7,042**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As at 31 March 2015, the Group's non-performing loans, net of adjustments, rose slightly compared to the end of the previous year (+0.5%). Non-performing loans fell to 9.7% of total loans to customers, while coverage of non-performing loans came to 47%, which is slightly higher than the level at the end of 2014 (46.8%).
In further detail, doubtful loans came to 14.4 billion euro, net of adjustments, at the end of the first three months of 2015 (up by 1.7% compared to the beginning of the year), and represented 4.2% of total loans, while the coverage ratio was stable at 62.7%. Substandard loans, in the amount of 15.5 billion euro, were in line with the figure as at 31 December 2014 and represented 4.5% of total loans to customers. The coverage ratio of 23.6% has also remained stable since the beginning of the year. Restructured loans, in the amount of 2.5 billion euro, remained at the levels of the end of 2014, representing 0.7% of total loans and with a coverage ratio that has risen since the beginning of the year. Past due loans totalled 1.2 billion euro, down 4.6% compared to the end of 2014, with a coverage ratio of 13.7%.
The coverage ratio for performing loans was 0.8%, stable compared to the end of 2014.

Customer financial assets

(millions of euro)

	31.03.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	369,868	42.6	359,629	43.5	10,239	2.8
Direct deposits from insurance business and technical reserves	126,316	14.6	118,612	14.4	7,704	6.5
Indirect customer deposits	495,797	57.2	465,777	56.3	30,020	6.4
Netting [(a)]	-125,013	-14.4	-117,323	-14.2	7,690	6.6
Customer financial assets	**866,968**	**100.0**	**826,695**	**100.0**	**40,273**	**4.9**

Figures restated where required by international accounting standards and, 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 31 March 2015, customer financial assets came to approximately 870 billion euro, up 4.9% from the beginning of the year due, above all, to indirect customer deposits (+30 billion euro, or 6.4%), which benefited from the growth in assets under management and, to a lesser extent, assets under administration. Direct deposits from banking business posted growth of 10.2 billion euro (+2.8%) 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 a 7.7 billion euro increase (+6.5%) as a result both of the rise in financial liabilities designated at fair value associated with unit-linked products and the increase in life insurance business technical reserves representing traditional policies.

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)

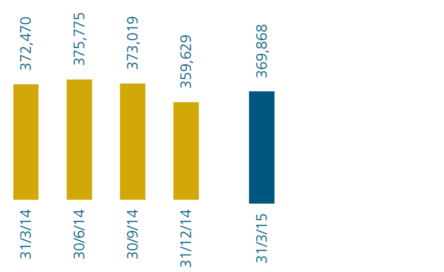
	31.03.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	203,860	55.1	199,622	55.5	4,238	2.1
Repurchase agreements and securities lending	32,616	8.8	20,572	5.7	12,044	58.5
Bonds	93,260	25.2	98,864	27.5	-5,604	-5.7
of which designated at fair value [(*)]	-	-	-	-	-	-
Certificates of deposit	6,658	1.8	6,834	1.9	-176	-2.6
Subordinated liabilities	14,097	3.8	14,504	4.0	-407	-2.8
Other deposits	19,377	5.3	19,233	5.4	144	0.7
of which designated at fair value [(**)]	*7,003*	*1.9*	*6,412*	*1.8*	*591*	*9.2*
Direct deposits from banking business	**369,868**	**100.0**	**359,629**	**100.0**	**10,239**	**2.8**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

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

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

Quarterly development
Direct deposits from banking business

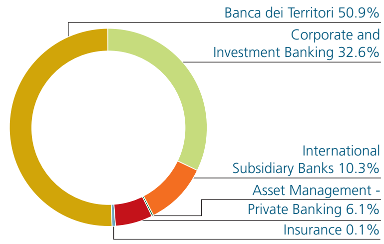


The total of direct deposits from banking business, in the amount of 370 billion euro, was up 2.8% compared to the end of December 2014, with diverging performances by the main deposit types.
Repurchase agreements and securities lending posted the greatest growth (+12 billion euro, or 58.5%) as the Group's business with institutional counterparties also increased, while current accounts and deposits showed growth of 4.2 billion euro (+2.1%), 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 (-5.6 billion euro, or 5.7%), maturities for which were largely reinvested in asset management products. Subordinated liabilities decreased by 2.8%, while certificates of deposit declined by 2.6% due essentially to a decrease in issues by international branches. Other deposits rose slightly, with the reduction in commercial paper being more than offset by the increase in protected-capital certificates issued by Banca IMI and designated at fair value and other sums available to customers.
At the end of March 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)

	31.03.2015	31.12.2014	Changes	
			amount	%
Banca dei Territori	157,309	162,411	-5,102	-3.1
Corporate and Investment Banking	100,806	97,400	3,406	3.5
International Subsidiary Banks	31,721	31,078	643	2.1
Private Banking	18,813	17,959	854	4.8
Asset Management	9	9	-	-
Insurance	203	182	21	11.5
Total business areas	**308,861**	**309,039**	**-178**	**-0.1**
Corporate Centre	61,007	50,590	10,417	20.6
Intesa Sanpaolo Group	**369,868**	**359,629**	**10,239**	**2.8**

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

The breakdown by Group business areas shows that direct deposits from banking business attributable to Banca dei Territori, which accounts for over half of the aggregate attributable to the Group’s total business areas, have declined by 3.1% compared to the beginning of the year, due to the downtrend in securities issued, associated with the maturity of retail bonds. Conversely, Corporate and Investment Banking recorded an increase of 3.5%, due largely to repurchase agreement transactions by Banca IMI and, to a lesser extent, to amounts due to customers of the Global Banking & Transactions Department. Funding in the International Subsidiary Banks Division also registered a rise (+2.1%), essentially attributable to amounts due to customers, as well as in the Private Banking Division (+4.8%) thanks mainly to the increase in repurchase agreements and current accounts and funding in the Insurance Division (+11.5%), the total amount of which was modest. The increase in the Corporate Centre’s funding (+20.6%) 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 paper.

Direct deposits from insurance business and technical reserves

(millions of euro)

	31.03.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**42,088**	**33.4**	**37,622**	**31.7**	**4,466**	**11.9**
Index-linked products	*446*	*0.4*	*449*	0.4	*-3*	*-0.7*
Unit-linked products	*41,642*	*33.0*	*37,173*	31.3	*4,469*	*12.0*
Technical reserves	**82,925**	**65.6**	**79,701**	**67.2**	**3,224**	**4.0**
Life business	82,439	65.2	79,217	66.8	3,222	4.1
Mathematical reserves	*68,792*	*54.4*	*67,466*	*56.9*	*1,326*	*2.0*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*5,226*	*4.1*	*5,314*	*4.5*	*-88*	*-1.7*
Other reserves	*8,421*	*6.7*	*6,437*	*5.4*	*1,984*	*30.8*
Non-life business	*486*	0.4	*484*	0.4	2	0.4
Other insurance deposits (***)	**1,303**	**1.0**	**1,289**	**1.1**	**14**	**1.1**
Direct deposits from insurance business and technical reserves	**126,316**	**100.0**	**118,612**	**100.0**	**7,704**	**6.5**

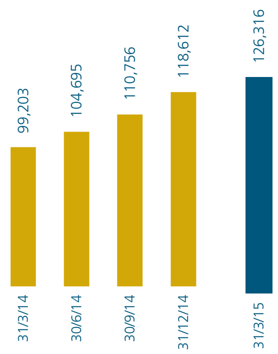
Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

(*) 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.

Quarterly development
Direct insurance deposits and technical reservese



Direct deposits from insurance business came to over 126 billion euro at the end of March 2015, up 6.5% from the beginning of the year. Financial liabilities of the insurance business designated at fair value grew by 4.5 billion euro (+11.9%), attributable to the contribution from unit-linked products. Technical reserves, which represent amounts owed to customers subscribing to traditional policies, recorded an increase of 3.2 billion euro (+4%), attributable to the life business. This performance is due to the improvement in deferred liabilities to policyholders (included among other reserves), as a result of the favourable financial market performance, and in mathematical reserves, only partly offset by the decline in technical reserves associated with unit- and index-linked policies with significant insurance risk and with pension funds.

Indirect customer deposits

(millions of euro)

	31.03.2015		31.12.2014		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	82,460	16.6	76,335	16.4	6,125	8.0
Open-ended pension funds and individual pension plans	5,498	1.1	5,193	1.1	305	5.9
Portfolio management	111,050	22.4	101,790	21.9	9,260	9.1
Life technical reserves and financial liabilities	114,550	23.1	109,264	23.5	5,286	4.8
Relations with institutional customers	9,935	2.0	9,133	1.9	802	8.8
Assets under management	**323,493**	**65.2**	**301,715**	**64.8**	**21,778**	**7.2**
Assets under administration and in custody	**172,304**	**34.8**	**164,062**	**35.2**	**8,242**	**5.0**
Indirect customer deposits	**495,797**	**100.0**	**465,777**	**100.0**	**30,020**	**6.4**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Quarterly development Indirect deposits

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

As at 31 March 2015, indirect customer deposits totalled 496 billion euro, up 6.4% over the end of the previous year. During the quarter, 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 21.8 billion euro compared to the beginning of the year (+7.2%), owing to net inflows and the revaluation of assets under management. All main technical forms making up assets under management performed well, continuing the positive trend that had started in 2013: portfolio management increased by 9.3 billion euro (+9.1%); mutual funds, by 6.1 billion euro (+8%); and life insurance policies, by 5.3 billion euro (+4.8%). Positive contributions, albeit of a lesser amount in absolute terms, were also provided by relations with institutional customers (+802 million euro, or 8.8%) and collective and individual pension forms, which increased by 305 million euro, or 5.9%. In the insurance business, the new life business of Intesa Sanpaolo Vita (including Intesa Sanpaolo Life) and Fideuram Vita, including pension products, amounted to 6.6 billion euro in the first quarter of 2015.
Assets under administration grew by 8.2 billion euro (+5%), which is mainly attributable to the assets of retail customers, which benefited from the upward trend in the financial markets despite the downward trend in funding.

Financial assets and liabilities

(millions of euro)

	31.03.2015		31.12.2014		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Financial assets held for trading	62,257	*823*	53,741	*785*	8,516	15.8
of which derivatives at fair value	*41,747*	*17*	*36,729*	*8*	*5,018*	*13.7*
Financial assets designated at fair value through profit and loss	48,620	*47,361*	43,863	*42,657*	4,757	10.8
Financial assets available for sale	138,067	*74,813*	124,150	*71,604*	13,917	11.2
Investments held to maturity	1,470		1,471		-1	-0.1
Total financial assets	**250,414**	***122,997***	**223,225**	***115,046***	**27,189**	**12.2**
Financial liabilities held for trading (*)	**-47,391**	***-234***	**-39,964**	***-333***	**7,427**	**18.6**
of which derivatives at fair value	*-43,255*	*-234*	*-37,774*	*-333*	*5,481*	*14.5*

Figures restated where required by international accounting standards and, 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 12.2% as a result of upturns in all components except financial assets held to maturity, which remained stable. Financial assets available for sale increased by 13.9 billion euro (+11.2%), which was nearly entirely attributable to bonds and other debt securities, with the greatest increases being posted by the Parent Company, by Banca IMI and by Intesa Sanpaolo Vita, all of which intensified their business with financial portfolios in order to take advantage of favourable market trends. The growth in financial assets held for trading (+8.5 billion euro, or 15.8%) was mainly due to trading derivatives, a change which was matched in financial liabilities held for trading, as well as to bonds and other debt securities, although to a lesser extent. Financial assets designated at fair value recorded a more limited increase (+4.8 billion euro, or 10.8%), entirely attributable to equities and quotas of UCIs.

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 31 March 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 31.03.2015	Fair value at 31.03.2015	Income components in case of no transfer (before tax)		Income components for the period (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	756	733	15	3	9	5
Loans	Financial assets held for trading	Financial assets available for sale	2	2	-1	-	-	-
Debt securities	Financial assets available for sale	Loans	5,650	4,786	1,268	32	1,060	29
Loans	Financial assets available for sale	Loans	42	44	-43	1	-43	1
TOTAL			**6,450**	**5,565**	**1,239**	**36**	**1,026**	**35**

Had the Group not reclassified the above financial assets, a total of 213 million euro in greater positive mark-to-market income components and 1 million euro in other positive components would have been recognised during the quarter. No portfolio transfers were made in the first quarter of 2015.

Net interbank position

The net interbank position as at 31 March 2015 came to a negative 23.1 billion euro, an improvement on the figure recorded at the end of 2014 (-20.1 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 in September and December 2014 and March 2015, which made it possible to raise over 22 billion euro in additional funds.

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	**7,779**	**50,733**	**1,050**	**871**	**6,633**	**58,623**	**125,689**	**20,222**
Austria	-	-	3	-	10	6	19	-
Belgium	-	1,406	-	-	170	10	1,586	-
Bulgaria	-	-	-	-	-	26	26	-
Croatia	131	76	23	819	13	28	1,090	951
Cyprus	4	-	-	-	-	-	4	-
Czech Republic	-	-	-	-	1	-	1	-
Denmark	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	112	-	-	61	8	181	10
France	107	6,190	-	-	568	136	7,001	16
Germany	40	5,436	-	-	738	1,987	8,201	-
Greece	-	-	-	-	-	-	-	-
Hungary	32	315	-	-	120	33	500	236
Ireland	-	240	-	-	134	93	467	-
Italy	7,121	29,589	383	52	4,376	54,223	95,744	18,214
Latvia	-	10	-	-	-	-	10	57
Lithuania	-	29	-	-	-	-	29	-
Luxembourg	-	-	-	-	-	-	-	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	241	-	-	27	135	403	-
Poland	28	30	-	-	6	-	64	-
Portugal	-	-	-	-	16	27	43	20
Romania	10	145	-	-	4	52	211	9
Slovakia	-	977	641	-	29	-	1,647	122
Slovenia	-	167	-	-	-	8	175	116
Spain	306	5,589	-	-	304	1,851	8,050	471
Sweden	-	90	-	-	56	-	146	-
United Kingdom	-	91	-	-	-	-	91	-
North African Countries	**-**	**1,486**	**-**	**-**	**-**	**-**	**1,486**	**-**
Algeria	-	-	-	-	-	-	-	-
Egypt	-	1,486	-	-	-	-	1,486	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**435**	**-**	**435**	**-**

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

As shown in the table, exposure to Italian government securities totals roughly 96 billion euro - in addition to around 18 billion euro in loans - which represents an increase of approximately 2 billion euro from the 94 billion euro exposure reported as at December 2014.

With regard to exposure towards EU countries, in the first quarter 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 March 2015.

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

Shareholders' equity

As at 31 March 2015, the Group's shareholders' equity, including net income for the period, came to 46,187 million euro compared to the 44,683 million euro at the end of the previous year. The change in shareholders' equity was primarily due to the change in reserves, which include the 2014 net income which has yet to be distributed as well as the net income accruing in 2015. No changes in share capital occurred during the quarter.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2014	Change in the period	Valuation reserves as at 31.03.2015	
				% breakdown
Financial assets available for sale	840	428	1,268	-110.5
of which: Insurance Companies	*617*	*284*	*901*	*-78.6*
Property and equipment	-	-	-	-
Cash flow hedges	-1,362	-117	-1,479	128.9
Legally-required revaluations	350	-	350	-30.5
Other	-1,450	164	-1,286	112.1
Valuation reserves	**-1,622**	**475**	**-1,147**	**100.0**

As at 31 March 2015, the negative balance of the Group's valuation reserves came to -1,147 million euro, improving compared to the negative value at the end of December 2014 (-1,622 million euro). Positive contributions to the change in the period included the improvement in reserves for financial assets available for sale (+428 million euro), especially debt securities included in the insurance companies' portfolios, and other reserves (+164 million euro), particularly those aimed at mitigating exchange-rate fluctuations, while negative factors came from cash flow hedge reserves (-117 million euro).

Own funds and capital ratios

(millions of euro)

Own funds and capital ratios	**31.03.2015**	**31.12.2014**
Own funds		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	36,585	36,547
Additional Tier 1 capital (AT1) net of regulatory adjustments	1,462	1,700
TIER 1 CAPITAL	**38,047**	**38,247**
Tier 2 capital net of regulatory adjustments	7,968	8,043
TOTAL OWN FUNDS	**46,015**	**46,290**
Risk-weighted assets		
Credit and counterparty risks	240,443	231,394
Market and settlement risk	18,108	16,476
Operational risks	21,092	21,157
Other specific risks (a)	842	763
RISK-WEIGHTED ASSETS	**280,485**	**269,790**
% Capital ratios		
Common Equity Tier 1 capital ratio	13.0%	13.5%
Tier 1 capital ratio	13.6%	14.2%
Total capital ratio	16.4%	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 31 March 2015 have been calculated according to the new harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in 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, and on the basis of Bank of Italy Circulars 285, 286 and 154.
Regulatory provisions governing own funds envisage the gradual introduction of the new regulatory framework, through a transitional period generally lasting until 2017, during which several elements that will be eligible for full inclusion in or deduction from common equity when the framework is fully 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 31 March 2015 take account of the adjustments envisaged by the transitional provisions for 2015.
As at 31 March 2015, total own funds came to 46,015 million euro, against risk-weighted assets (RWA) of 280,485 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 16.4%, while the ratio of the Group's tier 1 capital to its total risk-weighted assets (its tier 1 ratio) was 13.6%. The ratio of common equity tier 1 capital (CET1) to risk-weighted assets (the common equity ratio) was 13.0%.
It should be noted that common equity tier 1 capital does not take account of either net income for the quarter in that the regulatory requirements for its inclusion (i.e. independent auditing) have not been met (pursuant to article 26(2) of the CRR) or, consequently, of the related pro-rata dividend, which is conventionally calculated as one-fourth of the dividend that the 2014-2017 Business Plan envisages to be for distribution in 2016 (totalling 2 billion euro). Including this interim income and related pro-rata dividend, the capital ratios would be as follows: a CET1 ratio of 13.2%, a tier 1 ratio of 13.8%, and a total capital ratio of 16.6%.
Lastly, 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 31 March 2015 was 8 basis points negative.

Reconciliation of shareholders' equity and common equity tier 1 capital

(millions of euro)

Captions	**31.03.2015**	**31.12.2014**
Group Shareholders' equity	46,187	44,683
Minority interests	383	379
Shareholders' equity as per the Balance Sheet	**46,570**	**45,062**
Distribution of dividends to shareholders of Intesa Sanpaolo resolved by the Shareholders' Meeting of 27.4.2015	-1,185	-
Shareholders' equity following distribution to shareholders	**45,385**	**45,062**
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	-323	-322
- Ineligible net income for the period [a]	-1,064	-1,251
- Treasury shares included under regulatory adjustments	65	63
- Other ineligible components on full phase-in	2	11
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**43,564**	**43,067**
Regulatory adjustments (including transitional adjustments)	**-6,979**	**-6,520**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**36,585**	**36,547**

[a] Net income for first quarter 2015 is not included in Common equity tier 1 capital, as conditions envisaged in Art. 26, paragraph 2 of (EU) Regulation 575 of 26 June 2013 (CRR) have not been met for inclusion.

Breakdown of consolidated results by business area

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

The Intesa Sanpaolo Group

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

In particular, this new organisational structure, which was introduced at the end of 2014, has involved 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 quarter 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 quarter 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, 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								
31.03.2015	2,348	956	506	427	160	345	11	4,753
31.03.2014	2,427	875	487	350	101	261	-393	4,108
% change [(a)]	-3.3	9.3	3.9	22.0	58.4	32.2		15.7
Operating costs								
31.03.2015	-1,233	-224	-254	-128	-32	-35	-200	-2,106
31.03.2014	-1,263	-208	-250	-120	-28	-39	-178	-2,086
% change [(a)]	-2.4	7.7	1.6	6.7	14.3	-10.3	12.4	1.0
Operating margin								
31.03.2015	1,115	732	252	299	128	310	-189	2,647
31.03.2014	1,164	667	237	230	73	222	-571	2,022
% change [(a)]	-4.2	9.7	6.3	30.0	75.3	39.6	-66.9	30.9
Net income (loss)								
31.03.2015	351	461	120	178	94	204	-344	1,064
31.03.2014	332	421	114	122	47	144	-677	503
% change [(a)]	5.7	9.5	5.3	45.9		41.7	-49.2	
Loans to customers								
31.03.2015	188,529	87,014	25,320	7,876	262	13	37,133	346,147
31.12.2014	187,319	82,432	24,974	7,614	473	13	36,280	339,105
% change [(b)]	0.6	5.6	1.4	3.4	-44.6	-	2.4	2.1
Direct deposits from banking business								
31.03.2015	157,309	100,806	31,721	18,813	9	203	61,007	369,868
31.12.2014	162,411	97,400	31,078	17,959	9	182	50,590	359,629
% change [(b)]	-3.1	3.5	2.1	4.8	-	11.5	20.6	2.8
Risk-weighted assets								
31.03.2015	98,512	89,885	31,804	7,907	1,072	-	51,305	280,485
31.12.2014	96,797	86,092	27,556	7,278	917	-	51,150	269,790
% change [(b)]	1.8	4.4	15.4	8.6	16.9	-	0.3	4.0
Absorbed capital								
31.03.2015	8,866	8,090	3,020	739	112	4,193	4,630	29,650
31.12.2014	8,712	7,748	2,633	681	97	4,214	4,604	28,689
% change [(b)]	1.8	4.4	14.7	8.5	15.5	-0.5	0.6	3.3

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

[(a)] The change expresses the ratio between 31.03.2015 and 31.03.2014.

[(b)] The change expresses the ratio between 31.03.2015 and 31.12.2014.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	31.03.2015	31.03.2014	Changes	
			amount	%
Net interest income	1,261	1,431	-170	-11.9
Profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	1,061	975	86	8.8
Profits (Losses) on trading	16	13	3	23.1
Income from insurance business	-	-	-	-
Other operating income (expenses)	10	8	2	25.0
Operating income	**2,348**	**2,427**	**-79**	**-3.3**
Personnel expenses	-752	-762	-10	-1.3
Other administrative expenses	-480	-500	-20	-4.0
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-1,233**	**-1,263**	**-30**	**-2.4**
Operating margin	**1,115**	**1,164**	**-49**	**-4.2**
Net provisions for risks and charges	-14	-10	4	40.0
Net adjustments to loans	-507	-589	-82	-13.9
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**594**	**565**	**29**	**5.1**
Taxes on income from continuing operations	-241	-222	19	8.6
Charges (net of tax) for integration and exit incentives	-4	-5	-1	-20.0
Effect of purchase price allocation (net of tax)	2	-6	8	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**351**	**332**	**19**	**5.7**

(millions of euro)

	31.03.2015	31.12.2014	Changes	
			amount	%
Loans to customers	188,529	187,319	1,210	0.6
Direct deposits from banking business	157,309	162,411	-5,102	-3.1
Risk-weighted assets	98,512	96,797	1,715	1.8
Absorbed capital	8,866	8,712	154	1.8

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Banca dei Territori's operating income was 2,348 million euro in the first quarter of 2015, amounting to 49% of the Group's consolidated operating income, down 3.3% on the same period of the previous year. In more detail, there was a decrease in net interest income (-11.9%) in part due to lower contributions from loans to customers, both in terms of volumes and margins. By contrast, net fee and commission income increased (+8.8%), most markedly on asset management and bancassurance products and fees. Other income components reported an increase in profits on trading, rising from 13 million euro to 16 million euro. Operating costs, amounting to 1,233 million euro, fell (-2.4%) 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 1,115 million euro, down 4.2% on the first three months of 2014. Income before tax from continuing operations improved (+5.1%), amounting to 594 million euro, driven by the decline in adjustments to loans (-13.9%). 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 quarter of 2015. In greater detail, adjustments during the period by the Network Banks with respect to Banca dei Territori amounted to 428 million euro (compared to loans of 134,628 million euro), broken down as follows: Intesa Sanpaolo 196 million euro, Banco di Napoli 54 million euro, Banca dell'Adriatico 19 million euro, CR Veneto 61 million euro, CR Friuli Venezia Giulia 13 million euro, Banca di

Trento e Bolzano 5 million euro, Carisbo 17 million euro, CR Romagna 12 million euro, the Banca CR Firenze Group 45 million euro, Banca Monte Parma 6 million euro.

Lastly, after allocation to the Division of charges for integration of 4 million euro and the economic effects of purchase price allocation for 2 million euro, net income amounted to 351 million euro, up 5.7%.

On a quarterly basis, the first quarter of 2015 reported an operating margin up 3% on the fourth quarter of 2014 thanks to reduction in operating costs (-4.4%) which was only partly offset by the slight decrease in revenues (-1%). Income before tax from continuing operations more than doubled compared to the previous quarter, benefiting from lower adjustments to loans.

The balance sheet figures at the end of March 2015 showed loans to customers of 188,529 million euro, up slightly (+1.2 billion euro, or +0.6%) compared to the end of the previous year essentially as a result of growth in loans to small- and medium-sized business customers. Direct deposits from banking business, amounting to 157,309 million euro, were down 3.1%, due to the downward trend in securities issued associated with the maturity of retail bonds, which more than offset the slight increase in amounts due to customers, especially to households.

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 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), consumer credit (Intesa Sanpaolo Personal Finance), and management of electronic payments (Setefi)
Banca Prossima	Serves non-profit organisations
Distribution structure	Over 4,100 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

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, credit cards (with the exception of the Platinum card) and loans are now available online, or remotely, for all Group bank customers on multi-channel contracts.
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. Intesa Sanpaolo is the only bank in Italy, and one of only a handful in Europe, which can calculate a personalised credit limit in real time when the product is applied for. 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, which leads to improved service quality. Over the course of the quarter, a number of initiatives were launched in order to grow loans and support households and the property market, including through subrogation. In particular, an innovative campaign was launched with discounted mortgage terms (spread from 1.65%) until April, and free third party liability car insurance (with a ViaggiaConMe policy) for everyone signing a mortgage application during the promotional period. The Group also participated in the Guarantee Fund for Main Home Purchasing, whereby customers can request a guarantee from Consap on up to 50% of the principal of the mortgage. Lastly, the Group internet sites now include a simulator which allows customers to view Intesa Sanpaolo's products by inserting a few basic details. The simulations can be saved and permission can be given for them to be seen by managers in branch, thereby facilitating branch-customer dialogue.
Loans	In consumer credit a number of initiatives were launched with the aim of increasing lending. These benefited from the potential of the new multi-channel offer which was launched for loans granted by Intesa Sanpaolo Personal Finance; in particular, loan growth will be able to leverage off the new remote offers (which can be managed in branch or online) as well as the "self-service" offer to which the customer has access via home banking.
Intesa Sanpaolo Casa	Within the new process of developing and increasing the number of services offered to the customer base in order to meet all their household needs, a new Group company was founded called Intesa Sanpaolo Casa. This has been set up to target transactions in the residential property market, leveraging off innovative and distinctive solutions and services. The business model plans a network of real estate agencies managed by employees as a "shop in shop" within the Bank's branches; following the first openings in Milan, Rome and Turin, further agencies will follow in Florence, Bologna, Naples and Padua during 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. The product can be customised and is available in three versions: Policy plus Smart Device: including the insurance and the technological components; Policy only: including only the insurance component; Smart Device only: including only the technological component. 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.
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, which are a material burden on household balance sheets. The offer consists of a 15% discount on electricity and gas bills for the first year, and 10% for following years, for all the Bank's customers who make utility payments with their own current accounts. The partnership with Iren, which is the beginning of a journey to offer further innovative efficiency and energy-saving services, joins the existing agreements already in place with Fiat Chrysler Automobiles and TotalErg.

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. The loan is structured either as a Social Loan (Credito Sociale) to families up to a maximum amount of 7,500 euro, disbursed in 6 bi-monthly instalments as an income top-up; or as a Business-builder loan (Credito fare impresa) to micro-enterprises which are either new or have a low capital base, with disbursal in one payment of a maximum of 25,000 euro.

Marketing Department – *Personal Area*

Investment	In the first quarter 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, constructed considering both the market scenario and the rationale behind the Recommended Portfolios, was extended following the launch of: – nine mutual funds, all with placement windows, eight of these are Italian, from the following series: "Eurizon Soluzione Cedola", "Eurizon Soluzione Cedola Più", "Eurizon Gestione Attiva" ("Classica" and "Dinamica"), "Eurizon Multiasset Reddito", "Epsilon Flexible Forex Coupon", "Epsilon Allocazione Tattica" and "Eurizon Cedola Attiva Top", with different investment types, time horizons, management strategies, goals, risk levels and distribution strategies. The remaining fund is Luxembourg-based: "Valore Cedola Globale 02/2015", a sub-fund of the "Investment Solutions By Epsilon" fund; – "GP Unica Facile", a new portfolio management line, characterized by an entry threshold of 50,000 euro, which allows active participation in portfolio construction, while delegating major investment decisions to the manager, through a combination of two macro-components (Principal and Elite) differentiated by financial asset class, management style and type of investments; – Intesa Sanpaolo Vita's "Giusto Mix" which is a combined policy offering a mix of protection and investment, allowing additional payments and multiple investment combinations which can be customised by the customer. It combines the stability and security of a segregated fund with the growth potential of flexible internal unit linked funds. This is for customers wishing to retain market upside without giving up an element of security, and benefit at the same time from the usual advantages of an insurance product; – "Base Target 04/2022", is a new internal fund for the "ISPL Prospettiva 2.0" policy by Intesa Sanpaolo Life. It is also available for the stock version of ISPL Prospettiva, which is a closed-end investment solution designed to generate positive returns by using a flexible approach to bond and equity markets, combined with partial protection of the invested capital; – Group bonds (denominated in euro, and U.S. dollars), equity protection certificates (on indices or baskets of equities, exchange rates and commodities) and Express (on individual equity securities), the offering of which is updated monthly in accordance with the context, and market developments.
Loans	The continuing rise in environmental emergencies has meant that the Intesa Sanpaolo Group has redoubled its efforts in supporting households and businesses. In particular: – Cariromagna, Carisbo, Banca Monte Parma and Banca dell'Adriatico have allocated up to 50 million euro in dedicated financing with special conditions for the use of businesses, artisans, shopkeepers, tourism businesses, farmers and families who suffered damage during the bad weather in the Emilia Romagna and Marche regions at the beginning of February. These amounts will be disbursed in the form of personal and business loans to replace damaged capital goods (beach equipment, hotels, dwellings, storage, shops, offices and agricultural premises), as well as for tangible assets; – 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. Furthermore, the bank is giving the option to suspend capital repayments on mortgages and business loans. The new instruments will also benefit from preferential, simplified and accelerated processes.
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, according to two profiles: the limited profile authorises payments and withdrawals principally in those countries, Italy included, which have adopted the new European security standards; and the world profile, which authorises payments and withdrawals worldwide.

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. To this end, participating banks committed to making specific financial lines available at subsidised rates, as they are indexed on the cost of ECB funding (for maturities of up to 3 years) and the cost of Cassa dei Prestiti funding (for maturities of over 3 years); The "Public Administration Receivables" line, whereby participating banks made specific lines available for the provision of advance or discounting transactions at financial conditions indexed on the cost of ECB funding, was likewise extended. During the quarter, 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 and Campania. 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 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. The agreement applies to the entire Italian medium sized enterprises sector, not just those which are already Intesa Sanpaolo customers. The loans are designed for companies whose characteristics put them in the sub-investment grade category, and the aim is to support growth, finance acquisitions and refinance existing debt. Through its Setefi electronics 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.
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. The first event took place in the Piemonte, Valle d'Aosta and Liguria Regional Governance Centre and 35 regional businesses took part. In the context of the initiatives taking place for Expo Milano 2015, for which Intesa Sanpaolo is the Global Banking Partner, 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. In addition, partnerships have also been agreed with other companies in order to promote B2B matching on an international level, and these will be fully operational at Expo Milano 2015.
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. A special credit line has been developed which will allow the non-recourse acquisition of amounts due from Public Administration Entities and held by suppliers. In the context of subsidised credit, the Bank has finalised new loans and has reviewed its existing portfolio to take the new opportunities into account. In particular: the loan relating to Regional Law 20/03 for the Marche Region has been reviewed and new objectives have been inserted (the Marche Region is to give contributions in exchange for reductions to the interest rate on the loans, especially for ones linked to innovation processes); the Finpiemonte guarantee arrangements have been updated pursuant to Regional Law 1/02 Art. 9 on Travel Agencies (regional guarantee fund covering 100% of the loan); and agreement has been reached with Finlombarda on the process for accessing the "Credito in cassa B2B" (Cash for Credit) guarantee given by the Lombardia Region guarantee fund to cover the principal relating to the disposal of trade receivables.

Product companies

In the first quarter of 2015, **Mediocredito Italiano** brought together under one roof the marketing organisation for short-, medium- and long-term products. The sales volume of medium- and long-term products was 996 million euro, representing growth of 3.6% (+35 million euro) compared with the corresponding period in 2014, whilst factoring turnover was 13.7 billion euro, up by 10% compared to the same period of 2014 (+1.2 billion euro).

Mediocredito Italiano disbursed loans totalling 680 million euro, growing by 12.1% compared to the same period of the previous year. With 622 million euro of loans disbursed, Banca dei Territori accounts for 91.5% of total volumes, whilst the Corporate and Investment Banking Division, represents 7.4% of volumes (51 million euro, down 55.4%). "Subito Mediocredito" generated 28,4% of the channelled lending in the Banca dei Territori Division (compared with 48.5% in the first three months of 2014). The Specialist Desks dedicated to the principal economic sectors generated long-term loan disbursements of 103 million euro (15.2% of the total), which fell by 21.8% compared with the same period in 2014. Loans with dedicated EIB, Cassa Depositi e Prestiti and Plafond Investimenti Italia funding made up 15.3% of the total disbursements, falling by 363 million euro compared with the same period 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 540 million euro in the quarter.

Turning to the commercial performance of the leasing business, Mediocredito Italiano entered into 1,235 new contracts, for a total of 315 million euro (-10.8%), during the quarter. Contracts entered into by customers of the Banca dei Territori Division amounted to 257 million euro (-15%), representing 81% of total volumes. Customers in the Corporate Division signed contracts totalling 54 million euro, which was a 41% increase compared with the same period in the previous year. In the first quarter of 2015, the best-selling leasing product was instrumental, the percent weight of which rose from 41% in the first quarter of 2014 to 59%. The other segments decreased: from 11.1% to 9.7% in auto; from 39.4% to 29% in real estate and from 8.2% to 2.5% in energy. Leasing contracts with dedicated EIB, Cassa Depositi e Prestiti and Plafond Investimenti Italia funding, equal to 52 million euro, made up 16.6% 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 153 million euro and constituted 48.5% of the total.

Turning to the commercial performance of the factoring business, in the first quarter of 2015 Mediocredito reported a turnover of 13.7 billion euro, a 10% increase on the same period of 2014, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 31.5% which is 13.7% higher than the second largest player in the Italian market. The distribution between non-recourse and recourse transactions shows that the former is 89% of the total, up from 86% in the same period in 2014. Compared with 31 March 2014, outstanding receivables, equal to 15.2 billion euro, posted growth (+11.3%) and period-end loans (advances) amounted to 12.9 billion euro, up 13.1%. 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 83.6% to 84.9%). 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 24.1% of the total turnover, down on the first three months of 2014 (33.4%).

In terms of income statement figures, Mediocredito's operating margin in the first quarter of 2015 was 178 million euro, down 8.4% on the same period of the previous year. This trend may be attributed to the decrease in revenues (-9.3%) which was not sufficiently counterbalanced by a decrease in operating costs (-13.7%). Income before tax from continuing operations was 111 million euro, an increase of 5.5%, primarily due to the lower adjustments to loans (-22.7%), while net income was 74 million euro (+12%).

Consumer credit activities are carried out through **Intesa Sanpaolo Personal Finance.** In the first three months of 2015, new loans disbursed totalled 935 million euro, up 17.9% compared to the same period of the previous year (car loans +30.1%; personal loans +28.8%; special-purpose loans -11.2%; assignment of one-fifth of salary -1%).
As regards marketing initiatives, the extra-captive channel saw the finalisation of the contract negotiations with ATC ENPAM - "Ente Nazionale di Previdenza ed Assistenza Medici" (Doctors' National Pension and Assistance Body), which will allow Intesa Sanpaolo to enter into contact with around 450,000 doctors, including retirees, (around 95,000), general practitioners and hospital doctors. In January a contract was also finalised with the employees of Poste Italiane.
The captive channel saw the launch of a campaign in March to promote the consumer credit segment. It ran until the end of April and was targeted at retail and personal customers, with the goal of supporting the branches in achieving their loan growth targets and facilitating the development of Banca 5. In particular, the following products were launched:

- "Prestito Multiplo" and "Superflash" (6.95% APR for all loans disbursed during the promotional period);
- "PerTe Prestito In Tasca" (6.95% APR for all drawdowns over the period);
- "Prestito Maxi" and "Prestito Maxi Plus" (6.45% APR for all loans disbursed during the promotional period);
- Assignment of one-fifth of salary for public sector employees in the Ministry for the Economy and Finance (reduction of 150 bps compared with the standard rate, for all loans disbursed over the period).

The "Campagna Primavera Prestiti" (Spring Loan Campaign) initiatives consisted of a range of coordinated measures which were supported by one-to-one communication and marketing activities with customers.
The assignment of one-fifth of salary campaign was relaunched in collaboration with the Banca dei Territori Division and the captive and extra-captive networks. Preferential conditions were given to INPS retirees at the "ECONOMY" tariff.
Intesa Sanpaolo Personal Finance's income before tax from continuing operations amounted to 39 million euro compared with 27 million euro in the first quarter of 2014 (+44.8%). This trend may be attributed to the decrease in adjustments to loans (-52.7%), lower operating costs (-0.8%) and an increase in revenues (+1.3%). This revenue growth is primarily the result of an increase in interest income combined with a reduction in interest expense as a result of the lower interest rate environment compared with the first quarter of 2014. Offsetting this, there was lower credit processing fee and commission income on the extra-captive one-

fifth of salary products, an increase in the fee and commission expense paid to the Banca dei Territori network, and lower contribution of fee and commission income charged to customers during the account closure process.

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 14.4 million euro cards managed by Setefi as at 31 March 2015 are cards issued directly by the Parent Company and the Group banks (approximately +7% compared with the end of March 2014). The number of POS amounted to approximately 338,000. In the first quarter 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 211 million euro, while the amount transacted stood at approximately 15 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 78 million transactions (authorisation) over the quarter, amounting to around 10.5 billion euro. Of the main initiatives undertaken during the period, the activities in distributing the "Mobile POS" product (which led to the installation of more than 38,000 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 developing acquiring initiatives in new countries, Setefi already operates in France, Germany, the United Kingdom, Spain, Switzerland and Austria, has obtained authorisation to operate in Greece, Portugal, the Netherlands and the Principality of Monaco and has submitted a request to operate in a further 19 EU countries.
Over the first quarter of 2015, Setefi recorded income before tax from continuing operations for 51 million euro, which corresponded to a 10.4% reduction compared with the same period in 2014. This was a result of lower revenues (-5.8%), and increased operating costs (+15.4%) driven by administrative expenses. Net income showed the same trend, amounting to 35 million euro (-9.9%).

Banca Prossima

During the first quarter of 2015, **Banca Prossima**, which operates in the non-profit sector with 78 local branches (plus one opening imminently) and 290 specialists distributed across the country, continued to acquire new customers for the Group. As at the end of March the Bank had a customer base numbering around 52,700. Financial assets amounted to 6.8 billion euro, of which 4.4 billion euro in indirect customer deposits and 2.4 billion euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 2.3 billion euro (of which 1.5 billion euro had been used). In the first quarter of 2015 the company reported revenues of 17 million euro (+1.2% compared to the same period of 2014), achieving an operating margin of 3.5 million euro (+22.1%) and net income of 2.2 million euro (+20.6%).
Over the course of the quarter, 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 end of January, the "iNProspettiva" initiative was launched in partnership with Intesa Sanpaolo Formazione which is 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 quarter. 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.

Corporate and Investment Banking

(millions of euro)

Income statement	31.03.2015	31.03.2014	Changes	
			amount	%
Net interest income	374	448	-74	-16.5
Profits (losses) on investments carried at equity	2	3	-1	-33.3
Net fee and commission income	187	176	11	6.3
Profits (Losses) on trading	392	249	143	57.4
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	-1	2	
Operating income	**956**	**875**	**81**	**9.3**
Personnel expenses	-92	-81	11	13.6
Other administrative expenses	-131	-126	5	4.0
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-224**	**-208**	**16**	**7.7**
Operating margin	**732**	**667**	**65**	**9.7**
Net provisions for risks and charges	-5	-2	3	
Net adjustments to loans	-35	-74	-39	-52.7
Net impairment losses on other assets	-7	-8	-1	-12.5
Profits (Losses) on investments held to maturity and on other investments	-	47	-47	
Income (Loss) before tax from continuing operations	**685**	**630**	**55**	**8.7**
Taxes on income from continuing operations	-224	-209	15	7.2
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)	**461**	**421**	**40**	**9.5**

(millions of euro)

	31.03.2015	31.12.2014	Changes	
			amount	%
Loans to customers	87,014	82,432	4,582	5.6
Direct deposits from banking business [(a)]	100,806	97,400	3,406	3.5
Risk-weighted assets	89,885	86,092	3,793	4.4
Absorbed capital	8,090	7,748	342	4.4

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

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

In the first quarter of 2015, the Division recorded operating income of 956 million euro (representing 20% of the Group’s consolidated total), up by 9.3% compared to the same period of 2014.
In detail, net interest income of 374 million euro was down 16.5% 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, amounting to 187 million euro, grew by 6.3%: the growth reported in the investment banking segment, was only partially offset by lower fee and commission income from commercial and transaction banking activity. Profits on trading, equal to 392 million euro, grew by 57.4%, mainly due to the increased contribution from capital markets and proprietary trading activities. Operating costs amounted to 224 million euro, up 7.7% 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 732 million euro, recorded a 9.7% increase. Income before tax from continuing operations amounted to 685 million euro and was in line with this positive development with 8.7% growth, benefiting from 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 0.2% during the first quarter of 2015. In greater detail, adjustments during the year by the Network Banks with respect to Corporate amounted to 17 million euro (compared to loans of 58,476 million euro), broken down as follows: Intesa Sanpaolo 8 million euro, CR Veneto 11 million euro, Banco di Napoli and Carisbo 1 million euro of write-backs each. Finally, net income came to 461 million euro, up 9.5% on the same period of 2014.

In quarterly terms, the first quarter of 2015 showed an increase in operating income (+25.3%) compared to the fourth quarter of 2014, attributable to the positive performance of profits on trading. The increase in revenues, along with falling operating costs (-14.6%), resulted in a rise in the operating margin of 46.3%. Income before tax from continuing operations almost doubled, due to the significant decrease in net adjustments to loans (-66.5%).
The Division's intermediated volumes increased compared to the end of December 2014 (+4.4%). In detail, direct deposits from banking business, amounting to 100,806 million euro, increased by 3.5%, mainly due to repurchase agreement operations at Banca IMI and, to a lesser extent, the decline in customer deposits in the Global Banking and Transaction Department. Loans to customers of 87,014 million euro showed growth of 5.6% as a result of increased activity in the International Network and Global Industries, and Global Banking & Transaction Departments and of Banca IMI.

Business	Corporate, Investment Banking and Public Finance, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group.
Organisational structure	
International Network and Global Industries Department	The Department manages relationships with around 1,200 multinational industrial groups operating in eight key industries with high growth potential: Automotive & Industrial; Basic Resources & Diversified; Consumer, Retail & Luxury; Healthcare & Chemicals; Infrastructures; Oil & Gas; Power & Utilities; 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)
Merchant Banking Department	This Department used to operate in the private equity sector, including via subsidiaries; in the month of April these activities were reallocated.
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

Global Industries, Corporate and Public Finance Departments

In the first quarter of 2015, the International Network & Global Industries Department continued to act as financial partner to its customers, taking part in a large number of syndicated loans, DCM transactions and mergers & acquisitions alongside Banca IMI.
The International Network directly covers 29 countries through 14 wholesale branches, 17 representative offices and two subsidiary banks. In the first quarter 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 quarter saw the finalisation of the establishment of a subsidiary with a Banco Multiplo license (a retail and investment bank also authorised to operate on the foreign-exchange market) in Sao Paolo, Brazil, with the aim of improving local coverage, heretofore provided by a representative office. The operational launch of the subsidiary is planned for the second quarter of 2015. 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. The processes aimed at opening representation offices in Washington, USA, and Jakarta, Indonesia, have recently been started.
The International Network includes:
- **Société Européenne de Banque**, which recorded net income of 36 million euro in the first quarter of 2015, down (-18.9%) on the same period of 2014. This was principally a function of the contraction in the profits on trading (-85.8%);
- **Intesa Sanpaolo Bank Ireland**, which showed net income of 15 million euro, representing a reduction of 36.5% compared with the first three months of last year. This was primarily caused by a reduction in operating income (-34.2%) as a result of reduced net interest income and profits on trading.

Corporate and Public Finance Department

In the first quarter 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. The investment banking product offering continued to develop in partnership with Banca IMI with the goal of fostering new origination mandates and a specific campaign was launched for capital markets products. New dynamism was injected into supporting the domestic customer base in its development abroad.
The Department took part in the Front Office Excellence programme for the commercial network. This was launched by the Corporate and Investment Banking Division and involved over 400 people. 10 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, the implementation of which took another step forward in the first months of 2015.

Direzione Global Banking & Transaction

The scenario facing the Global Banking & Transaction Department in the first quarter 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.
In the Asset Management & Insurance segment, the healthy markets and asset appreciation saw growth in assets under management at the main asset management companies, which led to positive effects on the total intermediated volumes at the Group. Insurance is addressing the very low interest rate environment by combining a strategy of promoting products with no guarantees, at the same time as seeking out investment alternatives with higher yields. The Group is positioning itself to serve customers by structuring new products for retail distribution and by offering new types of business, like real estate, lending and project finance. In addition, transaction-based products for insurance customers have been given a boost.
With reference to the Trade Finance and Correspondent Banking segment, the high level of liquidity at a global level, combined with slowing economic growth in a range of emerging countries both led to a significant reduction in the demand for trade finance by banks, and a much lower market spread: the strongest signal was sent out by China where a significant reduction in lending is expected in the second part of the year. The areas with greatest business opportunities, both in terms of bank financing and risk mitigation in facilitating customer exports, are Africa, Turkey and Latin America.
SEF operations also had an overall positive first quarter of 2015, thanks to the Export Credit, Commodities Financing and Supplier Chain Finance sectors. The collaboration between product specialists and corporate managers made new business possible and meant that the existing pipeline was grown in all the above three business lines; particular highlights included the initiatives in Russia (with Astaldi and Agusta-Finmeccanica), Kenya (CMC), Croatia (Siemens), Kazakhstan (Vinci), the closed projects with Sonangol and EGPC in Egypt and participation in the Vodafone programme.
The Cash and Local Custody segment activities were characterised by the strengthening of the commercial structure and the rethinking of the organisational model to improve the efficiency of customer relationship support functions. By working with these and with the Division's marketing resources, a marketing campaign was launched for the entire customer base with the goal of promoting cash products developed over the past few months (e.g. electronic invoicing, CBill, Inbiz Forex, My Bank, Billing) together with traditional products. In addition, new projects have been launched including new services on the Inbiz portal, PriceLab, JBilling, Intercompany payments and the new transactional product catalogue. For Securities Services and Post Trading, the quarter was characterised by a slight increase in transaction volumes and by stability in custody assets compared to the

corresponding period in the previous year. The main business initiatives involved the commercialisation of the value proposition relating to Target2Securities, with a particular focus on small to medium-sized banks and Italian brokerage firms on the one hand, and generating origination from the foreign customer base on the other, in conjunction with Banca IMI which is the market hub for the cross-acquisition of execution/custody mandates. The Cash Management Financial Institutions business mainly focused on drawing up business development plans to grow the customer base: the campaign relating to this has already been launched, both for near-banking customers and for domestic bank customers.

Merchant Banking Department

Over the course of the first quarter of 2015, the Department put in place actions to prepare for the reorganisation of the private equity operations decided on by the Group. This led, at the end of April, to the reallocation of the assets of the Department, within 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.

Structured Finance

In the first quarter of 2015, Banca IMI continued to maintain a selective approach in pursuing new business opportunities, focusing its activities on its main customers and relevant industrial sectors, while opening up to international markets.

The Project & Industry Specialized Lending segment saw the completion of a refinancing transaction for an Italian telecoms business. In the Shipping segment, two financing transactions in respect of new ships are currently being completed and closing is expected in the course of the second quarter. In the Energy sector, the Intesa Sanpaolo, through its Madrid branch, acted as mandated lead arranger of a pool loan on behalf of a Spanish energy utility. In Public & Social Infrastructure, activity continued in supporting initiatives in a number of infrastructural sectors. In particular, in the motorway infrastructure sector, where Banca IMI has market leadership, discussions are in progress with the various parties responsible for the creation of a number of strategic, greenfield, motorway infrastructures. This sector also saw the completion of the consultancy mandate on behalf of the Autostrada Brescia Verona Vicenza Padova in the context of the placement of a bond, acting as global coordinator and joint lead manager & bookrunner. In the local transport sector, Banca IMI took part in the structuring of a number of transactions which are expected to close in the course of the second quarter. Lastly, in the water service sector, the bank took part in tenders for the financing of operators of integrated water services.
The Leveraged & Acquisition Finance desk has maintained a selective approach in pursuing new business opportunities, above all in the structuring of new financing transactions from a financial and legal perspective. In detail, financing transactions were completed in respect of the following: the acquisition of the Sematic group, producing lifts and components for lifts, by the Carlyle private equity fund; the acquisition of PittaRosso, a leading player in the distribution and retail sale of shoes and leather goods, by the Lion Capital private equity fund; refinancing the debts of Gruppo Coin and OVS on the listing of OVS; the amendment and extend refinancing of the existing debts of Intercos, which designs, develops and produces make-up products for the cosmetics industry.
Further origination activities continued to be driven by the relevant teams responsible within the Corporate and Investment Banking, and Banca dei Territori Divisions. This has led to an increased pipeline with several transactions predicted to close in the second quarter of 2015, for example: the acquisition by the Alpha Associati private equity fund of the Pavan group, which makes machines for the production of fresh and dried pasta; and the refinancing of the existing debt of Avio which makes missile and space propulsion systems and which is controlled by the Cinven private equity fund.
The real estate desk kept up intense origination activity with the aim of structuring credit facilities according to an asset-light, geographical diversification approach for the Bank in support of investments in the sector of reference, by offering a full range of financial products dedicated to real estate and providing specialised advice for the real estate segment, both in Italy and internationally. Transactions of note include: the structuring of a loan to finance the acquisition of two residential buildings in Rome, by a property fund managed by Torre SGR; the structuring and disbursement of a loan to finance the acquisition and development of an area in Marino (RM) by a property fund managed by IDeA Fimit SGR; the structuring of a loan to finance the acquisition of a building complex destined for office use in Milan, by a property fund managed by Hines Italia SGR.
With regard to financial advisory activities, a new advisory mandate was won to assist in the development of the stake held by a closed-end real estate fund which owns a top shopping centre in the Naples area. The activities to support a leading international hotel group continued, with the aims of establishing a potential business partnership with an Italian hotel chain and of developing a real estate project for a shopping centre in Milan.
The Corporate Loan Structuring desk has structured and organised loans for Group customers operating in a range of economic sectors, both in Italy and abroad. These include: loans in the form of a Revolving Credit Facility in support of the ordinary financial requirements of Carrefour, Pirelli, and HMS Host (Autogrill group); a medium/long-term loan to GTECH in the context of the take-out of the debt arising from the acquisition of IGT in the US; the medium/long-term refinancing of existing loans to ACS in Spain, Autogrill, Datalogic, Prima Industrie and Valvitalia.
The Loan Agency confirmed its ability to compete against the leading international players on the domestic market carrying out the duties of an impartial player, protecting the numerous parties to deals, in compliance with Italian, Bank of Italy and ECB regulations in domestic and cross-border transactions. This activity is valued and in demand both from financial counterparties (pool banks) without comparable internal operations, and from corporate customers, businesses and financial institutions. The business scope was expanded as regards coverage of Public Finance customers, systematic intervention as agent in debt-restructuring plans and assessment of especially important transactions and as regards geographical areas with deals of an international nature. During the first three months of 2015, new mandates won from the Intesa Sanpaolo Group's primary customers include: Oviesse Gruppo Coin, Granarolo, Intercos, Towergate, Alitalia, Autostrada Pedemontana, Benetton Group, De Agostini, Feltrinelli, Idea Fimit, Savio, Autogrill (WDFG), RCS Mediagroup, Caffita System, Fassa, Farpower, Eolica Petralia, HFV

Pinciana, Tigullio Shipping, Energia Alternativa, Garbagnate, Arexpo, Comifar, Edison, Salini, Re.Consult, Farmafactoring, Carlyle Cerep III, Tangenziale Esterna, Anima Holding, FRI, Comifin, and Torre SGR Refund.
In the debt restructuring segment, activity continued for the following groups: Zucchi, Canepa, TAS, Pininfarina, Salmoiraghi and Tiscali, to which Maire Technimont and Risanamento were added.
The International Structured Finance Desk finalised the following lending transactions in the role as mandated lead arranger: on behalf of Abertis Telecom Terrestre which is part of the Spanish Abertis Group and which is a leading operator of towers for the distribution of television and mobile telephone signals, to finance their acquisition of a portfolio of 7,400 towers from Wind Telecomunicazioni; a Revolving Credit Facility for Altice Financing in the context of the wider financing of the acquisition of Portugal Telecom; a Revolving Credit Facility for United Group which is a telecommunications group operating in the Balkans and owned by funds managed by KKR, in its acquisition of TUS Mobile, which is a telecommunications operator in Slovenia.
The Hong Kong Project & Acquisition Financing desk reached significant commitment levels on two project financing operations which will be completed during the year: the first relates to the FPSO (floating production, storage and offloading unit) which Bumi Armada Berhad will build for Eni to develop a field off the Angolan coast; the second is for the financing of a stretch of motorway in Australia. The intensive activities of the desk have been reflected in a growing pipeline with 14 potential new transactions being explored, mainly in the Energy and Infrastructure sector.
The New York Structured Finance desk is working as mandated lead arranger alongside a number of other international banks in structuring project finance for a gas pipeline in Peru, developed by Odebrecht and Enagas; bridge financing was terminated in 2014. Furthermore, the bank has joined the loan syndicate to finance the acquisition of an airport in Canada and took part in the financing of a wind farm in Uruguay. The desk is also involved as joint lead arranger and bookrunner in two important financing transactions for liquid natural gas (LNG) export terminals. These should reach the closing phase in the second quarter.

Proprietary Trading

In the first quarter 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 826 million euro as at 31 March 2015, grew from 733 million euro at the beginning of the year and contributed positively to trading revenues in the first quarter of 2015. An analysis of changes in the portfolio showed distributions and redemptions that in net terms do not lead to a material change in the portfolio. More significant positive effects resulted from the positive valuation of the outstanding portfolio and the depreciation of the euro against the dollar, which impacted the positions denominated in currency.
Overall, as at 31 March 2015, the risk exposure to structured credit products, and funded and unfunded ABS/CDOs amounted to 2.9 billion euro.

Investment Banking, Capital Market and primary market

Over the first quarter of 2015 Banca IMI maintained its leading role on the domestic market and it continued to reinforce its presence on the international market, with total origination as bookrunner of 3.2 billion euro in Europe and 1.9 billion euro in Italy.
Banca IMI was bookrunner in the following financial institutions transactions: three senior unsecured bonds; a bond and a covered bond in CNH (in offshore Chinese Yuan), and the covered bonds issued by BPCE and HSBC. The bank also acted as bookrunner in the private placement by Mediocredito Trentino, and as joint lead manager for: Goldman Sachs' senior unsecured issuance; the subordinated bonds issued by Crédit Agricole Assurances, Société Générale and Crédit Agricole, for the subordinated bonds issued by Wells Fargo and UBS and for the covered bond issued by Unicredit.
The bank had a co-manager role in a number of issues by leading European and American financial institutions denominated both in euro and in dollars, including: HSBC, Deutsche Bank, Credit Suisse, Bank of America, JP Morgan, Citigroup, and Morgan Stanley.
Banca IMI also had the important role of bookrunner in the issue by Autostrada Brescia-Verona-Vicenza-Padova, which was the first public bond to benefit from the new legislation on project bonds (Decree 133/2014). In the high yield segment, it was bookrunner in the issue by Wind, the multi-tranche issue by Altice and the GTECH issue.
Banca IMI also acted as co-manager in a wide variety of issues by leading American and European corporates including: Mondelez, Smurfit Kappa, Tyco Electronics, Abbott Labs, Mondelez International, Exxon Mobil, PPG Industries, Zimmer Holdings and Bombardier.
In Liability Management it had the role of dealer manager in the cash tender offer by Atlantia, and the intermediated tender offer by Iberdrola, both in respect of senior bonds. The bank also held the role of dealer manager and bookrunner in the exchange offer between own bonds and newly issued bonds by Enel where consideration consisted of fixed-rate senior bonds.
For issuers in the Sovereign, Supranational & Agencies sector, Banca IMI stood out for its role as manager of the public subscription offer for the seven year retail bond issued by Cassa Depositi e Prestiti. This was the first retail issue by the company to be distributed via banking networks. Lastly it acted as co-lead manager for two BTPs of the Italian Republic and in two issues by the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM).
Against a background of positive share price development in the EMEA area, Banca IMI maintained its usual coverage of the domestic market with roles as joint global coordinator, joint bookrunner and sole manager for the OVS IPO, co-bookrunner in the Banca Monte dei Paschi di Siena capital increase and placing agent in the MolMed capital increase. Banca IMI won the mandate of joint global coordinator for the IPOs of Massimo Zanetti Beverage Group, Inwit, Aeroporto di Bologna, Sorgente RES, Domus Italia, Poste Italiane, IBL and, internationally, that of joint bookrunner for the Steilmann IPO, a German company active in the fashion sector.
In the accelerated bookbuilding market, Banca IMI acted as joint bookrunner in the transaction by some members of the Ferraioli family in selling 6% of the share capital in La Doria. Internationally, it was co-lead manager in the context of the Telefonica capital increase. At the end of the quarter, Banca IMI was specialist or corporate broker for around 40 companies listed on the Italian market, confirming its leadership in this market segment.

In M&A, the bank provided advisory services in the industrial sector: to Sematic relating to the sale of a majority stake to the Carlyle private equity fund; to Gruppo Bocchiotti in the sale of 100% of its share capital to the German Hager group; to H-Old, in the sale of 100% of its share capital to the Arcadia private equity fund.
In the energy & utility sector it assisted Italgas in the acquisition of 51% of the share capital of ACAM Gas; in the consumer & retail sector, it acted for the 21Investimenti private equity fund in selling Pittarosso to the Lion Capital fund; lastly, in the financial institutions sector, it advised Fondazione Carige in its sale of 10.5% of the capital of Banca Carige to Malacalza Investimenti and it advised the Centerbridge fund on its acquisition of Farmafactoring.

International Subsidiary Banks

(millions of euro)

Income statement	31.03.2015	31.03.2014	Changes amount	%
Net interest income	364	352	12	3.4
Profits (losses) on investments carried at equity	19	15	4	26.7
Net fee and commission income	129	126	3	2.4
Profits (Losses) on trading	16	21	-5	-23.8
Income from insurance business	-	-	-	-
Other operating income (expenses)	-22	-27	-5	-18.5
Operating income	**506**	**487**	**19**	**3.9**
Personnel expenses	-137	-132	5	3.8
Other administrative expenses	-92	-92	-	-
Adjustments to property, equipment and intangible assets	-25	-26	-1	-3.8
Operating costs	**-254**	**-250**	**4**	**1.6**
Operating margin	**252**	**237**	**15**	**6.3**
Net provisions for risks and charges	-2	-3	-1	-33.3
Net adjustments to loans	-83	-82	1	1.2
Net impairment losses on other assets	-	-4	-4	
Profits (Losses) on investments held to maturity and on other investments	-1	1	-2	
Income (Loss) before tax from continuing operations	**166**	**149**	**17**	**11.4**
Taxes on income from continuing operations	-46	-35	11	31.4
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)	**120**	**114**	**6**	**5.3**

(millions of euro)

	31.03.2015	31.12.2014	Changes amount	%
Loans to customers	25,320	24,974	346	1.4
Direct deposits from banking business	31,721	31,078	643	2.1
Risk-weighted assets	31,804	27,556	4,248	15.4
Absorbed capital	3,020	2,633	387	14.7

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation 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 quarter of 2015, the Division’s operating income came to 506 million euro, growing by +3.9% compared to the same period of the previous year. A detailed analysis shows that net interest income came to 364 million euro, an increase compared to 352 million euro in the first quarter of 2014 (+3.4%), mainly due to the trends reported by Bank of Alexandria (+24 million euro), partially offset by CIB Bank (-8 million euro), VUB Banka (-3 million euro), and Banca Intesa – Russia (-2 million euro). Net fee and commission income, amounting to 129 million euro, grew by 2.4% compared with the same period of the previous year. Profits on trading, amounting to 16 million euro, decreased by 23.8% due to the lower contributions from Privredna Banka Zagreb (-8 million euro), and CIB Bank (-3 million euro), only partially offset by the growth of Banca Intesa Beograd (+6 million euro).
Operating costs, amounting to 254 million euro, were up compared to the first quarter of 2014 (+1.6%). As a result of the above revenue and cost trends, the operating margin came to 252 million euro, up 6.3%. Income before tax from continuing operations,

amounting to 166 million euro, was up compared to 149 million euro in the same period of the previous year (+11.4%). The Division closed the first quarter of 2015 with net income of 120 million euro (+5.3%).
On a quarterly basis, the first quarter of 2015 reported an operating margin which grew by 12.3% compared with the fourth quarter of 2014, due to lower operating costs (-10.4%), and essentially stable revenues (-0.4%). Income before tax from continuing operations more than quadrupled compared with the fourth quarter of the previous year, when higher provisions for risks and charges were recognised in connection with the CIB Bank Group in accordance with provisions governing loans in foreign currencies approved by the Hungarian Parliament.
The Division's intermediated volumes increased compared to the end of December 2014 (+1.8%) owing to the favourable trend in loans to customers (+1.4%) as well as amounts due to customers under direct deposits from banking business (+2.1%).

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	1,135 branches in 11 countries

South-Eastern Europe

In the first quarter of 2015, the operating income of the **Privredna Banka Zagreb** Group amounted to 97 million euro (-6.2% compared to the same period of the previous year), mainly due to the decrease in profits on trading. The operating costs of 48 million euro grew by 3.2% compared with the first quarter of 2014, as a result of all components. The operating margin came to 49 million euro, down 13.9% on the first three months of 2014. Income before tax from continuing operations, amounting to 37 million euro, was up 3.6% benefiting from the lower adjustments to loans. Lastly, net income came to 30 million euro (+5.1%).

Banca Intesa Beograd, including Intesa Leasing Beograd, generated operating margin of 39 million euro, up 12.7% on the first three months of 2014. Operating income increased by 7.4% due to the growth trend in profits on trading. Operating costs decreased by 1%. Income before tax from continuing operations amounted to 22 million euro, compared to 21 million euro in the same period of the previous year (+5.7%), while net income stood at 19 million euro (+5.6%).

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first quarter of 2015 with an operating margin of 4.5 million euro, up 12.2% on the same period of 2014. This trend can be attributed to the growth in net interest income and net fee and commission income, which were only partly offset by the 3.7% growth in operating costs. Income before tax from continuing operations, amounting to 3.2 million euro, increased by 22.9%, while net income amounted to 2.9 million euro (+23%).

Intesa Sanpaolo Bank Albania reported an operating margin of 6.6 million euro, down on the first three months of 2014 (-4.8%), mainly due to the increase in operating costs. Income before tax from continuing operations came to 6 million euro, down on the first quarter of the previous year. Net income performed similarly (-2.1%).

Intesa Sanpaolo Bank Romania recorded a total operating margin of 4 million euro, down 1.9% on the same period of the previous year. This performance was due to a decrease in operating income (-4%), due to lower interest income and fee and commission income, only partially offset by a decline in operating costs (-5.2%), attributable to administrative expenses. The company reported a net income of 0.6 million euro, which was an improvement compared with the first quarter of 2014, essentially due to lower adjustments to loans (-19.5%).

Central-Eastern Europe

Banka Koper generated operating income of 20 million euro, down 1.4% compared with the first quarter of 2014 as a result of negative trends in net interest income, profits on investments held at equity and other operating income. Operating costs increased (+1.7%). Net income came to 2 million euro, more than doubling compared to the first three months of the previous year.

The **VUB Banka** Group achieved an operating margin of 76 million euro, up 14.2% compared with the same period of 2014, due to an increase in operating income (+8.5%), mainly attributable to net fee and commission income, which more than offset the increase in operating costs (+1.7%). Income before tax from continuing operations, amounting to 56 million euro, increased by 19.1%, while net income amounted to 43 million euro (+17%).

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 28 million euro, down by 34.8% compared to the first quarter of 2014. Operating costs largely remained stable. Net income showed a negative balance of 16 million euro, compared to a net profit of 1.2 million euro posted in the same period of the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia reported a net loss of 1.9 million euro, compared to a net loss of 1.1 million euro in the same period of 2014. Operating income decreased (-16.9%), due to reductions across all main components. Operating costs were down 30.1%. Net adjustments to loans amounted to 10 million euro, up compared to the first three months of the previous year (+37.6%).

Bank of Alexandria reported an operating margin of 49 million euro, up 59.5% compared to the same period of 2014. Operating income of 91 million euro grew by 40%, predominantly as a result of higher net interest income (+47.1%) and net fee and commission income (+21.6%). Operating costs increased (+22.4%), largely as a result of the growth in personnel expenses. Following net adjustments to loans of 11 million euro, down 41.2%, net income amounted to 24 million euro, up 61% on the first quarter of 2014.

Other companies

The operating income reported by **ISP Card** came to 8.6 million euro, up by 3% compared with the same period of the previous year. Operating costs rose to 8 million euro (+2%). As a result, net income amounted to 0.8 million euro (-17.1%).

Private Banking

(millions of euro)

Income statement	31.03.2015	31.03.2014	Changes amount	Changes %
Net interest income	48	57	-9	-15.8
Profits (losses) on investments carried at equity	4	3	1	33.3
Net fee and commission income	358	285	73	25.6
Profits (Losses) on trading	18	6	12	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-1	-1	-	-
Operating income	**427**	**350**	**77**	**22.0**
Personnel expenses	-70	-62	8	12.9
Other administrative expenses	-54	-54	-	-
Adjustments to property, equipment and intangible assets	-4	-4	-	-
Operating costs	**-128**	**-120**	**8**	**6.7**
Operating margin	**299**	**230**	**69**	**30.0**
Net provisions for risks and charges	-13	-18	-5	-27.8
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	**285**	**212**	**73**	**34.4**
Taxes on income from continuing operations	-85	-66	19	28.8
Charges (net of tax) for integration and exit incentives	-1	-	1	-
Effect of purchase price allocation (net of tax)	-21	-24	-3	-12.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**178**	**122**	**56**	**45.9**

(millions of euro)

	31.03.2015	31.12.2014	Changes amount	Changes %
Assets under management	130,354	119,398	10,956	9.2
Risk-weighted assets	7,907	7,278	629	8.6
Absorbed capital	739	681	58	8.5

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

The Private Banking Division coordinates the operations of Banca Fideuram, Fideuram Investimenti, Intesa Sanpaolo Private Banking, Sirefid, Fideuram Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) and Fideuram Asset Management Ireland. Through the integration process which is currently taking place, the creation of the Division is leading to a services hub for the full range of customer types, with the goal of gaining market visibility for the Group's relevant private banking operations, delivering revenue synergies and using the necessary resources in an efficient manner.

In the first quarter of 2015, the Division generated income before tax from continuing operations of 285 million euro, up by 73 million euro (+34.4%) compared with the same period last year, as a result of growth in operating income (+77 million euro), lower provisions (-5 million euro) and higher operating costs (+8 million 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 (+73 million euro, or +25.6%), 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.
Analysing the quarterly trends, income before tax from continuing operations showed growth of 76 million euro, (+36.3%) compared to the fourth quarter of 2014. Income grew by 36 million euro as a result of significant growth in net fee and commission income (+31 million euro) and profits on trading (+6 million euro). Lower operating costs and lower provisions were together down around 40 million euro, which also contributed to the result.

Assets under administration at the end of the quarter were around 187 billion euro (+12.1 billion compared with the end of 2014). The positive development is attributable to the market performance of assets (+10 billion euro) and the positive trend in net inflows (+2.1 billion euro). This latter was significantly higher than it was in the same period of 2014 (1.3 billion euro). The first quarter result also demonstrates a favourable mix effect with a strong increase in assets under management and (+4.4 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	
Banca Fideuram	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of over 5,000 Banca 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 5,051 financial advisors using 96 Banca Fideuram branches Network of 133 Intesa Sanpaolo Private Banking branches with 815 private bankers at the customers' disposal

Banca Fideuram

In the first quarter of 2015, the development of new products at **Banca Fideuram** continued for the purpose of enhancing the offering in line with the background environment and the specific needs of customers, both by leveraging the Group's internal expertise, and consolidating and expanding partnerships with third-party asset managers.

Assets under management at the end of March 2015 amounted to 96.1 billion euro (of which 78.6 billion euro in assets under management and 17.5 billion euro in assets under administration), up 6.5% since the beginning of the year. This trend is attributable to the positive market performance of assets and the positive net inflow performance.
In detail, assets under management, which represent more than 80% of the aggregate, were up 7.2% compared to the balance at the end of 2014, thanks to the positive development of the asset management and life insurance segment. Assets under administration also showed growth (+3.5%) compared with 31 December 2014. In the first three months of 2015, the Banca Fideuram Group's distribution networks achieved net inflows of 1.1 billion euro, marking an improvement of 342 million euro compared to the same period of the previous year (+46.2%). An analysis by aggregates shows that inflows to assets under management, amounting to 1.3 billion euro, grew by 1 billion euro compared to the first quarter of 2014, attributable to mutual funds and life insurance policies. Conversely, the net outflows of 181 million euro out of assets under administration showed a deterioration compared with the 435 million euro recorded in the same period of the previous year.
The number of private bankers came to 5,051 as at 31 March 2015, up compared to the end of 2014 (5,044).
The operating margin for the first quarter of 2015 was 186 million euro, up 29.4% compared to the same period of 2014, driven by the development of operating income (+20%), along with a modest rise in operating costs (+1.5%).
The performance of revenues is mainly attributable to net fee and commission income of 218 million euro, up 24.8%. Recurring fee and commission income, i.e. fee and commission income generated by assets under management, which represents the most important component of fee and commission income, rose compared to the same period of the previous year, owing to the growth in average assets under management, and, to a lesser extent, to a change in asset allocation leading to a higher proportion of portfolio management and insurance products. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents around 7% of net fee and commission income, decreased primarily due to the lower volume of securities placed. Performance fees, almost fully recognised on an annual basis, grew and were almost entirely attributable to the positive performance of the funds underlying the unit-linked policies placed by the group with respect to the benchmark of reference. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported an increase due to incentives to the network of private bankers linked to the higher incidence of managed savings products. Net interest income declined (-11.8%), attributable to the reduction in benchmark interest rates, with a less elastic cost of funding. Net provisions for risks and charges reduced by 28% due to the contractual indemnities owed to private bankers. Income before tax from continuing operations amounted to 172 million euro, up 35.8%. Lastly, following the attribution of the effects of the purchase price allocation on the income statement (21 million euro), Banca Fideuram closed the first quarter of 2015 with net income of 104 million euro, up 53.4% compared to the first three months of the previous year.

Intesa Sanpaolo Private Banking

In the first quarter of 2015, **Intesa Sanpaolo Private Banking**'s commercial operations developed according to the following consolidated guidelines. The rebalancing towards asset management continued, both in terms of positive yields recorded for the quarter and as a consequence of the good net inflows into funds and portfolio management (2.2 billion euro since the beginning of the year). There was also material improvement in the sale of policies (net inflows of 850 million euro in the first three months).
Following launch in September 2014, the marketing of the new line of portfolio management products for private customers ("GP Obiettivo Private") continued and generated inflows of 1.3 billion euro over the quarter.
The placement of certificates and corporate bonds (together 1 billion euro) was positive and in line with the same period in 2014.
Implementation of the for-pay advisory services also continued, for both top-level customers (Private Advisory) as well as mid-level customers (Advisory). Over 2,200 new customers activated the service, bringing the assets under paid advisory contracts to around 5.5 billion euro.
Intesa Sanpaolo Private Banking earned net income of 74 million euro in the first three months of 2015, up 38.5% compared to the same period of 2014, mainly as a result of the good performance of revenues (+25.4%), driven by net fee and commission income (+26.4%) and profits on trading, in spite of the reduction in net interest income (-22.3%).

Asset Management

(millions of euro)

Income statement	31.03.2015	31.03.2014	Changes amount	%
Net interest income	-	-	-	-
Profits (losses) on investments carried at equity	14	9	5	55.6
Net fee and commission income	143	88	55	62.5
Profits (Losses) on trading	2	4	-2	-50.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	-	1	-
Operating income	**160**	**101**	**59**	**58.4**
Personnel expenses	-15	-13	2	15.4
Other administrative expenses	-17	-15	2	13.3
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-32**	**-28**	**4**	**14.3**
Operating margin	**128**	**73**	**55**	**75.3**
Net provisions for risks and charges	-	-	-	-
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	**128**	**73**	**55**	**75.3**
Taxes on income from continuing operations	-32	-16	16	
Charges (net of tax) for integration and exit incentives	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-9	-9	
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-2	-1	1	
Net income (loss)	**94**	**47**	**47**	

(millions of euro)

	31.03.2015	31.12.2014	Changes amount	%
Assets under management	222,698	202,765	19,933	9.8
Risk-weighted assets	1,072	917	155	16.9
Absorbed capital	112	97	15	15.5

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation 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 March 2015 came to 222.7 billion euro (net of duplications), up 9.8% since the beginning of the year as a result of net inflows and positive financial market performance. In the first quarter of 2015, net inflows came to 11.7 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 15.5% as at 31 March 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 quarter of 2015, amounting to 160 million euro, grew by 58.4% compared to the same period of the previous year, benefiting from the favourable performance of net fee and commission income (+62.5%). This performance is largely attributable to the increase in average assets under management, which considerably exceeded the level of the first three months of 2014. Operating costs increased (+14.3%), 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 128 million euro, up 75.3% compared to the same period of 2014. Eurizon Capital closed the first quarter of 2015 with a net income of 94 million euro (+47 million euro).

On a quarterly basis, the first quarter of 2015 showed a decrease of 9.1% in operating margin compared to the fourth quarter of 2014, due to a drop in operating income (-9.9%) and, particularly, in net fee and commission income (-14.4%). Net income grew by 1.6% compared with the previous quarter as a result of the decreased economic effects of the purchase price allocation.

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

The key events regarding products placed and managed by Group companies in the first quarter of 2015 are outlined below.

With reference to international developments, on 31 March 2015 the Board of Directors of Eurizon Capital SGR approved a project to set up a Wealth Management Company in joint-venture with the International Subsidiary Banks Division and Banca Fideuram. This Company will be based in Qingdao in the People's Republic of China and its mission will be to give investment advice and distribute and promote wealth management products.
The process of obtaining authorisation to open a branch in Hong Kong is also under way.

With reference to product initiatives, the first quarter of 2015 saw the continued introduction of new additions to the range of Italian law mutual funds with placement windows, called: “Eurizon Gestione Attiva”, “Eurizon Cedola Attiva”, and “Eurizon Multiasset Reddito”. In addition two new funds were launched in February - "Eurizon Soluzione Cedola" and “Eurizon Soluzione Cedola Più” which have the feature of distributing part of the proceeds on a six-monthly basis. The introduction of funds with placement windows managed by Epsilon SGR also continued with “Epsilon Flexible Forex Coupon” and “Epsilon Allocazione Tattica”.
With regard to Luxembourg mutual funds, as part of the joint venture established within Epsilon by Eurizon Capital and Banca IMI, the placement of the range of capital protected products continued within the “Investment Solution by Epsilon” umbrella fund to be managed by Epsilon. In particular, the month of February saw the launch of the "Valore Cedola Globale" and the "Global Diversified Allocation" funds. Lastly, a new window was opened in the “Valore Cedola x 5” fund family.

Insurance

(millions of euro)

Income statement	31.03.2015	31.03.2014	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	345	256	89	34.8
Other operating income (expenses)	-	5	-5	
Operating income	**345**	**261**	**84**	**32.2**
Personnel expenses	-16	-15	1	6.7
Other administrative expenses	-18	-23	-5	-21.7
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-35**	**-39**	**-4**	**-10.3**
Operating margin	**310**	**222**	**88**	**39.6**
Net provisions for risks and charges	-	-	-	-
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	**310**	**222**	**88**	**39.6**
Taxes on income from continuing operations	-98	-69	29	42.0
Charges (net of tax) for integration and exit incentives	-1	-	1	-
Effect of purchase price allocation (net of tax)	-7	-9	-2	-22.2
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**204**	**144**	**60**	**41.7**

(millions of euro)

	31.03.2015	31.12.2014	Changes amount	%
Assets under management	126,316	118,611	7,705	6.5
Risk-weighted assets	-	-	-	-
Absorbed capital	4,193	4,214	-21	-0.5

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 are also restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation 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 310 million euro, recording growth of 88 million euro (+39.6%) compared to the same period of the previous year as a result of higher operating income (+84 million euro) and lower costs (-4 million euro). Income from insurance business was 345 million euro, recording growth of 89 million euro following the increase in the net investment result which benefited from higher capital gains and adjustments. The technical margin showed a slight fall as a result of higher provisioning levels. Operating costs fell by 10.3% compared to the first three months of 2014, as a result of savings on administrative expenses (-5 million euro). The cost/income ratio dropped to 10.1% which was a marked improvement compared with the 14.9% in the same period of the previous year.
Analysing the quarterly trends, income before tax from continuing operations in the first quarter of 2015 more than doubled compared with the fourth quarter of 2014 as a result of the material increase in operating income (+163 million euro) and lower operating costs (-7 million euro). In particular, income from insurance business benefited from higher capital gains generated on the sale of securities, and the excellent market performance.

Direct deposits from insurance business, amounting to 126,316 million euro, increased 6.5% since the beginning of the year, attributable to the development of financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.

New life business showed an improvement of 2.9% compared with the first quarter of 2014. This was mainly driven by unit-linked policies; payments grew by 5.2%; premium and payment trends generated a net flow of 2,821 million euro, which was slightly lower than the 2,841 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

Intesa Sanpaolo Vita

Intesa Sanpaolo Vita, the Intesa Sanpaolo Group’s insurance company, offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, and Intesa Sanpaolo Personal Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary. The Intesa Sanpaolo Vita insurance group also includes: **Intesa Sanpaolo Assicura**, which operates in the non-life business; **Intesa Sanpaolo Life**, a company incorporated under Irish law, operating under the free provision of services in the life business; **EurizonVita (Beijing) Business Advisory**, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company (the sale of which is currently being finalised); and **Intesa Sanpaolo Smart Care**, dedicated to the marketing and sale of hardware and software and the supply of electronic support services. Since December 2014, the Intesa Sanpaolo Vita product range has further expanded as a result of the acquisition of the pension funds which had previously been managed by **Intesa Sanpaolo Previdenza**.

In the first quarter of 2015, Intesa Sanpaolo Vita's income from insurance business of 307 million euro showed an increase of 33.1% compared with the same period of the previous year, due to the improvement in the net investment result deriving on the one hand from the increase of assets subject to segregated management, in particular those deriving from new business product, and on the other hand from financial trading activities undertaken to maintain the segregated management yields and to optimise the positioning of the investment portfolio. At the end of March 2015 the portfolio of life policies came to 92,238 million euro, up 4% from the beginning of the year. In the first three months of 2015, gross life premiums underwritten for both insurance products and policies with investment content amounted to 5,030 million euro, compared to 5,276 million euro in the same period of 2014. New life business amounted to 4,985 million euro in premiums underwritten (5,224 million euro in the first quarter of 2014).

Fideuram Vita

Income from insurance business generated by Fideuram Vita grew to 38 million euro from 25 million euro in the first quarter of 2014 (+50.5%). This performance may be attributed to the improved net investment result on the portfolio of investments underlying segregated management accounts and free capital, as well as the effects of financial market performance on measurement. In the first three months of 2015, gross life premiums underwritten for both insurance products and policies with primarily investment content amounted to 1,618 million euro, compared to 1,203 million euro in the same period of 2014. New life business amounted to 1,588 million euro in premiums underwritten (1,166 million euro in the first quarter of 2014).

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 11 million euro in the first quarter of 2015, compared to operating loss of 393 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 344 million euro, compared to 677 million euro reported in the same period 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 pledged assets.

In the first quarter of 2015, the Capital Light Bank organisational structure was finalised and it set operations in motion to achieve the objectives set out in the Business Plan.
With regard to doubtful loans, which represent more than half the transferred assets to be realised, the Loan Recovery Department has been restructured in order to manage the doubtful loans at domestic banks better. This will enter into force from the second quarter of the year. The new service model is characterised by two complementary aspects: the first involves less use of external credit recovery service providers to whom no new significant amounts will be assigned, in accordance with the new contractual arrangements. The second is designed to enhance the use of internal skill sets within the Loan Recovery Department, to which almost all new doubtful loans will be assigned, in addition to the existing stock already managed; the Department has also been reorganised to optimise the loan recovery activities, both through the creation of specialised coverage by type of relationship and through the maintenance of dedicated geographical coverage. The management of doubtful loans is characterised by constant monitoring of the credit recovery activities and to improve their effectiveness, an innovative incentive system has been put in place for managers, as part of the budget definition process. The activities of Re.O.CO. continued in the first quarter of 2015, 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. In this context, in order to maximise returns at Group level, the intention is to leverage the strong synergies with the Loan Recovery Department by sharing the information available, and defining priority actions. The Capital Light Bank is also responsible for managing the non-performing loans and repossessed assets of the Hungarian subsidiary CIB Bank for which a dedicated business unit called FUT was set up in 2014, as well as the Ukrainian Pravex Bank which is classified as a discontinued operation. During the quarter the first interventions relating to public finance customers were carried out, with the first divestments of assets no longer classed as strategic. In parallel with the ordinary management of the assets assigned to it, a number of analyses have been set in motion to evaluate the cost-effectiveness and feasibility of extraordinary transactions relating to the identified portfolios, with the overarching aim of mitigating Group capital absorption.

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. In the first quarter of 2015, Intesa Sanpaolo confirmed its role of "critical participant" and system-wide bank, keeping its payment volumes on the Eurosystem Target2 platform stable. In addition, the test phase for the "Target2 Securities" project has begun. This will migrate the Bank to the new system on 22 June 2015 along with the rest of the national banking community.

In the first quarter, the money market was influenced by the ECB's monetary policy which injected liquidity into the system; the acquisition of 60 billion euro of government securities per month until September 2016 has impacted both the euro/dollar rate (which weakened and then strengthened again from mid-March following the Federal Reserve's deferral of rate rises) and the BTP-Bund spread (which temporarily dropped below 100). The third TLTRO auction took place in the second half of March and around 98 billion euro of demand was registered; the Group took part for a total of 10 billion euro, which should be added to the 12.6 billion euro already requested during the previous auctions in September and December. Regarding the securities funding programmes, there was a material reduction in volumes at the beginning of the year following the S&P downgrade in mid-December; since March there has been renewed interest from a number of large French investors.
The government securities portfolio saw a reduction in the overall level of European government interest rates and credit spreads. In order to optimise the risk/reward ratio against this backdrop, a number of investment strategies have been put in place in order to diversify sovereign credit risk better by reducing the Italian government weighting and increasing exposure to core and non-core countries. Investments in covered bonds were reduced due to an unfavourable risk/reward ratio.

Medium/long-term funding recorded a slowdown in deposits compared to the previous year.
On the domestic market, the first three months of 2015 saw 1.6 billion euro of Group issuance placed via its own and third parties' distribution networks; of these, structured bonds accounted for 80.3% and plain vanilla for 19.7%. The breakdown by average maturity shows a concentration on 4 and 5 year maturities, which together made up 60.1% of the total.

Approximately 3.3 billion euro in unsecured institutional funding transactions were completed on international markets; of these, two benchmarks accounted for 1.25 billion euro and 1.5 billion euro respectively, with 5 and 7 year maturities and a private placement of 500 million euro issued by Bank of Ireland. The latter also placed the first senior issue in the Formosa format (quoted on both the Taipei and Luxembourg exchanges) denominated in Renminbi with 3 year maturity and par value of CNY 425 million (approximately 64 million euro). In January, 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.

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 quarter, the gross outstanding amount lodged as pledge by the Group was 6.1 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.

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 Management Board and the Internal Control Committee, as part of the Group's Risks Tableau de Bord. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

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

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.

<table>
<tr><th></th><th>Corporate

FIRB</th><th>Corporate

AIRB LGD</th><th>SME Retail

IRB LGD</th><th>Retail Mortgage
IRB LGD</th></tr>
<tr><td>Intesa Sanpaolo</td><td rowspan="9">Dec - 2008</td><td rowspan="9">Dec - 2010</td><td rowspan="9">Dec - 2012</td><td rowspan="8">Jun - 2010</td></tr>
<tr><td>Banco di Napoli</td></tr>
<tr><td>Cassa di Risparmio del Veneto</td></tr>
<tr><td>Cassa di Risparmio di Bologna</td></tr>
<tr><td>Cassa di Risparmio del Friuli Venezia Giulia</td></tr>
<tr><td>Cassa dei Risparmi di Forlì e della Romagna</td></tr>
<tr><td>Banca dell'Adriatico</td></tr>
<tr><td>Banca di Trento e Bolzano</td></tr>
<tr><td>Mediocredito Italiano</td><td>n.a.</td></tr>
<tr><td>Gruppo Cassa di Risparmio di Firenze</td><td>Dec - 2009</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Jun - 2010</td></tr>
<tr><td>Cassa di risparmio dell'Umbria</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Cassa di Risparmio della Provincia di Viterbo</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Cassa di Risparmio di Rieti</td><td>n.a.</td><td>Dec - 2010</td><td>Dec - 2012</td><td>Dec - 2011</td></tr>
<tr><td>Banca Monte Parma</td><td>n.a.</td><td>Dec - 2013</td><td>Mar - 2014</td><td>Dec - 2013</td></tr>
<tr><td>Banca Prossima</td><td>n.a.</td><td>Dec - 2013</td><td>Dec - 2013</td><td>n.a.</td></tr>
<tr><td>Banca IMI</td><td>n.a.</td><td>Jun - 2012</td><td>n.a.</td><td>n.a.</td></tr>
<tr><td>Intesa Sanpaolo Bank Ireland</td><td>Mar - 2010</td><td>Dec - 2011</td><td>n.a.</td><td>n.a.</td></tr>
<tr><td>Vseobecna Uverova Banka</td><td>Dec - 2010</td><td>Jun - 2014</td><td>Jun - 2014</td><td>Jun - 2012</td></tr>
</table>

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 risks.

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 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. 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: doubtful loans, exposures to borrowers in default or in similar situations; substandard loans, exposures to borrowers in temporary difficulty, deemed likely to be settled in a reasonable period of time and exposures which satisfy the conditions objectively set by the Supervisory Authority ("objective substandard loans"), although they do not meet the requirements to be classified under doubtful loans; restructured loans, positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or pool of banks) agrees to modify the original contractual terms giving rise to a loss. Lastly, non-performing loans also include past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy.

(millions of euro)

	31.03.2015			31.12.2014			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	38,681	-24,268	14,413	38,043	-23,865	14,178	235
Substandard loans	20,276	-4,791	15,485	20,265	-4,780	15,485	-
Restructured loans	3,142	-606	2,536	3,091	-545	2,546	-10
Past due loans	1,385	-190	1,195	1,468	-216	1,252	-57
Non-performing loans	**63,484**	**-29,855**	**33,629**	**62,867**	**-29,406**	**33,461**	**168**
Performing loans	300,531	-2,364	298,167	294,169	-2,362	291,807	6,360
Performing loans represented by securities	14,638	-287	14,351	14,111	-274	13,837	514
Loans to customers	**378,653**	**-32,506**	**346,147**	**371,147**	**-32,042**	**339,105**	**7,042**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

The table above shows a slight increase (+0.5%) of non-performing loans for the first three months of 2015, net of adjustments compared to the end of the previous year.

With non-performing loans decreasing to 9.7% of total loans to customers (from 9.9% at 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%, similar to the level at the end of 2014 (46.8%).

In particular, as at 31 March 2015, doubtful loans, net of adjustments, reached 14.4 billion euro, up 1.7% since the beginning of the year. The incidence on total loans was 4.2%, with a coverage ratio of 62.7%.

Substandard loans remained stable compared to 31 December 2014, to reach 15.5 billion euro. Substandard loans as a proportion of total loans to customers equalled 4.5%, and the coverage ratio, adequate for the risk intrinsic to this portfolio, was 23.6%, in line with the figure at the end of the prior year.

Restructured loans stood at 2.6 billion euro, essentially unchanged compared to the beginning of the year, with a coverage ratio of 19.3%, up from 17.6% in the previous year.

Past due loans totalled 1.2 billion euro, down 4.6% compared to the end of 2014. This type of non-performing loans accounted for 0.3% of the total. The coverage ratio came to 13.7%, compared with 14.7% as at the end of 2014.

Performing exposures increased, from 291.8 billion euro in the previous year to 298.2 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.

MARKET RISKS

TRADING BOOK

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

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 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 as 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 first quarter of 2015, the market risks generated by Intesa Sanpaolo and Banca IMI increased compared to the average values of the fourth quarter of 2014. The average VaR for the period totalled 76.7 million euro.

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

(millions of euro)

	2015			2014			
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	12.1	6.0	18.5	8.2	9.3	9.6	9.4
Banca IMI	64.6	54.0	84.8	52.0	32.9	35.0	37.0
Total	**76.7**	**64.6**	**96.6**	**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.

During the first three months of 2015, market risks generated by Intesa Sanpaolo and Banca IMI increased with respect to the values for 2014.

(millions of euro)

	2015			2014		
	average 1st quarter	minimum 1st quarter	maximum 1st quarter	average 1st quarter	minimum 1st quarter	maximum 1st quarter
Intesa Sanpaolo	12.1	6.0	18.5	9.4	8.0	13.2
Banca IMI	64.6	54.0	84.8	37.0	32.6	43.8
Total	**76.7**	**64.6**	**96.6**	**46.5**	**41.9**	**53.7**

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

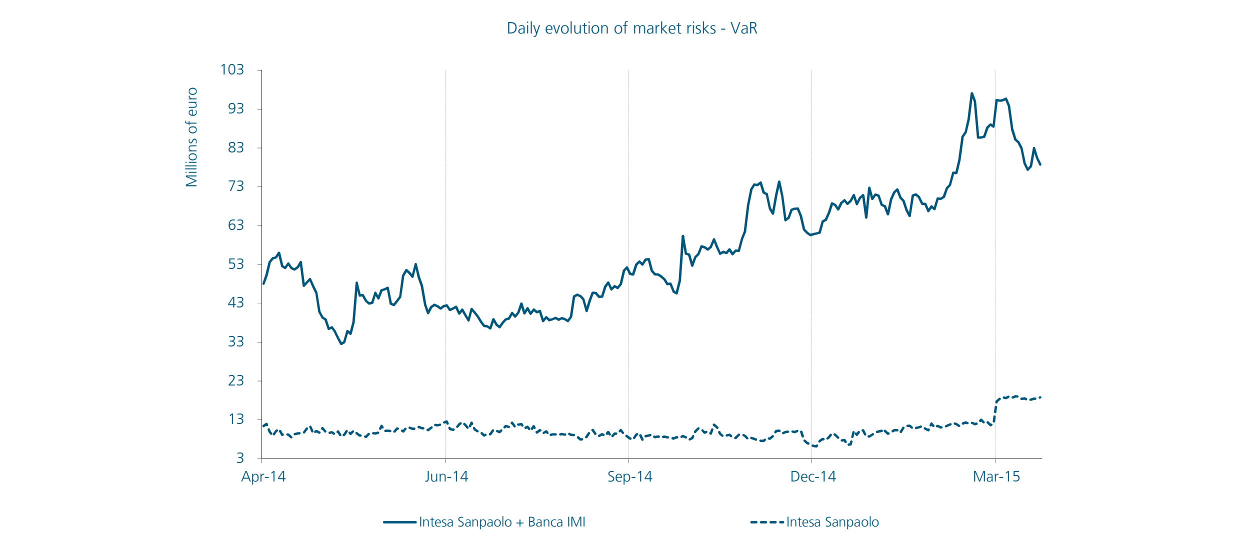
For Intesa Sanpaolo the breakdown of risk profile in the first quarter of 2015 with regard to the various factors shows the prevalence of the risk generated by equities, which accounted for 57% of total VaR; for Banca IMI credit spread risk was the most significant, representing 62% of total VaR.

Contribution of risk factors to total VaR[a]

1st quarter 2015	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Comodities
Intesa Sanpaolo	57%	7%	8%	19%	7%	2%	0%
Banca IMI	4%	0%	17%	62%	1%	12%	4%
Total	**13%**	**1%**	**16%**	**55%**	**2%**	**11%**	**3%**

[a] Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the first quarter of 2014, 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. In the first quarter of 2015, particularly towards the end of February, growing risks are recorded as a consequence of Banca Imi's positioning on Italian and Spanish government bonds (risks assumed within the limits approved by the Risk Appetite Framework 2015). In March, equity volatility scenarios were recorded at first, which affect the performance of the risk measures of the Parent Company; a subsequent decrease in the measures was recorded due to both the elimination from the historical simulation of volatility scenarios on the spread risk and the reduction of the positions on Italian government bonds (Banca IMI).



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 September 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 9 million euro loss; the opposite scenario would have led to a 2 million euro loss;
- on interest rate exposures, a parallel +40 basis point shift in the yield curve would have led to a 187 million euro loss, whereas a bearish rates scenario would imply potential gains for 38 million euro;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 326 million euro loss;
- on foreign exchange exposures, an increase of the euro against the other currencies would have led to a loss of approximately 12 million euro;
- finally, on commodities exposures, a 50% increase in the prices of the underlying would have led to a 20 million euro loss.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	volatility +10% and prices -5%	volatility -10% and prices +5%	+40bp	lower rate	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-9	-2	-187	38	331	-326	2	-12	7	-20

Backtesting

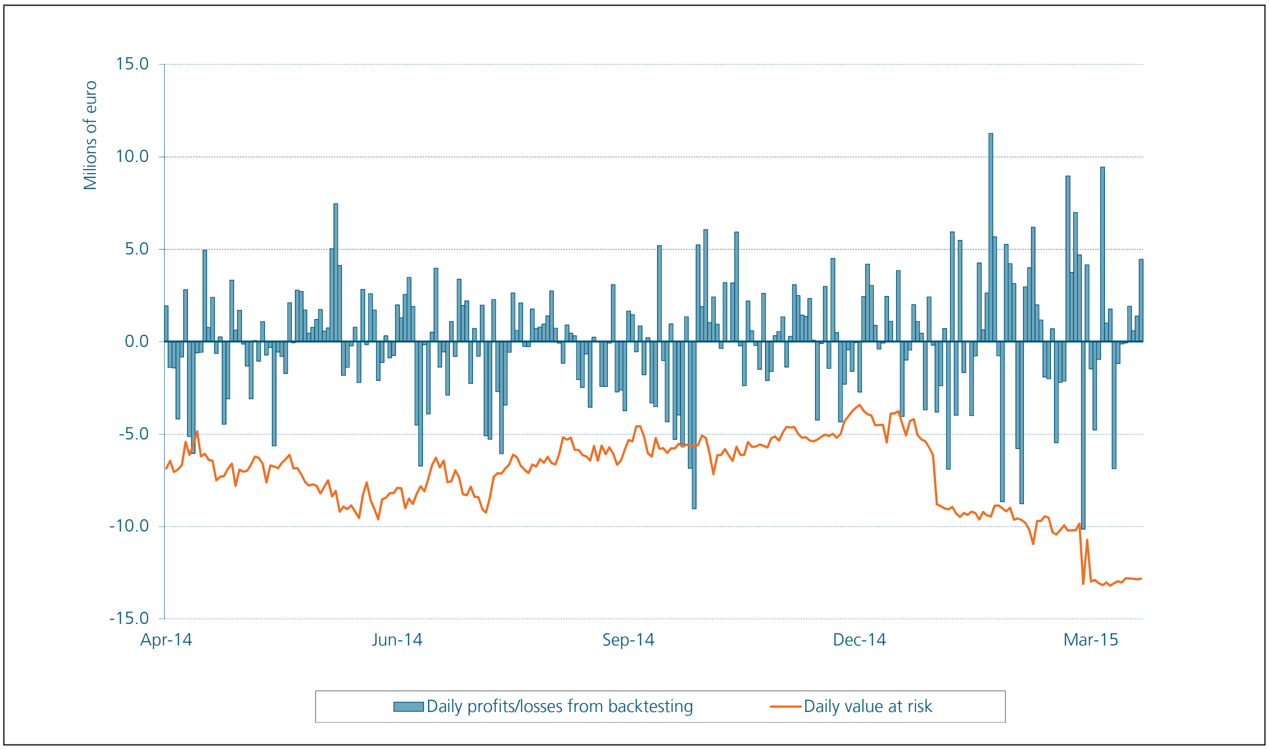
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- 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.

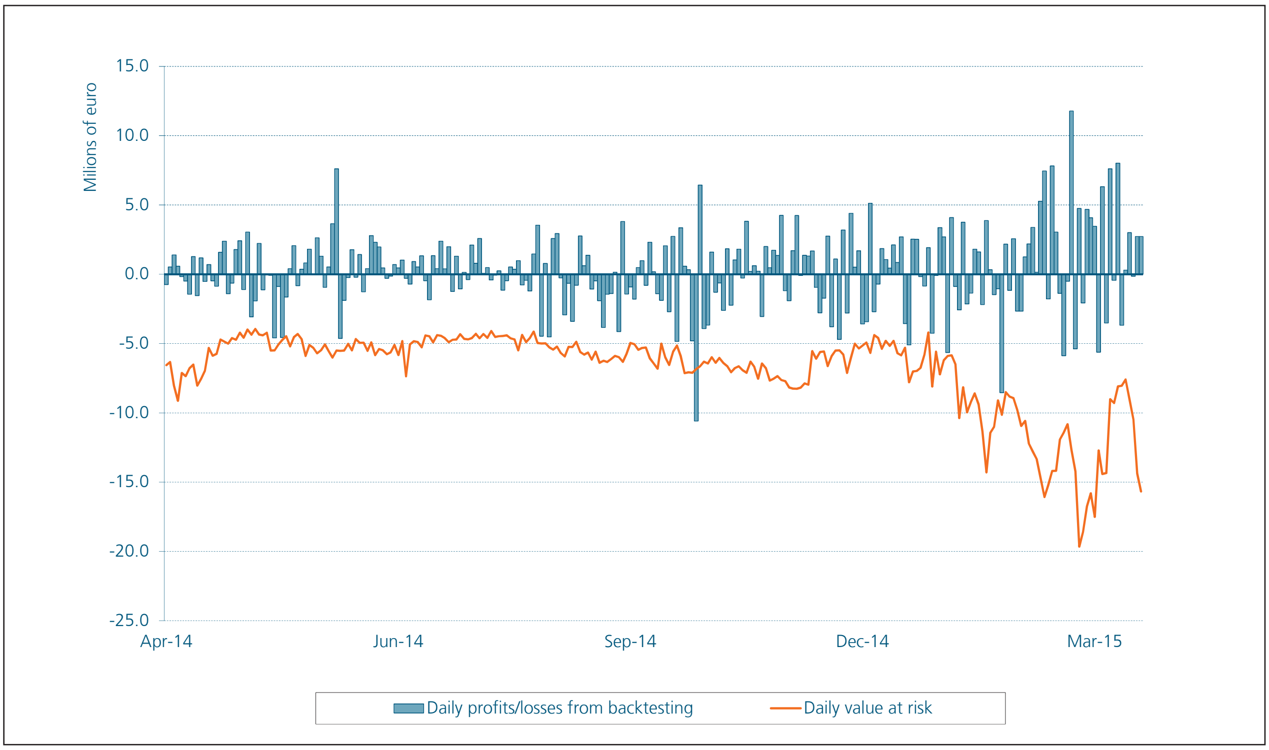
Backtesting in Intesa Sanpaolo

There were three backtesting exceptions during the last year. The exceptions are connected to the performance of stock prices in April 2014 and, more recently, during the fourth quarter of 2014, to the volatility of credit markets after the mid-October announcements by the ECB (QE delay).



Backtesting in Banca IMI

Banca IMI's backtesting exception refers to the theoretical P&L data. The loss is attributable to the announcements by the ECB regarding QE timing in October 2014.



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, IMI Investimenti and Private Equity International.
The following methods are used to measure financial risks of the Group’s banking book:
– Value at Risk (VaR);
– Sensitivity Analysis.
Value at Risk is calculated as the maximum potential loss in the portfolio’s market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer demand loans and deposits. 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 three 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 136 million euro, settling at 125 million euro at the end of March, 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 279 million euro at the end of March 2015 (217 million euro at the end of 2014).
Interest rate risk, measured in terms of VaR, averaged 12 million euro during the first three months of 2015 (11 million euro at the end of 2014), with a maximum value of 13 million euro and a minimum value of 11 million euro; the latter figure coincides with the value at the end of March. 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 35 million euro in the first three 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; the latter figure coincides with the value at the end of March.
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 11 million euro at the end of March 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 between: (i) the stock of HQLA and (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 three 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 31 March 2015, 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).

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 ISP Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.
Adequate, timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to corporate bodies and internal committees in order to ensure full awareness and manageability of the prevalent 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 are unchanged 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.

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, or for which prices are provided by the Markit platform, with at least three bid and ask prices for bonds and convertibles);
- European ABSs available on the Markit platform, with at least five 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;
- ABSs 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 ABSs) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholdings 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, no changes are recorded compared to the description in the Annual Report 2014.
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.

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 Control Committee and the Financial Statements Committee. 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.

Fair value hierarchy

The table below shows financial assets and liabilities designated at fair value through profit and loss broken down by fair value hierarchy levels.
Compared to the information provided in the 2014 financial statements, the Group did not amend the guidelines based on which level changes are carried out within the fair value hierarchy.

(millions of euro)

Financial assets / liabilities at fair value	31.03.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	18,021	43,036	1,200	14,433	38,055	1,253
2. Financial assets designated at fair value through profit or loss	46,644	1,446	530	41,579	1,806	478
3. Financial assets available for sale	124,257	8,739	5,071	114,055	5,032	5,063
4. Hedging derivatives	-	9,399	11	-	9,206	4
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**188,922**	**62,620**	**6,812**	**170,067**	**54,099**	**6,798**
1. Financial liabilities held for trading	6,106	48,057	231	4,189	41,914	273
2. Financial liabilities designated at fair value through profit or loss	-	42,088	-	-	37,622	-
3. Hedging derivatives	-	11,293	4	-	10,291	9
Total	**6,106**	**101,438**	**235**	**4,189**	**89,827**	**282**

Figures restated where required by international accounting standards and, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As shown in the table, level 3 instruments, which allow for more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio, with percentages reaching approximately 2.6% for financial assets and 0.2% for financial liabilities, down compared to the percentages of December 2014.
Approximately 73.1% of financial assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.

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[1] 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).

[1] 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 paragraph "Fair value measurement of financial assets and liabilities" above).

STRUCTURED CREDIT PRODUCTS

The risk exposure to structured credit products amounted to 2,913 million euro as at 31 March 2015 with respect to funded and unfunded ABSs/CDOs, compared to 2,492 million euro as at 31 December 2014, in addition to an exposure of 12 million euro with respect to structured packages (21 million euro as at 31 December 2014).
The increase in funded and unfunded ABS/CDO exposure (from 1,821 million euro in December 2014 to 2,270 million euro in December 2014) classified in the trading portfolio is attributable to higher investments in ABSs by the subsidiary Banca IMI for 200 million euro, part of which was classified to the available-for-sale portfolio, and to the inclusion in the scope of structured credit products of European ABS/CDO securities purchased by the Parent Company and classified as held for trading for 186 million euro. Banca IMI's portfolio mainly consists of securities with underlying residential mortgages and CLOs with mainly AA ratings. The Parent Company's portfolio, on the other hand, includes positions 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 643 million euro in March 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 3 million euro as at 31 March 2015 compared to the 40 million euro income recorded at the end of 2014.
The exposure to funded and unfunded ABSs/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 ABSs/CDOs (+3 million euro), entirely attributable to the subsidiary Banca IMI. The impact was the result of the profits realised on the partial disposal of the trading book (2 million euro) and of the revaluation of outstanding positions (1 million euro);
- unfunded Multisector CDO positions for 2 million euro;

As regards the exposure to funded and unfunded ABSs/CDOs, it should be noted that the securities classified by the subsidiary Banca IMI to the available-for-sale portfolio recorded an increase in fair value of 2 million euro, accounted for in the specific shareholders' equity reserve.
The securities reclassified to the loan portfolio had a negative impact of 1 million euro on the income statement as at 31 March 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 7 million euro to "Profits (Losses) on trading – caption 80" as at 31 March 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 (CBs), developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above.
For consolidation purposes, note that the implementation of the new IFRS 10 standard caused the deconsolidation of insurance SPEs (UCIs 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 quarter 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.

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

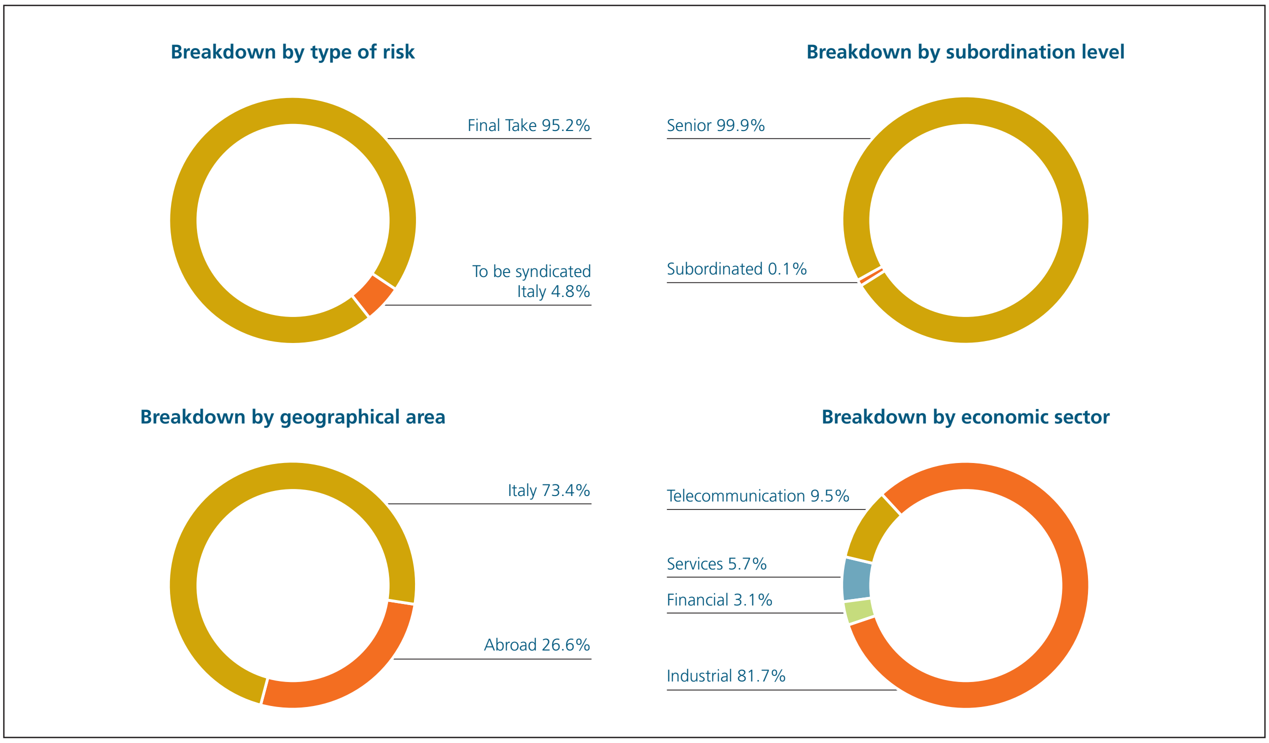
Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long term) to legal entities in which the 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 31 March 2015, 112 transactions for a total amount granted of 2,703 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.



INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge fund portfolio as at 31 March 2015 totalled 826 million euro, compared to 733 million euro recorded in December 2014. An analysis of changes in the portfolio showed distributions and redemptions that in net terms do not lead to a considerable change in the portfolio. More significant positive effects resulted from the positive valuation of the outstanding portfolio and the depreciation of the euro against the dollar, which impacted the positions denominated in currency.

As at the same date, the overall result of the investments in this segment was positive for 39 million euro, compared to 5 million euro of the "Profits (Losses) on trading – caption 80" in the first quarter of 2014.

Net profits of 39 million euro, recognised as at 31 March 2015 are almost fully attributable to the positive valuation of the outstanding portfolio (38 million euro) and to a minimum extent (1 million euro) to profits 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 (38 million euro) were spread across 24 positions, 16 of which with capital gains (45 million euro) and 9 with capital losses (8 million euro).

During the first quarter of 2015, there were no changes in the portfolio's overall strategy, which still remains prevalently geared towards benefiting from the implementation of specific corporate events, typically independent from the general market trend. The strategy relating to distressed credit was further implemented with the increase in the investment in funds linked to the performance of non-performing loans with high rates of return expected in the next 2 to 3 years.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 31 March 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 10,117 million euro (8,731 million euro as at 31 December 2014). The notional value of such derivatives totalled 48,672 million euro (49,251 million euro as at 31 December 2014).
Please note that the positive fair value of contracts outstanding with the 10 customers with the highest exposures was 6,759 million euro (5,890 million euro as at 31 December 2014).
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 2,009 million euro as at 31 March 2015 (1,306 million as at 31 December 2014).
The notional value of such derivatives totalled 17,952 million euro (17,000 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 31 March 2015, this led to a positive effect of 36 million euro being recorded under “Profits (Losses) on trading” in the income statement.
As regards the means of calculation of the aforesaid Bilateral Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see the specific paragraphs in this chapter.

OPERATIONAL RISKS

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual 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), used partially along with the standardised (TSA) and basic approaches (BIA) to determine the associated capital requirement for regulatory purposes. The AMA approach was adopted by the leading 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 (TSA), will migrate progressively to the Advanced Measurement approaches, based on the roll-out plan presented to the Management and Supervisory Authorities.

The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
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-assessment process, conducted on an annual basis, allows the Group to:
- identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
- create significant synergies with the specialised functions of the 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-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 control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (Self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the Head Office Department and managed by a dedicated IT system) and external events (by the Operational Riskdata eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by Management (subsidiaries, Parent Company’s business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly severe operational events.
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various 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 1,688 million euro as at 31 March 2015, slightly down compared to 31 December 2014 (1,693 million euro) due to the update to the final data validated by the independent auditors of the database used for the TSA and BIA components (in accordance with the current supervisory regulations).

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.
During the first three months of 2015 no new significant legal procedures were commenced that could lead to significant risks and there were no important developments with respect to those underway.
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 (Part E).
In the first quarter of 2015, an investigation regarding Intesa Sanpaolo, which started in November 2013 and is described below, was closed, for a total tax recovery estimated at 107.2 million euro for direct taxes, withholding taxes and VAT, plus 14.8 million euro for interest and penalties (which will be imposed at the time of the assessment).
In detail, the claim for a total of 55.4 million euro in relation to the alleged misuse of a right regarding the disbursement, by SEB-Lussemburgo, of loans to Mediocredito Italiano, in place of expired loans granted previously by the Parent Company and as new loans is deemed unfounded.
Another claim for a total of 57.8 million euro, plus penalties, was also assessed as unfounded. This claim regarded the alleged omitted final withholding tax outflow of 12.50% on the interest due to the subscribers of the securities issued by Intesa Funding LLC-Delaware for funding on the US market. The claim is based on the argument according to which the actual debtor would not be the issuer but rather Intesa Sanpaolo directly, as the real beneficiary of the funds acquired in this manner, transferred to it via its New York branch.
On the other hand, the VAT-related dispute totalling 8.8 million euro for tax and interest, in addition to penalties, cannot be disputed; it relates to the attribution of autonomous objective relevance to the control and supervisory activity, implicit in the service of custodian bank of investment funds provided in the period from 2007 to 2010, made in compliance with the decision of the Italian Revenue Agency (Agenzia delle Entrate) on this specific issue. With ABI's approval, the Agency quantified the portion referred to the remuneration of the abovementioned activity at 28.3% of the price contractually agreed for the custody service. Provisions were set aside to cover the charge.

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 31 March 2015, the investment portfolios of Group companies, recorded at book value, amounted to 128,461 million euro. Of these, a part amounting to 81,208 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 47,433 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, 90.9% of assets, i.e. approximately 74,052 million euro, were bonds, whereas assets subject to equity risk represented 1.9% of the total and amounted to 1,580 million euro. The remainder (5,886 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (7.2%).
The carrying value of derivatives came to approximately -310 million euro, almost entirely relating to effective management derivatives.[2]. The hedging derivatives amounted to a total of approximately -93 million euro.

At the end of the first three months of 2015, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 2,606 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 70 million euro.
The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.9 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 5.4 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 4,095 million euro. Based on this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 120 million euro rise which partly offsets the corresponding loss on the bonds.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 4.6% of total investments and A bonds approximately 3.3%. Low investment grade securities (BBB) were approximately 80.2% of the total and the portion of speculative grade or unrated was minimal (approximately 2.7%).
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 72.8% of the total investments, while financial companies (mostly banks) contributed almost 12.5% of exposure and industrial securities made up approximately 5.5%.

[2] 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 first 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 4,220 million euro, with 3,534 million euro due to government issuers and 686 million euro to corporate issuers (financial institutions and industrial companies).

Accounting policies

Criteria for the preparation of the Interim statement

General preparation principles

The "Interim Statement as at 31 March 2015" has been prepared, in consolidated form, 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) interpretation, as determined by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.
The accounting principles adopted in the preparation of the Consolidated interim statement, 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.

The Consolidated Interim Statement was not subject to auditor review and comprises the condensed Balance sheet and Income statement, accompanied by Explanatory notes to the report on operations. It is prepared in euro as the operating currency. The amounts indicated in the financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.
The financial statements are presented in condensed/reclassified format, based on the most appropriate presentation criteria for the captions according to standard operating principles. For the Income statement, the content of captions refers to Bank of Italy instructions laid down in Circular 262/2005, including aggregations/reclassifications as follows:

– net interest income includes: profits (losses) on trading relating to net interest; the reversal in time value on loans, based on the amortised cost criterion in the absence of changes in expected future cash flows; the time value of employee termination indemnities and allowances for risks and charges;
– profits (losses) on trading include: dividends on shares classed as financial assets available for sale and as assets held for trading; fair value adjustments in hedge accounting; profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities; profits (losses) on financial assets and liabilities designated at fair value;
– the contribution from insurance companies to net income is conventionally recorded in the specific caption "Income from insurance business" rather than line by line. For the insured parties' portion the adjustment effect of the technical reserve associated with the impairment of securities available for sale in the portfolio of the Group's insurance companies was also attributed to this caption;
– administrative expenses are stated net of recoveries of expenses, taxes and duties from customers;
– net adjustments to loans include profits (losses) on disposal or repurchase of loans and net impairment losses on other financial activities related to guarantees, commitments and credit derivatives;
– net impairment losses on other assets include – in addition to net impairment losses on financial assets available for sale, investments held to maturity and other financial activities – any impairment of property, equipment and intangible assets;
– profits (losses) on investments held to maturity and on other investments include profits (losses) on disposal of investments in associates and companies subject to joint control and profits (losses) on disposal of investments; conversely, net income from investments carried at equity is recorded in a specific caption of net operating income;
– charges for integration and exit incentives are recorded in a specific caption net of the tax effect;
– the economic effect of purchase price allocation, net of the tax effect, is indicated in a specific caption;
– for a more accurate representation of ordinary operations, goodwill impairment (net of tax) is shown among "non-current" income components.

For the Balance sheet, with respect to the compulsory forms defined in Circular 262/2005, some aggregations have been made concerning:

– 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 under Other assets/liabilities;
– the inclusion of the technical insurance reserves reassured with third parties under Other assets;
– the aggregation in one single caption of Property and equipment and Intangible assets;
– the aggregation of Amounts due to customers and Securities issued into a single 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.

With regard to discontinued operations, in the Interim statement as at 31 March 2015, the investment in the Ukrainian subsidiary Pravex-Bank was classified separately under non-current assets held for sale and discontinued operations.

As customary, in the interest of a consistent basis of comparison, balance sheet and income statement figures have been restated, where necessary, to account for the changes in the scope of consolidation.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated interim statement includes 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.
No significant changes have occurred with respect to the position as at 31 December 2014.
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 Interim statement as at 31 March 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.

The Management Board

Milan, 11 May 2015

Declaration of the Manager responsible for preparing the Company’s financial reports

Pursuant to art. 154-bis, subsection 2 of the Italian Consolidated Law on Finance, the Manager responsible for preparing the Company’s financial reports, Ernesto Riva, hereby declares that the accounting information contained in this Interim Statement as at 31 March 2015 corresponds to corporate records, books and accounts.

Milan, 11 May 2015

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

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Financial calendar

Approval of the half-yearly report as at 30 June 2015:	31July 2015
Approval of the Interim Statement as at 30 September 2015:	10 November 2015

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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.