1.2. BANKING GROUP - MARKET RISKS

In the Intesa Sanpaolo Group policies relating to financial risk acceptance are defined by the Parent Company's Statutory Bodies, with the support of specific committees, including the Group Risk Governance Committee and Group Financial Risks Committee.

The Group Risk Governance Committee's responsibilities include the proposal to the Statutory bodies of the Group risk management strategies and policies aimed at ensuring compliance with the guidelines and instructions of the Supervisory authority on risk governance and the assessment of the adequacy of the Group's economic and regulatory capital. The Committee coordinates the activities of specific Technical Committees, monitoring financial and operational risks, and is chaired by the Managing Director and CEO.

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

The Group's overall financial risk profile and the opportune interventions aimed at changing it are examined periodically by the Group Financial Risks Committee.

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

REGULATORY TRADING BOOK
1.2.1. INTEREST RATE RISK AND PRICE RISK

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

QUALITATIVE INFORMATION

The activities for the quantification of trading risks are based on daily and period estimates of sensitivity 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;
- equity and market indices;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 5% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading portfolios are interest rates and foreign exchange rates, both relating to linear pay-offs.

Internal model validation

For some of the abovementioned risk factors, the Supervisory authority validated the internal models for the regulatory measurement of capital absorption of both Intesa Sanpaolo (internal model extended during 2007 to the books of the former Sanpaolo IMI Finance Department) and Banca IMI (the internal model, previously validated for the former Banca Caboto component, was extended, in the first quarter of 2008, to the former Banca IMI portfolios).
In particular, the validated risk profiles for market risks are: i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, ii) position risk on quotas of UCI solely with reference to the quotas in CPPI (Constant Proportion Portfolio Insurance) for Banca IMI, and iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo.
From the third quarter of 2009 the scope of the validated risk profiles was extended to dividend derivatives for Intesa Sanpaolo and Banca IMI.

Operating VaR

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The 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.

Incremental Risk Charge (IRC)

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

Stress tests

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

Sensitivity and greeks

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

Level measures

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

QUANTITATIVE INFORMATION

Daily VaR evolution

During the fourth quarter of 2009 market risks originated by Intesa Sanpaolo and Banca IMI decreased compared to the previous periods. The average daily VaR for the fourth quarter of 2009 was 31.9 million euro, down 12% on the third quarter.

With regard to the whole of 2009, the average risk profile (40.6 million euro) decreased compared to the average values in 2008 (47.8 million euro).

Daily operating VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and the 3rd quarter of 2009 [(a)]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	21.8	18.8	26.2	25.8	27.9	32.3
Banca IMI	10.1	7.2	12.7	10.6	15.7	18.0
Total	**31.9**	**27.1**	**38.1**	**36.4**	**43.6**	**50.3**

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

Daily operating VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison 2009-2008 [(a)]

(millions of euro)

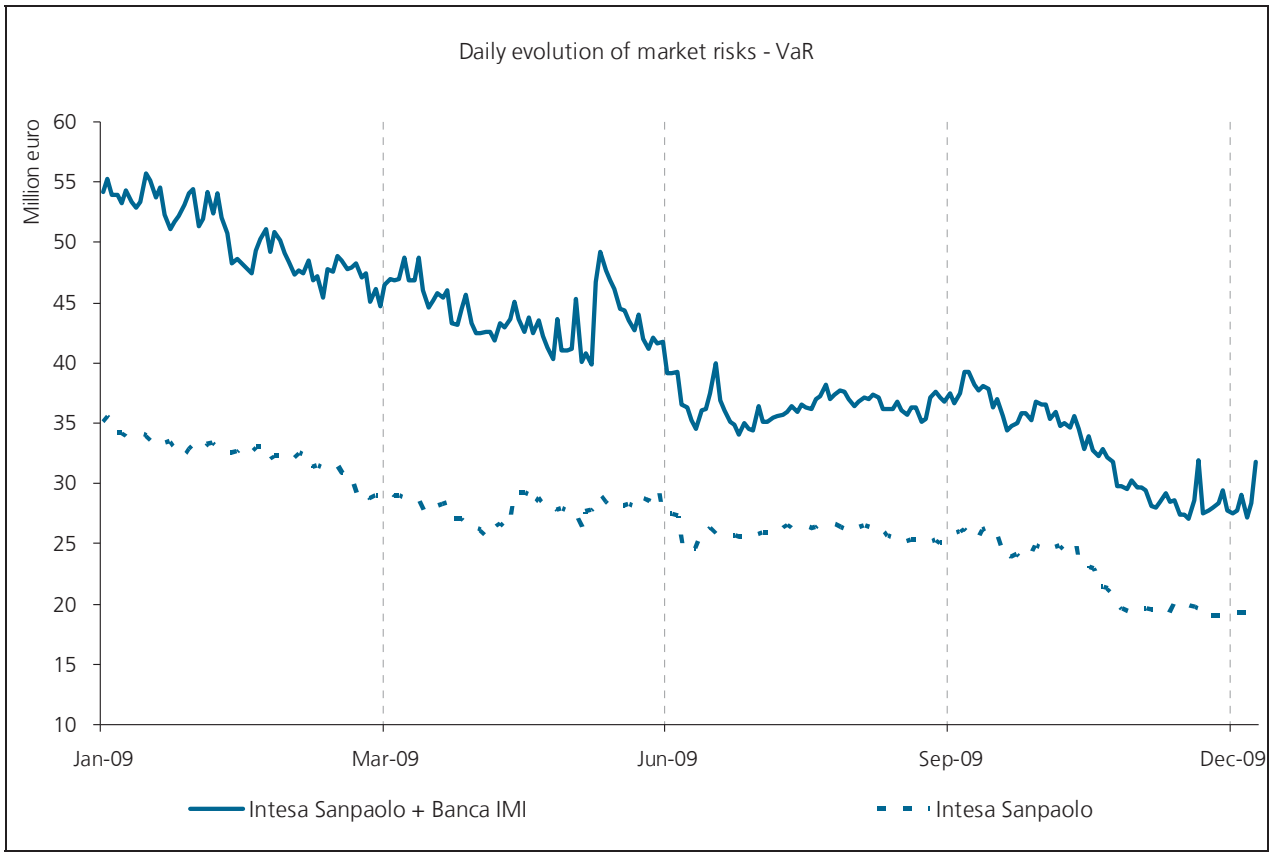
	2009				2008		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	26.9	18.8	35.6	19.2	35.2	25.7	46.8
Banca IMI	13.7	7.2	21.7	12.6	12.5	6.4	21.2
Total	**40.6**	**27.1**	**55.6**	**31.8**	**47.8**	**33.1**	**67.4**

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

Both Intesa Sanpaolo and Banca IMI saw a drop in VaR, primarily from operations (a decrease in certain exposures and greater hedge effectiveness) and a different impact on volatilities on historic simulation scenarios.

As mentioned in part A.3 of the Notes to the consolidated financial statements, in October 2008 and during the year 2009, certain highly illiquid securities (mainly ABS) and positions resulting from unfunded structures were reclassified to the loan portfolio.

The average VaR in the fourth quarter of 2009 for this portfolio, not included in the VaR limit monitoring and in the above statistics, was approximately 9.2 million euro.



Breakdown of Intesa Sanpaolo's risk profile in the fourth quarter of 2009 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 67% of total operating VaR. Interest rate risk was the most significant component for Banca IMI, representing 37% of the total.

Contribution of risk factors to overall VaR [(a)]

4th quarter 2009	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters
Intesa Sanpaolo	10%	67%	6%	4%	1%	12%
Banca IMI	18%	0%	37%	18%	5%	22%
Total	**13%**	**40%**	**18%**	**10%**	**3%**	**16%**

(a) The table sets out on every line the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the fourth quarter, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

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

Contribution of strategies to the portfolio [(a)]

	31.12.2009	31.12.2008
- Catalyst Driven	1%	2%
- Credit	72%	44%
- Directional trading	4%	6%
- Equity hedged	9%	22%
- Fixed Income Arbitrage	12%	16%
- Multi-strategy	1%	5%
- Volatility	1%	5%
Total hedge funds	**100%**	**100%**

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

In order to optimise the risk/return profile, a new asset allocation was adopted in 2009, which led to the abandonment of certain strategies with greater links to the markets and the increase in strategies linked to distressed credit.

Risk control with regard to the trading activities of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of December are summarised in the following table.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	0	0	14	-13	21	-22	2	1	5	-2
of which SCP					*6*	*-6*				

In particular:
- for stock market positions both scenarios have insignificant impacts;
- for exposures to interest rates, a parallel +25 basis point shift in the yield curve would have led to a 13 million euro loss, whereas a parallel -25 basis point shift would have led to a 14 million euro gain;
- for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to a 22 million euro loss, of which 6 million euro attributable to structured credit products;
- with reference to exposures on foreign exchange markets, the portfolio's position was essentially protected from both devaluation and revaluation of the euro;
- lastly, on commodity exposures a 2 million euro loss would have been recorded had there been a 50% increase in prices.

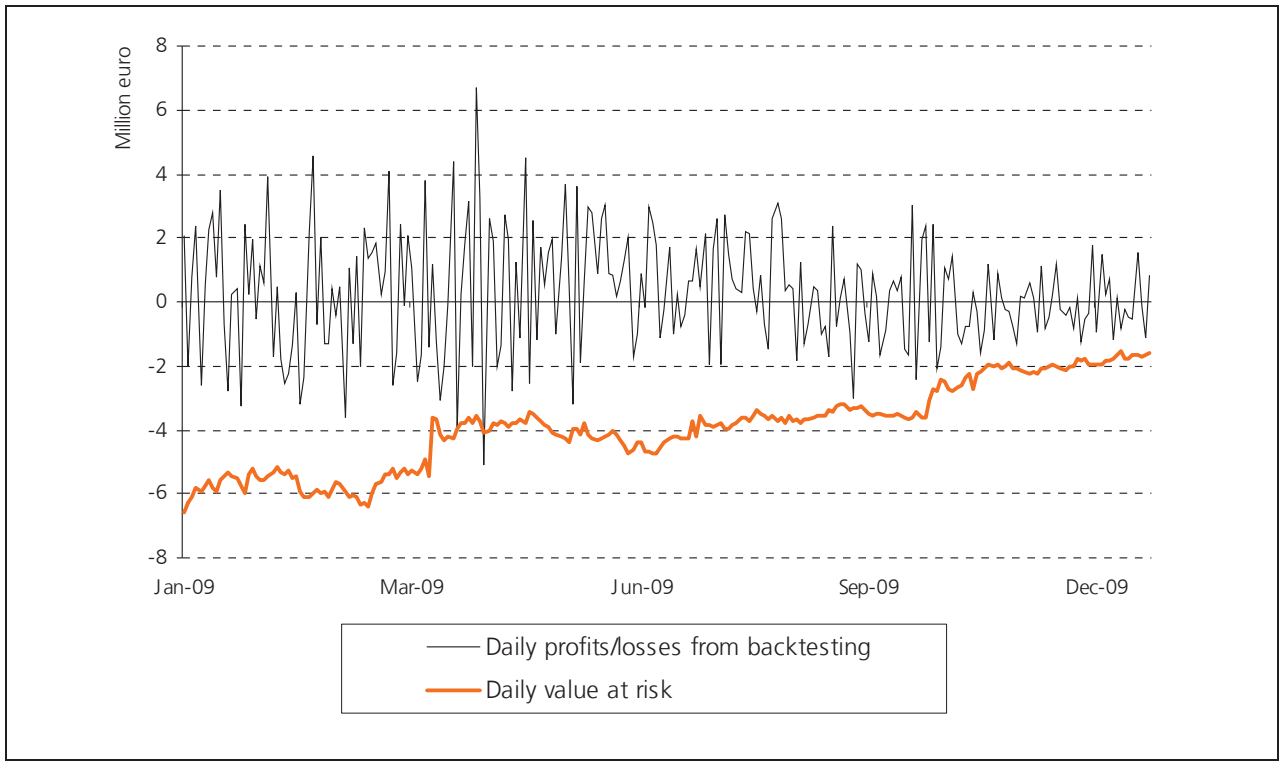
Backtesting

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.

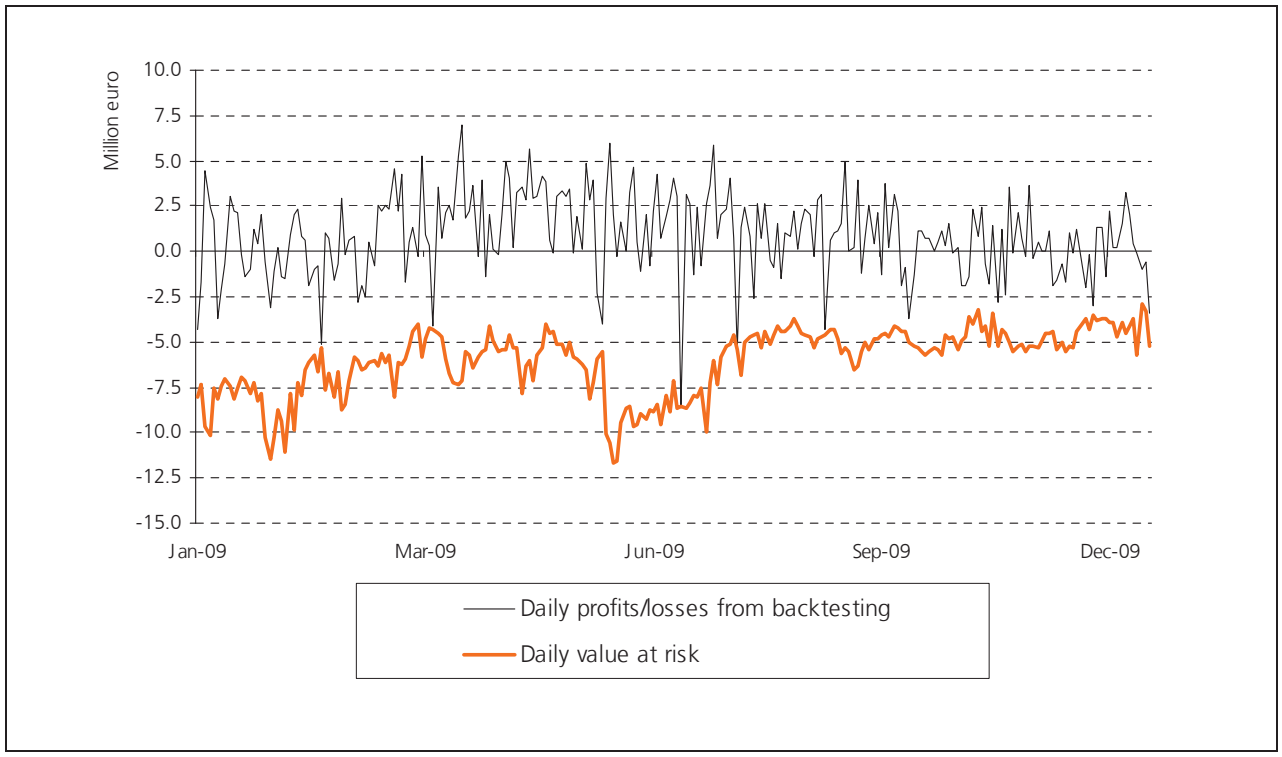
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo's regulatory backtesting, shown in the following graph, found two cases where the daily losses from backtesting were higher than the VaR estimate. These excesses, which occurred in April 2009, were due to the volatility of the spreads in credit default swaps.



Backtesting in Banca IMI

Banca IMI's regulatory backtesting, shown in the following graph, did not reveal any critical situations.



Issuer risk

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

Breakdown of exposures by type of issuer/rating class for Intesa Sanpaolo and Banca IMI [(a)]

	Total	of which				
		Corporate	Financial	Emerging	Covered	Securitis.
Intesa Sanpaolo	44%	-36%	84%	15%	34%	3%
Banca IMI	56%	-14%	67%	-3%	12%	38%
Total	**100%**	**-24%**	**74%**	**5%**	**22%**	**23%**

[(a)] The table sets out in the Total column the contribution of Intesa Sanpaolo and Banca IMI to issuer risk exposures. The other columns indicate percentage breakdown by type of issuer.

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

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities of the financial segment.

Operating limits

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

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

In the fourth quarter of 2009, the Management Board resolved a new VaR limit for the Group of 63 million euro, a decrease compared to the previous 75 million euro.
In a very turbulent financial environment, which reached its peak with the Lehman Brothers bankruptcy, the increase in the VaR limit resolved in 2008 achieved the primary goal of ensuring the continued efficiency of operations and the business without generating the need for forced sales resulting from automatic compliance with the set limits.
In view of the change in the economic situation, in 2009 the Group decided to reset its limits, with a reduction in the VaR limit for trading as mentioned above.
A new overall VaR limit for the Group of 40 million euro was also introduced for assets classed as AFS.
The introduction of this new limit is aimed at monitoring the volatility of shareholders' equity and will therefore influence the size and quality of this portfolio for the risk based Group companies.
The use of VaR limits in Intesa Sanpaolo (held for trading component), in the component sub-allocated to the organisational units, averaged 62% in 2009, with a maximum use of 79%. In Banca IMI, VaR operating limits averaged 62%, with a maximum use of 98%.
In the light of these new limits, the use of VaR operating limits on the AFS component at year end was 58%.

At the end of 2009, the Group Financial Risks Committee also introduced limits for the Incremental Risk Charge, set at 220 million euro for Intesa Sanpaolo and 150 million euro for Banca IMI. The use of the IRC limits at year end amounted to 17% for Intesa Sanpaolo and 10% for Banca IMI.

BANKING BOOK
1.2.2 INTEREST RATE RISK AND PRICE RISK

QUALITATIVE INFORMATION

A. General aspects, interest rate risk and price risk management processes and measurement methods

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

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

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

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

Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points in the interest rate curve. The measurements include an estimate of the prepayment and the risk originated by customer loans and deposits on demand, whose features of stability and partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. For the equity risk, the sensitivity analysis measures the impact of a price shock of ±10%.

The sensitivity of the interest margin is also measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

B. Fair value hedging
C. Cash flow hedging

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover the risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.

Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (micro-hedging), mainly consisting of bonds issued or acquired by the Bank 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 Bank is exposed to this risk in the period 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 variable rate funding to the extent that the latter finances fixed-rate investments (macro cash flow hedge). In other cases, cash flow hedges are applied to specific assets or liabilities.

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

During the year no hedges were implemented to cover the price risk of the banking book.

D. Hedging of foreign investments

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

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

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies

The sensitivity of the interest margin – assuming a 100 basis point increase in interest rates – amounted to +119 million euro (-120 million euro in the event of reduction) at the end of 2009; these values are in line with the 2008 year-end figures (+102 million euro and -92 million euro, respectively, in the event of an increase/decrease in interest rates).
The aforesaid potential impact would be reflected, in case of invariance of the other income components and net of fiscal effects, also in the Bank's year-end profit/loss, taking into account the abovementioned assumptions concerning the measurement method.
In 2009, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 485 million euro with a year-end figure of 560 million euro, almost entirely concentrated on the euro currency; these figures compare with a figure of 484 million euro at the end of 2008.
Interest rate risk, measured in terms of VaR, averaged 148 million euro in 2009 (177 million euro at the end of 2008), with a minimum value of 86 million euro and a maximum value of 178 million euro. At the end of December 2009 VaR totalled 131 million euro.
Price risk generated by minority stakes in quoted companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level during 2009 of 138 million euro (120 million euro at the end of 2008), with minimum and maximum values of 87 million euro and 180 million euro respectively. The VaR at the end of 2009 amounted to 126 million euro.
Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the abovementioned quoted assets recorded in the AFS category.

Impact on Shareholders' Equity

		Impact on shareholders' equity (millions of euro)
Price shock	-10%	-82
Price shock	10%	82

1.2.3. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

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

"Foreign exchange risk" is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Group's balance sheet aggregates. The key sources of exchange rate risk lie in:
– foreign currency loans and deposits held by corporate and retail customers;
– purchases of securities, equity investments and other financial instruments in foreign currencies;
– conversion into domestic currency of assets, liabilities and income of foreign branches and subsidiaries;
– trading of foreign currencies and banknotes;
– collection and/or payment of interest, commissions, dividends and administrative costs in foreign currencies.

More specifically, "structural" foreign exchange risk refers to the exposures deriving from the commercial operations and the strategic investment decisions of the Intesa Sanpaolo Group.
Foreign exchange transactions, spot and forward, are carried out mostly by Banca IMI, which also operates in the name and on behalf of the Parent Company with the task of guaranteeing pricing throughout the Bank and the Group while optimising the proprietary risk profile deriving from brokerage of foreign currencies traded by customers.
The main types of financial instruments traded include: spot and forward exchange transactions in foreign currencies, forex swaps, domestic currency swaps, and foreign exchange options.

B. Foreign exchange risk hedging activities

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

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and derivatives

(millions of euro)

	Currencies					
	US dollar	GB pound	Swiss franc	Yen	Egyptian pound	Other currencies
A. FINANCIAL ASSETS	**22,956**	**3,034**	**5,646**	**2,372**	**3,019**	**12,390**
A.1 Debt securities	4,642	1,129	263	644	748	2,901
A.2 Equities	623	132	9	8	59	128
A.3 Loans to banks	6,253	376	333	896	695	2,440
A.4 Loans to customers	11,438	1,397	5,041	824	1,517	6,921
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**6,169**	**1,047**	**35**	**85**	**42**	**479**
C. FINANCIAL LIABILITIES	**43,900**	**6,245**	**1,582**	**1,005**	**2,657**	**9,606**
C.1 Due to banks	8,849	495	407	39	17	1,396
C.2 Due to customers	8,008	1,638	959	297	2,365	7,410
C.3 Debt securities	27,041	4,112	216	660	275	793
C.4 Other financial liabilities	2	-	-	9	-	7
D. OTHER LIABILITIES	**1,532**	**498**	**20**	**57**	**86**	**342**
E. FINANCIAL DERIVATIVES						
- Options						
long positions	*531*	*56*	*3*	*156*	-	*73*
short positions	*958*	*70*	*11*	*153*	-	*81*
- Other derivatives						
long positions	*41,808*	*6,799*	*959*	*2,378*	-	*8,164*
short positions	*25,225*	*3,932*	*4,989*	*3,760*	-	*8,503*
TOTAL ASSETS	**71,464**	**10,936**	**6,643**	**4,991**	**3,061**	**21,106**
TOTAL LIABILITIES	**71,615**	**10,745**	**6,602**	**4,975**	**2,743**	**18,532**
IMBALANCE (+/-)	**-151**	**191**	**41**	**16**	**318**	**2,574**

The 2,574 million euro imbalance in "Other currencies" is affected by net assets of foreign subsidiaries denominated in local currency, whose changes, until disposal, impact solely on the Group's Shareholders' equity.This imbalance is mainly attributable to the Croatian kuna and the Hungarian forint.

2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is included in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as already illustrated.
Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 124 million euro as at 31 December 2009. This potential impact would only be reflected in the Shareholders' Equity, as specified above.

1.2.4. DERIVATIVES

A. FINANCIAL DERIVATIVES

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

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,546,798**	**354,565**	**2,560,452**	**491,222**
a) Options	440,872	204,509	510,159	374,906
b) Swaps	2,105,572	-	2,045,629	-
c) Forwards	328	144	2,656	7,382
d) Futures	-	149,912	-	108,934
e) Others	26	-	2,008	-
2. Equities and stock indices	**52,243**	**12,640**	**32,383**	**19,297**
a) Options	51,776	11,966	32,086	18,677
b) Swaps	359	-	297	-
c) Forwards	108	-	-	-
d) Futures	-	674	-	620
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**79,229**	**13**	**111,867**	**3**
a) Options	6,580	-	8,759	-
b) Swaps	24,735	-	27,481	-
c) Forwards	47,646	-	74,317	-
d) Futures	-	13	-	3
e) Others	268	-	1,310	-
4. Commodities	**1,163**	**821**	**607**	**199**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,679,433**	**368,039**	**2,705,309**	**510,721**
AVERAGE VALUES	**2,692,371**	**439,380**	**2,321,704**	**347,537**

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

A.2.1. Hedging

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**243,294**	**-**	**89,662**	**149**
a) Options	4,017	-	7,478	-
b) Swaps	239,277	-	82,184	-
c) Forwards	-	-	-	149
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**553**	**-**
a) Options	-	-	553	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**4,314**	**-**	**3,481**	**-**
a) Options	-	-	-	-
b) Swaps	4,277	-	3,378	-
c) Forwards	37	-	103	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	**-**	-	**-**
5. Other underlying assets	-	**-**	-	**-**
TOTAL	**247,608**	**-**	**93,696**	**149**
AVERAGE VALUES	**170,652**	**75**	**147,379**	**-**

A.2.2. Other derivatives

(millions of euro)

	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**4,284**	**-**	**12,322**	**-**
a) Options	2,296	-	11,935	-
b) Swaps	1,988	-	387	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**4,196**	**-**	**7,238**	**-**
a) Options	4,196	-	7,238	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**3,127**	**-**	**73**	**-**
a) Options	-	-	6	-
b) Swaps	280	-	14	-
c) Forwards	2,847	-	53	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**11,607**	**-**	**19,633**	**-**
AVERAGE VALUES	**15,620**	**-**	**16,066**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments and the derivatives used to hedge debt securities measured at fair value through profit and loss.

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

(millions of euro)

	Positive fair value			
	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**34,351**	**581**	**39,387**	**718**
a) Options	5,295	581	4,948	716
b) Interest rate swaps	26,345	-	29,833	-
c) Cross currency swaps	1,874	-	1,776	-
d) Equity swaps	39	-	203	-
e) Forwards	687	-	198	-
f) Futures	-	-	-	-
g) Others	111	-	2,429	2
B. Banking book - hedging	**6,991**	**-**	**2,183**	**-**
a) Options	239	-	511	-
b) Interest rate swaps	6,586	-	1,162	-
c) Cross currency swaps	165	-	161	-
d) Equity swaps	-	-	74	-
e) Forwards	1	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	275	-
C. Banking book - other derivatives	**551**	**-**	**619**	**-**
a) Options	209	-	6	-
b) Interest rate swaps	316	-	613	-
c) Cross currency swaps	3	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	23	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**41,893**	**581**	**42,189**	**718**

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

(millions of euro)

	Negative fair value			
	31.12.2009		31.12.2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**36,272**	**481**	**38,956**	**825**
a) Options	6,126	481	5,257	819
b) Interest rate swaps	27,124	-	27,844	-
c) Cross currency swaps	2,297	-	1,720	-
d) Equity swaps	38	-	220	-
e) Forwards	567	-	60	-
f) Futures	-	-	-	-
g) Others	120	-	3,855	6
B. Banking book - hedging	**5,054**	**-**	**1,970**	**-**
a) Options	199	-	4	-
b) Interest rate swaps	4,340	-	1,466	-
c) Cross currency swaps	515	-	26	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	3	-
f) Futures	-	-	-	-
g) Others	-	-	471	-
C. Banking book - other derivatives	**518**	**-**	**1,343**	**-**
a) Options	459	-	687	-
b) Interest rate swaps	33	-	526	-
c) Cross currency swaps	1	-	-	-
d) Equity swaps	-	-	130	-
e) Forwards	25	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**41,844**	**481**	**42,269**	**825**

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	200	4,436	43,752	23,754	9,482	40,323	13,298
- positive fair value	5	342	384	444	52	1,610	26
- negative fair value	-	40	714	258	130	99	606
- future exposure	-	40	310	154	3	178	8
2. Equities and stock indices							
- notional amount	-	-	12,582	1,806	8,006	94	2,394
- positive fair value	-	-	39	37	4	13	1
- negative fair value	-	-	8	73	106	50	160
- future exposure	-	-	31	36	3	6	1
3. Foreign exchange rates and gold							
- notional amount	-	143	9,926	7,896	231	5,972	1,107
- positive fair value	-	-	85	136	4	289	9
- negative fair value	-	39	365	90	-	73	9
- future exposure	-	11	105	85	2	134	1
4. Other values							
- notional amount	-	-	5	1	-	697	3
- positive fair value	-	-	-	-	-	20	-
- negative fair value	-	-	-	-	-	52	-
- future exposure	-	-	-	-	-	19	-

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	150	-	1,868,912	541,475	102	914	-
- positive fair value	-	-	25,900	1,569	-	27	-
- negative fair value	7	-	27,606	2,502	10	3	-
2. Equities and stock indices							
- notional amount	-	-	21,196	6,074	74	17	-
- positive fair value	-	-	751	280	4	7	-
- negative fair value	-	-	579	239	4	-	-
3. Foreign exchange rates and gold							
- notional amount	694	8	47,555	3,915	404	1,373	5
- positive fair value	447	-	1,342	57	155	228	-
- negative fair value	-	-	1,913	499	-	10	-
4. Other values							
- notional amount	-	-	381	50	-	26	-
- positive fair value	-	-	78	5	-	-	-
- negative fair value	-	-	27	-	-	1	-

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	68,532	361	-	33	1,974
- positive fair value	-	-	751	3	-	-	-
- negative fair value	-	-	1,901	112	-	2	25
- future exposure	-	-	22	1	-	-	-
2. Equities and stock indices							
- notional amount	-	-	3,364	88	-	13	79
- positive fair value	-	-	1	-	-	-	-
- negative fair value	-	-	437	-	-	-	1
- future exposure	-	-	2	4	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	3,703	113	-	8	-
- positive fair value	-	-	91	1	-	-	-
- negative fair value	-	-	60	-	-	-	-
- future exposure	-	-	53	9	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	167,286	9,392	-	-	-
- positive fair value	-	-	6,227	250	-	-	-
- negative fair value	-	-	2,221	332	-	-	-
2. Equities and stock indices							
- notional amount	-	-	441	211	-	-	-
- positive fair value	-	-	53	66	-	-	-
- negative fair value	-	-	1	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	3,590	27	-	-	-
- positive fair value	-	-	96	3	-	-	-
- negative fair value	-	-	481	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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

(millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**1,171,525**	**950,240**	**557,668**	**2,679,433**
A.1 Financial derivatives on debt securities and interest rates	1,104,570	896,363	545,865	2,546,798
A.2 Financial derivatives on equities and stock indices	6,966	38,725	6,552	52,243
A.3 Financial derivatives on foreign exchange rates and gold	59,345	14,633	5,251	79,229
A.4 Financial derivatives - other	644	519	-	1,163
B. Banking book	**97,686**	**99,585**	**61,944**	**259,215**
B.1 Financial derivatives on debt securities and interest rates	93,898	94,088	59,592	247,578
B.2 Financial derivatives on equities and stock indices	97	2,664	1,435	4,196
B.3 Financial derivatives on foreign exchange rates and gold	3,691	2,833	917	7,441
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2009	**1,269,211**	**1,049,825**	**619,612**	**2,938,648**
Total 31.12.2008	**1,243,082**	**908,270**	**667,286**	**2,818,638**

B. CREDIT DERIVATIVES

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

(millions of euro)

	Regulatory trading book		Banking book	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
- Credit default products	29,162	54,809	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	194	-	-	-
- Others	-	-	-	-
Total 31.12.2009	**29,356**	**54,809**	**-**	**-**
Average values	**31,778**	**46,661**	**-**	**-**
Total 31.12.2008	**34,199**	**38,513**	**573**	**-**
2. Protection sales				
- Credit default products	25,914	55,725	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	287	-	-	-
- Others	15	54	-	-
Total 31.12.2009	**26,216**	**55,779**	**-**	**-**
Average values	**30,035**	**48,305**	**-**	**39**
Total 31.12.2008	**33,853**	**40,830**	**-**	**78**

Part of the contracts in force as at 31 December 2009, shown in the table above, has been included within the structured credit products, namely: 1,359 million euro of protection purchases and 2,128 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the market risks chapter in this Part of the Notes to the consolidated financial statements.

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

(millions of euro)

	Positive fair value	
	31.12.2009	31.12.2008
A. Regulatory trading book	**2,386**	**4,504**
a) Credit default products	2,084	4,504
b) Credit spread products	-	-
c) Total rate of return swap	302	-
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**2,386**	**4,504**

Part of the positive fair values, recognised as at 31 December 2009, and shown in the table above, has been included within the structured credit products, namely: 430 million euro, almost entirely attributable to positions taken to hedge the exposure in structured credit products.
For more details, see the market risks chapter in this part of the Notes to the consolidated financial statements.

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

(millions of euro)

	Negative fair value	
	31.12.2009	31.12.2008
A. Regulatory trading book	**2,722**	**1,894**
a) Credit default products	2,426	1,894
b) Credit spread products	-	-
c) Total rate of return swap	296	-
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**2,722**	**1,894**

Part of the positive fair values, recognised as at 31 December 2009, and shown in the table above, has been included within the structured credit products, namely: 730 million euro almost entirely attributable to exposures not included within the US subprime category.
For more details, see the market risks chapter in this part of the Notes to the consolidated financial statements.

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	39	3,482	3,194	-	-	-
- positive fair value	-	37	93	64	-	-	-
- negative fair value	-	-	9	18	-	-	-
- future exposure	-	4	276	225	-	-	-
2. Protection sales							
- notional amount	-	-	3,630	3,354	-	-	-
- positive fair value	-	-	10	310	-	-	-
- negative fair value	-	-	118	274	-	-	-
- future exposure	-	-	739	554	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	-	53,430	24,020	-	-	-
- positive fair value	-	-	423	132	-	-	-
- negative fair value	-	-	1,021	631	-	-	-
2. Protection sales							
- notional amount	-	-	53,109	21,902	-	-	-
- positive fair value	-	-	770	547	-	-	-
- negative fair value	-	-	484	167	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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

(millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**19,232**	**134,331**	**12,597**	**166,160**
A.1 Credit derivatives with "qualified reference obligation"	10,803	117,072	8,970	136,845
A.2 Credit derivatives with "unqualified reference obligation"	8,429	17,259	3,627	29,315
B. Banking book	**-**	**-**	**-**	**-**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	-	-	-
Total 31.12.2009	**19,232**	**134,331**	**12,597**	**166,160**
Total 31.12.2008	**17,858**	**110,493**	**19,695**	**148,046**

C. CREDIT AND FINANCIAL DERIVATIVES

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

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Financial derivatives - bilateral agreements							
- positive fair value	440	-	2,175	251	154	342	9
- negative fair value	-	-	2,000	663	15	13	-
- future exposure	35	-	3,857	377	30	88	1
- net counterparty risk	-	-	45	-	-	3	-
2. Credit derivatives - bilateral agreements							
- positive fair value	-	-	1	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3. "Cross product" agreements							
- positive fair value	-	-	624	111	-	-	-
- negative fair value	-	-	407	-	-	-	-
- future exposure	-	-	419	63	-	-	-
- net counterparty risk	-	-	-	-	-	-	-