GOODWILL IMPAIRMENT

Given market performance and foreseeable future developments, the periodic impairment test required by IAS has been carried out on the 2011 financial statements adopting highly conservative criteria summarised below. This has led to a significant goodwill impairment (54% of the total amount), mainly related to noncash based operations which, however, has an accounting effect only and no impact on the Group's cash flow, liquidity, capital solidity, Core Tier 1 and EBA ratios, and no effect on future profitability.
The 2011-2013/2015 Business Plan, approved on April 5th 2011, indicated sustainable profitability in the medium term as the Intesa Sanpaolo Group's key target resulting from developing long-lasting client relationships, fine-tuning cost discipline and investments, monitoring of asset quality and strengthening of liquidity and capital base. This key priority and the overall underlying strategic actions are confirmed.
On the other hand, negative market development and forecasts of contraction for the Italian economy call for a review of the Plan's financial targets that can be carried out as soon as financial markets stabilise. The Group, however, confirms its ability to deliver medium-long term profitability and value creation and has already implemented a string of management actions to offset the deterioration of the macroeconomic scenario. The Plan's 10% target for the Core Tier 1 ratio and - starting from 2012 - pro-forma Basel 3 Common Equity ratio is confirmed. This level is in compliance with fully phased-in Basel 3 requirements and includes the expected absorption of deferred tax assets before the full phasing-in of Basel 3, as well as actions to optimise capital sources and requirements, and the absorption of sovereign risk shock. An EBA capital ratio target above the 9% threshold is also confirmed. In addition, the Group is committed to distributing a cash dividend per share over the course of the Business Plan that is no lower than the amount paid out for 2011.
The impairment test has been carried out on the basis of a highly conservative approach driven by the difficult market context and considering the absence of an analytical planning of future net income flows. Thus, for the purpose of impairment testing, the value in use has been determined by using analysts' "consensus" net income forecasts updated at February 2012 for the years 2012 and 2013, adjusted by applying the percentage deviation between actual figures and consensus forecasts for 2011.
As the aim of the impairment test is a medium-term valuation, a sustainable net income in a "non distressed" market context has been considered for determining the terminal value, resulting in a ROTE in line with the Group's cost of equity. This sustainable net income is estimated to be in line with the 2015 net income projection envisaged in the Business Plan.
The values have been interpolated with declining growth rates, conservatively over an overall 10-year horizon, to fully measure the Group's medium-long term profitability and value creation.

Goodwill Impairment as at 31.12.11
Management data, unaudited figures (€m)

Impairment dell'avviamento al 31.12.11

Cash Generating Unit	Goodwill pre impairment test	Impairment	Goodwill post impairment test
Banca dei Territori	11,503	-6,464	5,039
Corporate and Investment Banking	3,177	-2,321	856
Public Finance	39	-28	11
Eurizon Capital	1,411	-373	1,038
Banca Fideuram	1,002	-	1,002
International Subsidiary Banks	865	-122	743
Bank of Alexandria (Egypt)	1,009	-1,009	-
TOTAL for the Group	19,006	-10,317	8,689
Tax Effect and foreign exchange differences on goodwill		84	
Total impact on the 2011 income statement		**-10,233**	

The periodic impairment test required by IAS has been carried out on the 2013 financial statements adopting prudent criteria, reflecting the conservative forecasts for the medium-term scenario set out in the Group's 2014-2017 Business Plan due to the monetary policy framework and the highly uncertain developments in the European economy in the coming years. This has led to a significant impairment of goodwill and other intangible assets of approximately 6.8 billion euro before tax (impairment of 51%) - including approximately 4.7 billion euro related to goodwill (impairment of 55%), 0.5 billion euro to brand name (21%) and 1.6 billion euro to core deposits (elimination) - and approximately 5.8 billion euro after tax. Of this amount, approximately 3.9 billion euro was posted by the Banca dei Territori division, 1.1 billion euro by the Corporate and Investment Banking division, 0.7 billion euro by the International Subsidiary Banks division, and 29 million euro by Banca Fideuram. This impairment mainly relates to non-cash based operations, and has an accounting effect only and no impact on the Group's cash flow, liquidity, capital solidity and capital ratios or effect on its future profitability.

Impairment of goodwill and other intangible assets as at 31.12.13

Management data, unaudited figures (€m)

	Goodwill			Brand Name			Core Deposits			Other	TOTAL		
Cash Generating Unit	Pre impairment test	Impairment	Post impairment test	Pre impairment test	Impairment	Post impairment test	Pre impairment test	Impairment	Post impairment test	intangible assets	Pre impairment test	Impairment	Post impairment test
Banca dei Territori	4,989	-3,130	1,859	1,507	0	1,507	1,539	-1,539	0	366	8,401	-4,669	3,732
Corporate and Investment Banking	824	-824	0	502	-502	0	0	0	0	0	1,326	-1,326	0
Eurizon Capital	1,038	0	1,038	0	0	0	0	0	0	50	1,088	0	1,088
Banca Fideuram	1,002	0	1,002	375	0	375	42	-42	0	405	1,824	-42	1,782
International Sudsidiary Banks	722	-722	0	0	0	0	0	0	0	0	722	-722	0
Total	**8,575**	**-4,676**	**3,899**	**2,384**	**-502**	**1,882**	**1,581**	**-1,581**	**0**	**821**	**13,361**	**-6,759**	**6,602**
Tax effect												962	
Minorities												29	
Total impact on the 2013 Group income statement												**-5,768**	