PURCHASE PRICE ALLOCATION

International accounting principles require that an acquirer be identified in any business combination as provided for by IFRS 3.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at the acquisition date.
Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired company.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying amount is taken to income statement.
Any excess of the consideration transferred (being the fair value of the assets sold, the liabilities incurred and the equity investments issued by the acquirer) integrated, where necessary, with the value of the minorities (determined as above) and the fair value of equity stakes already owned by the acquirer with respect to the fair value of the assets acquired and the liabilities assumed is recognised as goodwill. If the latter exceeds the sum of the consideration, of the minorities and of the fair value of the stakes already owned, the difference (so-called badwill or negative goodwill) is taken to income statement.
In the case of the Intesa Sanpaolo Group, the various acquisitions performed after first-time adoption of IAS/IFRS led to the purchase price allocation to assets and liabilities recognised in the financial statements of the acquired companies, which were not already measured at fair value, mostly referred to:
- loans and due to customers and banks;
- other financial assets recorded at cost;
- securities issued;
- buildings;
- equity investments;
- DTAs on fiscal losses carried forward.

Intangible assets recognised include intangible assets linked to customers and are mostly represented by the measurement of asset management portfolio and the insurance portfolio. Such assets, which have a finite life, are originally measured by discounting the income margin cash flows over a period which expresses the residual, contractual or estimated life of accounts existing at the time of the business combination.
The brand name was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.
Pursuant to IAS 36, these are subjected to impairment testing on an annual basis to verify recoverability of the value of both intangible assets with an indefinite useful life and goodwill. For intangible assets with a finite useful life, impairment must be calculated each time there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use. The value in use is mainly represented by the present value of net cash flows expected from the business measured.

Residual purchase price allocation as at 30.09.2021 (1)
Management accounts, unaudited figures

€m	Total	Of which realigned
Financial assets/liabilities	-1,020	
Buildings (2)	0	
DTAs on fiscal losses carried forward	423	
Acquiring intangibles	38 (°)	
Assets under management and assets under administration intangibles	455	81
Insurance intangibles	259	17
Brand name intangibles	1,882	2,360
Goodwill	3,983 (*)	19,202 (#)
Deferred tax liabilities on tangibles	337	
Deferred tax liabilities on intangibles	224	

(1) Includes the effect of purchase price allocation of the UBI Banca Group.
(2) Already measured at fair value following the change of the accounting standard relating to the value of real estate assets and artworks.
(°) Reclassified under discontinued operations, following the finalisation of the agreement with Nexi relating to the sale of a business line consisting of the merchant acquiring activities related to the former UBI Banca scope.
(*) After impairment of €10,317 million accounted in the 2011 financial statements, €4,676 million accounted in the 2013 financial statements, and €981 million accounted in the 2020 financial statements.
(#) Including €608 million deriving from intragroup contributions.
Impairment on realigned goodwill did not have tax effect.