INTESA SANPAOLO

Basel 2 Pillar 3

Disclosure as at 31 December 2010

Basel 2 Pillar 3 - Disclosures as at 31 December 2010

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 6,646,547,922.56 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.

Intesa Sanpaolo,
Bank of the Year 2010 Italy

The Banker
Bank of the Year 2010
ITALY

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Introduction

Notes to the Basel 2 Pillar 3 disclosure

The purpose of the disclosure defined as "Basel 2 Pillar 3" is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2), by encouraging market efficiency through the development of a set of disclosure requirements that will allow market participants to assess key pieces of information on regulatory capital, risk exposures, risk assessment processes, and therefore the capital adequacy of the institution. This has particular relevance under the framework introduced by Basel 2, where reliance on internal methodologies gives banks more discretion in assessing capital requirements.

The procedures to be adopted by Italian banks or banking groups when disclosing information (referred to in brief as Pillar 3) to the public have been laid down by the Bank of Italy in its Circular 263 of 27 December 2006: "New regulations for the prudential supervision of banks" (Attachment A, Title IV). This disclosure has been prepared in compliance with these provisions, which incorporate the provisions of Annex XII to EU Directive 2006/48 and the subsequent changes made to the regulatory framework.

In accordance with the provisions of the abovementioned Circular, this document is divided into sections called "Tables" and has been drawn up on a consolidated basis with reference to a "prudential" scope of consolidation (see "Table 2 – Scope of application"). The Tables include both a "qualitative section" and a "quantitative section". The "Basel 2 Pillar 3" disclosure is published in accordance with the rules laid down by the Bank of Italy with the following frequency:

– figures as at 31 December: full qualitative and quantitative disclosure;
– figures as at 30 June: update of the quantitative disclosure only, because Intesa Sanpaolo is one of the groups that have adopted IRB and/or AMA approaches for credit and operational risk;
– figures as at 31 March and 30 September: update solely of the quantitative disclosure on capital (Table 3) and capital adequacy (Table 4), because Intesa Sanpaolo forms part of the groups that have adopted IRB and/or AMA approaches for credit and operational risk.

For the sake of completeness, please also note that the information relating to the regulatory capital and to the capital uses are also published in Part F of the Notes to the consolidated financial statements, in the formats required by Circular 262 of 22 December 2005 of the Bank of Italy, which governs financial statement disclosure in accordance with IAS/IFRS. Additional information concerning the various types of risk to which the Intesa Sanpaolo Group is exposed, including in relation to the operations of the insurance segment, is presented in Part E of the Notes to the consolidated financial statements. The financial statements and the "Corporate Governance Report and Information on Ownership Structures" also include information concerning the remuneration policies in force. The document "Corporate Governance Report and Information on Ownership Structures" is available for consultation from the "Governance" section of the Bank's website at: www.group.intesasanpaolo.com.

The regulations governing the drafting of the "Basel 2 Pillar 3" disclosure require credit institutions to adopt a formal policy to meet the minimum public disclosure requirements and to put instruments in place that enable them to assess its adequacy. To this end, the Supervisory Board of the Parent Company Intesa Sanpaolo S.p.A. has approved a specific document "Guidelines on Pillar 3 disclosure". This document sets out the duties and responsibilities of the Corporate Bodies and the various Group departments involved in the different stages of the process governing this disclosure. Given its public importance, this document is submitted by the Manager responsible for preparing the Company's financial reports for approval to the competent Corporate Bodies. This document is therefore subject to the related certification, pursuant to Art. 154 bis of Legislative Decree 58/1998 (Consolidated Law on Finance). As a consequence, the "Basel 2 Pillar 3" disclosure is subject to the checks and controls established in the Group's "Guidelines for administrative and financial governance", the document that sets out the rules for the application of art. 154 bis of the Consolidated Law on Finance in the Intesa Sanpaolo Group. In particular, the internal control system for accounting and financial information is designed to ensure the ongoing verification of the adequacy and effective implementation of the administrative and accounting procedures at Group level.

Given the importance to investors of the "Basel 2 Pillar 3" disclosure, Intesa Sanpaolo has decided that this Document should be the subject of a limited scope audit by the Independent Auditors Reconta Ernst & Young S.p.A.. The related audit report is published together with this Document.

The regulatory provisions governing the publication of the "Basel 2 Pillar 3" disclosure establish exemptions to the disclosure requirements that allow the omission, in exceptional cases, of the publication of proprietary or confidential information, provided that the information that is not disclosed and the reasons for non-disclosure are specified and more general information is published on the matter involved. The Intesa Sanpaolo Group has not made use of this option in the drafting of this document as at 31 December 2010.

With regard to the notion of immateriality, this is only applied in this document for the establishment of the scope of consolidation, from which subsidiaries with assets of less than 10 million euro can be excluded. However, the total of the assets excluded from the full consolidation cannot exceed 50 million euro.

All the amounts reported in this disclosure, unless otherwise specified, are stated in millions of euro. The figures shown for comparison refer to the "Basel 2 Pillar 3" disclosure published as at 31 December 2009. In this regard, it is noted that the scope of application of the disclosure differs from that of 2009, essentially due to the sale of the securities services business and the acquisition of 50 branches of Monte dei Paschi di Siena, as well as the insurance company Intesa Vita. The latter is not included in the balance sheet aggregates disclosed herein but is deducted from regulatory capital (see Table 3 Regulatory capital structure).

Moreover, an explanation of the meaning of certain terms and/or abbreviations commonly used in this disclosure is provided in the specific glossary annexed to this document.

The Intesa Sanpaolo Group publishes this disclosure (Basel 2 Pillar 3) and subsequent updates on its Internet site at the address www.group.intesasanpaolo.com.

Capital ratios as at 31 December 2010

(millions of euro)

Regulatory capital and capital ratios	31.12.2010	31.12.2009
Regulatory capital		
Tier 1 capital	31,175	30,205
of which: instruments not included in Core Tier 1 ratio (*)	*5,016*	*4,499*
Tier 2 capital	16,348	15,472
Minus items to be deducted (**)	-3,721	-2,923
REGULATORY CAPITAL	**43,802**	**42,754**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**43,802**	**42,754**
Risk-weighted assets		
Credit and counterparty risks	289,172	316,258
Market risks	15,385	16,804
Operational risks	27,175	28,113
Other risks	426	473
RISK-WEIGHTED ASSETS	**332,158**	**361,648**
Capital ratios %		
Core Tier 1 ratio	7.9	7.1
Tier 1 ratio	9.4	8.4
Total capital ratio	13.2	11.8

(*) The caption includes preferred shares and, as of 31 December 2010, savings shares and preference ordinary shares.

(**) In compliance with the provisions of the Bank of Italy Circular 263/2006, in the calculation of capital ratios, elements to be deducted from total regulatory capital have been deducted separately and for an equal amount from Tier 1 and Tier 2 capital, with the exception of the contributions deriving from the insurance business that refer to contracts which arose prior to 20 July 2006 and continue to be deducted from total capital.

At the end of 2010, total regulatory capital came to 43,802 million euro, compared to risk-weighted assets of 332,158 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
Regulatory capital takes into account the dividend distribution on the 2010 net income that the Management Board will propose to the Shareholders' Meeting, i.e. 0.091 euro per savings share and 0.080 euro per ordinary share, for a total dividend disbursement of 1,033 million euro.
All capital ratios improved compared to 31 December 2009. The total capital ratio stood at 13.2%, while the Group's Tier 1 ratio was 9.4%. The ratio of Tier 1 capital net of preferred shares and savings shares and preference ordinary shares to risk-weighted assets (Core Tier 1 ratio) was 7.9%.
The improvement in ratios compared to 31 December 2009 was the result not only of ordinary operations, but also of the sale of the Securities services business (+37 basis points on the Core Tier 1 ratio), the application of the internal approach to determine capital requirements for residential mortgages for private individuals and the use of the AIRB approach for the corporate segment following authorisation from the Bank of Italy (approximately +50 basis points on the Core Tier 1 ratio). Negative factors included the acquisition of branches from Monte dei Paschi di Siena (-7 basis points on the Core Tier 1 ratio), the acquisition of control of Intesa Vita (-6 basis points on the Core Tier 1 ratio) and the new methods for determining regulatory capital, which as a result of the ratification of the CRD II Directive call for the exclusion of the nominal value of savings shares and preference ordinary shares (-14 basis points on the Core Tier 1 ratio).

Table 1 – General requirements

Qualitative disclosure

Introduction

The Intesa Sanpaolo Group attaches great importance to risk management and control as conditions to ensure reliable and sustainable value creation in a context of controlled risk, protect the Group's financial strength and reputation, and permit a transparent representation of the risk profile of its portfolios.
The risk management strategy aims to achieve a complete and consistent overview of risks, given both the macroeconomic scenario and the Group's risk profile, as well as to foster a culture of risk-awareness.
The efforts of recent years to secure the Supervisory Authority's validation of internal models for credit, counterparty, market and operational risk should be seen in this context.
The definition of operating limits related to market risk indicators, the use of risk measurement instruments in granting and managing loans and controlling operational risk and the use of capital at risk measures for management reporting and assessment of capital adequacy within the Group represent fundamental milestones in the operational application of the strategic and management guidelines defined by the Supervisory Board and the Management Board along the Group's entire decision-making chain, down to the single operating units and to the single desk.
The main principles in risk management and control are:

- clear identification of responsibility for acceptance of risk;
- measurement and control systems in line with international best practices;
- organisational separation between the functions that carry out day-to-day operations and those that carry out controls.

The policies relating to the acceptance of risks are defined by the Supervisory Board and the Management Board of the Parent Company with support from specific operating Committees, the most important of which is the Control Committee, and from the Group Risk Governance Committee and Chief Risk Officer reporting directly to the Chief Executive Officer.
Assessments of each single type of risk for the Group are integrated in a summary amount – the economic capital – defined as the maximum "unexpected" loss the Group might incur over a year. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. 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 normal 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 Control Committee, as part of the Group's Risks Tableau de Bord.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a structured framework of governance, control limits and procedures.
The risks identified, covered and incorporated within the economic capital, considering the benefits of diversification, are as follows:

- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- financial risk of the banking book, mostly represented by interest rate and foreign exchange rate risk;
- operational risk, including legal risk;
- liquidity risk;
- strategic risk;
- risk on equity investments not subject to line by line consolidation;
- risk on real estate assets owned for whichever purpose;
- reputation risk;
- insurance risk.

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.

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. For the main Group subsidiaries these functions are performed, on the basis of a service contract, by the Parent Company's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiary.
For the purposes described above, Intesa Sanpaolo uses a wide-ranging set of tools and techniques for risk assessment and management, described in detail in this document.

The Basel 2 Project

As part of the Basel 2 Project, the goal of which is for the main Group companies to adopt advanced approaches, the Supervisory Authority granted authorisation to make the transition from the FIRB approach (in use since December 2008) to the AIRB approach for credit risks in the Corporate segment, effective the report as at 31 December 2010. The scope of application of the AIRB approach extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano. For the product companies (Leasint and Mediofactoring) specific LGD models are being developed which will allow them to move from the FIRB approach to the AIRB approach in the near future. The foreign bank VUB Banka obtained permission to use the FIRB approach effective the report as at 31 December 2010. For Banca IMI, which currently uses the standard approach, an application for authorisation of direct transition to the AIRB approach will be submitted in the first half of 2011. Recognition of the IRB approach for the Retail Mortgages segment was also obtained in June 2010.
An application for authorisation of transition to the IRB approach for the SME Retail segment is expected to be submitted in the second half of 2011.
The Group is also proceeding with development of the rating models 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 regard to operational risk, the Group was authorised, effective from 31 December 2009, to use the Advanced AMA Approaches (internal model) to determine the associated capital requirement on an initial scope that included the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was authorised to extend Advanced Approaches to a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka. The remaining Companies currently using the Standardised Approach will migrate progressively to the Advanced Approaches starting from the end of 2011, based on the gradual rollout plan presented to the Supervisory Authority.

Furthermore, in 2010 the Group presented its second Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal methodologies for the measurement of risk, internal capital and total capital available.

The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.
Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Code of conduct of listed companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo's internal control system is built around a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies and the achievement of the following objectives:
– the effectiveness and efficiency of Company processes;
– the safeguard of asset value and protection from losses;
– reliability and integrity of accounting and management information;
– transaction compliance with the law, supervisory regulations as well as policies, plans, procedures and internal regulations.

The internal control system is characterised by a documentary infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls within the business, incorporating both the Company policies and the instructions of the

Supervisory Authorities, and provisions of law, including the principles laid down in Legislative Decree 231/2001 and Law 262/2005.
The regulatory framework consists of "Governance Documents" that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Regulations, Authorities and powers, Policies, Guidelines, Function charts of the Organisational Structures, Organisational Models, etc.) and of more strictly operational regulations that govern business processes, individual operations and the associated controls.
More specifically, the Company rules set out organisational solutions that:
- ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
- are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
- enable the recording, with an adequate level of detail, of every operational event and, in particular, of every transaction, ensuring their correct allocation over time;
- guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the functions of governance and control;
- ensure the prompt notification to the appropriate levels within the business and the swift handling of any anomalies found by the business units and the control functions.

The Company's organisational solutions also enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.

At Corporate Governance level, Intesa Sanpaolo has adopted a dual governance model, in which the functions of control and strategic management, performed by the Supervisory Board, are separated from the management of the Company, which is exercised by the Management Board in accordance with the provisions of art. 2409-octies and subsequent of the Italian Civil Code and art. 147-ter and subsequent of the Consolidated Law on Finance.
The Supervisory Board has established an internal Control Committee that proposes, advises and enquires on matters regarding the internal control system, risk management and the accounting and IT system. The Committee also performs the duties and tasks of a surveillance body pursuant to Legislative Decree 231/2001 on the administrative responsibility of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank.
From a more strictly operational perspective the Bank has identified the following macro types of control:
- line controls, aimed at ensuring the correct application of day-to-day activities and single transactions. Normally, such controls are carried out by the productive structures (business or support) or incorporated in IT procedures or executed as part of back office activities;
- risk management controls, which are aimed at contributing to the definition of risk management methodologies, at verifying the respect of limits assigned to the various operating functions and at controlling the consistency of operations of single productive structures with assigned risk-return targets. These are not normally carried out by the productive structures;
- compliance controls, made up of policies and procedures which identify, assess, check and manage the risk of non-compliance with laws, Supervisory Authority measures or self-regulating codes, as well as any other rule which may apply to the Bank;
- internal auditing, aimed at identifying anomalous trends, violations of procedures and regulations, as well as assessing the overall functioning of the internal control system. It is performed by different structures which are independent from productive structures.

The internal control system is periodically reviewed and adapted in relation to business development and the reference context.
As a consequence, Intesa Sanpaolo's control structure is in compliance with the instructions issued by the Supervisory Authorities. Indeed, alongside an intricate system of line controls involving all the function heads and personnel, a Chief Risk Officer area has been established specifically dedicated to second level controls that incorporates both units responsible for the control of risk management (in particular, the Risk Management Department, Credit Quality Monitoring, and Internal Validation in accordance with Basel 2 rules), and the management of compliance controls (Compliance Department). Also reporting to the Chief Risk Officer is the Legal Affairs Department, which monitors and controls the legal risk of Intesa Sanpaolo and its Group.
There is also a dedicated Internal Auditing Department, which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board, and is also functionally linked to the Control Committee.

The Compliance Department

The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.

The management of non-compliance risk is assigned to the Compliance Department, established in June 2008, in accordance with the supervisory regulations issued by the Bank of Italy on 10 July 2007 and the rules contained in the Joint Regulation issued by Consob and the Bank of Italy on 29 October 2007. The Compliance Department reports to the Chief Risk Officer.

The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Management Board and Supervisory Board. These Guidelines identify the responsibilities and macro processes for compliance, aimed at mitigating the risk of non-compliance through a joint effort by all the company functions. The Compliance Department is responsible, in particular, for overseeing the guidelines, policies and methodologies relating to the management of non-compliance risk. The Compliance Department, including through the coordination of other corporate functions, is also responsible for the identification and assessment of the risks of non-compliance, the proposal of the functional and organisational measures for their mitigation, the assessment of the company's bonus system, the pre-assessment of the compliance of innovative projects, operations and new products and services, the provision of advice and assistance to the governing bodies and the business units in all areas with a significant risk of non-compliance, the monitoring, including through the use of information provided by the Internal Auditing Department, of ongoing compliance, and the promotion of a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules.

The Compliance Department submits periodic reports to Corporate Bodies on the adequacy of compliance control. On an annual basis, these reports include an identification and assessment of the primary non-compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a semi-annual basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur. A supplemented report is also periodically presented to the competent corporate bodies. This support is drafted by units charged with second-tier controls and aims to provide a comprehensive overview of the Group's supervision of operational and reputation risk. The document, the preparation of which also involves the use of information provided by the Internal Auditing Department, draws attention to the most highly critical areas and the state of progress of activities aimed at mitigating the risks identified.

The Compliance Guidelines call for the adoption of two distinct models in relation to direction and control of the Group. These models are organised in such a way as to account for the Intesa Sanpaolo Group's structure in operational and territorial terms. In particular:

– compliance supervision activities for specifically identified Network Banks and Italian Companies whose operations show a high degree of integration with the Parent Company are centralised with the Compliance Department;
– for the other Companies, specifically identified on the basis of the existence of a legal obligation or their material nature, as well as for Branches Abroad, an internal compliance function is established and a local Compliance Officer is appointed. In functional terms, the Compliance Officer reports to the Compliance Department and is assigned compliance responsibilities.

The activities carried out during the year concentrated on the regulatory areas considered to be the most significant in terms of non-compliance risk. In particular:

– the process of bringing the financial intermediation and investment services area into compliance with the MiFID Directive continued to be supervised. As required by the implementing regulations issued by Supervisory Authorities and on the basis of specific requests from Authorities, this process involved changes to governance and organisational systems consisting of drafting policies, processes and procedures, with a particular focus on enhancing customer service and supervision of conflicts of interest and personal transactions; compliance activities also involved launching the required training initiatives, clearing new products and services and monitoring customer transactions in order to prevent market abuse;
– the utmost attention has been devoted to monitoring projects aimed at reinforcing coverage of the Group's Italian and international companies in the area of money laundering and embargoes, including in light of the new provisions of law enacted at the national and international level. In detail, these involved coordinating organisational, IT and training activities aimed at implementing the Third EU Money Laundering Directive. Proper maintenance of the Single Electronic Archive also continued to be monitored and suspicious transactions analysed and assessed for reporting to the competent Authorities;

- legislative developments in the areas of banking products and services were monitored, with a particular focus on the issue of transparency and usury. Rules, procedures and operational practices were established to prevent violations or infractions of applicable rules governing such products and services in order to ensure that support and guidance are provided to business units with the aim of ensuring that customer-protection provisions are properly managed;
- initiatives continued within a specific project launched in 2009 with the aim of reinforcing the coverage of non-compliance risks associated with the insurance segment in connection with the Group's distribution networks;
- the organisational, management and control Model pursuant to Italian Legislative Decree 231/2001 was overseen by verifying its compliance with the Company regulations, updating it to take into account the new predicate offences, and coordinating the training activities and the verification of its proper implementation;
- controls of company processes functional to certification by the Manager responsible for preparing the Company’s financial reports in accordance with art. 154-bis of the Consolidated Law on Finance continued and assurance activities were enhanced according to a risk-based approach.

The Internal Auditing Department

With regard to internal auditing activities, the Internal Auditing Department is responsible for ensuring the ongoing and independent surveillance of the regular progress of the Bank’s operations and processes for the purpose of preventing or identifying any anomalous or risky behaviour or situation, assessing the functionality of the overall internal control system and its adequacy in ensuring the effectiveness and efficiency of company processes, the safeguarding of asset value and loss protection, the reliability and completeness of accounting and management information, and the compliance of transactions with the policies set out by the Company’s administrative bodies and internal and external regulations.
Furthermore, it provides consulting to the Bank’s and the Group’s departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management and organisation governance processes.
The Internal Auditing Department uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practice and standards for internal auditing established by the Institute of Internal Auditors (IIA).
The Internal Auditing Department has a structure and a control model which is organised consistently with the divisional model of Intesa Sanpaolo and the Group.

During the year, the auditing was performed directly for the Parent Company Intesa Sanpaolo and for Banche dei Territori, and also for a limited number of other subsidiaries with an outsourcing contract. For the other Group companies second level controls were conducted (indirect surveillance).
Supervision activity was conditioned by the continuing delicate economic scenario. Consequently, also in accordance with instructions issued by the Control Committee and the Top Management, verifications were aimed at monitoring the evolution of the risks associated with credit quality, financial operations, the Group’s Investment Banking and other international activities.
Direct surveillance was carried out in particular through:

- the control of the operational processes of network and central structures, with verifications, also through on-site interventions, on the functionality of line controls in place, of the respect of internal and external regulations, of the reliability of operational structures and delegation mechanisms, of correctness of available information in the various activities and of their adequate use with free and independent access to functions, data and documentation and application of adequate tools and methodologies;
- the surveillance, via distance monitoring integrated by on-site visits, of the credit origination and management process, verifying its adequacy with respect to the risk control system and the functioning of measurement mechanisms in place;
- the surveillance over the process for the measurement, management and control of the Group’s exposure to market, counterparty, operational and credit risks, periodically reviewing the internal validation of the models and the ICAAP process developed for Basel 2 and the Prudential Supervisory regulations;
- the verification of the control processes carried out by compliance risk governance functions, in particular of provisions of law concerning embargoes, money laundering, investment services, conflicts of interest, transactions with related parties, transparency, and the administrative liability of entities pursuant to Legislative Decree 231/01;

- the valuation of adequacy and effectiveness of information technology system development and management processes, to ensure their reliability, security and functionality;
- the surveillance of the processes related to financial operations and the adequacy of related risks control systems;
- the verification of the operations performed by foreign branches, with interventions by internal auditors both local and from the Head Office;
- the timely performance of the activities requested by Supervisory Authorities in specific areas such as management remuneration and incentive systems, the Parent Company's management and coordination powers over asset management companies and obligations under new authorisations.

During the year the Internal Auditing Department also ensured the supervision of all the main development projects paying particular attention to control mechanisms in the new Bank's models and processes and, in general, to the efficiency and the effectiveness of the control system established within the Group.

Indirect surveillance was conducted via direction and functional coordination of the Auditing structures in subsidiaries, for the purpose of ensuring control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both the structural and operational profile. Direct reviews and verification interventions were also conducted.

In conducting its duties, the Internal Auditing Department used methodologies for the preliminary analysis of risks in the various areas. Based on the assessments made and on the consequent priorities, the Internal Auditing Department prepared and submitted an Annual Intervention Plan for prior examination to the Control Committee, the Management Board and the Supervisory Board, on the basis of which it conducted its activities during the year, completing the scheduled audits.

Any weak points have been systematically notified to the Departments involved for prompt improvement actions which are monitored by follow-up activities.

The valuations of the internal control system deriving from the checks have been periodically transmitted to the Control Committee, to the Management Board and to the Supervisory Board which receive detailed updates on the state of solutions under way to mitigate weak points; furthermore, the most significant events have been promptly signalled to the Control Committee.

A similar approach is used with respect to the responsibilities of administrative bodies pursuant to Legislative Decree 231/01 for the Control Committee, as surveillance body.

Finally, the Internal Auditing Department ensured constant assessment of its own efficacy and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of international standards for professional practice. In this regard, a specifically authorised external firm is currently conducting the Quality Assessment Review required by those standards.

Manager responsible for preparing the Company's financial reports: the financial reporting process

As required by art. 154-bis of the Consolidated Law on Finance, the delegated management bodies and the Manager responsible for preparing the Company's financial reports must issue a specific report annexed to the financial statements in which it is certified that the administrative and accounting procedures were adequate and effectively applied during the period, the Company's accounting documents match the contents of accounting books and records, the documents are suitable to providing a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and the set of companies included in the scope of consolidation, and the analysis of the Group's performance and results presented in the Report on operations is reliable, along with a description of the main risks and uncertainties to which the Group is exposed.

Intesa Sanpaolo has established a governance and control system that is appropriate to monitoring the risks typical of the company and the Group on an ongoing basis. In detail, the internal control system for accounting and financial information is supervised by the Manager responsible for preparing the Company's financial reports in accordance with the Company Regulations "Guidelines for administrative and financial governance".

The monitoring of the quality of accounting and financial information is based on a joint review of:

- the organisational arrangements and functionality of internal controls of financial information, through a review plan aimed at constantly evaluating the adequacy and effective application of the administrative and accounting procedures instrumental to the preparation of financial statement documents and all other financial disclosures including, in particular, the Basel 2 Pillar 3 disclosure document. To the extent functional to documenting the quality of accounting data flows and information presented to the market, reviews are conducted not only of administrative and accounting processes, narrowly construed, but also of all phases of work that involve acquiring, recording, processing and presenting data managed in guidance and control processes (planning, management control and risk control), business processes (lending, financial intermediation, asset management and insurance, etc.), supporting processes (operations) and general governance rules for technological infrastructure and applications that ensure proper management of information processes and appropriate forms of monitoring of development activities regarding systems;

– the completeness and consistency of the information disclosed to the market by enhancing internal communications processes through the regular acquisition by the Manager responsible for preparing the Company's financial reports of a structured system of information flows; the functions of the Parent Company and subsidiaries regularly disclose significant events for the purposes of accounting and financial information, especially as regards the main risks and uncertainties to which they are exposed.

The Manager responsible for preparing the Company's financial reports, aided by the Administrative and Financial Governance Unit, has identified the scope of the subsidiaries viewed as material to financial information on the basis of their respective contributions to captions of the consolidated income statement and balance sheet and assessments of business complexity and underlying risk types. In detail, the schedule of reviews of the adequacy and effective application of administrative and accounting procedures privileged the examination of:

– the reliability of the processes of producing, processing and disseminating the financial statement information deemed most sensitive;
– the processes of presenting the main risks and uncertainties to which the Company and the Group are exposed, as well as the criteria for determining the assumptions on which valuation and estimation models are based.

The resulting work schedule was implemented in accordance with the criteria set out in the Regulation "Guidelines for administrative and financial governance", with the application of the methods taken as reference, which reflect international standards deriving from the COSO and COBIT Framework[1] to ensure homogeneous application of the verification process and valuation criteria throughout the Group.

The method involves an initial assessment of the overall internal control system at the Company-wide level aimed at determining whether there are adequate governance systems, standards of conduct inspired by ethics and integrity, effective organisational structures, a clear structure of delegated powers and responsibilities, adequate risk policies, effective codes of conduct and fraud prevention systems and personnel disciplinary systems. These areas are examined on the basis of evidence provided by Internal Auditing functions, followed by further inquiry by the Manager responsible for preparing the Company's financial reports into regulations, organisational arrangements and the operating mechanisms most relevant to management of the administrative and accounting system.

The method then calls for further development of assessments involving a review of the adequacy and effective application of administrative and accounting procedures and governance rules for technological infrastructure and applications. This examination is conducted in part according to specific methods, reinforced by auditing standards, overseen by the Manager responsible for preparing the Company's financial reports through dedicated structures (Administrative and Financial Governance Unit) and in part on the basis of evidence provided by the various Company control functions with a view towards maximising synergies.

After completing this process, each Company then produced a Report on the internal control system functional to financial reporting, which was enhanced and completed in concert with the Parent Company's Administrative and Financial Governance Unit before being formally sent to the Manager responsible for preparing the Company's financial reports. These Reports, presented as part of the periodic information provided to each company's supervisory bodies, were drafted to include:

– the outcomes of reviews conducted by control functions that support the work schedule set by the Manager responsible for preparing the Company's financial reports and elements for further inquiry with the management and any suggestions from the Independent Auditors in the performance of their duties;
– the information flows sent to the Manager responsible for preparing the Company's financial reports by the companies in accordance with the Administrative and financial governance regulations, with the aim of presenting facts that may have a material effect on earnings or financial position and the

[1] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

elements required for an analysis of operating performance and margins, as well as for an appreciation of the main risks and potential uncertainties to which they are exposed.

The Reports present an overview of the Company's situation, with a particular focus on factors of operational complexity that may be reflected in the quality of accounting information processes and the system of controls conceived to safeguard them. In particular, a detailed description is provided of the schedule of reviews carried out during the year, with a summary of the results and an accurate description of any situations of deficiency detected and the measures taken to restore full functionality of administrative and accounting procedures.

Once the joint assessment process with the companies has been completed, culminating in each company sending its Report and certification of the delegated body's responsibility to the Manager responsible for preparing the Company's financial reports, the Administrative and Financial Governance Unit completes the Group Report, which contains:

- an account of the state of application of the administrative and financial governance model adopted in the Group and the main initiatives promoted by the Manager responsible for preparing the Company's financial reports in order to reinforce the administrative and accounting system. In particular, the Group Accounting Rules were issued during the year as a compendium of the systematic updating of accounting rules and an important project was developed with the aim of rationalising the information technology architecture that underlies the generation of the Group's accounting information;
- a description and in-depth analysis of any malfunctions detected, specifying the potential risk of the distortion of information contained in the transaction flows in question, the accounts that may be affected and the compensatory controls that had a mitigating effect, scaling assessments of deficiencies on the basis of the values and information presented at the consolidated level;
- an overarching judgment is expressed, considering both the information provided during the period by the Parent Company's functions and the subsidiaries and the opinions stated by management of any suggestions made by the independent auditors.

Following completion of the reviews conducted during the year to express an opinion of the adequacy and effective application of controls of administrative and accounting procedures, the reliability of the internal control system for accounting and financial information is confirmed.

However, the fact that administrative and accounting procedures are suitable to providing an accurate representation of the assets, liabilities, profit or loss and financial position of the Bank and Group in the financial statements does not mean that there is not room for improvement, which is then the object of measures taken by the interested units and the supervision provided by the Manager responsible for preparing the Company's financial reports.

The information was presented to the Control Committee, Management Board and Supervisory Board in relation to their respective spheres of competence.

The work done provided the basis for the Managing Director – CEO and Manager responsible for preparing the Company's financial reports to issue the certifications required by art. 154-bis of Legislative Decree 58/98 with respect to the 2010 Annual Report, and the Basel 2 Pillar 3 disclosure as at 31 December 2010, in accordance with the model established by the Consob Regulation (Annex 3c-ter to the Issuers Regulation).

CREDIT RISK

Risk management strategies and processes

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:

- achieving sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single 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;
- given the current economic climate, privileging lending business aimed at supporting the real economy and production system;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of performance deterioration in a timely manner.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

The levels of autonomy assigned to the decision-making bodies are determined by agreement between the Bank/banking group regarding the borrower/economic group. The rating assigned, along with any other credit-risk mitigating factors, conditions the determination of the decision-making competence of each delegated body. Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.
In the credit-granting phase, coordination mechanisms have been introduced with which Intesa Sanpaolo exercises its direction, governance and support of the Group:
– the system of Credit Strategies, Powers and Rules for the granting and managing of loans (that will gradually replace Credit policies) governing the ways in which credit risk to customers is assumed;
– "Credit-granting limit", intended as the overall limit of loans which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
– the "Compliance opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

The exchange of basic information flows among different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each client/economic group both towards the Group as a whole and towards individual Group companies.
The activities within the Chief Risk Officer's purview are carried out directly by the Risk Management Department and the Credit Quality Monitoring Unit, for the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the aforementioned functions of the Parent Company.

Structure and organisation of the associated risk management function

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the Corporate Bodies, which, each to the extent of its competence, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.
The coverage and governance of credit ensured by the Corporate Bodies is reflected in the current organisational structure, which identifies four important areas of central responsibility, in addition to the business units:
– the Chief Financial Officer;
– the Chief Lending Officer;
– the Chief Risk Officer;
– the Chief Operating Officer.
They ensure that risk control activities are managed and implemented, with an appropriate level of segregation.
In accordance with the strategic guidelines and risk management policies set by the Management Board and approved by the Supervisory Board, the Chief Financial Officer coordinates the process of formulating credit strategies (a process in which the other chiefs and the business units participate), oversees pricing from a risk/return standpoint according to value creation objectives and coordinates the process of assessing loans for reporting purposes. The Chief Financial Officer is also responsible for identifying and implementing hedging transactions for the risk exposures of the asset classes in the loan portfolio by taking advantage of the opportunities presented by the secondary credit market with a view towards active management of company value.
The Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion, manages and monitors non-performing loans and the recovery of doubtful loans and sets the Rules for the granting and managing of loans.
The Chief Risk Officer is responsible for measuring and controlling the Group's risk exposures, defines the metrics used to measure credit risk, provides risk-adjusted pricing models and guidelines for expected loss, economic capital (ECAP) and acceptance thresholds, formulates proposals for assigning Loan Granting and Managing Powers and constantly monitors risk and credit quality performance.
The Chief Operating Officer provides specialised support in defining credit processes while ensuring cost and performance synergies in the service offered.

Scope of application and characteristics of the risk measurement and reporting system

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.
Risk measurement uses models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, 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. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.

A number of rating models are used for the Corporate segment:
- models differentiated according to the market in question (domestic or international) and size bracket of the company are applied to most businesses;
- there are two specific models for specialised lending, one for real estate development initiatives and the other for project finance transactions, and models are being implemented for leverage and acquisition finance, asset finance and significant real estate development transactions.

In general terms, the structure of the models integrates several modules:
- a quantitative module that processes financial and behavioural data;
- a qualitative module that requires the manager to intervene by completing a questionnaire;
- an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the qualitative and quantitative rating.

The assignment of the rating is generally decentralised to the branches, except for certain types of counterparty (mainly large groups and complex conglomerates), which are centralised in specialist units of the Parent Company Head Office Department and require expert assessments.

The Corporate rating models, for which the AIRB approach was approved for the calculation of requirements effective from the reference date of 31 December 2010, are described in further detail in Table 7.

The models applied to the Retail portfolio are as follows:
- for the Small Business segment a Group counterparty rating model has been adopted, based on similar criteria to the Corporate model, namely highly decentralised and where the quantitative-objective elements are supplemented by qualitative-subjective elements;
- for the Mortgage segment, the Group model, adopted in late 2008, processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data (this is also described in further detail in Table 7, as authorisation has been received for transition to the IRB approach effective the June 2010 report);
- as regards the other products aimed at private individuals (Other Retail segment), such as personal loans, consumer credit, credit cards, current account overdrafts, etc., a class of models is being developed that will replace the operational scoring systems currently used for various products.

As regards the other segments, a brief summary is provided below of the current status of the models and the expected developments. The use of internal models for operational purposes also extends to the segments where the internal ratings are not intended to be used for regulatory reporting.
The Sovereign internal model (a segment for which authorisation for Permanent Partial Use has been requested) involves the incorporation, with expert based weightings, of several components (in particular: agency ratings and scoring by specialist institutions, credit spread, and an internal model based on macroeconomic factors).

For Public Entities, a Regions model, a Provinces model and a Large Municipalities model have been developed, based on a "shadow model" approach, composed of a quantitative module (substantially a closed algorithm, using input from databases, which determines counterparty ratings) and a qualitative module. The extension of the Large Municipalities model to Small Municipalities is being investigated.
The Banks model, which is being implemented, is a "default model" (which, with reference to the low default segment, has used both internal data and data on external defaults for its estimates) that differentiates between banks from developed countries and banks from emerging countries. The Banks

from Developed Countries model, with suitable slight adjustments, is also applied to the near-banking sector (specifically to leasing and factoring).

For counterparties belonging to the Non Bank Financial Institutions sub-segment (Insurance Companies, Credit Guarantee Consortia, etc.), for which the Permanent Partial Use has been requested, a series of exclusively operational models are already used or under development, based on a variety of statistical techniques (shadow rating, portfolio approaches) and supplemented by experience-based elements.

The LGD model is based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group. LGD is estimated based on the losses measured for a population of closed defaults over an extensive period of observation (ten-year historical series) based on econometric multivariate analysis models. Plans call for the development of an internal model for determining EAD (Exposure at Default).
The LGD models for the Corporate and Retail Mortgage segments, for which the AIRB and IRB methods, respectively, were approved, are described in further detail in Table 7.

As mentioned briefly above, ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in the entire loan granting and managing process: they are used to set Credit Strategies and Rules for the granting and managing of loans as well as to determine decision-making powers.
The rating system also includes a risk trend indicator, calculated on a monthly basis, which is the main element used for monitoring credit. It interacts with processes and procedures for loan management and credit risk control and allows timely assessments when any anomalies arise or persist. The positions to which the synthetic risk index mentioned above attributes a high risk valuation, which is confirmed over time, are intercepted by the Non-performing Loan Process. This process, supported by a dedicated electronic procedure, enables constant monitoring, largely automatic, of all the phases for the management of anomalous positions. The positions which show an anomalous trend are classified into different processes based on the risk level, including the automatic classification in non-performing assets, as described in the related paragraph (see Table 5).
The entire loan portfolio is also subject to a specific periodic review carried out by the competent central or peripheral structures based on the credit line limits for each competent counterparty/economic group.

The Credit Control Panel is the application used by the Group as the primary source employed to control and monitor the loan portfolio in terms of its development over time and quantitative and qualitative composition and to carry out loan-related processes aimed at identifying any areas showing potential critical weaknesses.
The information available refers to all Group banks and companies that operate on the target information technology system.

The Credit Monitoring Portal was launched in 2010. The Portal, into which data is input through the Credit Control Panel, is used by the peripheral units within the Banca dei Territori and Corporate & Investment Banking Divisions down to the local level to access "informational" dashboards that provide an organic, structured report prepared with the aim of:
– providing a structured, navigable overview of the phenomenon under review;
– reducing the time required to search for and process information;
– facilitating the identification of critical areas and defining priority action;
– supporting the exchange of information between units on a consistent basis.

In 2011 plans call for the information set available to be expanded through the creation of new dashboards for controlling and monitoring specific phenomena/processes.

Counterparty risk is a specific type of credit risk, associated with OTC derivative contracts, relating to the potential default by the counterparty prior to the expiry of the contract. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).

Counterparty risk is bilateral in nature inasmuch as the mark-to-market of the transaction may be either positive or negative depending on the performance of the market factors that underlie the financial instrument.
The Group uses risk mitigation techniques for counterparty risk, which are also recognised for regulatory purposes and are discussed in this document in the section on risk mitigation techniques (see Table 8).
From a regulatory standpoint, banks must meet strict capital requirements for counterparty risk, regardless of the portfolio to which the positions are allocated (for regulatory purposes, both the banking book and trading book are subject to capital requirements for counterparty risk).
In particular, the Intesa Sanpaolo Group applies the mark-to-market approach (to both the trading book and banking book) in order to determine the loan equivalent of OTC derivatives, which is useful when computing capital requirements.
This approach estimates the loan equivalent as the sum of the positive mark-to-market and potential future exposure, where the latter is calculated by applying certain percent rates to the notional amounts of the transactions.
In the Group, from a management standpoint, counterparty risk, defined as the maximum acceptable loss on a certain counterparty, is quantified by determining lines of credit to account for replacement risk associated with OTC derivatives and SFT transactions. The definition of the use of the credit lines for transactions in OTC derivatives generally involves the application of the greater of the mark-to-market and the add-on to determine the credit exposure, taking into account any existing netting and collateral agreements. Banca IMI is the exception, as it has adopted a more advanced method since October 2010.

Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current portfolio situation and on a dynamic basis, by determining the projected level, based on both the forecasted macro economic scenario and on stress scenarios.
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
The credit portfolio model allows the level of expected loss to be measured with the chosen confidence interval, or capital at risk. The latter reflects not only the risk level of individual counterparties but also the effects of undesired concentration due to the geographical/sector composition of the Group's loan portfolio.
Concentration risk is defined as the risk deriving from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. Such risk is monitored constantly and managed through specific measures:
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large risks" and to loans subject to country risk;
- aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on maximisation of overall portfolio value.

Policies for hedging and mitigating risk
Techniques for the mitigation of credit risk are tools that contribute to reducing the loss given default and include in particular guarantees and certain types of contracts that result in a reduction in credit risk.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual exposure, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present.
The loss given default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
During the loan granting and managing process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, namely medium-/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential

mortgages. Other forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value – differentiated according to pledged and mortgage collateral. The enforcement of the guarantee is handled by specialist departments responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for mortgages, an obligation to carry insurance cover against fire damage and the presence of adequate monitoring of the property's value.
The value of the property is appraised periodically, including with the aid of statistical methods applied to prices/coefficients provided by an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.
The monitoring process also involves identifying properties that, where the property value decreases significantly and/or the exposure is significant in amount, require an appraisal by an independent expert based on a value not exceeding the market value.
For all other guarantees, processes and procedures are in place to allow a frequent review of compliance with Basel 2 regulations. The performance in terms of the amounts and/or absolute numbers of adequate guarantees is reviewed and monitored on a monthly basis in order to be able to benefit from guarantee recognition when computing regulatory capital.
To mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
The Group also establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Master Repurchase Agreement).

MARKET RISKS

MARKET RISKS/TRADING BOOK

Risk management strategies and processes

The allocation of capital for trading activities is set by the Parent Company's Management Bodies, through the attribution of operating limits in terms of VaR to the various Group units. The allocation of these limits is mainly aimed at Intesa Sanpaolo and Banca IMI as they represent the main portion of the Group's market risks. Some of the other Group subsidiaries hold smaller trading portfolios with a marginal risk.
The Group Financial Risks Committee monitors the risks of all the Group companies on a monthly basis, with particular reference to the absorption of the VaR limits, and recommends any corrective actions. The situation is also regularly examined by the Group Risk Governance Committee in order to propose any changes to the strategies for trading activities to the Management Bodies.

Structure and organisation of the associated risk management function

The Chief Risk Officer is responsible, at Group level, for setting out the system of operating limits, the capital allocation system, and the system of binding policies and procedures. These activities are coordinated by the Group Financial Risks Committee, which discusses the guidelines for the management of market risks.
As part of its functions, the Risk Management Department (especially through the Market Risks and Financial Valuations Unit) is responsible for the:

- calculation, development and definition of the risk indicators: Value at Risk, sensitivity and greeks, level measures, stress tests and scenario analyses;
- monitoring of operating limits;
- establishment of the parameters and rules for the valuation of assets subject to mark-to-market and fair value at Group level, as well as their direct valuation when this cannot be obtained from instruments available to the business units;
- comparison of the P&L with the risk indicators and in particular with the VaR (so-called backtesting).

The structure of the Risk Management Department is based on the following guidelines:

- structuring of the responsibilities according to the main risk taking centres and to "Risk Type";
- focusing and specialisation of the resources on the "Risk Owners";
- compliance with the instructions and proposals of the Supervisory Authorities;
- sustainability of the operating processes, including:
  - o the methodological development;
  - o the collection, processing and production of data;
  - o the maintenance and refinement of the instruments and application models;
  - o the general consistency of the data produced.

Scope of application and characteristics of the risk measurement and reporting system

The quantification of trading risks is based on daily 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.

The risk indicators used may be divided into five main types:

- Value at Risk (VaR), which represents the backbone of the whole risk management system due to its characteristics of uniformity, consistency and transparency in relation to both economic capital and the Group Finance operations;

- sensitivity and greeks, which are the essential accompaniment to the VaR indicators due to their ability to capture the sensitivity and the direction of the existing financial trading positions in relation to the various individual risk factors;
- level measures (such as notional and Mark to Market), which are a useful aid to the above indicators as an immediately applicable solution;
- stress tests and scenario analyses that enable the completion of the analysis of the overall risk profile, capturing changes in predetermined assumptions relating to the evolution of the underlying risk factors, also simulating anomalous market conditions (opening of the basis risks, worst case);
- Incremental Risk Charge (IRC), an additional measure to VaR that enables the correct representation of the specific risk on debt securities and credit derivatives because it also captures event and default risk, in addition to idiosyncratic risk.

The reporting system is continuously updated in order to take into account the evolution of the operations, the organisational structures and the analytical methods and tools available.

Policies for hedging and mitigating risk

In Intesa Sanpaolo and Banca IMI, weekly risk meetings are held during which the main risk factors of the portfolios are discussed. The monitoring and discussions take place on the basis of a series of reports by the Risk Management Department based on standard quantitative indicators (VaR, greeks and issuer risk) and stress indicators (what if analysis, stress tests on particular macroeconomic scenarios/risk factors and marginal VaR).

This set of information represents an effective means for deciding polices for the hedging and mitigating of risk, as it enables the provision of detailed recommendations to the trading rooms on the risk profile of the books, and the identification of any idiosyncratic risks and concentrations, and the suggestion of methods for the hedging of exposures considered to be a potential source of future deteriorations in the value of the portfolios.

During the weekly meetings the Risk Management Department ensures the consistency of the positions with the decisions taken in the Group Financial Risks Committee.

Strategies and processes for the ongoing assessment of their effectiveness

At operational level, in addition to the daily reporting (VaR, sensitivities, level measures, control of assigned limits), information is exchanged between the heads of the Business Departments during the abovementioned Risk Meetings called by the heads of the Departments.

More specifically, during the Risk Meetings the risk profile is examined in detail, with the aim of ensuring that operations are conducted in an environment of controlled risk and the appropriate use of the capital available.

MARKET RISKS/BANKING BOOK

Risk management strategies and processes

Market risk originated by the banking book arises primarily in the Parent Company and in the main subsidiaries that carry out retail and corporate banking.

Specifically, in managing interest rate risk in the banking book, the Intesa Sanpaolo Group seeks to maximise profitability, by adopting operating methods consistent with the general stability of the financial results over the long term. To this end, positions are adopted that are consistent with the strategic views produced during the regular meetings of the Group Financial Risks Committee, which is also responsible for the assessment of the overall risk profile of the Group and its main operational units.

The "structural" foreign exchange risk refers to the exposures deriving from the commercial operations and strategic investment decisions of the Intesa Sanpaolo Group. The main sources of foreign exchange risk consist of foreign currency loans and deposits held by corporate and retail customers, purchases of securities, equity investments and other financial instruments in foreign currencies, and conversion into domestic currency of assets, liabilities and income of branches and banking subsidiaries abroad.

The banking book also includes the exposure to the price risk deriving from the equity investments in companies not consolidated on a line-by-line basis and to the foreign exchange risk represented by equity investments in foreign currency, including Group companies.

Structure and organisation of the associated risk management function

Within the Risk Management Department, the market risks of the Banking Book and the Liquidity risk (discussed below) are overseen by the Banking Book Financial Risks Unit, which is responsible for:

- setting out the criteria and methods for the measurement and management of the financial risks of the banking book (interest rate, foreign exchange, minority equity investments and liquidity);
- proposing the system of operational limits and the guidelines for the management of financial risks for the operational units of the Group involving the operations of the banking book;
- measuring the financial risks of the banking book assumed by the Parent Company and the other Group Companies, both directly, through specific outsourcing contracts, and indirectly by consolidating the information originating from the local control units, and verifying compliance by the Group Companies with the limits set by the Statutory Bodies, reporting on their progress to Top Management and the Parent Company's operational structures;
- analysing the overall financial risk profile of the Group's banking book, proposing any corrective measures, within the more general context of the guidelines set out at strategic planning level or by the Corporate Bodies;
- managing the assessment and measurement, for the Parent Company and all the other Group Companies governed by outsourcing contracts, of the effectiveness of the hedging relationships (hedge accounting) required by the IAS/IFRS regulations (for the main Group companies the structures of the Parent Company centralise these activities in order to achieve operational efficiencies and the most effective governance of the process. For the other subsidiaries, it provides direction and guidance);
- supporting the AVM and Strategies Unit in relation to strategic ALM.

Scope of application and characteristics of the risk measurement and reporting system

Two types of measurement have been adopted for the measurement of the financial risks generated by the banking book, namely Value at Risk (VaR) and Sensitivity analysis.

Value at Risk corresponds to the maximum loss that the book can incur in the following ten business days in 99% of cases, on the basis of the volatilities and the historical correlations (of the last 250 business days) between the individual risk factors, consisting, for each foreign currency, of the short-term and long-term interest rates, the exchange rates and the prices of the equities [2].

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, and equity).

Furthermore, sensitivity of the interest margin is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve, over a period of 12 months.

Policies for hedging and mitigating risk

Hedging of interest rate risk is aimed (i) at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve, or (ii) at 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. Moreover, macro-hedging is carried out on the stable portion of on demand deposits and in order to cover the risk of fair value changes intrinsic in 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 date of payment of the relevant interests.

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.

[2] 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.

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.
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 Group's various companies as concerns their banking book. Essentially, foreign exchange risk is mitigated by the practice of raising funds in the same currency as assets.
As concerns 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.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the bank is able to cover cash outflows with cash inflows, highly liquid assets and its ability to obtain credit. With regard to the highly liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the bank's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).
The Guidelines for Liquidity Risk Management adopted by the Intesa Sanpaolo Group outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.
The basic principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
– a prudential approach to the estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
– the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
– the maintenance of an adequate level of unencumbered highly liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's own liquidity or system liquidity.

Intesa Sanpaolo directly manages its own liquidity, coordinates its management at Group level in all currencies, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to the Operational Committees (Group Risk Governance Committee and Group Financial Risks Committee) and the Statutory Bodies.
The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are the Treasury Department, responsible for liquidity management, and the Risk Management Department, responsible for monitoring indicators and verifying the observation of limits.
These Guidelines are broken down into three macro areas: "Short term Liquidity Policy", "Structural Liquidity Policy" and "Contingency Liquidity Plan".
The short term Liquidity Policy includes the set of parameters, limits and observation thresholds that enable the measurement, both under normal market conditions and under conditions of stress, of the liquidity risk exposure over the short term, setting the maximum amount of risk to be assumed and ensuring the utmost prudence in its management.
The structural Liquidity Policy of the Intesa Sanpaolo Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.
Together with the short term and structural Liquidity Policy, the Guidelines provide for management methods 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 systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.
The liquidity position of the Parent Company and the Group Companies is regularly presented by the Risk Management Department and discussed during the Group Financial Risks Committee meetings.

OPERATIONAL RISK

Operational risk management strategies and processes
The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the Group’s overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

Organisational structure of the associated risk management function
The Group has a centralised function within the Risk Management Department for the management of the Group’s operational risks. 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).

Scope of application and characteristics of the risk measurement and reporting system
Effective from the report as at 31 December 2009, the Group has used the Advanced AMA Approach (internal model) to determine the associated capital requirement on an initial scope that includes the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was authorised to extend advanced approaches to a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka. The remaining companies currently using the Standardised approach will migrate progressively to the Advanced approaches starting from the end of 2011, based on the gradual rollout plan presented to the Supervisory Authority.
The Integrated self-assessment process, which has been conducted on an annual basis since 2008, has allowed the Group to:
- identify, measure, monitor and mitigate operational risk;
- create significant synergies with the specialised functions of the Organisation and Security Department that supervise the planning of operational processes and business continuity issues and with control functions (Compliance and Auditing) that supervise specific regulations and issues (Legislative Decree 231/05, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-Assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.
Operational risks are monitored by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, during the year a structured training programme was fully implemented for employees actively involved in the process of managing and mitigating operational risk.

Policies for hedging and mitigating risk

The Intesa Sanpaolo Group has set up a traditional operational risk transfer (insurance) policy aimed at mitigating the impact of any unexpected losses. The AMA calculation model does not currently include the benefit from this transfer of operational risk through insurance policies, however, it is due to be included in the future, after its validation by the Supervisory authority, so that it can contribute to reducing the risk capital calculated through the internal models. The process required to obtain this approval is planned to start in 2011.

OTHER RISKS

In addition to the risks discussed above, the following other risks have been identified and monitored by the Group.

Strategic risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as the risk associated with a potential decrease in profits or capital due to changes in the operating context, misguided company decisions, inadequate implementation of decisions, and an inability to react sufficiently to changes in the competitive scenario.
The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Supervisory Board and the Management Board, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions, ensures that strategic risk is mitigated.
An analysis of the definition of strategic risk leads to the observation that this risk is associated with two distinct fundamental components:

- a component associated with the possible impact of misguided company decisions and an inability to react sufficiently to changes in the competitive scenario. This component does not require capital, but is one of the risks mitigated by the ways in which, and the levels at which, strategic decisions are reached, where all significant decisions are always supported by ad hoc activities aimed at identifying and measuring the risks implicit in the initiative;
- the second component is more directly related to business risk; in other words, it is associated with the risk of a potential decrease in profits as a result of the inadequate implementation of decisions and changes in the operating context. This component is handled not only by using systems for regulating company management, but also via specific internal capital, determined according to the Variable Margin Volatility (VMV) approach, which expresses the risk arising from the business mix of the Group and its business units.

Strategic risk is also assessed as part of stress tests based on a multiple-factor model that describes the relations between changes in the economic scenario and the business mix resulting from planning hypotheses.

Reputation risk

The Intesa Sanpaolo Group attaches great importance to reputation risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and supervisory authorities.
The Group has adopted and published a Code of Ethics that sets out the basic values to which it intends to commit itself and enunciates the principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with more ambitious objectives than those required just to comply with the law. On the subject of customer relations, it should be recalled that the Group has set up a systematic dialogue process. It has also issued voluntary conduct policies (environmental policy and arms industry policy) and adopted international principles (UN Global Compact, UNEP FI, Equator Principles) aimed at pursuing respect for the environment and human rights.
The Group also provides effective governance for compliance risk as a prerequisite for mitigating reputation risk.
There has been a particular focus on financial advisory services for customers, for which the MiFID Directive was taken as an opportunity to update the entire marketing process and associated controls.

Accordingly, the Group has reinforced its longstanding general arrangement, which calls for the adoption of processes supported by quantitative methods for managing the risk associated with customers' investments in accordance with a broad interpretation of the law with the aim of safeguarding customers' interests and the Group's reputation.
This has allowed assessments of adequacy during the process of structuring products and rendering advisory service to be supported by objective assessments that contemplate the true nature of the risks borne by customers when they undertake derivative transactions or subscribe for financial investments.
More in particular, the marketing of financial products is also governed by specific advance risk assessment policies from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (sustainability in terms of risk to return ratio, flexibility, concentration, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered).

Risk on owned real-estate assets

The Risk on owned real-estate assets may be defined as the risk associated with the possibility of suffering financial losses due to an unfavourable change in the value of such assets and is thus included in the category of banking book financial risks. Real estate management is highly centralised and represents an investment that is largely intended for use in company operations. The degree of risk in the portfolio of owned properties is represented by using a VaR-type model based on indexes of mainly Italian real estate prices, which is the main type of exposure associated with the Group's property portfolio.

Insurance risk

The Intesa Sanpaolo Group operates as a financial conglomerate that engages in universal banking activity and insurance services. With regard to insurance it operates in both the life business, primarily, and in the non-life business.
The Intesa Sanpaolo Group defines insurance risk as the risk associated with unfavourable changes in the VIF (Value of In Force business). In other words, it reflects the risk of the deterioration of the value of the insurance business. This allows Intesa Sanpaolo Group to assesses the adequacy of the whole of the financial conglomerate, by incorporating the VIF as a measure of the value of the insurance business.
These risks are incorporated in the measurement of economic capital, used to assess capital adequacy (see Table 4).
As also mentioned in the Introduction to this Disclosure, the insurance risk is not analysed specifically in this document. This risk is discussed in detail in the Group's consolidated financial statements in Part E – Section 2 – Risks of insurance companies.

Table 2 – Scope of application

Qualitative disclosure

Name of the bank to which the disclosure requirement applies

Intesa Sanpaolo S.p.A., Parent Company of the Banking Group "Intesa Sanpaolo", included in the National Register of Banking Groups.

Outline of differences in the basis of consolidation for accounting and prudential purposes

The disclosure contained in this document refers solely to the Intesa Sanpaolo "Banking Group" as defined by the prevailing Regulatory provisions.

The "Banking Group" differs from the scope of consolidation for the purposes of the financial statements prepared in accordance with the IAS/IFRS. The differences essentially relate to:

- the full consolidation in the IAS/IFRS financial statements of non-banking, financial and instrumental companies (primarily the insurance segment) not included in the "Banking group";
- the proportional consolidation in the "Banking Group" of the jointly controlled entities conducting banking, financial and instrumental business that are consolidated at equity in the financial statements.

Taking into account the sale of Findomestic Banca in December 2009, the proportional consolidation of subsidiaries subject to joint control does not generate any significant differences. Please also note that companies are defined as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by the Intesa Sanpaolo Group and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.

Since this disclosure only refers to the consolidated figures of the (jointly or otherwise) controlled banking, financial and instrumental companies of the "Banking Group", these figures also include the (on- and off-balance sheet) asset and liability and income and expense transactions with the other companies included in the IAS/IFRS scope of full consolidation. In the financial statements, however, these figures are netted as intragroup transactions.

Also, following the Bank of Italy's update in November 2009 of the instructions for the preparation of financial statements of banks, some of the information reported in the consolidated financial statements (Part E - Information on risks and the relative hedging policies – Section 1: Risks of the Banking group) fall within the scope of consolidation of the Banking group and, consequently, do not differ from the information contained in this document.

The "prudential" scope of consolidation for the figures as at 31 December 2010 does not differ significantly from the scope as at 31 December 2009, except for the sale of the securities services business (Intesa Sanpaolo Servizi Transazionali S.p.A. and Sanpaolo Bank S.A.), which was finalised in the first half of the year. Furthermore, in June the Group purchased 50 branches of Monte dei Paschi di Siena through the subsidiary Banca CR Firenze. Lastly, in the fourth quarter of the year, the Group acquired control of the insurance company Intesa Vita S.p.A., which is not included in the prudential scope of consolidation.

Basis of consolidation for accounting and prudential purposes

Entities consolidated as at 31 December 2010

Company name	Registered office		Treatment in prudential reporting			Treatment in financial statements	
	Town	Country	Consolid. line-by-line	Consolid. proportionally	Consolid. at equity (RWA)	Consolid. line-by-line	Consolid. at equity
BANKS							
INTESA SANPAOLO S.P.A.	Torino	ITALY	X			X	
ALLFUNDS BANK S.A.	Alconbendas	SPAIN		X			X
BANCA C.R. FIRENZE ROMANIA S.A.	Bucarest	ROMANIA	X			X	
BANCA DELL'ADRIATICO S.p.A.	Pesaro	ITALY	X			X	
BANCA DI CREDITO SARDO S.p.A.	Cagliari	ITALY	X			X	
BANCA DI TRENTO E BOLZANO S.p.A.	Trento	ITALY	X			X	
BANCA FIDEURAM S.p.A.	Roma	ITALY	X			X	
BANCA IMI S.p.A.	Milano	ITALY	X			X	
BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO S.p.A.	Roma	ITALY	X			X	
BANCA INTESA (Closed Joint-Stock Company)	Moscow	RUSSIA	X			X	
BANCA INTESA A.D. - Beograd	Beograd	REPUBLIC OF SERBIA	X			X	
BANCA PROSSIMA S.p.A.	Milano	ITALY	X			X	
BANCO DI NAPOLI S.p.A.	Napoli	ITALY	X			X	
BANK OF ALEXANDRIA S.A.E.	Cairo	EGYPT	X			X	
BANKA KOPER D.D.	Koper	SLOVENIA	X			X	
CASSA DEI RISPARMI DI FORLI' E DELLA ROMAGNA S.p.A.	Forlì	ITALY	X			X	
CASSA DI RISPARMIO DEL FRIULI VENEZIA GIULIA S.p.A.	Gorizia	ITALY	X			X	
CASSA DI RISPARMIO DEL VENETO S.p.A.	Padova	ITALY	X			X	
CASSA DI RISPARMIO DELLA PROVINCIA DI VITERBO S.p.A.	Viterbo	ITALY	X			X	
CASSA DI RISPARMIO DELLA SPEZIA S.P.A.	La Spezia	ITALY	X			X	
CASSA DI RISPARMIO DI ASCOLI PICENO S.p.A.	Ascoli Piceno	ITALY	X			X	
CASSA DI RISPARMIO DI CITTA' DI CASTELLO S.p.A.	Città di Castello	ITALY	X			X	
CASSA DI RISPARMIO DI CIVITAVECCHIA S.P.A.	Civitavecchia	ITALY	X			X	
CASSA DI RISPARMIO DI FIRENZE S.p.A.	Firenze	ITALY	X			X	
CASSA DI RISPARMIO DI FOLIGNO S.p.A.	Foligno	ITALY	X			X	
CASSA DI RISPARMIO DI PISTOIA E PESCIA S.P.A.	Pistoia	ITALY	X			X	
CASSA DI RISPARMIO DI RIETI S.p.A.	Rieti	ITALY	X			X	
CASSA DI RISPARMIO DI SPOLETO S.p.A.	Spoleto	ITALY	X			X	
CASSA DI RISPARMIO DI TERNI E NARNI S.p.A.	Terni	ITALY	X			X	
CASSA DI RISPARMIO DI VENEZIA S.p.A.	Venezia	ITALY	X			X	
CASSA DI RISPARMIO IN BOLOGNA S.p.A.	Bologna	ITALY	X			X	
CENTRAL-EUROPEAN INTERNATIONAL BANK LTD.	Budapest	HUNGARY	X			X	
FIDEURAM BANK (Suisse) S.A.	Lugano	SWITZERLAND	X			X	
FIDEURAM BANK LUXEMBOURG S.A.	Luxembourg	LUXEMBOURG	X			X	
INTESA SANPAOLO BANK ALBANIA SH.A.	Tirana	ALBANIA	X			X	
INTESA SANPAOLO BANK IRELAND PLC	Dublin	IRLAND	X			X	
INTESA SANPAOLO BANKA D.D. BOSNA I HERCEGOVINA	Sarajevo	BOSNIA AND HERZEGOVINA	X			X	
INTESA SANPAOLO PRIVATE BANK (SUISSE) S.A.	Lugano	SWITZERLAND	X			X	
INTESA SANPAOLO PRIVATE BANKING S.p.A.	Milano	ITALY	X			X	
INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	Arad	ROMANIA	X			X	
MEDIMURSKA BANKA D.D.	Cakovec	CROATIA	X			X	
MEDIOCREDITO ITALIANO S.p.A.	Milano	ITALY	X			X	
PBZ STAMBENA STEDIONICA D.D.	Zagreb	CROATIA	X			X	
PRAVEX BANK Public Joint-Stock Company Commercial Bank	Kiev	UKRAINE	X			X	
PRIVREDNA BANKA ZAGREB D.D.	Zagreb	CROATIA	X			X	
SOCIETE' EUROPEENNE DE BANQUE S.A.	Luxembourg	LUXEMBOURG	X			X	
VSEOBECNA UVEROVA BANKA A.S.	Bratislava	SLOVAKIA	X			X	
FINANCIAL COMPANIES							
B.I. PRIVATE EQUITY Ltd	Dublin	IRLAND	X			X	
BANCA IMI SECURITIES CORP.	New York	USA	X			X	
BN FINRETE S.p.A. in liquidation*	Napoli	ITALY			X		X
CENTRO FACTORING S.p.A.	Firenze	ITALY	X			X	

Company name	Registered office		Treatment in prudential reporting			Treatment in financial statements	
	Town	Country	Consolid. line-by-line	Consolid. proportionally	Consolid. at equity (RWA)	Consolid. line-by-line	Consolid. at equity
CENTRO LEASING S.p.A.	Firenze	ITALY	X			X	
CIB Credit LTD	Budapest	HUNGARY	X			X	
CIB FACTOR FINANCIAL SERVICE LTD.	Budapest	HUNGARY	X			X	
CIB INVESTMENT FUND MANAGEMENT LTD.	Budapest	HUNGARY	X			X	
CIB LEASING HOLDING LIMITED LIABILITY COMPANY	Budapest	HUNGARY	X			X	
CIB LEASING LTD.	Budapest	HUNGARY	X			X	
CIB NEW YORK BROKER Zrt. under voluntary dissolution	Budapest	HUNGARY	X			X	
CIB PROPERTY LTD	Budapest	HUNGARY	X			X	
CIB REAL ESTATE LTD.	Budapest	HUNGARY	X			X	
CIB RENT OPERATIVE LEASING LTD.	Budapest	HUNGARY	X			X	
CIB RESIDENTIAL PROPERTY LEASING LTD.	Budapest	HUNGARY	X			X	
CONSUL SERVICE S.r.l. in liquidation*	Cagliari	ITALY			X		X
CONSUMER FINANCE HOLDING A.S.	Kezmarok	SLOVAKIA	X			X	
EPSILON ASSOCIATI SGR S.p.A.	Milano	ITALY	X			X	
EQUITER S.p.A.	Torino	ITALY	X			X	
EURIZON A.I. SGR S.p.A.	Milano	ITALY	X			X	
EURIZON CAPITAL S.A.	Luxembourg	LUXEMBOURG	X			X	
EURIZON CAPITAL SGR S.p.A.	Milano	ITALY	X			X	
EURO-TRESORERIE S.A.	Paris	FRANCE	X			X	
FIDEURAM ASSET MANAGEMENT (IRELAND) LTD.	Dublin	IRLAND	X			X	
FIDEURAM FIDUCIARIA S.p.A.	Roma	ITALY	X			X	
FIDEURAM GESTIONS S.A.	Luxembourg	LUXEMBOURG	X			X	
FIDEURAM INVESTIMENTI - Società di Gestione del Risparmio S.p.A.	Milano	ITALY	X			X	
FINANCIERE FIDEURAM S.A.	Paris	FRANCE	X			X	
FINANZIARIA B.T.B S.p.A.	Trento	ITALY	X			X	
IMI CAPITAL MARKETS USA CORP.	New York	USA	X			X	
IMI Finance Luxembourg S.A.	Luxembourg	LUXEMBOURG	X			X	
IMI Fondi Chiusi SGR S.p.A.	Bologna	ITALY	X			X	
IMI INVESTIMENTI S.p.A.	Bologna	ITALY	X			X	
IMI INVESTMENTS S.A.	Luxembourg	LUXEMBOURG	X			X	
INTESA FUNDING LLC	Wilmington - Delaware	USA	X			X	
INTESA GLOBAL FINANCE COMPANY LTD	Dublin	IRLAND	X			X	
INTESA INVESTIMENTI S.p.A.	Milano	ITALY	X			X	
INTESA LEASE SEC S.r.l.	Milano	ITALY	X			X	
INTESA LEASING D.O.O. Beograd	Beograd	REPUBLIC OF SERBIA	X			X	
INTESA SANPAOLO CARD BH D.O.O.	Sarajevo	BOSNIA AND HERZEGOVINA	X			X	
INTESA SANPAOLO CARD D.O.O. - LJUBLJANA	Ljubljana	SLOVENIA	X			X	
INTESA SANPAOLO CARD D.O.O. - ZAGREB	Zagreb	CROATIA	X			X	
INTESA SANPAOLO HOLDING INTERNATIONAL S.A.	Luxembourg	LUXEMBOURG	X			X	
INTESA SANPAOLO PREVIDENZA - SOCIETA' D'INTERMEDIAZIONE MOBILIARE S.p.A.	Milano	ITALY	X			X	
INTESA SANPAOLO TRUST COMPANY FIDUCIARIA S.p.A.	Milano	ITALY	X			X	
INTESA SEC. 2 S.r.l.	Milano	ITALY	X			X	
INTESA SEC. 3 S.r.l.	Milano	ITALY	X			X	
INTESA SEC. NPL S.p.A.	Milano	ITALY	X			X	
INTESA SEC. S.p.A.	Milano	ITALY	X			X	
INTESABCI PREFERRED CAPITAL COMPANY LLC III DELAWARE	Wilmington - Delaware	USA	X			X	
INTESABCI PREFERRED SECURITIES INVESTOR TRUST	Newark - Delaware	USA	X			X	
INVERSIONES MOBILIARIAS S.A. "IMSA"	Lima	PERU	X			X	
ISP CB IPOTECARIO S.r.l.	Milano	ITALY	X			X	
ISP CB PUBBLICO S.r.l.	Milano	ITALY	X			X	
KMB-LEASING (CLOSED JOINT STOCK COMPANY)	Moscow	RUSSIA	X			X	
LDV HOLDING B.V. IN LIQUIDATION*	Amsterdam	THE NETHERLANDS			X		X
LEASINT S.p.A.	Milano	ITALY	X			X	
LIMA SUDAMERIS HOLDING S.A. in liquidation	Lima	PERU	X			X	
LUX GEST ASSET MANAGEMENT S.A.	Luxembourg	LUXEMBOURG	X			X	
MEDIOFACTORING S.p.A.	Milano	ITALY	X			X	
MONETA S.p.A.	Bologna	ITALY	X			X	

Company name	Registered office		Treatment in prudential reporting			Treatment in financial statements	
	Town	Country	Consolid. line-by-line	Consolid. proportionally	Consolid. at equity (RWA)	Consolid. line-by-line	Consolid. at equity
NEOS FINANCE S.p.A.	Bologna	ITALY	X			X	
PBZ Card D.O.O.	Zagreb	CROATIA	X			X	
PBZ Invest D.O.O.	Zagreb	CROATIA	X			X	
PBZ Leasing D.O.O. za poslove leasinga	Zagreb	CROATIA	X			X	
PRIVATE EQUITY INTERNATIONAL S.A.	Luxembourg	LUXEMBOURG	X			X	
RECOVERY A.S.	Bratislava	SLOVAKIA	X			X	
SANPAOLO INVEST IRELAND LIMITED	Dublin	IRLAND	X			X	
SANPAOLO INVEST Società di Intermediazione Mobiliare S.p.A.	Roma	ITALY	X			X	
SETEFI - SERVIZI TELEMATICI FINANZIARI PER IL TERZIARIO S.p.A.	Milano	ITALY	X			X	
SOCIETA' ITALIANA DI REVISIONE E FIDUCIARIA S.I.RE.F. S.p.A.	Milano	ITALY	X			X	
SUDAMERIS S.A.	Paris	FRANCE	X			X	
VUB ASSET MANAGEMENT SPRAVCOVSKA SPOLOCNOST A.S.	Bratislava	SLOVAKIA	X			X	
VUB FACTORING A.S.	Bratislava	SLOVAKIA	X			X	
VUB LEASING a.s.	Bratislava	SLOVAKIA	X			X	
INSTRUMENTAL COMPANIES							
AGRIVENTURE S.p.A.*	Firenze	ITALY			X		X
CIB REAL PROPERTY UTILISATION AND SERVICES LTD.	Budapest	HUNGARY	X			X	
CIB SUPPORT LTD.	Budapest	HUNGARY	X			X	
CONSORZIO STUDI E RICERCHE FISCALI - GRUPPO INTESA SANPAOLO*	Roma	ITALY			X		X
EXELIA S.R.L.*	Brasov	ROMANIA			X		X
IMMOBILIARE NUOVA SEDE S.R.L.	Firenze	ITALY	X			X	
INFOGROUP S.c.p.A.	Firenze	ITALY	X			X	
INTESA REAL ESTATE S.r.l.	Milano	ITALY	X			X	
INTESA SANPAOLO GROUP SERVICES S.c.p.A.	Torino	ITALY	X			X	
INTESA SANPAOLO IMMOBILIERE S.A.	Luxembourg	LUXEMBOURG	X			X	
INTESA SANPAOLO REAL ESTATE ROMANIA S.A.*	Arad	ROMANIA			X		X
INTESA SANPAOLO REAL ESTATE S.A.	Luxembourg	LUXEMBOURG	X			X	
INTESA SANPAOLO SERVICOS E EMPREENDIMENTOS Ltda*	Sao Paulo	BRAZIL			X		X
PBZ NEKRETNINE D.O.O.	Zagreb	CROATIA	X			X	
SEP - Servizi e Progetti S.c.p.A.*	Torino	ITALY			X		X
SERVITIA S.A.	Luxembourg	LUXEMBOURG	X			X	
TEBE TOURS S.P.A.*	Mirandola	ITALY			X		X

(*) Banking Group's subsidiary consolidated at equity for immateriality.

Entities deducted from capital as at 31 December 2010

Company name	Registered office		Treatment in prudential reporting	Treatment in financial statements		
	Town	Country	Deductions from capital	Consolidated line-by-line	Consolid. at equity	AFS
INSURANCE COMPANIES						
Centro Vita S.p.A.	Firenze	ITALY	X	X		
Eurizon Vita S.p.A.	Torino	ITALY	X	X		
Fideuram Vita S.p.A.	Roma	ITALY	X	X		
Intesa Vita S.p.A.	Milano	ITALY	X	X		
PBZ Croatia Osiguranje D.D.	Zagreb	CROATIA	X		X	
Sud Polo Vita S.p.A.	Torino	ITALY	X	X		
VUB GENERALI A.S.	Bratislava	SLOVAKIA	X		X	
VUB POISTOVACI A.S.	Bratislava	SLOVAKIA	X	X		
BANKS						
BANCA D'ITALIA	Roma	ITALY	X		at cost	
BANCA IMPRESA LAZIO S.p.A.	Roma	ITALY	X		X	
BANK OF QINGDAO CO. LTD.	Qingdao	CHINA	X		X	
BANQUE ESPIRITO SANTO ET DE LA VENETIE S.A.	Paris	FRANCE	X			X
CASSA DI RISPARMIO DELLA PROVINCIA DI CHIETI S.p.A.	Chieti Scalo	ITALY	X			X
CASSA DI RISPARMIO DI FERMO S.p.A.	Fermo	ITALY	X		X	
FINDOMESTIC BANCA S.P.A.	Firenze	ITALY	X			X
ISTITUTO PER IL CREDITO SPORTIVO	Roma	ITALY	X			X

Please also note that, with effect from 31 December 2009, the investment in the Bank of Italy is deducted in full from the Regulatory Capital (50% from the Tier 1 capital and 50% from the Tier 2 capital).

Company name	Registered office		Treatment in prudential reporting	Treatment in financial statements		
	Town	Country	Deductions from capital	Consolidated line-by-line	Consolid. at equity	AFS
FINANCIAL COMPANIES						
AMBIENTA Società di Gestione del Risparmio S.p.A.	Milano	ITALY	X		X	
ATLANTIS S.A.	Buenos Aires	ARGENTINA	X		X	
BAMCARD D.D.	Sarajevo	BOSNIA AND HERZEGOVINA	X			X
EQUINOX TWO SCA	Luxembourg	LUXEMBOURG	X			X
EURIZON CAPITAL A.D. Beograd	Beograd	REPUBLIC OF SERBIA	X		X	
EUROTLX SOCIETA' DI INTERMEDIAZIONE MOBILIARE S.p.A.	Milano	ITALY	X		X	
F2I - Fondi Italiani per le Infrastrutture SGR S.p.A.	Milano	ITALY	X			X
FIDI TOSCANA S.p.A.	Firenze	ITALY	X			X
FIDIA-FONDO INTERBANCARIO D'INVESTIMENTO AZIONARIO SGR S.p.A.	Milano	ITALY	X			X
FINEUROP S.p.A.	Milano	ITALY	X			X
FONDO ITALIANO D'INVESTIMENTO SGR S.p.A.	Milano	ITALY	X			X
GCL HOLDINGS L.P. S.à.r.l.	Luxembourg	LUXEMBOURG	X		X	
GE.FI.L. - GESTIONE FISCALITA' LOCALE S.P.A.	La Spezia	ITALY	X		X	
GEPAFIN S.p.A.-GARANZIE PARTECIPAZIONI E FINANZIAMENTI	Perugia	ITALY	X			X
GESTIONES Y RECUPERACIONES DE ACTIVOS S.A.	Lima	PERU	X		X	
INTESA SANPAOLO LEASING ROMANIA IFN S.A.	Bucarest	ROMANIA	X		X	
INTESA SODITIC TRADE FINANCE LIMITED	London	UNITED KINGDOM	X		X	
ISP SEC. 4 S.r.l.	Milano	ITALY	X		X	
ITALFONDIARIO S.p.A.	Roma	ITALY	X		X	
LA COMPAGNIA FINANZIARIA S.p.A.	Milano	ITALY	X			X
MANDARIN CAPITAL MANAGEMENT S.A.	Luxembourg	LUXEMBOURG	X		X	
MANDARIN CAPITAL PARTNERS SCA SICAR	Luxembourg	LUXEMBOURG	X			X
MARCHE CAPITAL S.p.A.	Osimo	ITALY	X			X
MENHIR L.L.P.	London	UNITED KINGDOM	X			X
MEZZANOVE CAPITAL (SCA) SICAR	Luxembourg	LUXEMBOURG	X			X
MEZZANOVE CAPITAL MANAGEMENT S.à.r.l.	Luxembourg	LUXEMBOURG	X			X
MISR ALEXANDRIA FOR FINANCIAL INVESTMENTS MUTUAL FUND CO.	Cairo	EGYPT	X		X	
MISR FINANCIAL INVESTMENTS CO.	Giza	EGYPT	X			X
OBIETTIVO NORDEST SICAV - SOCIETA' DI INVESTIMENTO PER AZIONI A CAPITALE VARIABILE	Venezia Marghera	ITALY	X		X	
PENGHUA FUND MANAGEMENT Co. Ltd.	Shenzhen	CHINA	X		X	
S.A.F.I. S.R.L.	Spinea	ITALY	X		X	
SANPAOLO IMI Equity Management S.A.	Luxembourg	LUXEMBOURG	X		X	
SANPAOLO IMI PRIVATE EQUITY SCHEME B.V. IN LIQUIDATION	Amsterdam	THE NETHERLANDS	X			X
SCHEMAQUATTORDICI S.p.A.	Treviso	ITALY	X			X
SLOVAK BANKING CREDIT BUREAU S.R.O.	Bratislava	SLOVAKIA	X		X	
SOCIETA' PER LA GESTIONE DI ATTIVITA' - SGA S.p.A.	Napoli	ITALY	X			X
SVILUPPO IMPRESE CENTRO ITALIA S.G.R. S.P.A.	Firenze	ITALY	X			X
SVILUPPO INDUSTRIALE S.P.A.	Pistoia	ITALY	X		X	
SVILUPPO TM S.p.A.	Milano	ITALY	X			X
TOWER 2 S.à.r.l.	Luxembourg	LUXEMBOURG	X		X	
TRILANTIC CAPITAL PARTNERS IV (EUROPE) SCA Sicar	Luxembourg	LUXEMBOURG	X			X
VARESE INVESTIMENTI S.p.A.	Varese	ITALY	X		X	
VER CAPITAL S.G.R. p.A.	Milano	ITALY	X			X
VUB LEASINGOVA A.S. IN LIQUIDATION	Bratislava	SLOVAKIA	X		X	

Entities added to the risk-weighted assets as at 31 December 2010

Company name	Registered office		Treatment in prudential reporting	Treatment in financial statements	
	Town	Country	RWA	AFS	Consolidat. at equity
BANKS					
ABANKA VIPA LJUBLJANA D.D.	Ljubljana	SLOVENIA	X	X	
AFRICAN EXPORT IMPORT BANK	Cairo	EGYPT	X	X	
BANCA DELLE MARCHE S.p.A.	Ancona	ITALY	X	X	
BANCA DI CREDITO COOPERATIVO DI CAMBIANO S.C.P.A.	Castelfiorentino	ITALY	X	X	
BANCA ITB S.p.A.	Milano	ITALY	X	X	
BANCA UBAE Società per Azioni	Roma	ITALY	X	X	
BANCO PATAGONIA S.A.	Buenos Aires	ARGENTINA	X	X	
BANCO POPOLARE SOCIETA' COOPERATIVA	Verona	ITALY	X	X	
BANKA POSTANSKA STEDIONICA A.D.	Beograd	REPUBLIC OF SERBIA	X	X	
BANQUE GALLIERE S.A. in liquidation	Paris	FRANCE	X	X	
BANQUE INTERNATIONALE ARABE DE TUNISIE - B.I.A.T. Société Anonyme	Tunisi	TUNISIA	X	X	
CASSA DI RISPARMIO DI RAVENNA S.p.A.	Ravenna	ITALY	X	X	
GARANZIA DEI DEPOSITI DELLE BANCHE E BANCHIERI G.m.b.H.	Vienna	AUSTRIA	X	X	
HRVATSKA GOSPODARSKA BANKA D.D. under bankruptcy procedures	Zagreb	CROATIA	X	X	
ISVEIMER S.p.A. in liquidation	Roma	ITALY	X	X	
MEDIOCREDITO DEL FRIULI-VENEZIA GIULIA S.p.A.	Udine	ITALY	X	X	
PRIVREDNA BANKA D.D.	Sarajevo	BOSNIA AND HERZEGOVINA	X	X	
RAZVOJNA BANKA VOJVODINE A.D.	Novi Sad	REPUBLIC OF SERBIA	X	X	
FINANCIAL COMPANIES					
21 CENTRALE PARTNERS III FCPR	Paris	FRANCE	X	X	
360 CAPITAL ONE S.C.A. (SICAR)	Luxembourg	LUXEMBOURG	X	X	
ABE CLEARING SAS	Paris	FRANCE	X	X	
ANGELVENTURES SERVICOS DE CONSULTORIA S.A.	Funchal	PORTUGAL	X	X	
APAX EUROPE VII - B L.P.	St. Peter Port - Guernsey	GUERNSEY	X	X	
ARAB TRADE FINANCING PROGRAM	Abu Dhabil	ABU DHABI	X	X	
ASSOCIAZIONE IN PARTECIPAZIONI RETEX	Venezia	ITALY	X	X	
ATHENA PRIVATE EQUITY S.A.	Luxembourg	LUXEMBOURG	X	X	
AUGUSTO S.r.l.	Milano	ITALY	X		X
B.GROUP S.p.A.	Bologna	ITALY	X	X	
BANCA DELLE MARCHE GESTIONE INTERNAZIONALE S.A.	Luxembourg	LUXEMBOURG	X	X	
BANKART D.O.O. LJUBLJANA	Ljubljana	SLOVENIA	X	X	
BLUE GEM LUXEMBOURG 1 S.A.R.L.	Luxembourg	LUXEMBOURG	X	X	
BURSA MONETAR FINANCIARA SI DE MARFURI S.A.	Sibiu	ROMANIA	X	X	
CARLYLE EUROPE PARTNERS II, L.P.	London	UNITED KINGDOM	X	X	
CASA ROMANA DE COMPENSATIE S.A.	Sibiu	ROMANIA	X	X	
CENTROFIDI TERZIARIO S.C.P.A.	Firenze	ITALY	X	X	
CHINA INTERNATIONAL PACKAGING LEASING CO. LTD (LEASEPACK)	Beijing	CHINA	X	X	
CME GROUP INC.	Chicago	USA	X	X	
COLOMBO S.r.l.	Milano	ITALY	X		X
CONFIDICOOP MARCHE Società Cooperativa	Ancona	ITALY	X	X	
CONSORZIO BANCARIO SIR S.p.A in liquidation	Roma	ITALY	X		X
CR FIRENZE MUTUI S.R.L.	Conegliano Veneto	ITALY	X		X
DIOCLEZIANO S.r.l.	Milano	ITALY	X		X
EFFEPI S.p.A. IN LIQUIDATION	Milano	ITALY	X	X	
EGYPTIAN INTERNATIONAL MUTUAL FUND CO.	Cairo	EGYPT	X	X	
e-MID Società di Intermediazione Mobiliare S.p.A.	Milano	ITALY	X	X	
EQUITYPAR-COMPANHIA DE PARTECIPACOES S.A.	Sao Paulo	BRAZIL	X	X	
EURIZONVITA (Beijing) BUSINESS ADVISORY CO. LTD.	Beijing	CHINA	X		X
EUROCASSE SIM S.p.A. in liquidation	Milano	ITALY	X	X	
EUROCLEAR CLEARANCE SYSTEM PUBLIC LIMITED COMPANY	London	UNITED KINGDOM	X	X	
EUROFIDI - SOCIETA' CONSORTILE DI GARANZIA COLLETTIVA FIDI S.c.p.A.	Torino	ITALY	X	X	
EUROPROGETTI E FINANZA In Liquidation S.p.A.	Roma	ITALY	X		X
EUROQUBE S.A. in liquidation	Brussels	BELGIUM	X	X	
FAWRY FOR BANKING & PAYMENT TECHNOLOGY SERVICES CO.	Cairo	EGYPT	X	X	
FI.R.A. S.p.A. Finanziaria Regionale Abruzzese	Pescara	ITALY	X	X	

Company name	Registered office		Treatment in prudential reporting	Treatment in financial statements	
	Town	Country	RWA	AFS	Consolidat. at equity
FI.SVI. - ISTITUTO FIN. SVIL. ECON. LOCALI S.p.A. (bankrupt)	Potenza	ITALY	X	X	
FIDIMPRESA LIGURIA - Società Consortile per azioni di garanzia collettiva fidi	Genova	ITALY	X	X	
FINEST S.p.A. - SOC. FINANZIARIA PROMOZIONE COOPERAZ.ECONOMICA PAESI EST EUROPEO	Pordenone	ITALY	X	X	
FINRECO - Consorzio Regionale Garanzia Fidi Soc. Coop. a r.l.	Udine	ITALY	X	X	
FORNARA - Società Finanziaria e di Partecipazioni S.p.A.	Torino	ITALY	X	X	
FOURTH CINVEN FUND LIMITED PARTNERSHIP - LONDON	London	UNITED KINGDOM	X	X	
FRIULIA S.p.A.-FINANZIARIA REG. FRIULI VENEZIA GIULIA	Trieste	ITALY	X	X	
GARANTIQA HITELGARANCIA Zrt.	Budapest	HUNGARY	X	X	
GIRO Elszamolasforgalmi Rt.	Budapest	HUNGARY	X	X	
GPA ATR LTD	Shannon	IRLAND	X	X	
HOPA S.p.A.-HOLDING DI PARTECIPAZIONI AZIENDALI	Brescia	ITALY	X	X	
ILP III SCA SICAR	Luxembourg	LUXEMBOURG	X	X	
INTESA BRASIL EMPREENDIMENTOS S.A.	Sao Paulo	BRAZIL	X	X	
INVESTINDUSTRIAL III BUILD UP L.P.	St. Helier - Jersey	JERSEY	X	X	
INVESTINDUSTRIAL IV L.P.	St. Helier - Jersey	JERSEY	X	X	
INVESTINDUSTRIAL L.P.	St. Helier - Jersey	JERSEY	X	X	
INVESTITORI ASSOCIATI II S.A. IN LIQUIDATION	Luxembourg	LUXEMBOURG	X	X	
ISTITUTO ATESINO DI SVILUPPO S.p.A.	Trento	ITALY	X	X	
L - CAPITAL	Paris	FRANCE	X	X	
LCH.Clearnet Group Ltd	London	UNITED KINGDOM	X	X	
LIGURCAPITAL S.P.A.	Genova	ITALY	X	X	
MISR FOR CLEARING, SETTLEMENT AND CENTRAL DEPOSITORY CO.	Cairo	EGYPT	X	X	
MTS S.p.A. - SOCIETA' PER IL MERCATO DEI TITOLI DI STATO	Roma	ITALY	X	X	
NFD INVESTICIJSKI SKLAD D.D.	Ljubljana	SLOVENIA	X	X	
NICCO UCO ALLIANCE CREDIT LTD	Calcutta	INDIA	X	X	
NYSE EURONEXT INC.	New York	USA	X	X	
OMNIA FACTOR S.p.A.	Milano	ITALY	X	X	
PAR.FIN S.p.A. under bankruptcy procedures	Bari	ITALY	X	X	
PENSPLAN INVEST SGR S.p.A.	Bolzano	ITALY	X	X	
PRELIOS SGR S.p.A.	Milano	ITALY	X		X
PRESAFIN S.p.A.	Torino	ITALY	X	X	
SOCIETA' ITALIANA PER LE IMPRESE ALL'ESTERO - SIMEST S.p.A.	Roma	ITALY	X	X	
SOCIETA' REGIONALE DI GARANZIA MARCHE S.C.p.A.	Ancona	ITALY	X	X	
SOCIETE' DE LA BOURSE DE LUXEMBOURG S.A.	Luxembourg	LUXEMBOURG	X	X	
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.	Zagreb	CROATIA	X	X	
TRANSFOND S.A.	Bucarest	ROMANIA	X	X	
TRZISTE NOVCA AD	Beograd	REPUBLIC OF SERBIA	X	X	
TRZISTE NOVCA I KRATKOROCNIH VRIJEDNOSNICA D.D.	Zagreb	CROATIA	X	X	
UMBRIA CONFIDI SOCIETA' COOPERATIVA	Perugia	ITALY	X	X	
VALDIVIA LBO FUND LIMITED	St. Peter Port - Guernsey	GUERNSEY	X	X	
VALFIDI S.C. SOCIETA' COOPERATIVA DI GARANZIA COLLETTIVA DEI FIDI FRA LE IMPRESE DELLA VALLE D'AOSTA	Aosta	ITALY	X	X	
VENETO SVILUPPO S.p.A.	Venezia	ITALY	X	X	
VISA EUROPE LTD	London	UNITED KINGDOM	X	X	
ZAGREBACKA BURZA D.D.	Zagreb	CROATIA	X	X	
NON-FINANCIAL COMPANIES					
AEROPORTI HOLDING S.r.l.	Caselle Torinese	ITALY	X		X
AGRICOLA INVESTIMENTI S.r.l. in liquidation	Milano	ITALY	X		X
AL.FA. - UN'ALTRA FAMIGLIA DOPO DI NOI - IMPRESA SOCIALE S.r.l.	Milano	ITALY	X		X
ALITALIA - COMPAGNIA AEREA ITALIANA S.p.A.	Fiumicino	ITALY	X		X
AUTOSTRADA BS-VR-VI-PD S.p.A.	Verona	ITALY	X		X
AUTOSTRADA PEDEMONTANA LOMBARDA S.p.A.	Milano	ITALY	X		X
AUTOSTRADE LOMBARDE S.p.A.	Bergamo	ITALY	X		X

Company name	Registered office		Treatment in prudential reporting	Treatment in financial statements	
	Town	Country	RWA	AFS	Consolidat. at equity
B.E.E. SOURCING S.p.A.	Spoleto	ITALY	X		X
B.E.E. TEAM S.p.A.	Roma	ITALY	X		X
CARGOITALIA S.p.A.	Milano	ITALY	X		X
CE.SPE.VI S.R.L. CENTRO SPERIMENTALE PER IL VIVAISMO	Pistoia	ITALY	X		X
CENTRO LEASING GMBH IN LIQUIDATION	Bad Homburg v.d. Hoehe	GERMANY	X		X
COLLEGAMENTO FERROVIARIO GENOVA-MILANO S.p.A.	Genova	ITALY	X		X
CORMANO S.r.l.	Olgiate Olona	ITALY	X		X
EMIL EUROPE '92 S.r.l. in liquidation	Bologna	ITALY	X		X
ENERPOINT ENERGY S.r.l.	Desio	ITALY	X		X
EUROMILANO S.p.A.	Milano	ITALY	X		X
GREEN INITIATIVE CARBON ASSETS (GICA) SA	Paradiso	SWITZERLAND	X		X
I.TRE - Iniziative Immobiliari Industriali S.p.A.	Rovigo	ITALY	X		X
IMMIT - IMMOBILI ITALIANI S.R.L.	Torino	ITALY	X		X
IMPIANTI S.r.l. in liquidation	Milano	ITALY	X		X
INFRAGRUPPO S.p.A.	Verona	ITALY	X		X
INTESA SANPAOLO FORMAZIONE Società Consortile per Azioni	Napoli	ITALY	X		X
INTESA SANPAOLO HOUSE IMMO S.A.	Luxembourg	LUXEMBOURG	X		X
INTESASANPAOLO EURODESK S.p.r.l.	Brussels	BELGIUM	X		X
IREN S.P.A.	Torino	ITALY	X		X
ISM INVESTIMENTI S.p.A.	Mantova	ITALY	X		X
LEONARDO TECHNOLOGY S.p.A.	Milano	ITALY	X		X
MANUCOR S.p.A.	Milano	ITALY	X		X
MATER-BI S.p.A.	Milano	ITALY	X		X
MEGA INTERNATIONAL S.p.A.	Faenza	ITALY	X		X
MF HONYVEM S.p.A.	Milano	ITALY	X		X
MISR INTERNATIONAL TOWERS CO.	Cairo	EGYPT	X		X
MONTE MARIO 2000 S.r.l.	Torino	ITALY	X		X
NEWCOCOT S.p.A.	Cologno Monzese	ITALY	X		X
NH HOTELES S.A.	Madrid	SPAIN	X		X
NH ITALIA S.r.l.	Milano	ITALY	X		X
NOVERCA ITALIA S.R.L.	Roma	ITALY	X		X
NOVERCA S.r.l.	Roma	ITALY	X		X
NUOVO TRASPORTO VIAGGIATORI S.p.A.	Roma	ITALY	X		X
OOO INTESA REALTY RUSSIA	Moscow	RUSSIA	X		X
OTTOBRE 2008 S.r.l.	Milano	ITALY	X		X
P.B. S.r.l. in liquidation	Milano	ITALY	X		X
PIETRA S.r.l.	Milano	ITALY	X		X
PIRELLI & C. S.p.A.	Milano	ITALY	X		X
PORTOCITTA' S.r.l.	Trieste	ITALY	X		X
PRELIOS S.P.A.	Milano	ITALY	X		X
R.C.N. FINANZIARIA S.p.A.	Mantova	ITALY	X		X
REALIZZAZIONI E BONIFICHE AREZZO S.p.A.	Arezzo	ITALY	X		X
RIZZOLI CORRIERE DELLA SERA MEDIAGROUP S.p.A.	Milano	ITALY	X		X
SAGAT S.p.A.	Caselle Torinese	ITALY	X		X
SHANGHAI SINO-ITALY BUSINESS ADVISORY COMPANY LIMITED	Shanghai	CHINA	X		X
SIA - SSB S.p.A.	Milano	ITALY	X		X
SOCIETA' DI PROGETTO AUTOSTRADA DIRETTA BRESCIA MILANO S.p.A.	Brescia	ITALY	X		X
SOCIETA' GESTIONE PER IL REALIZZO In liquidation S.p.A.	Roma	ITALY	X		X
SOLAR EXPRESS S.r.l.	Firenze	ITALY	X		X
STUDI E RICERCHE PER IL MEZZOGIORNO	Napoli	ITALY	X		X
TELCO S.p.A.	Milano	ITALY	X		X
TERMOMECCANICA S.p.A.	La Spezia	ITALY	X		X
UMBRIA EXPORT SOCIETA' CONSORTILE A R.L.	Perugia	ITALY	X		X
UNIMATICA S.p.A.	Bologna	ITALY	X		X
UNITED VALVES CO. (BUTTERFLY) in liquidation	Cairo	EGYPT	X		X
UPA SERVIZI S.p.A.	Padova	ITALY	X		X
ZACCHERINI ALVISI S.r.l.	Milano	ITALY	X		X

Reduction in individual capital requirements applied to the Parent Company and the Italian subsidiaries

With its Circular 263 of 27 December 2006, the Bank of Italy established that "for Italian banks belonging to a banking group, the individual capital requirements for credit, counterparty, market and operational risks shall be reduced by 25 per cent, provided that regulatory capital at the consolidated level is at least equal to the total capital requirement". As at 31 December 2010 the Intesa Sanpaolo Group met that requirement at consolidated level, and therefore benefited from this provision.

Quantitative disclosure

Name of subsidiaries not included in the consolidation

Entities consolidated in the financial statements and not included in the prudential scope of consolidation as at 31 December 2010

Name of banking subsidiary not included in the consolidation	Consolidation method	
	Consolidated line-by-line	Consolidated at equity
INSURANCE COMPANIES (*)		
EURIZONLIFE LTD	X	
EURIZONTUTELA S.P.A.	X	
OTHER		
ADRIANO FINANCE 2 S.R.L. (**)	X	
ADRIANO FINANCE S.R.L. (**)	X	
ARTEN SICAV	X	
BRIVON HUGARY ZRT.	X	
CANOVA SICAV	X	
CIB CAR TRADING LIMITED LIABILITY COMPANY	X	
CIB INSURANCE BROKER LTD	X	
CIF S.R.L.	X	
CIL BUDA SQUARE	X	
CIL MNM LTD.		X
CIMABUE SICAV	X	
DB PLATINUM II SICAV	X	
DUOMO FUNDING PLC	X	
EURIZON INVESTIMENTI SICAV	X	
FIDEURAM FUND BOND GLOBAL EMERGING MARKETS	X	
FIDEURAM FUND BOND USA	X	
FIDEURAM FUND BOND YEN	X	
FIDEURAM FUND BOND EURO HIGH YIELD	X	
FIDEURAM FUND EQUITY EURO	X	
FIDEURAM FUND EQUITY EURO CORPORATE BOND	X	
FIDEURAM FUND EQUITY EUROPE GROWTH	X	
FIDEURAM FUND EQUITY EUROPE VALUE	X	
FIDEURAM FUND EQUITY GLOBAL EMERGING MARKETS	X	
FIDEURAM FUND EQUITY ITALY	X	
FIDEURAM FUND EQUITY JAPAN	X	
FIDEURAM FUND EQUITY PACIFIC EX JAPAN	X	
FIDEURAM FUND EQUITY USA	X	
FIDEURAM FUND EQUITY USA GROWTH	X	
FIDEURAM FUND EQUITY USA VALUE	X	
FIDEURAM FUND EURO BOND LONG RISK	X	
FIDEURAM FUND EURO BOND LOW RISK	X	
FIDEURAM FUND EURO BOND MEDIUM RISK	X	
FIDEURAM FUND EURO DEFENSIVE BOND	X	
FIDEURAM FUND ZERO COUPON 2011	X	
FIDEURAM FUND ZERO COUPON 2012	X	
FIDEURAM FUND ZERO COUPON 2013	X	
FIDEURAM FUND ZERO COUPON 2014	X	
FIDEURAM FUND ZERO COUPON 2015	X	
FIDEURAM FUND ZERO COUPON 2016	X	
FIDEURAM FUND ZERO COUPON 2017	X	
FIDEURAM FUND ZERO COUPON 2018	X	
FIDEURAM FUND ZERO COUPON 2019	X	
FIDEURAM FUND ZERO COUPON 2020	X	
FIDEURAM FUND ZERO COUPON 2021	X	
FIDEURAM FUND ZERO COUPON 2022	X	
FIDEURAM FUND ZERO COUPON 2023	X	
FIDEURAM FUND ZERO COUPON 2024	X	

Name of banking subsidiary not included in the consolidation	Consolidation method	
	Consolidated line-by-line	Consolidated at equity
FIDEURAM FUND ZERO COUPON 2025	X	
FIDEURAM FUND ZERO COUPON 2026	X	
FIDEURAM FUND ZERO COUPON 2027	X	
FIDEURAM FUND ZERO COUPON 2028	X	
FIDEURAM FUND ZERO COUPON 2029	X	
FIDEURAM FUND ZERO COUPON 2030	X	
FIDEURAM FUND ZERO COUPON 2031	X	
FIDEURAM FUND ZERO COUPON 2032	X	
FIDEURAM FUND ZERO COUPON 2033	X	
FIDEURAM FUND ZERO COUPON 2034	X	
FIDEURAM FUND ZERO COUPON 2035	X	
FIDEURAM FUND ZERO COUPON 2036	X	
FIDEURAM FUND ZERO COUPON 2037	X	
FIDEURAM FUND ZERO COUPON 2038	X	
FIDEURAM FUND ZERO COUPON 2039	X	
FIDEURAM FUND ZERO COUPON 2040	X	
FINOR LEASING D.O.O.	X	
FOCUS RENDIMENTO ASSOLUTO 5 ANNI	X	
FONDO BOND EUR LONG TERM	X	
FONDO BOND EUR SHORT TERM	X	
FONDO BOND GBP	X	
FONDO BOND JPY	X	
FONDO BOND USD	X	
FONDO CARAVAGGIO	X	
FONDO FLEXIBLE STRATEGY	X	
FONDO HAYEZ	X	
FONDO TOTAL RETURN ALPHA STRATEGY	X	
IN.FRA. INVESTIRE NELLE INFRASTRUTTURE S.P.A.	X	
INIZIATIVE LOGISTICHE	X	
LEVANNA SICAV	X	
LUNAR FUNDING V PLC	X	
OBUDA DUNAPART LTD	X	
RE.CONSULT INFRASTRUTTURE	X	
RECOVERY REAL ESTATE MANAGEMENT LTD	X	
ROMULUS FUNDING CORPORATION	X	
SANPAOLO INTERNATIONAL FORMULAS FUND	X	
SP LUX SICAV II	X	
SPLIT 2 (**)	X	
SPQR S.R.L. (**)	X	
TIEPOLO SICAV	X	

(*) Centrovita, Sud polo Vita, Eurizon Vita, Fideuram Vita, Intesa Vita and Vub Poistovaci have already been included in the table "Entities deducted from capital".

(**) A SPV for securitisation transactions whose securitised assets have not been derecognised for supervisory purposes by the Group company that originated the securitisation.

Aggregate amount of the capital deficiencies of the subsidiaries not included in the scope of consolidation with respect to the mandatory capital requirements

As at December 2010 Sud Polo Vita S.p.A. – insurance company controlled by the Intesa Sanpaolo Group – had a solvency margin approximately 82 million euro lower than the threshold required by insurance supervisory regulations. This margin deficiency, which was corrected at the start of February 2011 through the payment of 100 million euro by the Parent Company Intesa Sanpaolo S.p.A. for a future capital increase, mainly resulted from the increased operations conducted during the year (compared to the budget forecasts) which generated effects on the solvency margin, through an increase in the technical reserves, and through the negative impact on the economic result produced by the advance on commissions paid to the placement network.

Table 3 – Regulatory capital structure

Qualitative disclosure

Summary information on the main terms and conditions of the features of capital items

Regulatory capital and capital ratios have been calculated on the basis of the new provisions (4th, 5th, 6th and 7th updates to Circular 263 of December 2006 and 13th update to Circular 155 of December 1991) issued by the Bank of Italy following the implementation of the amendments of Directives 2009/27, 2009/83 and 2009/111 (known as "CRD II - Capital Requirements Directive II"), which govern the capital requirements for banks and banking groups introduced by the New Basel Capital Accord (known as Basel 2).

In detail, stricter criteria than under the previous rules are applied to redefine the notion of capital, that may be included in regulatory capital without limits, which limited to ordinary shares or shares that do not grant rights to minimum return, do not call for the compulsory payment of dividends, do not enjoy preference in the coverage of losses or enjoy a right to residual assets upon liquidation that is subordinate to that of all other shareholders and creditors. For the Intesa Sanpaolo Group, application of the new criteria will result in the exclusion of the nominal value of preferred shares (including savings shares) from Tier 1 capital on the grounds that such shares do not meet the requirements (lack of advantages in liquidation and preferential remuneration mechanisms based on the nominal value of the instrument). Conversely, Tier 1 capital may still include the share premium reserve, even the part associated with savings shares, since the different preference in distribution of dividends and pre-emption in liquidation relate to share capital only.

The exclusion of preferred shares from Core Tier 1 capital resulted in a decrease in the latter of approximately 516 million euro.

The rules for innovative and non-innovative capital instruments call for:

- reinforcement of their capital quality in terms of the flexibility of payments and the ability to absorb losses;
- a rise in the overall limit on inclusion from the current 20% to 50% (with a specific limit of 15% for innovative instruments with incentives for early redemption or a contractual maturity and 35% for non-innovative instruments without incentives for early redemption). A new category has also been added, i.e. instruments compulsorily convertible into ordinary shares in the event of an emergency or at the Bank of Italy's request, which may be included up to 50%. The prudential provisions call for a transitional regime set out in the Directive (known as "grandfathering") for a 30-year period, which contemplates the gradual reduction of the eligibility of instruments included in regulatory capital prior to 31 December 2010 that do not meet the new eligibility requirements.

Regulatory capital is calculated as the sum of positive components, with certain limits, and negative components, on the basis of their capital quality; positive components, in order to be eligible for the calculation of capital absorptions, must be fully available for the Bank.

Regulatory capital is made up of Tier 1 capital and Tier 2 capital, adjusted by the "prudential filters" and net of certain deductions. In particular:

- Tier 1 capital includes ordinary paid-in share capital, reserves, innovative and non-innovative capital instruments, grandfathered capital instruments, net income for the period (only the portion to be allocated to reserves); plus positive "prudential filters" of Tier 1 capital; the total of these elements, net of treasury shares or quotas, intangible assets, losses recorded in previous years and in the current year, "other negative components", as well as negative Tier 1 "prudential filters", makes up "Tier 1 capital before items to be deducted".
  Tier 1 capital is made up of the difference between "Tier 1 capital before items to be deducted" and 50% of "items to be deducted";
- Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses, and the other positive elements that constitute capital items of a secondary nature. The positive "prudential filters" of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity

investments, negative items related to loans, other negative elements, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before items to be deducted".

Tier 2 capital is made up of the difference between "Tier 2 capital before items to be deducted" and 50% of "items to be deducted".

Each caption of Tier 1 and Tier 2 capital includes minority interests pertaining to the Banking group and to third parties.

The most significant prudential filters for the Intesa Sanpaolo Group are calculated applying the following provisions:

- for financial assets available for sale, relatively to equities, quotas of UCI and debt securities, unrealised profits and losses are offset: the balance, if negative, reduces Tier 1 capital; if positive it contributes for 50% to Tier 2 capital. Furthermore, any unrealised profits and losses on loans classified among assets available for sale are excluded. Please note, as clarified below, that the Group decided to apply the Regulation issued by the Bank of Italy on 18 May 2010, which allows for the effect of valuation reserves for available-for-sale (AFS) securities issued by the central governments of EU countries on regulatory capital to be neutralised.
- for hedges, unrealised profits and losses on cash flow hedges, recorded in a specific reserve, are sterilised;
- for income deriving from the tax redemption of goodwill, the net tax benefit is reduced by 50% for prudential purposes in the first year; the resulting negative prudential filter is reduced on a straight-line basis over the next eight years.

Deductions are made, in the manner described above, 50% from "Tier 1 capital before items to be deducted" and 50% from "Tier 2 capital before items to be deducted" on equity investments and – if eligible for inclusion in the issuers' regulatory capital – on innovative and non-innovative capital instruments, hybrid capital instruments and subordinated instruments in banks, financial companies and insurance companies.

With respect to the amount by which expected losses exceed impairment provisions made on portfolios subject to internal models and expected losses on capital instruments, the amounts of those expected losses are compared with the total impairment provisions for each class of assets in the regulatory portfolio.

50% of the sum of the amounts by which the expected losses exceed total impairment provisions for each class of assets is deducted from Tier 1 capital and the other 50% from Tier 2 capital.

Conversely, the sum of the amounts by which total impairment provisions exceed the expected losses for each class of assets is added to Tier 2 capital up to the limit of 0.6% of assets weighted for credit and/or counterparty risk.

Concerning equity investments and subordinated instruments held in insurance companies, until 31 December 2012 they are deducted from Total capital, instead of 50% each from Tier 1 and Tier 2, if acquired before 20 July 2006.

The table below details the captions of the consolidated shareholders' equity that together with the capital components pertaining to third party shareholders contribute to the determination of the regulatory capital.

(millions of euro)

	31.12.2010			31.12.2009		
	Group	**Third parties**	**Total**	**Group**	**Third parties**	**Total**
Share capital	**6,647**	**441**	**7,088**	**6,647**	**415**	**7,062**
Ordinary shares	*6,162*	*438*	*6,600*	*6,162*	*412*	*6,574*
Savings shares	*485*	*3*	*488*	*485*	*3*	*488*
Share premium reserve	**33,102**	**125**	**33,227**	**33,102**	**133**	**33,235**
Reserves	**12,143**	**421**	**12,564**	**10,565**	**398**	**10,963**
Legal reserve	1,329	-	1,329	*1,329*	-	*1,329*
Extraordinary reserve	3,674	-	3,674	*2,914*	-	*2,914*
Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990)	232	-	232	*232*	-	*232*
Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	302	-	302	*302*	-	*302*
Consolidation reserve	6,542	421	6,963	*5,527*	*398*	*5,925*
Other reserves	64	-	64	*261*	-	*261*
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**
(Treasury shares)	**-10**	**-**	**-10**	**-8**	**-**	**-8**
Valuation reserves:	**-1,054**	**9**	**-1,045**	**-430**	**11**	**-419**
Financial assets available for sale	-664	2	-662	*-142*	*3*	*-139*
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Foreign investment hedges	-	-	-	-	-	-
Cash flow hedges	-488	-2	-490	*-451*	*-3*	*-454*
Foreign exchange differences	-248	-1	-249	*-171*	*2*	*-169*
Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit pension plans	-	-	-	-	-	-
Valuation reserves of investments carried at equity	2	2	4	*-9*	-	*-9*
Legally-required revaluations	344	8	352	*343*	*9*	*352*
Net income (loss) pertaining to the Group and minority interests (*)	**2,705**	**71**	**2,776**	**2,805**	**133**	**2,938**
Shareholders' equity	**53,533**	**1,067**	**54,600**	**52,681**	**1,090**	**53,771**

(*) Only in the reclassified income statement, net income pertaining to minority interests conventionally includes (in an amount of 30 million euro) the portion of the net income for the period of the newly acquired entities (mainly Intesa Vita) included in the official financial statements in the purchase price paid by the Group.

The main features of the items listed above are summarised below.

The share capital of the Bank as at 31 December 2010 amounted to 6,647 million euro, divided into 11,849,332,367 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of 0.52 euro each. Each ordinary share gives the right to one vote in the Shareholders' Meeting. Savings shares, which may be in bearer form, entitle the holder to attend and vote at the Special Meeting of savings shareholders. Savings shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in a financial year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference shall be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the total dividend per savings share will be 2% of nominal value higher than for ordinary shares. In case of distribution of reserves the savings shares have the same rights as other shares. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.
As at 31 December 2010, Intesa Sanpaolo had 10 million euro of treasury shares, essentially held by Banca IMI in relation to its institutional trading activities and by collective investment entities owned by the Group's insurance companies and consolidated in accordance with the IAS/IFRS.
At the date of this document the share capital was fully paid-in and liberated.

The share premium reserve mainly includes the same balance sheet item as the Parent Company, generated by the entries made in accordance with IFRS 3 for the merger between Banca Intesa and Sanpaolo IMI. This reserve, of 31,093 million euro, is the difference between the acquisition cost of the Sanpaolo IMI Group and the nominal value of the shares issued for the exchange.

Reserves amounted to 12,564 million euro and included: legal reserve, statutory or extraordinary reserve, concentration reserves (Law 218 of 30/7/1990, art. 7, par. 3, and Law 218 of 30/7/1990, par. 7), consolidation reserve and other reserves. The legal reserve, set up as provided for by the law, must be at least one fifth of share capital; it was set up in the past by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year. The statutory or extraordinary reserve was set up as provided for by the Articles of Association by the allocation of residual net income after dividend distribution to ordinary and savings shares. Such reserve also includes unclaimed and forfeited dividends, as provided for by the Articles of Association. Concentration reserves pursuant to Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law. Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.

Group and third party consolidated shareholders' equity: breakdown by type of company

The breakdown of the Group and third party shareholders' equity for the Group's various operating segments is shown in the table below.

(millions of euro)

	Banking group	Insurance companies	Other companies	Netting and adjustments on consolidation	Total as at 31.12.2010
Share capital	**7,088**	**1**	**116**	**-117**	**7,088**
Ordinary shares	6,600	1	116	-117	6,600
Savings shares	488	-	-	-	488
Share premium reserve	**33,227**	**-**	**2**	**-2**	**33,227**
Reserves	**12,564**	**385**	**-41**	**-344**	**12,564**
Equity instruments	**-**	**-**	**-**	**-**	**-**
(Treasury shares)	**-6**	**-4**	**-**	**-**	**-10**
Valuation reserves	**-1,045**	**-285**	**-17**	**302**	**-1,045**
Financial assets available for sale	-358	-283	-21	-	-662
Property and equipment	-	-	-	-	-
Intangible assets	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-
Cash flow hedges	-490	-	2	-2	-490
Foreign exchange differences	-249	-	-	-	-249
Non current assets held for sale	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-	-	-	-	-
Share of valuation reserves connected with investments carried at equity	-300	-2	2	304	4
Legally-required revaluations	352	-	-	-	352
Net income (loss) pertaining to the Group and minority interests	**2,776**	**198**	**-24**	**-174**	**2,776**
Shareholders' equity as at 31.12.2010	**54,604**	**295**	**36**	**-335**	**54,600**

The table above indicates the components of net book value, adding those of the Group to those of third parties, broken down by the type of consolidated company. In further detail, the column for the banking Group indicates the amount resulting from the consolidation of the companies belonging to the banking Group, gross of the effects on the income statement of transactions with other companies within the scope of consolidation. Subsidiaries other than those belonging to the banking Group and consolidated on a line-by-line basis are stated here at equity. The columns Insurance companies and Other companies contain the amounts resulting from consolidation, gross of the effects on the income statement of transactions with companies belonging to the banking Group. The columns Netting and adjustments on consolidation show the adjustments required to obtain the figure represented in the financial statements.

As well as due to the dividend paid by Intesa Sanpaolo S.p.A. on ordinary shares and savings shares from the 2009 net income for a total of 1,033 million euro, consolidated shareholders' equity (Group and third parties) essentially changed over the two periods under review due to the net income for 2010, the movements in valuation reserves and the acquisition of several minority interests. The breakdown of the different types of valuation reserves and their movements during the year are shown in the tables below.

Valuation reserves of financial assets available for sale and (by share) investments carried at equity: breakdown

(millions of euro)

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		Total as at 31.12.2010		
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Net reserve (*)
1. Debt securities	252	-1,312	191	-487	2	-22	-193	509	252	-1,312	-1,060
2. Equities	486	-100	21	-11	-	-	-21	11	486	-100	386
3. Quotas of UCI	36	-19	12	-9	-	-	-12	9	36	-19	17
4. Loans	13	-14	-	-	-	-	-	-	13	-14	-1
Total as at 31.12.2010	**787**	**-1,445**	**224**	**-507**	**2**	**-22**	**-226**	**529**	**787**	**-1,445**	**-658**
of which: Financial assets available for sale											-662
of which: Share of valuation reserves connected with investments carried at equity											4
Total as at 31.12.2009	**676**	**-812**	**240**	**-259**	**-**	**-30**	**-191**	**244**	**725**	**-857**	**-132**

(*) This amount includes 4 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

Valuation reserves of financial assets available for sale and (by share) investments carried at equity: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	TOTAL as at 31.12.2010
1. Initial amount	**-468**	**318**	**20**	**-2**	**-132**
2. Positive fair value differences	**368**	**294**	**27**	**1**	**690**
2.1 Fair value increases	130	262	22	-	414
2.2 Reversal to the income statement of negative reserves	57	21	1	-	79
- impairment	*8*	*8*	*1*	-	*17*
- disposal	*49*	*13*	-	-	*62*
2.3 Other changes	181	11	4	1	197
3. Negative fair value differences	**-960**	**-226**	**-30**	**-**	**-1,216**
3.1 Fair value decreases	-881	-180	-14	-	-1,075
3.2 Impairment losses	-	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	*-53*	*-22*	*-7*	-	*-82*
3.4 Other changes	-26	-24	-9	-	-59
4. Closing amount (*)	**-1,060**	**386**	**17**	**-1**	**-658**

(*) This amount includes 4 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

Innovative and non-innovative instruments - contribution to Tier 1, Tier 2 and Tier 3 capital

The main contractual characteristics of innovative and non-innovative instruments which, together with share capital and reserves, are included in the calculation of Tier 1 and Tier 2 capital, are summarised in the following tables.

Tier 1 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	9.5% fixed rate	NO	01-Oct-2010	perpetual	01-Jun-2021	Eur	1,000,000,000	1,000
Intesa Preferred LLC III (*)	6.988%; from 12/07/2011: 3-month Euribor + 2.60%	YES	12-Jul-2001	perpetual	12-Jul-2011	Eur	500,000,000	500
Intesa Sanpaolo (*)	up to 20/6/2018 (excluded): 8.047%; thereafter 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Eur	1,250,000,000	1,250
Intesa Sanpaolo (*)	up to 24/9/2018 (excluded): 8.698%; thereafter 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Eur	250,000,000	250
Intesa Sanpaolo (*)	8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 6.87%	YES	14-Oct-2009	perpetual	14-Oct-2019	Eur	1,500,000,000	1,500
Total preference shares and innovative and non-innovative equity instruments (Tier I) as at 31.12.2010								**4,500**
Total preference shares and innovative and non-innovative equity instruments (Tier I) as at 31.12.2009								**4,499**

(*) Securities subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 5th update of 22 December 2010, "New regulations for the prudential supervision of banks".

Tier 2 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	6.625% fixed rate	NO	08-May-2008	08-May-2018	NO	Eur	1,250,000,000	1,217
Intesa Sanpaolo	6.16% fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Eur	120,000,000	120
Banca CR Firenze	6-month Euribor + 1.40%	NO	19-Jun-2002	21-Jun-2012	NO	Eur	200,000,000	197
Banca CR Firenze	6-month Euribor + 0.95%	NO	05-Dec-2003	05-Dec-2013	NO	Eur	200,000,000	145
Centro Leasing Banca S.p.A.	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	30,000,000	27
Total hybrid instruments (Upper Tier II) as at 31.12.2010								**1,706**
Total hybrid instruments (Upper Tier II) as at 31.12.2009								**1,737**
Centro Leasing Banca S.p.A.	up to 27/9/2011 (excluded): 3-month Euribor + 0.65% p.a.; thereafter: 3-month Euribor + 1.25% p.a.	YES	27-Sep-2006	27-Sep-2016	27-Sep-2011	Eur	90,000,000	63
Cassa di Risparmio della Spezia S.p.A.	for the first 5 years: 3-month Euribor + 0.10%; for the following 5 years: 3-month Euribor + 0.30%	YES	14-Dec-2007	14-Dec-2017	14-Dec-2012	Eur	30,000,000	30
Banca CR Firenze	3-month Euribor	NO	19-Jan-2004	18-Feb-2011	NO	Eur	23,000,000	5
Banca CR Firenze	6-month Euribor	NO	21-Jun-2004	28-Jul-2011	NO	Eur	40,000,000	8
Banca CR Firenze	6-month Euribor + 0.15%	NO	10-Apr-2006	22-May-2013	NO	Eur	85,000,000	51
Banca Intesa Beograd	6-month Euribor + 2.25%	NO	15-Jun-2006	15-Dec-2012	15-Jun-2011	Eur	60,000,000	24
Intesa Sanpaolo	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor	NO	16-Jun-1998	17-Jun-2013	NO	Lit	500,000,000,000	106
Intesa Sanpaolo	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor	NO	30-Jun-1998	01-Jul-2013	NO	Lit	200,000,000,000	44
Intesa Sanpaolo	8% for 1st coupon, 5% for 2nd coupon, 4% for 3rd coupon, thereafter 70% of 10-year swap rate	NO	09-Mar-1999	09-Mar-2014	NO	Lit	480,000,000,000	168
Intesa Sanpaolo	8% 1st coupon, 5.5% 2nd coupon, 4% 3rd coupon, thereafter 65% of 10-year swap rate with minimum 4%	NO	15-Jul-1999	15-Jul-2014	NO	Eur	250,000,000	175
Intesa Sanpaolo	6.11% fixed rate; as of 23/02/2005 97% of 30-year euro swap mid rate	NO	23-Feb-2000	23-Feb-2015	NO	Eur	65,000,000	64
Intesa Sanpaolo	92% of 30-year Euro Swap mid rate: never less than that of previous coupon	NO	12-Mar-2001	23-Feb-2015	NO	Eur	50,000,000	50
Intesa Sanpaolo	5.35% fixed rate	NO	09-Apr-2001	09-Apr-2011	NO	Eur	125,478,000	25
Intesa Sanpaolo	5.20% fixed rate	NO	15-Jan-2002	15-Jan-2012	NO	Eur	265,771,000	106
Intesa Sanpaolo	5.50% fixed rate	NO	12-Apr-2002	12-Apr-2012	NO	Eur	126,413,000	49
Intesa Sanpaolo	3-month Euribor + 0.25%	YES	08-Feb-2006	08-Feb-2016	08-Feb-2011	Eur	1,500,000,000	1,462
Intesa Sanpaolo	5.50% fixed rate; as of 19/12/2011 3-month GBP Libor + 0.99%	YES	19-Jul-2006	19-Dec-2016	19-Dec-2011	Gpb	1,000,000,000	1,160
Intesa Sanpaolo	6.375% fixed rate; as of 12/11/2012 3-month GBP Libor	YES	12-Oct-2007	12-Oct-2017	12-Oct-2012	Gpb	250,000,000	290
Intesa Sanpaolo	5.375% fixed rate	NO	13-Dec-2002	13-Dec-2012	NO	Eur	300,000,000	120
Intesa Sanpaolo	up to 20/2/2013 (excluded): 3-month Euribor + 0.25% p.a.; thereafter 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	20-Feb-2013	Eur	750,000,000	743
Intesa Sanpaolo	up to 18/03/2019 (excluded): 5.625% p.a.; thereafter: 3-month Sterling LIBOR + 1.125% p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Gbp	165,000,000	191
Intesa Sanpaolo	up to 28/06/2011 (excluded): 3-month Euribor + 0.30% p.a.; thereafter 3-month Euribor + 0.90% p.a.	YES	28-Jun-2004	28-Jun-2016	28-Jun-2011	Eur	700,000,000	698
Intesa Sanpaolo	up to 02/03/2015 (excluded): 3.75% p.a.; thereafter: 3-month Euribor +0.89% p.a.	YES	02-Mar-2005	02-Mar-2020	02-Mar-2015	Eur	500,000,000	497

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Contribution to regulatory capital (millions of euro)
Intesa Sanpaolo	up to 19/4/2011 (excluded): 3-month Euribor + 0.20% p.a. thereafter: 3-month Euribor + 0.80% p.a.	YES	29-Apr-2006	19-Apr-2016	19-Apr-2011	Eur	500,000,000	491
Intesa Sanpaolo	up to 26/6/2013 (excluded): 4.375% p.a.; thereafter: 3-month Euribor + 1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	26-Jun-2013	Eur	500,000,000	492
Intesa Sanpaolo	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	415,000,000	407
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	545,000,000	538
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	382,401,000	372
Intesa Sanpaolo	4.80% fixed rate	NO	28-Mar-2008	28-Mar-2015	NO	Eur	800,000,000	793
Intesa Sanpaolo	4.00% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	1,097,000,000	1,048
Intesa Sanpaolo	5.75% fixed rate; as of 28/5/2013 3-month Euribor + 1.98%	YES	28-May-2008	28-May-2018	28-May-2013	Eur	1,000,000,000	978
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	635,500,000	629
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	165,000,000	156
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	1,500,000,000	1,469
Intesa Sanpaolo	quarterly interests according to the formula (3-month Euribor + 1.6%)/4	NO	30-Sep-2010	30-Sep-2017	NO	Eur	805,400,000	805
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	1,250,000,000	1,246
Intesa Sanpaolo	quarterly interests according to the formula: (3-month Euribor + 1.60%)/4	NO	10-Nov-2010	10-Nov-2017	NO	Eur	479,050,000	479
Pravex Bank	7.025% (Libor + 5%)	NO	other issues placed as of 12/09/2000	other issues with final expiry at 31/07/2016	NO	Usd	14,100,000	11
Total eligible subordinated liabilities (Lower Tier II) as at 31.12.2010								**16,043**
Total eligible subordinated liabilities (Lower Tier II) as at 31.12.2009								**14,452**
TOTAL AS AT 31.12.2010								**17,749**
TOTAL AS AT 31.12.2009								**20,688**

Tier 3 capital

As at 31 December 2010 and 31 December 2009 no subordinated debts were issued which are eligible to be considered in Tier 3 Capital, net of intragroup operations, to “cover” market risks.

Reconciliation of Net book value and Tier 1 Regulatory Capital

The components of "Net book value" and the innovative capital instruments illustrated above contribute, based on the rules established by the Bank of Italy, to forming the "Tier 1" regulatory capital, as summarised in the table below:

(millions of euro)

Information	31.12.2010	31.12.2009
Shareholders' equity pertaining to the Group	53,533	52,681
Shareholders' equity pertaining to minority interests	1,067	1,090
SHAREHOLDERS' EQUITY	**54,600**	**53,771**
Components of shareholders' equity not pertaining to the Banking group	4	-55
Dividend Intesa Sanpaolo S.p.A. (-) (*)	-1,033	-1,033
OTHER COMPONENTS:	**-20,545**	**-21,445**
- Innovative and non-innovative equity instruments (+)	4,528	4,499
- Goodwill pertaining to the Banking group (-)	-19,587	-19,731
- Other intangible assets pertaining to the Banking group (-)	-5,419	-5,633
- Valuation reserves pertaining to the Banking group (-)	1,045	423
- Negative valuation reserves pertaining to the Banking group included as negative filters (-)	-453	-437
- Fair value option: changes in bank's own creditworthiness included as negative filters (-)	-11	-11
- Other negative prudential filters (-)	-491	-484
- Other supervisory adjustments (+/-)	-157	-71
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**33,026**	**31,238**
TOTAL ITEMS TO BE DEDUCTED	**-1,851**	**-1,033**
TOTAL TIER 1 CAPITAL NET OF ITEMS TO BE DEDUCTED	**31,175**	**30,205**

(*) As proposed by the Management Board.

Detailed information on the breakdown of regulatory capital (Tier 1, Tier 2 and the related deductions) is provided in the following quantitative section of this Table.

Quantitative disclosure

Regulatory capital structure

The structure of the regulatory capital of the Intesa Sanpaolo Group as at 31 December 2010 is summarised in the table below:

(millions of euro)

Information	31.12.2010	31.12.2009
A. Tier 1 capital before the application of prudential filters	**33,981**	**32,170**
B. Tier 1 capital prudential filters	**-955**	**-932**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-955	-932
C. Tier 1 capital before items to be deducted (A+B)	**33,026**	**31,238**
D. Items to be deducted from Tier 1 capital	**1,851**	**1,033**
E. Total Tier 1 capital (C-D)	**31,175**	**30,205**
F. Tier 2 capital before the application of prudential filters	**18,315**	**16,599**
G. Tier 2 capital prudential filters	**-116**	**-94**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-116	-94
H. Tier 2 capital before items to be deducted (F+G)	**18,199**	**16,505**
I. Items to be deducted from Tier 2 capital	**1,851**	**1,033**
L. Total Tier 2 capital (H-I)	**16,348**	**15,472**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**3,721**	**2,923**
N. Regulatory capital (E+L-M)	**43,802**	**42,754**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**43,802**	**42,754**

At the end of 2010, regulatory capital amounted to a total of 43,802 million euro. Regulatory capital takes into account the dividend distribution on the 2010 net income that the Management Board will propose to the Shareholders' Meeting, i.e. 0.091 euro per savings share and 0.080 euro per ordinary share, for a total dividend disbursement of 1,033 million euro.

Moreover, the Bank of Italy, in a Regulation issued on 18 May 2010, provided supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 31 December 2010 account for this measure (the effect on the Core Tier 1 ratio is +9 basis points).

More detailed information on the breakdown of Tier 1, Tier 2, and Tier 3 capital is provided below based on the Regulatory Capital reporting schemes that include the changes introduced by the Bank of Italy with the 5th update to Circular 263 of 22 December 2010, as well as the related update to Circular 155. Specifically, the schemes were amended in order to implement the changes regarding innovative and non-innovative capital instruments, as well as to suitably manage the reporting of instruments governed by transitional discipline (grandfathering). In summary, securities representing investments in share capital (shares) and innovative and non-innovative capital instruments – issued prior to 31 December 2010 – which do not meet the regulatory requirements to be included in the calculation of regulatory capital continue to be calculated in Tier 1 capital up to 31 December 2020. Subsequently, they are subject to the following limits:

a) up to 20% of Tier 1 capital gross of deductions, up to 31 December 2030;
b) up to 10% of Tier 1 capital gross of deductions, up to 31 December 2040.

Tier 1 capital

(millions of euro)

Information	31.12.2010	31.12.2009
TOTAL TIER 1 CAPITAL(*)		
- Share capital - ordinary shares (**)	6,454	6,548
- Share capital - preference savings shares (***)	488	488
- Share premium reserve	33,225	33,235
- Reserves and net income	14,299	12,766
- Non-innovative equity instruments	1,000	-
- Innovative equity instruments with final expiry	-	4,499
- Innovative equity instruments subject to transition requirements (grandfathering) (***)	3,528	-
- Positive IAS / IFRS prudential filters (+)		
Fair value option: changes in bank's own creditworthiness	-	-
Redeemable shares	-	-
Capital resources forming the object of forward purchase commitments included in tier 1 capital	-	-
Other positive prudential filters	-	-
TOTAL POSITIVE ITEMS	**58,994**	**57,536**
- Own shares or quotas (****)	-7	-2
- Goodwill	-19,587	-19,731
- Other intangible assets	-5,419	-5,633
- Loss for the period	-	-
- Adjustments to loans	-	-
- Adjustments calculated on the regulatory trading book	-	-
- Other	-	-
- Negative IAS / IFRS prudential filters (-)		
Fair value option: changes in bank's own creditworthiness	*-11*	*-11*
Negative reserves on equities and quotas of UCI available for sale	-	-
Negative reserves on debt securities available for sale (*****)	*-453*	*-437*
Net accumulated capital gain on tangible assets	-	-
Capital resources forming the object of forward purchase commitments not included in tier 1 capital	-	-
Other negative prudential filters (******)	*-491*	*-484*
TOTAL NEGATIVE ITEMS	**-25,968**	**-26,298**
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**33,026**	**31,238**
TOTAL ITEMS TO BE DEDUCTED	**-1,851**	**-1,033**
- Investment in the Bank of Italy	-314	-314
- Insurance subsidiaries purchased after 20 July 2006	-429	-29
- Other banking and financial investments higher than 20% of the investee's capital	-436	-442
- Excess expected losses with respect to adjustments (IRB-AIRB models)	-594	-176
- Other deductions	-78	-72
TOTAL TIER 1 CAPITAL NET OF ITEMS TO BE DEDUCTED	**31,175**	**30,205**

(*) The individual components of the regulatory capital include both the portion relating to the capital of the Group and of the third party shareholders.

(**) It does not include 28 millions euro of preference shares subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 5th update of 22 December 2010, "New regulations for the prudential supervision of banks".

(***) Securities subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 5th update of 22 December 2010, "New regulations for the prudential supervision of banks".

(****) The caption mainly includes ordinary shares.

(*****) The caption does not include the negative reserves on government bonds of EU countries, for which the supervisory regulations provided for the option – exercised by the Group – to exclude these from the negative Tier 1 capital filters, with an effect on the Core Tier 1 ratio of 9 basis points.

(******) The caption mainly includes the prudential filter related to the alignment of tax values of goodwill to its book values, as well as an immaterial amount of negative prudential filters relating to the sale of properties used in operations.

The "Total items to be deducted" amounted to half the overall deductions, 50% of which were allocated as a reduction to the Tier 1 capital and the remaining 50% as a reduction to the Tier 2 capital.

Tier 2 capital

(millions of euro)

Information	31.12.2010	31.12.2009
TIER 2 CAPITAL (*)		
- Valuation reserves - Tangible assets		
Legally-required revaluations	*352*	*352*
Property and equipment used in operations	-	-
- Valuation reserve - Securities available for sale		
Equities and quotas of UCI	*232*	*189*
Debt securities	-	-
- Non-innovative equity instruments not included in tier 1 capital	-	-
- Innovative equity instruments not included in tier 1 capital	-	-
- Hybrid capital instruments	1,706	1,737
- Tier 2 subordinated liabilities	16,043	14,452
- Excess total adjustments with respect to expected losses	167	-
- Net capital gains on equity investments	-	-
- Other positive items	-	1
- Positive IAS / IFRS prudential filters (+)		
Net accumulated capital gain on tangible assets	-	-
Capital resources forming the object of forward purchase commitments included in tier 2 capital	-	-
Other positive items	-	-
TOTAL POSITIVE ITEMS	**18,500**	**16,731**
- Net capital losses on equity investments	-22	-25
- Loans	-	-
- Other negative items	-163	-107
- Negative IAS / IFRS prudential filters (-)		
Portion not included of the valuation reserve on property and equipment used in operations	-	-
Portion not included of positive reserves on securities available for sale - Equities	*-116*	*-94*
Portion not included of positive reserves on securities available for sale - Debt securities	-	-
Tier 2 subordinated liabilities and hybrid capital instruments forming the object of forward purchase commitments not included in tier 2 capital	-	-
Other negative filters	-	-
TOTAL NEGATIVE ITEMS	**-301**	**-226**
TOTAL TIER 2 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**18,199**	**16,505**
TOTAL ITEMS TO BE DEDUCTED	**-1,851**	**-1,033**
- Investment in the Bank of Italy	-314	-314
- Insurance subsidiaries purchased after 20 July 2006	-429	-29
- Other banking and financial investments higher than 20% of the investee's capital	-436	-442
- Excess expected losses with respect to adjustments (IRB-AIRB models)	-594	-176
- Other deductions	-78	-72
TOTAL TIER 2 CAPITAL NET OF ITEMS TO BE DEDUCTED	**16,348**	**15,472**

(*) The individual components of the regulatory capital include both the portion relating to the capital of the Group and of the third party shareholders.

Table 4 – Capital adequacy

Qualitative disclosure

Assessment of the adequacy of the Bank's internal capital

The management of capital adequacy consists of a series of policies that determine the size and optimal combination of the various capitalisation instruments, in order to ensure that the levels of capital of the Group and its banking subsidiaries are consistent with the risk profile assumed and meet the supervisory requirements.
The concept of capital at risk differs according to the basis for its measurement, and different target levels of capitalisation are established:
– Regulatory Capital for Pillar 1 risks;
– overall Economic Capital for Pillar 2 risks, for the ICAAP process.
The Regulatory Capital and the overall Economic Capital differ in terms of their definition and the coverage of the risk categories. The former derives from the formats laid down by the supervisory provisions and the latter from the identification of the significant risks for the Intesa Sanpaolo Group and the consequent use of internal models for the exposure assumed.
Capital Management essentially involves the control of capital soundness through the careful monitoring of both the regulatory constraints (Basel 2 Pillar 1) and current and prospective operational constraints (Pillar 2) in order to anticipate any critical situations within a reasonable period of time and identify possible corrective actions for the generation or recovery of capital.
The processes of assessment of capital adequacy are therefore based on a "twin track" approach: Regulatory Capital for the purposes of compliance with the Pillar 1 requirements and overall Economic Capital for the purposes of the ICAAP process.

The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, also to run its operations. In this regard, the allocation of capital to the Business Units is established on the basis of their specific capacity to contribute to the creation of value, taking into account the level of return expected by the shareholders. To this end, internal systems are used to measure performance (EVA) on the basis of both the Regulatory Capital and the Economic Capital, in accordance with the criteria of the "use test" established by the supervisory provisions.
Verification of compliance with supervisory requirements and consequent capital adequacy is continuous and depends upon the objectives set out in the Business Plan.
The first verification occurs in the process of assignment of budget objectives: based on the growth trends expected for loans, other assets and income statement aggregates, the risks are quantified and their compatibility with compulsory capital ratios for individual banks and for the Group as a whole is assessed.
Compliance with capital adequacy is obtained via various levers, such as pay-out policy, definition of strategic finance operations (capital increases, issue of convertible bonds and subordinated bonds, disposal of non-core assets, etc.) and the management of loan policy on the basis of counterparty risk.
This dynamic management approach is aimed at identifying the risk capital raising instruments and hybrid capital instruments most suitable to the achievement of the objectives.
Compliance with the target levels of capitalisation is monitored during the year and on a quarterly basis, taking appropriate actions, where necessary, for the management and control of the balance sheets aggregates.
A further step in the preventive analysis and control of the Group's capital adequacy takes place whenever extraordinary operations (such as acquisitions, disposals, joint ventures etc.) are resolved upon. In this case, on the basis of the information on the operation to be conducted, its impact on capital ratios is estimated and any necessary actions to ensure compliance with the requirement set forth by Supervisory Authorities are planned.

As noted, the Intesa Sanpaolo Group attaches great importance to risk management and control as conditions for:

- guaranteeing that the Group structure is consistent with the risk tolerances of the various stakeholders, by combining sustainable value creation with a level of risk considered to be acceptable;
- ensuring the Group's capital and financial adequacy, to effectively safeguard business continuity and the public and social objectives of financial stability of intermediaries;
- enabling the transparent representation of the risk profile of its portfolios.

The Economic Capital, defined as the maximum "unexpected" loss that the Group may incur over a period of one year, is a key measure for determining the Group's financial structure and guiding its operations, ensuring the balance between risks assumed and shareholder return.
Consequently, when determining the risk tolerance considered to be acceptable, the Group's objective is to ensure that its liabilities are covered over a period of 12 months with a 99.96% confidence level (in line with the solvency targets for entities with an agency rating of AA-).
With regard to the objectives of financial stability, the Group's aim is to ensure that risk is covered with a 99.9% confidence level, even under conditions of stress.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in an intricate framework of governance, control limits and procedures.
The risks identified, covered and incorporated within the economic capital, considering the benefits of diversification, are as follows:

- credit risk, which also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- operational risk, including legal risk;
- financial risk of the banking book, mainly represented by:
  - interest rate and foreign exchange rate risk;
  - risk on equity investments not subject to line by line consolidation;
  - risk on real estate assets owned for whichever purpose;
- insurance risk;
- strategic risk;
- reputation risk;
- liquidity risk.

The level of absorption of Economic Capital is estimated on the basis of the current situation and also at a forecast level, based on the Budget assumptions and the projected economic scenario under ordinary and stress conditions. The capital position forms the basis for the business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord.

In accordance with the provisions established by the new rules on capital adequacy, the Group has completed the actions aimed at meeting the requirements laid down by the Second Pillar of Circular 263, by preparing and sending the ICAAP Reports to the Supervisory Authority - on approval by the corporate bodies – with the figures of the previous years on a consolidated basis.
The Group has also substantially completed the ICAAP Report on the figures as at 31 December 2010 and the forecasts as at 31 December 2011, and the final document is due to be sent to the Bank of Italy by 30 April 2011. The results of the ICAAP process have confirmed the soundness of the Group's capital base and that: the financial resources available ensure, with adequate margins, coverage of all current and prospective risks, also in stress conditions.

Moreover, the outcomes of the 2010 EU-wide stress test coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank (ECB) and under the supervision of the Bank of Italy, in which Intesa Sanpaolo also participated, were published in July. The Intesa Sanpaolo Group passed the stress test carried out by the CEBS on the 91 major European banking groups. Under a what-if adverse scenario with an additional sovereign shock, the Group would register a Tier 1 ratio of 8.2% at year-end 2011 compared to the 8.3% ratio of year-end 2009 and the minimum level of 6% required for the purposes of this stress test, with a buffer of approximately 8.5 billion euro of Tier 1 capital against the threshold of the minimum capital adequacy ratio required for the purposes of this exercise.

Quantitative disclosure

According to the "New regulations for the prudential supervision of banks" (Bank of Italy Circular 263 of 27 December 2006), which adopt the provisions on the International convergence of capital measurement and capital standards (Basel 2), the banking Group's capital must amount to at least 8% of total risk-weighted assets (total capital ratio) arising from the risks typically associated with banking and financial activity (credit, counterparty, market, and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques.
As already discussed, for the calculation of credit and counterparty risk capital requirements, the Intesa Sanpaolo Group, having received authorisation from the Supervisory Authority, uses the Advanced IRB approach and the foundation IRB approach for the Corporate segment and the IRB approach[1] for the Retail Mortgage segment (Residential mortgages for private individuals), from the report as at 31 December 2008 (31 December 2010 for the Advanced approach) and 30 June 2010 respectively. The complete list of the Group companies included in the scope of application of the various approaches is provided in Table 7.
The Group is also proceeding with the development of the rating models for the other segments, to which the standard methods are applied, and the extension of the scope of companies for their application in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.
Banks must also comply with capital requirements on market risks (see Table 11) calculated on the whole trading portfolio separately for the various types of risk: position risk on debt securities and equities, settlement risk, and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and general position risk (rate fluctuation risk) for debt securities. Intesa Sanpaolo's internal model also includes the calculation of the specific risk for certain types of credit derivatives in the trading book, whereas Banca IMI's model includes the position risk on quotas of UCI (for the Constant Proportion Portfolio Insurance - CPPI component). The scope of validated risks has subsequently been extended to dividend derivatives and, with effect from June 2010, to the commodity risk for Banca IMI. Standardised approaches are used for the other types of risk. Counterparty risk is calculated independently of the portfolio of allocation.
With regard to operational risk, the Group was authorised, effective from 31 December 2009, to use the Advanced AMA Approach (internal model) to determine the associated capital requirement on an initial scope that includes the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was then authorised to extend Advanced Approaches to a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka. The remaining companies, currently using the Standardised Approach, will migrate progressively to the Advanced Approaches starting from the end of 2011, based on the gradual rollout plan presented to the Supervisory Authority (see Table 12).

In general terms, the group-level capital requirement is calculated as the sum of the individual requirements of the individual companies that make up the Banking group, net of exposures arising from intragroup relations included in the calculation of credit, counterparty and settlement risk.
In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital base soundness: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preferred shares and savings shares and preference ordinary shares) and risk-weighted assets.

[1] Given that the rating systems for retail exposures must reflect both the borrower risk and the specific risk of the transaction, in this case there is no distinction between the foundation and the advanced approach.

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(millions of euro)

Information	31.12.2010 Unweighted amounts	31.12.2010 Weighted amounts	31.12.2010 Requirements	31.12.2009 Unweighted amounts	31.12.2009 Weighted amounts	31.12.2009 Requirements
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**544,764**	**289,172**	**23,134**	**540,605**	**316,258**	**25,301**
1. Standardised approach	270,698	135,773	10,862	344,625	165,206	13,217
2. Internal models (IRB)	27,798	22,589	1,807	191,735	148,331	11,866
3. Internal models - Advanced approach and retail exposures	240,696	125,277	10,022	-	-	-
4. Securitisations	5,572	5,533	443	4,245	2,721	218
A.2 Market risk		**15,385**	**1,231**		**16,804**	**1,344**
1. Standardised approach		12,229	978		14,889	1,191
2. Internal models		2,523	202		1,202	96
3. Concentration risk		633	51		713	57
A.3 Operational risk		**27,175**	**2,174**		**28,113**	**2,249**
1. Basic indicator approach		1,613	129		1,363	109
2. Standardised approach		5,275	422		9,925	794
3. Advanced measurement approach		20,287	1,623		16,825	1,346
A.4 Other capital requirements		**-**	**-**		-	-
A.5 Other calculation elements (*)		**426**	**34**		**473**	**38**
A6 Total capital requirements		**332,158**	**26,573**		**361,648**	**28,932**
B. CAPITAL RATIOS (%)						
B.1 Core Tier 1			**7.9%**			**7.1%**
B.2 Tier 1 ratio			**9.4%**			**8.4%**
B.3 Total capital ratio			**13.2%**			**11.8%**

(*) Additional specific capital requirements required by the Supervisory Authority to individual Group companies.

For a better comparison of the figures for the two periods shown in the table above (figures as at 31 December 2009 were not calculated on a proforma basis), please note that:

– the deconsolidation of Securities Services business, following its sale, resulted in a reduction in the assets at risk – weighted amounts – of around 1.3 billion euro (essentially credit and counterparty risk);
– the entry into the Group of the branches purchased from Monte dei Paschi, on the other hand, resulted in an increase in the assets at risk – weighted amounts – of just under one billion euro (credit and counterparty risk).

The tables below provide details of the Group’s different capital requirements as at 31 December 2010. Additional details, for the “non weighted” amounts, are also shown:

– for the standardised approach and the securitisations in Table 6 (which also shows the amounts of the off-balance sheet transactions before weighting for the credit conversion factors – CCF);
– for the internal models approach in Table 7 and the part of Table 6 relating to the specialised lending and equity exposures subject to the IRB approaches.

With regard to the “weighted” amounts, on the other hand, additional information is provided:

– for the securitisations in Table 10;
– for the equities (IRB and standard approach) in Table 13.

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

(millions of euro)

Regulatory portfolio	Capital requirement	
	31.12.2010	31.12.2009
Exposures to or secured by governments and central banks	108	101
Exposures to or secured by local authorities	287	275
Exposures to or secured by not for profit and public sector organisations	162	155
Exposures to or secured by multilateral development banks	1	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,194	1,093
Exposures to or secured by corporates	3,588	4,424
Retail exposures	2,892	3,130
Exposures secured by real estate property (*)	626	2,106
Past due exposures	670	878
High-risk exposures	154	89
Exposures in the form of covered bonds	1	-
Short-term exposures to corporates	98	120
Exposures to UCI	341	70
Other exposures	740	776
Total capital requirement for credit risk and counterparty risk (Standardised Approach)	**10,862**	**13,217**

(*) The Group was authorised to use the IRB Approach for the regulatory portfolio "Exposures secured by residential property" in 2010.

Capital requirement for Credit and Counterparty Risk (IRB Approach)

(millions of euro)

Regulatory portfolio	Capital requirement	
	31.12.2010	31.12.2009
A. Exposures to or secured by corporates (Foundation IRB Approach)	**10,795**	**11,815**
A.1) Specialised lending	515	372
A.2) Specialised lending - slotting criteria	176	97
A.3) SMEs	3,613	3,974
A.4) Other corporates	6,491	7,372
B. Exposures secured by residential property (IRB Approach) (*)	**982**	**-**
B.1) Retail	982	-
C. Equity exposures (simple risk weight approach)	**52**	**51**
C.1) Private equity exposures in sufficiently diversified portfolios	25	21
C.2) Exchange-traded equity exposures	10	10
C.3) Other equity exposures	17	20
D. Equity instruments: Other assets - Ancillary investments	**-**	**-**
E. Exposures subject to supervisory transition regarding capital requirements	**-**	**-**
Total capital requirement for credit risk and counterparty risk (IRB Approach)	**11,829**	**11,866**

(*) The Group was authorised to use the IRB Approach for the regulatory portfolio "Exposures secured by residential property" in 2010.

The equity exposures, for the companies that have adopted the IRB approach for the regulatory corporate portfolio, subject to grandfathering provisions regarding capital requirements, have a capital requirement of 214 million euro (179 million euro as at 31 December 2009).

Capital requirement for Credit and Counterparty Risk on securitisations (Standardised Approach)

(millions of euro)

Information	Capital requirement	
	31.12.2010	31.12.2009
Originated securitisations	43	48
Third-party securitisations	400	170
Total capital requirement for credit risk and counterparty risk on securitisations (Standardised approach)	**443**	**218**

Capital requirement for Market Risk

(millions of euro)

Information	Capital requirement	
	31.12.2010	31.12.2009
Assets included in the regulatory trading book	**1,120**	**1,246**
Position risk	1,069	1,189
Settlement risk for DVP (Delivery Versus Payment) transactions	-	-
Concentration risk	51	57
Other assets	**111**	**98**
Foreign exchange risk	67	70
Commodity risk	44	28
Total capital requirement for market risk	**1,231**	**1,344**

The capital requirement for "counterparty risk" for the regulatory trading book is 496 million euro (557 million euro as at 31 December 2009). This requirement is shown - for the individual regulatory portfolios - in the tables of capital requirements for credit risk under the standardised approach and the IRB approach.

Capital requirement for Operational Risk

(millions of euro)

Information	Capital requirement	
	31.12.2010	31.12.2009
Basic indicator approach	129	109
Standardised approach	422	794
Advanced measurement approach	1,623	1,346
Total capital requirement for operational risk	**2,174**	**2,249**

With effect from December 2009, almost all of the Group used the Advanced Measurement Approach (AMA) and the Standardised Approach to determine capital requirements for operational risk. Starting from 31 December 2010 additional Group companies were authorised to use internal models (see Table 12). A small remaining number of companies use the Basic Indicator Approach (BIA) For the AMA Approach the requirement is recalculated on a half yearly basis, whereas for the Standardised and the BIA Approaches the requirement is only calculated annually, unless one or more Group companies change approach during the year, by migrating towards more sophisticated models.

Table 5 – Credit risk: general disclosures for all banks

Qualitative disclosure

Definitions of "non-performing" loans and "past due" loans

Non-performing financial assets include those loans which, due to events that occur after initial recognition, show objective evidence of possible impairment.

For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due, in decreasing order of severity), the Group applies regulations issued by the Bank of Italy, consistent with the New Basel Accord and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms.

These assets are measured in accordance with the criteria and methods illustrated in this Table.

With reference to loans expired and/or past due, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within peripheral organisational units that perform specialist activities and within the Head Office units, which also have specialist skills and are responsible for the overall management and coordination of these matters.

In the first half of 2010, doubtful loans continued to be managed in essentially the same way as in 2009.

In the second half of 2010, the Group's new organisational model for loan recovery began to be applied on the basis of new agreements entered into with Italfondiario S.p.A., previously the external service for the performance of part of such activities on behalf of Intesa Sanpaolo S.p.A. and several banks within the Banca dei Territori Division.

Without prejudice to the management authority over the doubtful loans extant at 30 June 2010, the new model charges the Loan Recovery Department with coordinating all loan recovery activities and direct management (for Intesa Sanpaolo S.p.A. and almost all banks within the Banca dei Territori Division) of customers classified as doubtful effective the beginning of July 2010 showing exposures in excess of a pre-determined threshold amount.

Without prejudice to the above-mentioned management authority over the doubtful loans extant at 30 June 2010, the new model assigns Italfondiario S.p.A. (for Intesa Sanpaolo S.p.A. and almost all of the banks in the Banca dei Territori Division) direct management - under a specific mandate and with pre-determined limits - of customers classified as doubtful effective the beginning of July 2010 that show an exposure below the above-mentioned threshold amount.

There are some exceptions to the foregoing that in special circumstances allow management of some types of loans not to be entrusted to Italfondiario S.p.A..

In completion of the foregoing information, on the subject of the Group's new organisational model, it should also be noted that doubtful positions of limited amounts, excluding some specific cases, are routinely factored without recourse to third-party companies on a monthly basis when they are classified as doubtful. In 2010 such operations were extended to almost all banks within the Banca dei Territori Division.

The Loan Recovery Department draws on its own specialist units throughout the country to manage recovery activity for loans entrusted to it. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.

The assessment of the loans has been reviewed whenever events capable of significantly changing recovery prospects became known to the Bank. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.

The activity of Italfondiario S.p.A. in managing the loans entrusted to it under management mandate was constantly monitored by the responsible internal units of the Bank.

In particular, it should be noted that the assessment of loans has been conducted using similar procedures to those established for the internal management of positions, and the other management activities are progressively being brought into line with the guidelines established for the internally managed positions.

On this subject, the Loan Recovery Department also supervises the management of positions assigned to Italfondiario S.p.A.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery.
Assets are also classified as non-performing for financial reporting purposes through automatic mechanisms when given objective default thresholds are exceeded. Such mechanisms apply to expired and/or past-due loans as well as positions that have met the objective requirements for non-standard status established by the Bank of Italy.
The return to performing of exposures classified as substandard, restructured and doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.
Exposures classified amongst "expired and/or past-due loans" are restored to performing status automatically when payment is received. The same mechanism is applied to exposures of moderate amounts previously classified as substandard in accordance with internal provisions when automatic mechanisms detect that the conditions that triggered reclassification no longer apply.
The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

The definitions of the various categories of "non-performing" loans (past due, substandard, restructured and doubtful) are set forth below. In brief:

Doubtful loans
On- and off-balance sheet exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank; irrespective, therefore, of whether any (secured or personal) guarantees have been established to cover the exposures. Also included are exposures to Italian local authorities (municipal and provincial) in a state of financial distress for the amount subject to the associated liquidation procedure. These also include loans to natural persons fully backed by related mortgages for the purpose of purchasing residential properties where such persons reside, where they will reside or which will be leased by the borrower, when the debtor has been notified of encumbrance.

Substandard loans
On- and off-balance sheet exposures to borrowers in a temporary situation of objective difficulty, which may be expected to be remedied within a reasonable period of time. This irrespective of whether any (secured or personal) guarantees have been established to cover the exposures. Substandard loans should include exposures to issuers who have not regularly honoured their repayment obligations (in terms of capital or interest) relating to quoted debt securities, unless they meet the conditions for classification as doubtful loans. To this end the "grace period" established by the contract is recognised or, in its absence, the period recognised by the market listing the security. Substandard captions include, in any event ("objective substandard exposures") exposures (other than: a) exposures classified as doubtful; b) exposures included in the "Central Governments and Central Banks", "Local authorities" and "Public-sector entities" portfolios for the purpose of calculating capital requirements for credit and counterparty risk) which meet both of the following conditions:

i. they are due and/or past due on an ongoing basis:
   1) by over 150 days, in the case of exposures related to consumer credit with an original duration of less than 36 months;
   2) by over 180 days, in the case of exposures related to consumer credit with an original duration equal to or more than 36 months;
   3) by over 270 days, for exposures other than those mentioned in the previous points 1) and 2);

ii. the total amount of exposures pursuant to the previous line i. and the other portions due by less than 150, 180 or 270 days (excluding any overdue interest requested from the customer), if the type of exposure due, from the same borrower, is equal to at least 10 per cent of the entire exposure to said borrower (excluding overdue interest). In order to calculate the denominator, the book value is considered for securities, and the cash exposure for other credit positions; moreover, mortgage loans are not considered in calculating either the numerator or the denominator.

Restructured exposures

Restructured exposures: on- and off-balance sheet exposures for which a bank (or a pool of banks), as a result of the deterioration of the borrower's financial situation, agrees to amendments to the original terms and conditions (for example, rescheduling of deadlines, reduction of the debt and/or the interest) that give rise to a loss. These do not include exposures to corporates where the termination of the business is expected (for example in cases of voluntary liquidation or similar situations). The requirements relating to the "deterioration in the borrower's financial situation" and the presence of a "loss" are assumed to be met when the restructuring involves exposures already classified under the classes of substandard positions or due/past due exposures. If the restructuring relates to exposures to borrowers classified as "performing" or to unimpaired due/past due exposures, the requirement relating to the "deterioration in the borrower's financial situation" is assumed to be met when the restructuring involves a pool of banks. This irrespective of whether any (secured or personal) guarantees have been established to cover the exposures.

Past due exposures

Due and/or past due exposures: on- and off-balance sheet exposures, other than those classified as doubtful, substandard or restructured exposures that, as at the reporting date, are due or past due by more than 180 days on a continuous basis. For certain types of exposure (essentially banks and central governments and non-resident customers, as well as exposures secured by real estate property not subject to the IRB approach for calculating capital requirements) the Regulatory provisions have set a period of 90 days instead of 180 days. This irrespective of whether any (secured or personal) guarantees have been established to cover the exposures.

In addition to the types of non-performing exposures referred to above, the Intesa Sanpaolo Group also monitors and periodically reports its past due loans over 90 days to the Bank of Italy (still included under performing loans), defined as due and/or past due exposures over 90 days not already classified under one of the classes of non-performing loans.

Description of the methods adopted to calculate the adjustments

At every balance sheet date the financial assets not classified under Financial assets held for trading or Financial assets designated at fair value through profit and loss are subject to an impairment test to assess whether there is objective evidence to consider that the carrying value of these assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographic area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of the Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
These non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows relative to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out by identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the "New

capital accord" generally known as Basel 2. In particular, the parameters of the calculation model set out in the new supervisory provisions, namely, Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogeneous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting standards. This time period is reduced to six months solely for counterparties that are natural persons for whom the recognition of a worsening credit situation and the consequent transfer among the non-performing loans generally take place following unpaid instalments or continuous defaults for more than 90/180 days.
The allocation also takes into account corrective factors such as the state of the economic cycle and the concentration of credit risks towards persons who have a significant exposure to the Group.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. With respect to the second category, a significant or extended reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the latter amount, a fair value reduction of over 30% is considered significant, and a reduction of over 24 months is considered an extended continuous reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter (see Table 11).

Provisions made on an individual and collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as set out by Bank of Italy instructions.

Quantitative disclosure

The tables below show the Gross credit exposures - total and average - and the related adjustments broken down by risk class, geographical area, counterparty category and residual maturity, together with the adjustments made during the period. The figures represent the exposures shown in the financial statements, and include both the positions relating to the banking book and the regulatory trading book.

On-balance sheet exposures include all on-balance sheet financial assets claimed from banks, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).

Overall credit exposure by risk class (*)

(millions of euro)

Portfolios/category	Doubtful loans			Substandard loans			Restructured exposures		
	Gross	Net	Gross Average (**)	Gross	Net	Gross Average (**)	Gross	Net	Gross Average (**)
A. ON-BALANCE SHEET EXPOSURES									
1. Financial assets held for trading	4	3	2	84	59	68	10	7	7
2. Financial assets available for sale	3	3	4	1	1	1	-	-	-
3. Investments held to maturity	-	-	-	-	-	1	-	-	-
4. Due from banks	102	24	103	57	48	21	-	-	-
5. Loans to customers	20,567	7,348	18,515	11,380	9,006	12,187	3,631	3,334	3,299
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-
7. Financial assets under disposal	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-
Total A	**20,676**	**7,378**	**18,624**	**11,522**	**9,114**	**12,278**	**3,641**	**3,341**	**3,306**
B. OFF-BALANCE SHEET EXPOSURES	**229**	**164**	**203**	**651**	**548**	**665**	**-**	**-**	**-**
Total B	**229**	**164**	**203**	**651**	**548**	**665**	**-**	**-**	**-**
TOTAL - 31.12.2010	**20,905**	**7,542**	**18,827**	**12,173**	**9,662**	**12,943**	**3,641**	**3,341**	**3,306**
TOTAL - 31.12.2009	**16,782**	**5,534**	**15,053**	**13,745**	**11,084**	**10,962**	**2,404**	**2,295**	**1,631**

Portfolios/category	Past due exposures			Other exposures			Total		
	Gross	Net	Gross Average (**)	Gross	Net	Gross Average (**)	Gross	Net	Gross Average (**)
A. ON-BALANCE SHEET EXPOSURES									
1. Financial assets held for trading	10	9	15	68,527	68,527	76,522	68,635	68,605	76,614
2. Financial assets available for sale	-	-	-	18,660	18,660	15,715	18,664	18,664	15,720
3. Investments held to maturity	-	-	-	3,858	3,858	4,254	3,858	3,858	4,255
4. Due from banks	-	-	1	42,059	42,031	44,371	42,218	42,103	44,496
5. Loans to customers	1,667	1,514	1,883	360,719	358,222	357,208	397,964	379,424	393,092
6. Financial assets designated at fair value through profit and loss	-	-	-	999	999	961	999	999	961
7. Financial assets under disposal	-	-	3	-	-	1,936	-	-	1,939
8. Hedging derivatives	-	-	-	7,377	7,377	7,897	7,377	7,377	7,897
Total A	**1,677**	**1,523**	**1,902**	**502,199**	**499,674**	**508,864**	**539,715**	**521,030**	**544,974**
B. OFF-BALANCE SHEET EXPOSURES	**479**	**459**	**341**	**183,967**	**183,675**	**196,835**	**185,326**	**184,846**	**198,044**
Total B	**479**	**459**	**341**	**183,967**	**183,675**	**196,835**	**185,326**	**184,846**	**198,044**
TOTAL - 31.12.2010	**2,156**	**1,982**	**2,243**	**686,166**	**683,349**	**705,699**	**725,041**	**705,876**	**743,018**
TOTAL - 31.12.2009	**2,815**	**2,645**	**2,387**	**706,106**	**703,322**	**727,286**	**741,852**	**724,880**	**757,320**

(*) This table provides figures pertaining exclusively to the Banking Group.

(**) Half-yearly average.

Credit exposures by geographical area to customers and banks

Credit exposures by geographical area – customers (*)

(millions of euro)

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	6,666	-11,349	648	-1,576	11	-52	3	-32	20	-212
A.2. Substandard loans	7,309	-1,986	1,674	-382	5	-1	2	-	16	-3
A.3. Restructured exposures	3,089	-247	216	-40	26	-10	3	-	-	-
A.4. Past due exposures	1,080	-114	287	-24	6	-	136	-15	5	-
A.5. Other exposures	327,598	-1,864	59,932	-516	7,720	-35	4,461	-24	4,578	-58
Total A	**345,742**	**-15,560**	**62,757**	**-2,538**	**7,768**	**-98**	**4,605**	**-71**	**4,619**	**-273**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	146	-62	7	-1	-	-	-	-1	7	-1
B.2. Substandard loans	413	-56	129	-26	-	-	-	-	6	-21
B.3. Other non-performing assets	420	-19	12	-1	49	-	9	-	-	-
B.5. Other exposures	62,223	-186	47,843	-71	17,358	-7	1,380	-4	1,132	-5
Total B	**63,202**	**-323**	**47,991**	**-99**	**17,407**	**-7**	**1,389**	**-5**	**1,145**	**-27**
TOTAL (A+B) 31.12.2010	**408,944**	**-15,883**	**110,748**	**-2,637**	**25,175**	**-105**	**5,994**	**-76**	**5,764**	**-300**
TOTAL 31.12.2009	**402,131**	**-13,929**	**116,208**	**-2,339**	**24,223**	**-168**	**4,816**	**-74**	**4,461**	**-309**

(*) This table provides figures pertaining exclusively to the Banking Group.

Credit exposures by geographical area – banks (*)

(millions of euro)

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	-	-	23	-73	-	-	3	-5	-	-
A.2. Substandard loans	47	-7	1	-1	1	-1	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	17,245	-4	22,812	-7	2,843	-4	4,281	-12	2,008	-1
Total A	**17,292**	**-11**	**22,836**	**-81**	**2,844**	**-5**	**4,284**	**-17**	**2,008**	**-1**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	4	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.5. Other exposures	4,715	-1	40,243	-6	6,257	-1	2,074	-10	450	-1
Total B	**4,715**	**-1**	**40,243**	**-6**	**6,257**	**-1**	**2,078**	**-10**	**450**	**-1**
TOTAL (A+B) 31.12.2010	**22,007**	**-12**	**63,079**	**-87**	**9,101**	**-6**	**6,362**	**-27**	**2,458**	**-2**
TOTAL 31.12.2009	**40,668**	**-4**	**72,814**	**-107**	**8,058**	**-14**	**4,823**	**-24**	**1,865**	**-2**

(*) This table provides figures pertaining exclusively to the Banking Group.

Credit exposures and adjustments to customers by counterparty (*)

(millions of euro)

	GOVERNMENTS			OTHER PUBLIC ENTITIES		
	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments
A. ON-BALANCE SHEET EXPOSURES						
A.1. Doubtful loans	1	-9	X	181	-32	X
A.2. Substandard loans	-	-	X	30	-7	X
A.3. Restructured exposures	-	-	X	-	-	X
A.4. Past due exposures	-	-	X	5	-	X
A.5. Other exposures	53,604	X	-14	19,176	X	-59
Total A	**53,605**	**-9**	**-14**	**19,392**	**-39**	**-59**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	-	-	X	-	-	X
B.2. Substandard loans	-	-	X	-	-	X
B.3. Other non-performing assets	-	-	X	8	-	X
B.4. Other exposures	4,542	X	-	1,815	X	-10
Total B	**4,542**	**-**	**-**	**1,823**	**-**	**-10**
TOTAL - 31.12.2010	**58,147**	**-9**	**-14**	**21,215**	**-39**	**-69**
TOTAL - 31.12.2009	**42,615**	**-6**	**-4**	**26,495**	**-42**	**-39**

	FINANCIAL INSTITUTIONS			INSURANCE COMPANIES		
	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments
A. ON-BALANCE SHEET EXPOSURES						
A.1. Doubtful loans	94	-359	X	-	-	X
A.2. Substandard loans	278	-47	X	-	-	X
A.3. Restructured exposures	35	-4	X	-	-	X
A.4. Past due exposures	128	-3	X	-	-	X
A.5. Other exposures	36,131	X	-88	3,169	X	-78
Total A	**36,666**	**-413**	**-88**	**3,169**	**-**	**-78**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	-	-	X	-	-	X
B.2. Substandard loans	21	-2	X	-	-	X
B.3. Other non-performing assets	23	-	X	-	-	X
B.4. Other exposures	27,106	X	-9	2,002	X	-18
Total B	**27,150**	**-2**	**-9**	**2,002**	**-**	**-18**
TOTAL - 31.12.2010	**63,816**	**-415**	**-97**	**5,171**	**-**	**-96**
TOTAL - 31.12.2009	**72,551**	**-532**	**-124**	**5,108**	**-26**	**-6**

	NON-FINANCIAL COMPANIES			OTHER COUNTERPARTIES		
	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments
A. ON-BALANCE SHEET EXPOSURES						
A.1. Doubtful loans	5,604	-10,478	X	1,468	-2,343	X
A.2. Substandard loans	6,770	-1,666	X	1,928	-652	X
A.3. Restructured exposures	3,238	-253	X	61	-40	X
A.4. Past due exposures	1,109	-85	X	272	-65	X
A.5. Other exposures	210,035	X	-1,839	82,174	X	-419
Total A	**226,756**	**-12,482**	**-1,839**	**85,903**	**-3,100**	**-419**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	152	-64	X	8	-1	X
B.2. Substandard loans	516	-80	X	11	-21	X
B.3. Other non-performing assets	458	-20	X	1	-	X
B.4. Other exposures	89,187	X	-222	5,284	X	-14
Total B	**90,313**	**-164**	**-222**	**5,304**	**-22**	**-14**
TOTAL - 31.12.2010	**317,069**	**-12,646**	**-2,061**	**91,207**	**-3,122**	**-433**
TOTAL - 31.12.2009	**317,479**	**-11,275**	**-2,236**	**87,591**	**-2,226**	**-303**

(*) This table provides figures pertaining exclusively to the Banking Group.

Credit exposures by residual contractual maturity

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
A. ON-BALANCE SHEET EXPOSURES	**54,631**	**21,263**	**8,735**	**25,599**	**36,481**	**30,889**	**34,509**	**139,361**	**122,912**	**3,570**
A.1 Government bonds	200	19	386	2,712	6,862	9,380	6,422	8,176	6,843	-
A.2 Other debt securities	691	291	179	365	1,087	1,704	1,977	13,631	14,846	8
A.3 Quotas of UCI	2,451	-	-	-	-	-	-	-	-	-
A.4 Loans	51,289	20,953	8,170	22,522	28,532	19,805	26,110	117,554	101,223	3,562
- Banks	*5,873*	*9,343*	*2,382*	*3,732*	*4,818*	*2,768*	*2,472*	*1,605*	*164*	*3,357*
- Customers	*45,416*	*11,610*	*5,788*	*18,790*	*23,714*	*17,037*	*23,638*	*115,949*	*101,059*	*205*
B. OFF-BALANCE SHEET EXPOSURES	**88,162**	**52,759**	**15,359**	**33,371**	**47,668**	**21,254**	**38,892**	**122,189**	**37,473**	**10**
B.1 Financial derivatives with exchange of capital										
- Long positions	*300*	*23,049*	*7,526*	*16,203*	*22,298*	*8,958*	*14,255*	*10,540*	*12,592*	*-*
- Short positions	*393*	*25,224*	*7,574*	*16,379*	*22,004*	*8,033*	*14,571*	*10,694*	*11,817*	*-*
B.2 Financial derivatives without exchange of capital										
- Long positions	*38,465*	*162*	*68*	*317*	*542*	*327*	*1,422*	*2,312*	*1,479*	*-*
- Short positions	*39,288*	*18*	*123*	*139*	*520*	*366*	*1,576*	*2,433*	*881*	*-*
B.3 Irrevocable commitments to lend funds										
- Long positions	*282*	*3,639*	*66*	*169*	*951*	*1,796*	*3,556*	*47,371*	*5,962*	*-*
- Short positions	*9,342*	*667*	*2*	*161*	*1,311*	*1,753*	*3,451*	*48,783*	*4,732*	*5*
B.4 Financial guarantees given	*92*	*-*	*-*	*3*	*42*	*21*	*61*	*56*	*10*	*5*
TOTAL AS AT 31.12.2010	**142,793**	**74,022**	**24,094**	**58,970**	**84,149**	**52,143**	**73,401**	**261,550**	**160,385**	**3,580**
TOTAL AS AT 31.12.2009	**151,097**	**51,477**	**20,935**	**42,911**	**85,003**	**53,346**	**60,903**	**267,330**	**160,154**	**1,189**

(*) This table provides figures pertaining exclusively to the Banking Group.

Net adjustments for on-balance sheet exposures: breakdown (*)

(millions of euro)

	Impairment losses	Recoveries	31.12.2010	31.12.2009
A. Due from banks	**-17**	**6**	**-11**	**-19**
- Loans	-12	2	-10	-16
- Debt securities	-5	4	-1	-3
B. Loans to customers	**-4,859**	**2,064**	**-2,795**	**-3,422**
- Loans	-4,853	2,064	-2,789	-3,412
- Debt securities	-6	-	-6	-10
C. Total	**-4,876**	**2,070**	**-2,806**	**-3,441**

(*) This table provides figures pertaining exclusively to the Banking Group.

Net adjustments for off-balance sheet exposures: breakdown (*)

(millions of euro)

	Impairment losses	Recoveries	31.12.2010	31.12.2009
A. Guarantees given	-74	73	-1	-6
B. Credit derivatives	-	-	-	-
C. Commitments to lend funds	-48	51	3	5
D. Other operations	-5	4	-1	-6
E. Total	**-127**	**128**	**1**	**-7**

(*) This table provides figures pertaining exclusively to the Banking Group.

Changes in adjustments relating to non-performing exposures to customers and banks

Changes in adjustments relating to non-performing exposures to customers as at 31 December 2010 (*)

(millions of euro)

Information	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**11,094**	**2,600**	**109**	**160**
B. Increases	**4,429**	**2,235**	**269**	**290**
B.1 impairment losses	2,477	1,638	57	248
B.2 transfers from other non-performing exposure categories	1,313	323	186	13
B.3 other increases	639	274	26	29
B.4 business combinations	-	-	-	-
C. Decreases	**-2,302**	**-2,463**	**-81**	**-297**
C.1 recoveries on impairment losses	-525	-574	-33	-39
C.2 recoveries on repayments	-383	-163	-2	-10
C.3 write-offs	-893	-87	-17	-3
C.4 transfers to other non-performing exposure categories	-106	-1,473	-29	-227
C.5 other decreases	-395	-166	-	-18
C.6 business combinations	-	-	-	-
D. Final total adjustments	**13,221**	**2,372**	**297**	**153**

(*) This table provides figures pertaining exclusively to the Banking Group.

Changes in adjustments relating to non-performing exposures to banks as at 31 December 2010 (*)

(millions of euro)

Information	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**77**	**2**	**-**	**-**
B. Increases	**5**	**7**	**-**	**-**
B.1 impairment losses	4	7	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	1	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-4**	**-**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-	-
C.2 recoveries on repayments	-	-	-	-
C.3 write-offs	-3	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-
C.5 other decreases	-1	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**78**	**9**	**-**	**-**

(*) This table provides figures pertaining exclusively to the Banking Group.

Table 6 – Credit risk: disclosures for portfolios subject to the standardised approach and for specialised lending and equity exposures subject to the IRB approaches

Qualitative disclosure

External agencies used

For the determination of the risk weightings under the standardised approach, the Intesa Sanpaolo Group uses the ratings of the following external agencies for all of its portfolios subject to the reporting: Standard & Poor's ratings Services, Moody's Investors Service, and Fitch Ratings. These agencies are valid for all Group banks.

When determining the capital requirements, if there are two ratings for the same customer, the most prudential of the two is used, and when three ratings are available the middle rating is adopted.

List of the external Rating Agencies

Portfolio	ECA/ECAI		
Exposures to or secured by governments and central banks (*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services
Exposures to or secured by international organisations(*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services
Exposures to or secured by multilateral development banks (*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services
Exposures to or secured by corporates and other entities (*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services
Exposures to UCI (*)	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services
Position on securitisations with short-term rating	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services
Position on securitisations different from those with short-term rating	Fitch Ratings	Moody's Investors Service	Standard & Poor's Rating Services

(*) Ratings characteristics: solicited/unsolicited.

Process of transfer of the issuer or issue credit ratings to comparable assets not included in the regulatory trading book

In compliance with the Bank of Italy Circular 263, the criteria have been defined, as described below, for the use of issue and issuer credit ratings for the assessment of exposure risks and guarantee mitigation.

The risk weighting assigned to the exposures has been determined, in general for the regulatory portfolios, using the issue rating as the primary measure and then, when this is not available and the conditions established by the Circular are met, through the use of the issuer rating.

The same priority has been used in general for all the regulatory portfolios to determine the eligibility of the guarantees and the regulatory volatility corrections to be allocated. For the unrated issues of supervised issuers, the extension of the eligibility is strictly subject to the conditions established by the regulations (listing in regulated markets, non-subordinated securities, and issues of the same rank associated with classes 1 to 3 of the credit quality rating scale).

Quantitative disclosure

The quantitative disclosures in this Table complement those provided in Table 8 – Risk mitigation techniques. In fact, each regulatory portfolio provided for by regulations under the standardised approach is broken down as follows:

- amount of on- and off-balance exposures, "without" the risk mitigation, which does not take into account the decrease in exposure arising from application of collateral and guarantees; in the case of guarantees, which transfer risk in respect of the guaranteed portion, reference is made to the guarantor's regulatory portfolios and weightings, while as to the residual exposure, reference is made to the guaranteed party's information;
- amount of the same exposures "with" the risk mitigation effect, i.e. net of the guarantees mentioned in the previous point. the difference between exposures "with" and "without" credit risk mitigation thus represents the amount of approved guarantees, disclosed in Table 8 - Risk mitigation techniques.

The above information is listed in the "with" and "without" credit risk mitigation columns and associated with the risk weightings defined by the current Prudential Supervisory regulations.

The exposures listed in the columns "Exposures with credit risk mitigation" and "Exposures without credit risk mitigation" also contain the off-balance sheet exposures in relation to guarantees and commitments (including the margins available on lines of credit) without the application of the credit conversion factors (CCF) required by the prudential regulations. The off-balance sheet exposures in relation to guarantees and commitments are disclosed side by side with the counterparty weighting factor.

Please note that exposures backed by collateral - whose exposure level is reduced due to application of the comprehensive method as provided for by applicable regulations - are conventionally represented side by side with 0% weighting in the table "Exposures without credit risk mitigation".

Breakdown of exposures: standardised approach

(millions of euro)

Regulatory portfolio	31.12.2010			31.12.2009		
	Exposure with credit risk mitigation	Exposure without credit risk mitigation	Exposures deducted from regulatory capital	Exposure with credit risk mitigation	Exposure without credit risk mitigation	Exposures deducted from regulatory capital
Exposures to or secured by governments and central banks	57,277	59,609	627	65,225	67,372	627
Exposures to or secured by local authorities	20,505	20,874	-	19,226	19,540	-
Exposures to or secured by not for profit and public sector organisations	10,774	11,836	-	10,294	10,458	-
Exposures to or secured by multilateral development banks	1,390	1,390	-	230	230	-
Exposures to or secured by international organisations	40	40	-	38	38	-
Exposures to or secured by supervised institutions	75,510	127,364	727	59,577	89,535	719
Exposures to or secured by corporates	61,530	66,594	-	80,764	84,988	-
Retail exposures	65,890	71,563	-	75,152	78,901	-
Exposures secured by real estate property	18,939	18,939	-	71,663	71,663	-
Past due exposures	7,397	7,468	-	10,296	10,349	-
High-risk exposures	1,210	1,210	-	834	834	-
Exposures in the form of covered bonds	162	162	-	-	-	-
Short-term exposures to corporates	1,828	1,923	-	2,392	2,491	-
Exposures to UCI	4,826	4,826	-	969	974	-
Other exposures	15,314	15,314	4,881	17,451	17,451	3,290
Securitisations (*)	5,572	5,572	-	4,245	4,245	-
Total credit risk	**348,164**	**414,684**	**6,235**	**418,356**	**459,069**	**4,636**

(*) Further information on securitisations is contained in Table 10 - Securitisations.

For certain regulatory portfolios, the Group uses the standardised approach to a lesser extent, as it obtained authorisation to use the IRB approaches. For information on the different scope of companies which the IRB approaches are applied to, see the information in Table 7.

The exposure value shown in the tables of this Table is stated net of adjustments.

The exposures deducted from the Regulatory Capital include both the exposures deducted at 50% from the Tier 1 capital and 50% from the Tier 2 capital (net of expected losses in excess of impairment losses – IRB models) and the exposures deducted from the total of the Tier 1 and Tier 2 capital (see Table 3).

Further details on the amounts of exposures with or without credit risk mitigation are provided in the two following tables.

Breakdown of exposures by credit quality step and by exposure class: standardised approach – exposures "with" credit risk mitigation

(millions of euro)

Regulatory portfolio	31.12.2010										
	0%	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**200%**	**Other**	**TOTAL**
Exposures to or secured by governments and central banks	55,226	X	190	X	1,142	X	719	-	X	-	57,277
Exposures to or secured by local authorities	133	X	19,359	X	368	X	645	-	X	X	20,505
Exposures to or secured by not for profit and public sector organisations	37	X	9,278	X	36	X	1,423	-	X	X	10,774
Exposures to or secured by multilateral development banks	1,340	X	12	X	38	X	-	-	X	X	1,390
Exposures to or secured by international organisations	40	X	X	X	X	X	X	X	X	X	40
Exposures to or secured by supervised institutions	1,593	X	57,292	X	4,641	X	11,885	99	X	X	75,510
Exposures to or secured by corporates	-	X	2,515	X	5,491	X	53,082	442	X	X	61,530
Retail exposures	-	X	X	X	X	65,890	X	X	X	X	65,890
Exposures secured by real estate property	X	X	X	10,658	8,281	X	X	X	X	X	18,939
Past due exposures	-	X	X	X	155	X	4,131	3,111	X	X	7,397
High-risk exposures	X	X	X	X	X	X	485	21	704	X	1,210
Exposures in the form of covered bonds	X	147	15	X	-	X	-	X	X	X	162
Short-term exposures to corporates	X	X	-	X	-	X	1,828	-	X	X	1,828
Exposures to UCI	-	X	51	X	-	X	4,719	56	X	-	4,826
Other exposures	3,488	X	3,098	X	X	X	8,728	X	X	X	15,314
Securitisations	X	X	X	X	X	X	X	X	X	X	5,572
Total credit risk	**61,857**	**147**	**91,810**	**10,658**	**20,152**	**65,890**	**87,645**	**3,729**	**704**	**-**	**348,164**

Breakdown of exposures by credit quality step and by exposure class: standardised approach – exposures "without" credit risk mitigation

(millions of euro)

Regulatory portfolio	31.12.2010										
	0%	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**200%**	**Other**	**TOTAL**
Exposures to or secured by governments and central banks	57,011	X	194	X	1,685	X	719	-	X	-	59,609
Exposures to or secured by local authorities	138	X	19,684	X	368	X	684	-	X	X	20,874
Exposures to or secured by not for profit and public sector organisations	1,081	X	9,295	X	36	X	1,424	-	X	X	11,836
Exposures to or secured by multilateral development banks	1,340	X	12	X	38	X	-	-	X	X	1,390
Exposures to or secured by international organisations	40	X	X	X	X	X	X	X	X	X	40
Exposures to or secured by supervised institutions	51,279	X	59,389	X	4,711	X	11,886	99	X	X	127,364
Exposures to or secured by corporates	4,948	X	2,631	X	5,491	X	53,082	442	X	X	66,594
Retail exposures	5,671	X	X	X	X	65,892	X	X	X	X	71,563
Exposures secured by real estate property	X	X	X	10,658	8,281	X	X	X	X	X	18,939
Past due exposures	71	X	X	X	155	X	4,131	3,111	X	X	7,468
High-risk exposures	X	X	X	X	X	X	485	21	704	X	1,210
Exposures in the form of covered bonds	X	147	15	X	-	X	-	X	X	X	162
Short-term exposures to corporates	95	X	-	X	-	X	1,828	-	X	X	1,923
Exposures to UCI	-	X	51	X	-	X	4,719	56	X	-	4,826
Other exposures	3,488	X	3,098	X	X	X	8,728	X	X	X	15,314
Securitisations	X	X	X	X	X	X	X	X	X	X	5,572
Total credit risk	**125,162**	**147**	**94,369**	**10,658**	**20,765**	**65,892**	**87,686**	**3,729**	**704**	**-**	**414,684**

Specialised lending and equity exposures subject to the IRB approaches

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2010	31.12.2009
A) Exposures to or secured by corporates: Specialised lending - slotting criteria		
A.1) Regulatory assessment - weak	14	-
A.2) Regulatory assessment - sufficient	473	88
A.3) Regulatory assessment - good	1,358	1,035
A.4) Regulatory assessment - strong	549	270
A.5) Default	-	6
B. Equity exposures: Simple risk weight approach		
B.1) Private equity exposures in sufficiently diversified portfolios - 190%	165	135
B.2) Exchange-traded equity exposures - 290%	44	43
B.3) Other equity exposures - 370%	57	68
C. Equity instruments: Other assets - Ancillary investments - (100%)	-	3
Total	**2,660**	**1,648**

The weighted values of the equities subject to the IRB approaches and the weighted values of the equity instruments subject to the Standardised approach are detailed in Table 13 “Equity exposures: disclosures for banking book positions”.

Table 7 – Credit risk: disclosures for portfolios treated under IRB approaches

Qualitative disclosure

Credit risk – disclosures for portfolios treated under IRB approaches

The rollout plan for the internal models

The supervisory regulations provide for two approaches for the calculation of the capital requirement: the Standardised approach and the Internal Rating Based (IRB) approach, in which the risk weightings are a function of the banks' internal assessments of their borrowers. The IRB approach is in turn divided into a Foundation Internal Rating Based (FIRB) approach and an Advanced Internal Rating Based (AIRB) approach that differ in the risk parameters that banks are required to estimate. Under the foundation approach, banks use their own PD estimates and regulatory values for the other risk parameters, whereas under the advanced approach the latter are also estimated internally. Given that the rating systems for retail exposures must reflect both the borrower risk and the specific risk of the transaction, in this case there is no distinction between the foundation and the advanced approach.

As part of the Basel 2 Project, the Supervisory Authority granted permission to make a transition from the FIRB approach (in use since December 2008) to the AIRB approach for credit risks in the Corporate segment, effective from the report as at 31 December 2010. The scope of application of the AIRB approach extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano. For the product companies specialising in leasing and factoring (Leasint and Mediofactoring), LGD models are under development which will allow them to transition from the FIRB approach, currently used, to the AIRB approach. The foreign bank VUB Banka obtained permission to use the FIRB approach effective from the report as at 31 December 2010. For Banca IMI, which currently uses the standard approach, an application for authorisation of direct transition to the AIRB approach will be submitted in the first half of 2011.

Moreover, in June 2010, the IRB method was recognised for the Retail Mortgage segment.

An application for authorisation of transition to the IRB approach for the SME Retail segment is expected to be submitted in the second half of 2011, while the application for authorisation to use internal estimates of EAD in the advanced approaches for Retail portfolios will be submitted in 2012.

The Group is also proceeding with development of the rating models for the other segments and the extension of the scope of companies for their application in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

However, the rollout plan does not include certain exposures, which are the subject of a request for authorisation for the permanent partial use of the standardised approach. These relate to the following in particular: exposures to central governments and central banks; exposures to own banking group; exposures to minor operational units, and non-significant exposure classes in terms of size and level of risk (this category includes loans to non bank financial institutions).

Description of the structure, use, management processes and control mechanisms of the internal rating systems of the Corporate segment and the Residential Mortgages segment

Structure of the internal rating systems (PD)

The main features of the rating systems used are as follows:

- the rating is determined at counterparty level;
- the rating is based at Group level, and is the same for each counterparty, even when it is shared by several entities of the Group;
- the definition of default used corresponds to substandard, doubtful and past due loans (see Table 5), also taking into account the cure rate (return to performing) for the technical substandard loans, and is the same across the Group and within its various uses (development, backtesting, disclosure, etc.);
- the data used for the estimate relate as far as possible to the entire Group; where this is not possible, stratification criteria have been used, to render the sample as representative of the Group as possible;
- the length of the past series used for the development and calibration of the models has been determined on the basis of a trade-off between the need to cover a broad time horizon and the need to be forward looking in representing the the Group;
- the segmentation of the rating models has been determined in accordance with both legislation and process and regulatory criteria;
- within the segmentation identified, uniform models have been used as far as possible, although a differentiation has been made where appropriate on the basis of analytical criteria considered to be relevant (e.g. revenue, geographical area, etc.); this differentiation can occur at the development or the calibration phase;
- the models incorporate financial, behavioral and qualitative components. The manager must also provide an independent assessment of the counterparty's creditworthiness and if the assessment differs from the rating, the manager must implement the override procedure. This procedure provides for the immediate confirmation of the proposed rating in the event of a conservative override and the validation by an independent unit in the case of an improving override. The choice of giving a significant role to the human component enables the rating models to take account of all the information available, including the latest updates or data that would be difficult to incorporate into an automated model;
- the rating is reviewed at least once a year, in conjunction with the review of the loan; Intesa Sanpaolo has established procedures that increase the frequency of update when there are signs of deterioration of credit quality.

Structure of the internal rating systems (LGD)

The main features of the LGD models are as follows:

- the LGD is calculated by analysing losses suffered by the Group on historical defaults ("LGD workout");
- the definition of default used is the same as that applied in the PD estimation models;
- the LGD is based at Group level, and it is the same for each counterparty/ratio, even when they are shared by several entities of the Group, and characterised by the same discriminating variables;
- the data used for the estimate relate to the Parent Company and the main Network Banks;
- for the Doubtful loans model, the depth of the historical series used meets the need to cover a broad timescale and it is based on a 10-year historical series, while the Danger Rate model meets the need to represent the current policies of the Group (forward looking approach) and it's based on observation of defaults in the most recent periods (observations since 2008);
- the segmentation of the LGD models has been determined in accordance with both legislation and process and regulatory criteria;
- within the segmentation identified, uniform models have been used, suitability differentiated on the basis of analytical criteria considered to be relevant;
- the LGD model is based on the concept of "Economic LGD", namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group;
- the approach involves the econometric LGD Model starting from the classification of the loan as doubtful, and the subsequent recalibration of estimate on definition of default using the Danger Rate model;
- the organisational process set up requires a yearly update of estimates.

Use of the rating systems (PD and LGD)

The ratings are decisive in the process of granting credit and its monitoring and management, and also in pricing, the financial statement processes, the calculation of economic capital, value governance, and reporting, as described below.

Credit granting

The granting of credit involves the use of the rating as an essential reference for the various phases of the process of approving a line of credit for a counterparty.
In particular, the rating determines:
- the assignment of the Credit Strategies and Rules for the granting and managing of loans, which govern the procedures the Bank intends to adopt in assuming risk towards its customers, with the aim of promoting the balanced growth of loans to counterparties of the highest standing, and regulating the issue of credit to customers with lower credit quality, also directing them towards lines of credit with higher levels of guarantees;
- the exercise of the powers assigned, where the PD and LGD are among the main drivers. The method adopted allows the approval limits to be tailored to the customer's level of risk, permitting their extension for low risk customers and progressively transferring the decision concerning the higher risk customers to the senior decision-making bodies.

Credit monitoring and management

Customer credit risk is continuously monitored. In particular, the Non-performing Loan Process is aimed at intercepting and promptly managing customers who show more or less severe signs of difficulty with the possible impairment of the quality of the risk assumed. The positions are intercepted monthly on the basis of several indicators, and are managed according to the risk level established within a structured process with preset rules. The activities involve the re-examination of the positions intercepted via the updating of the rating, the adjustment, if necessary, of the credit policies, and the establishment of operational procedures aimed at minimising the risk.
The monitoring PD is calculated centrally on a monthly basis, using the same engine as for the online PD, and is therefore capable of capturing the changes in the counterparty's credit rating because it is able to make use of updated information, both financial and behavioural. The comparison between the on line PD and the monitoring PD enables the highlighting of the state of the risk profile of the counterparties. In all cases where the minimum set threshold is breached, the rating becomes "non-performing", and must be re-assigned.

Pricing

The Group has a model to calculate the correct pricing of credit risk. This tool can quantify the minimum spread with respect to the internal rate of transfer of funds that the business must implement in order to ensure the coverage of the expected loss, the cost of capital and all the items that enable the generation of value.

Financial Statement Processes

The ratings (PD and LGD) contribute to the preparation of the Financial Statements and the drafting of the Notes to the financial statements through: the collective valuation of performing loans, transforming the expected loss into incurred loss in accordance with the IAS/IFRS; the fair value measurement of derivatives and financial assets available for sale; and the drawing up of tables of distribution of assets by rating class and the presentation of the banking book at fair value in the Notes to the financial statements.
The LGD is also used in preparing the Financial Statements through the lump-sum valuation of Expired loans and Past Due by over 180 days, irrespective of the amount of the exposure, and of Substandard loans, up to cash exposure of 75,000 euro.

Calculation of economic capital and value governance

In accordance with the provisions of the Pillar 2, the methods used to estimate the Economic Capital are based on internal rating models (for both the PD and the LGD component). Through the regulatory and economic capital, the internal ratings contribute to the determination of the Group's value creation during both the assignment of targets to the Business Units and the operational performance measurement.

Reporting

The rating and the LGD form the basis of the management reporting and are spread across the risks of the loan portfolio. For the management reporting, the Risk Management Department produces the Risks Tableau de Bord on a quarterly basis that provides an overall view of the Group's risk position at the end of the respective quarter with reference to the aggregate of all the risk factors, according to the layout established by Basel 2 (Pillar 1 and Pillar 2). The main items that are analysed in the Risks Tableau de Bord are absorbed capital (regulatory vs. economic) and the specific measurement criteria for each individual risk (e.g. sensitivity, expected loss).

The process for managing and recognising credit risk mitigation techniques

The proper monitoring of credit risk mitigation instruments is ensured by a detailed management system which identifies roles, responsibilities, rules, processes and support instruments, in charge of verifying compliance with general and specific requirements set forth by regulatory provisions for the various approaches. The general and specific requirements may be summarised as:

– technical and legal requirements: aimed at ensuring the legal certainty and the effectiveness of the guarantees, and specific to the characteristics of the individual types of guarantee;
– specific requirements: established for each type of guarantee in relation to its specific features, they are aimed at ensuring that the credit protection is highly effective;
– organisational requirements: general requirements aimed at ensuring an efficient system for the management of credit risk mitigation techniques that oversees the entire process of acquisition, valuation, control and implementation of the CRM instruments.

For each type of guarantee, analyses are carried out to verify the admissibility of the protection instrument in the various regulatory approaches.
Through these analyses, each type of guarantee can be classified, ex ante, into one of the following categories:

– admissible types: these are types of guarantees which, in general, comply with the generic and specific requirements detailed by regulations;
– non-admissible types: these are types of guarantees which do not meet the generic and/or specific requirements set forth by regulations.

Detailed processes govern the material acquisition of individual guarantees, identifying the responsible structures as well as the methods for correct finalisation of guarantees, for filing documentation and for complete and timely reporting of the related information in the applications.
The set of internal regulations and organisational and procedural controls is aimed at ensuring that:

– all the fulfilments are planned to ensure the validity and effectiveness of the credit protection;
– for generally and normally used guarantees, standard contracts are defined, accompanied by instructions for use;
– the methods for approving guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

If the individual guarantees acquired are an admissible type, they are subject to accurate, regular control using a specific application, the CRM verifier, in which a series of tests have been implemented to confirm the effective compliance with the requirements.
The support application verifies whether guarantees received are eligible with reference to each of the three methods permitted by the regulations for calculating capital requirements. Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.

The review and updating of the internal regulatory framework regarding credit risk mitigation techniques, the related processes, the control system and the measures required to guarantee data quality were launched in 2010.

Control and auditing of the rating systems

A prerequisite for the adoption of internal risk measurement systems for the calculation of the regulatory capital is an internal validation and auditing process for the rating systems, both during their

establishment, aimed at obtaining the authorisation from the Supervisory Authorities, and during their ongoing operation/maintenance once the authorisation has been given.
The function responsible for the internal validation process for the Intesa Sanpaolo Group is the Internal Validation office, which operates independently from the functions that manage the development activities described above and from the function responsible for the internal audit. Therefore, with regard to the macro processes of adoption and management of the internal measurement systems for credit risk, the following activities are assigned exclusively to the Internal Validation office:

- validation aimed at assessing the adequacy of the system with respect to the regulatory requirements and to the operational demands of the business and the target market, and formulation of an opinion on the overall performance of the systems, their proper functioning and effective use within the various areas of business management, also identifying any problems and necessary improvements;
- preparation of the validation report to be presented to the Management Board and the Supervisory Board to accompany the resolution for the certification of compliance of the internal system with the regulatory requirements and the application for authorisation to the Bank of Italy;
- regular issue of recommendations to the development functions in relation to the performance, operation and use of the internal systems;
- regular analyses aimed at assessing the performance and proper functioning of the internal system and the provision of the related information to the internal auditing function and the Group Risk Governance Committee;
- preparation of the annual validation report highlighting any problems/areas for improvement of the system to be submitted to the attention of the development functions, the internal auditing function and the Corporate Bodies.

The internal auditing function for the Intesa Sanpaolo Group is assigned to the Internal Auditing Department. This department conducts assessments of the entire process of adoption and management of the internal measurement systems for credit and operational risk in accordance with the procedures and the areas of responsibility established by the company regulations and on the basis of a specific work plan.
Specifically, this department is responsible for assessing the effectiveness of the overall structure of the process of measurement, management and control of the Group's exposure to credit risk also through the regular audit of the internal validation process for the related models developed in accordance with Basel 2 and the Prudential Supervisory regulations.

The Internal Auditing Department is therefore responsible for the activities of:

- internal audit aimed at verifying the compliance of the risk measurement systems with the requirements established by the regulations;
- assessment of the effectiveness of the overall structure of internal controls:
  - audit of the internal validation process (assessment of the adequacy/completeness of the analyses conducted and the consistency/soundness of the results);
  - audit of the first and second level controls;
- assessments of the effective operational use of the internal risk measurement systems;
- verifications of the completeness and reliability of the IT system;
- regular issue of recommendations to the development functions and internal validation of the performance, operation and use of the internal systems;
- drafting of the report accompanying the application for authorisation to the Bank of Italy;
- drafting of the annual internal auditing report with presentation to the Group Risk Governance Committee, the Control Committee, the Management Board and the Supervisory Board.

The macro process of management, maintenance and updating of the internal rating system involves the following activities that represent the system's normal "life cycle":

- activation of the management, maintenance and updating process;
- amendments to the system;
- internal verifications, consisting of periodic validation and internal auditing.

Description of the regulatory Corporate segment internal rating systems (PD)

The regulatory Corporate segment consists of companies or groups of companies with exposure of the Banking group of over 1 million euro or with consolidated revenue of over 2.5 million euro.

Two groups of models and associated credit processes have been developed in the segment. The first of these involves Italian and foreign non-financial institutions. The second refers to "specialised lending" and in particular to project finance and real estate development initiatives.
In the second half of 2010 several interventions were carried out on the Corporate models, motivated on one hand by the need to incorporate the effects of the recent economic crisis and, on the other, by the opportunity to achieve general consistency with the logics underlying the estimation of LGD parameters.

The Corporate Italy and Large Corporate Italy models

The Corporate Italy rating model applies to the Italian unrated Corporate customers (i.e. not assigned an agency rating) belonging to the manufacturing, commercial, services, long-term production and real estate sectors, and it can be used for both standalone and consolidated financial statements.
The definition of default (impairment) used comprises Past Due, Substandard and Doubtful loans (see Table 5).
The model consists of two modules, one quantitative and the other qualitative, which generate an overall rating that may be modified by the proposing manager, by amending it according to the rules established in the override process.
Each customer's initial score is calculated by means of a linear combination of appropriately transformed indicators originating from two quantitative areas (financial and behavioral). The model is optimised per revenue band and is called "Financial" when only the financial statement information is available, and "Financial-Behavioral" when the set of information also includes the data from "Centrale dei Rischi". The historical data used for the estimate and the calibration cover the period from 1999.
The score is converted into a probability of default (PD) via the calibration of the long-term default rates of the portfolio ("central trends") differentiated according to revenue band and macro geographical area. The PD is then translated via the master scale into classes of credit rating, obtaining the rating statistic.
In between the quantitative and the qualitative module there is a comparison with an internal behavioral indicator of the counterparty's level of risk that in certain cases can worsen the risk class.
The qualitative module consists of a questionnaire through which the manager provides a structured assessment of the company, broken down into several areas of analysis. For the Large Corporate counterparties (domestic counterparties with an annual counterparty revenue of over 500 million euro that have not been assigned a rating by one of the main agencies) a specific qualitative questionnaire is used, adapted with suitable adjustments from the questionnaire used for the assessment of the international counterparties.
The model's output is broken down into several areas of analysis: economic and financial - which are in turn broken down into profitability and debt servicing, management of current assets and capital structure -, qualitative - also divided into various areas – and behavioral. The manager is required to provide an independent assessment for each area, which interacts with the model's output as part of the abovementioned override procedure, determining the final rating.
The main refinements carried out on the Corporate Italy model at the end of 2010 refer to:
– the calculation of new Central Tendencies and the resulting recalibration of the Corporate models;
– the review of the internal Master Scale, by updating the class central PD;
– the review of the comparison with the internal behavioral indicator of the counterparty's level of risk;
– the review of the qualitative questionnaire.

The International Corporate models

The International Corporate segment is assessed on the basis of two different models, both developed on the basis of a shadow rating approach, namely using the agency rating as a target estimation variable instead of the performing/default status. This set up was required because of the small number of defaults recorded in this segment in the Bank's historical databases.
The International Large Corporate rating model applies to non-resident customers with a revenue of over 500 million euro and to Italian corporate customers with an agency rating (rated)[1], whereas the International Middle Market model is used to assess non-resident customers with a revenue of less than 500 million euro.
For the international models the override procedure is activated by a comparison with the agency rating, if available, or by providing an assessment over several areas of analysis, in the same way as the Corporate Italy segment, for unrated counterparties.

[1] Those assigned a rating by at least one of the main Agencies (Standard & Poor's, Moody's and Fitch).

Also these models, in the second half of 2010, were recalibrated on updated Central Tendencies, and the new Master Scale was adopted.

a) The International Large Corporate model
Like the Domestic Corporate segment, this model consists of two modules, one quantitative and the other qualitative, which generate an overall rating that may be altered by the proposing manager, by amending it according to rules established in the override process.
The quantitative module is estimated on a sample of international businesses with an agency rating, and generates a score that is the linear combination of financial statement indicators.
The qualitative model consists of a questionnaire divided into two areas of analysis (sector and competitive position and the specific features of the counterparty). The two parts of the qualitative module generate scores that are integrated with the quantitative score on a statistical basis, producing an overall score that is then calibrated on a central tendency representing the long-term default rate of the portfolio concerned.

b) The International Middle Market model
Unlike the models described above, this model only has one module containing both quantitative indicators, automatically updated from the financial statement figures, and qualitative indicators, integrated into a linear combination.
The score is calibrated in the same way as in the International Large Corporate segment, also in terms of the benchmark PD.

The Specialised Lending models
The Specialised Lending segment is covered by the model for Project Finance and the RED (Real Estate Development) model for the real estate development initiatives.

a) The Project Finance model
The Project Finance model consists of a statistical module, which unlike the standard models is based on a Monte Carlo simulation of the future cash flows, and therefore looks at prospective information as opposed to historical data, generating a value of expected loss (PDxLGD) as an output, and of a qualitative model, which determines the classification of the project based on the slotting approach.
The Expected Loss resulting from the statistical module is integrated with a slotting assessment by means of a coherency matrix, with the support of an opinion provided by the analyst.
The slotting approach (see Table 6) is currently being used for regulatory reporting purposes, while the request for authorisation to use the complete model is planned to be submitted by the end of 2011.

b) The Real Estate Development (RED) model
The RED model is an expert based model, developed on the basis of the experience of credit analysts and calibrated taking into account the quantitative information available. For this segment there are currently not enough defaults or other target variables to enable a fully statistical approach.
It consists of a questionnaire compiled by the manager, partly through answers to qualitative questions and partly by entering numeric data, and is split into:
- a quantitative section, which provides a quantitative rating;
- a qualitative section, which produces a notching of the quantitative rating (overall rating);
- a section relating to the guarantees, which enables the calculation of the project LGD and consequently also of the expected loss.

Description of the regulatory Mortgages segment internal rating systems (PD)
The internal mortgage rating system is divided into an Application Model, used for new loans requests, and a Behavioral Model, used for subsequent assessment during the lifetime of the mortgage.
The Application model consists, in turn, of two modules: the personal characteristics module which uses the socio-demographic information of all applicants; and the contractual module which uses the specific information regarding the mortgage agreement. The rating deriving from the integration of the two modules may be modified using notching matrices: by the internal behavioral indicator of the counterparty’s level of risk, if present, and by several indicators of reliability not included in other modules.
The Application Model remains in force for the first year of the mortgage. From the second year, the Behavioral rating is activated and is calculated on a monthly basis with the greatest weighting given to the

bahavioral related component provided by the internal behavioral indicator, which, by definition, is always calculated. The Application rating is still included within the explanatory variables of the Behavioral model when the mortgage is in its second or third year of life, whereas its weighting is cleared to zero starting from the fourth year.

The LGD model

The historical LGD values, or observed LGDs, form the base for the model's estimate. Simply calculating the arithmetic mean could make the result highly unstable, despite the presence of substantial time series data, on the relatively unpopulated individual subsets. This problem is overcome by employing an econometric model, which optimises the available data and increases the interpretability of the values.

The model for the estimation of the LGD is therefore made up of the following elements:

– estimate of a Non-Performing LGD Model: starting from the LGD observed on the portfolio, or the "workout LGD", determined on the basis of the recoveries and costs, an econometric model of regression of the LGD is estimated on variables considered to be significant for the determination of the loss associated with the Default event;
– application of a correction factor, known as the "Danger Rate": the Danger Rate is a multiplying correction factor, aimed at recalibrating the Non-Performing LGD with the information available on other default events, in order to produce an LGD that is representative of all the possible default events and their evolution;
– application of other correction factors, known as the "Final Settlement Component": this component is used as an add-on to the recalibrated estimate of the Danger Rate in order to take account of the loss rates associated with positions that have not become Non-Performing (Substandard and Past Due positions that end the default with a return to performing status or a loss).

The data from the estimation sample has been subject to normalising: censoring of LGD values that are negative or higher than 100%, filtering of exposures of small amounts and the exclusion of positions with information gaps.

Then, the Incomplete Workout phenomenon is then considered in the estimation model. This phenomenon regards default positions still active at the observation date, but with an age of more than 10 years. For these positions, the residual exposure at the observation date is considered to be completely unrecoverable.

Bankruptcy revocatory actions for transactions implemented prior to the bankruptcy date, indicated as "pursuant to art. 67 of the Bankruptcy Law" and similar articles, are included in the "boundary" category between credit risk and operational risk. Considering the significant dependence on operations of credit risk, as well as the consolidated orientation deriving from comparison with other Italian Groups and Banks, Intesa Sanpaolo decided to include Bankruptcy Revocatory Actions in the area of credit risk. Revocatory actions which are not attributable to credit risk are managed in the area of operational risk.

The time factor is taken into consideration by discounting at a risk-free rate all cash movements, recoveries and charges occurring from the time of default to the time of closure (or return to performing status) of the position. The rates are then increased by a spread determined according to the segment, in order to include a premium that takes account of the risk implicit in the volatility of recoveries.

Starting with a long list of variables, using univariate statistical analyses, the short list is defined based on the contribution of the single variables in the valuation of the loss rate. For the Corporate segment, the following bases of analysis were significant: geographical area, presence/absence of personal guarantee, presence/absence of mortgage, type of relationship, and legal form. For the Residential Mortgages segment, the geographical area, presence/absence of personal guarantee and amount of real estate coverage were significant. The model applied to the small set of variables involves the use of a multivariate regression, in order to capture the joint capacity of the explanatory variables in the valuation of the loss rate. The outcome of the multivariate model is the estimate of the Non-Performing LGD, determined in relation to the significant bases of analysis.

In order to comply with regulatory provisions that require the adjustment of LGD estimates for an economic downturn, and in the absence of a direct relationship between the economic cycle and LGD, it was decided to incorporate this element in the discounting process, by using a suitably stressed risk premium.

Quantitative disclosure

The table below shows the scope of companies for which the Group, as at 31 December 2010, uses the IRB approaches in calculating the capital requirements for credit and counterparty risk for the "Corporate" (foundation and advanced IRB) and "Residential mortgages to private individuals" (IRB[2]) regulatory segments. Following the authorisation received at the end of 2008 for the Corporate segment (foundation IRB), with effect from 30 June 2010, Intesa Sanpaolo and an initial scope of subsidiaries received authorisation from the Bank of Italy to use the internal (IRB) system for the regulatory "Residential mortgages to private individuals" segment and, with effect from December 2010, to use the internal Advanced IRB system for the regulatory "Corporate" segment. At the same date, the bank VUB Banka obtained authorisation to the use of the FIRB approach.

Scope of companies for application of the IRB approaches

Name	Regulatory segment		
	Corporate		Residential mortgages to private individuals
	Foundation	Advanced	
Intesa Sanpaolo S.p.A.		x	x
Banca CR Firenze S.p.A.		x	x
Banca dell'Adriatico S.p.A.		x	x
Banca di Credito Sardo S.p.A.		x	x
Banca di Trento e Bolzano S.p.A.		x	x
Banco di Napoli S.p.A.		x	x
BIIS - Banca Infrastrutture Innovazione e Sviluppo S.p.A.		x	
Cassa di Risparmio del Friuli Venezia Giulia S.p.A.		x	x
Cassa di Risparmio del Veneto S.p.A.		x	x
Cassa di Risparmio della Provincia di Viterbo S.p.A.		x	
Cassa di Risparmio della Spezia S.p.A. (*)	x		x
Cassa di Risparmio di Ascoli Piceno S.p.A.		x	
Cassa di Risparmio di Città Castello S.p.A.		x	
Cassa di Risparmio di Civitavecchia S.p.A.		x	x
Cassa di Risparmio di Foligno S.p.A.		x	
Cassa dei Risparmio di Forlì e della Romagna S.p.A.		x	x
Cassa di Risparmio di Pistoia e Pescia S.p.A.		x	x
Cassa di Risparmio di Rieti S.p.A.		x	
Cassa di Risparmio di Spoleto S.p.A.		x	
Cassa di Risparmio di Terni e Narni S.p.A.		x	
Cassa di Risparmio di Venezia S.p.A.		x	x
Cassa di Risparmio in Bologna S.p.A.		x	x
Intesa Sanpaolo Bank Ireland P.l.c.	x		
Leasint S.p.A.	x		
Mediocredito Italiano S.p.A.		x	
Mediofactoring S.p.A.	x		
Vseobecna uverova Banka A.S.	x		

(*) Under disposal to group Crédit Agricole.

The exposure values as at 31 December 2010 for the various IRB approaches (IRB, Foundation IRB and Advanced IRB) are shown in the tables below.

[2] Given that the rating systems for retail exposures must reflect both the borrower risk and the specific risk of the transaction, in this case there is no distinction between the foundation and the advanced approach.

Exposure values by regulatory portfolio (Foundation IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2010	**31.12.2009**
Exposures to or secured by corporates:		
- Specialised lending	*774*	*5,625*
- SMEs (Small and Medium Enterprises)	*10,769*	*64,671*
- Other corporates	*13,556*	*119,798*
Total credit risk (IRB)	**25,099**	**190,094**

Exposure values by regulatory portfolio (Advanced IRB Approach)(*)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2010	**31.12.2009**
Exposures to or secured by corporates:		
- Specialised lending	*6,653*	*-*
- SMEs (Small and Medium Enterprises)	*62,896*	*-*
- Other corporates	*115,869*	*-*
Total credit risk (Advanced IRB approach)	**185,418**	**-**

(*) As at 31 December 2009 the Intesa Sanpaolo Group did not use this approach for the calculation of the capital requirement.

Exposure values by regulatory portfolio (IRB Approach)(*)

(millions of euro)

Regulatory portfolio	Exposure value	
	31.12.2010	**31.12.2009**
Exposures secured by residential property		
- Retail	*55,330*	*-*
Total credit risk (IRB)	**55,330**	**-**

(*) As at 31 December 2009 the Intesa Sanpaolo Group did not use this approach for the calculation of the capital requirement.

Breakdown of exposures by exposure class and PD class (Foundation IRB Approach and Advanced IRB Approach(*))

(millions of euro)

		31.12.2010						31.12.2009
Regulatory portfolio	**Rating class**	**Central PD (%)**	**Exposure value**	**Average risk weight**	**Weighted average LGD (%) (**)**	**Revocable and irrevocable margins (**)**	**Weighted average EAD (**)**	**Exposure value**
Exposures secured by residential property								
Retail			**7,427**			**1,798**		**5,625**
	-class from 1 to 8	-	-	-	-	-	0%	-
	-class 9	0.26	28	31%	25.2	8	56%	46
	-class 10	0.40	68	39%	25.9	16	48%	92
	-class 11	0.54	282	47%	25.7	57	55%	289
	-class 12	0.88	468	56%	26.2	120	47%	484
	-class 13	1.34	791	66%	27.4	218	53%	778
	-class 14	1.79	1,060	76%	29.0	301	52%	961
	-class 15	2.86	1,051	83%	28.7	284	52%	841
	-class 16	4.60	1,113	96%	28.8	210	50%	549
	-class 17	6.66	662	109%	30.6	170	57%	410
	-class 18	10.01	959	117%	29.4	185	63%	464
	-class 19	15.13	202	147%	31.3	80	70%	193
	-class 20	22.40	338	175%	31.5	109	59%	204
	-class 21 (default)	100.00	405	-	34.4	40	43%	314

(millions of euro)

Regulatory portfolio	Rating class	31.12.2010 Central PD (%)	Exposure value	Average risk weight	Weighted average LGD (%) (**)	Revocable and irrevocable margins (**)	Weighted average EAD (**)	31.12.2009 Exposure value
Exposures to or secured by corporates								
SMEs (Small and Medium Enterprises)			**73,665**			**4,576**		**64,671**
	-class from 1 to 3	-	-	-	-	-	-	-
	-class 4	0.05	1	10%	39.1	1	40%	1
	-class 5	-	-	-	-	-	-	-
	-class 6	0.09	2,965	18%	35.3	304	7%	2,650
	-class 7	0.12	1,866	22%	35.2	143	7%	1,404
	-class 8	0.18	1,933	27%	34.8	176	9%	1,570
	-class 9	0.26	2,228	33%	34.6	173	9%	2,132
	-class 10	0.40	2,868	44%	35.2	301	14%	3,135
	-class 11	0.54	4,082	49%	33.8	310	11%	4,206
	-class 12	0.88	6,596	58%	33.4	402	11%	5,499
	-class 13	1.34	7,446	66%	33.1	411	11%	7,155
	-class 14	1.79	6,732	75%	32.6	448	16%	6,625
	-class 15	2.86	7,926	82%	32.2	557	19%	8,157
	-class 16	4.60	7,518	93%	32.3	594	26%	5,287
	-class 17	6.66	3,932	102%	31.2	230	24%	3,233
	-class 18	10.01	2,995	122%	30.9	145	27%	2,400
	-class 19	15.13	1,305	142%	31.4	67	28%	1,196
	-class 20	22.40	1,818	163%	32.1	67	22%	1,177
	-class 21 (default)	100.00	11,454	0%	47.9	247	34%	8,844
Other corporates			**129,425**			**42,527**		**119,798**
	-class 1	-	-	-	-	-	-	-
	-class 2	0.03	1,136	12%	43.4	1,006	26%	1,097
	-class 3	0.04	929	16%	42.8	664	33%	843
	-class 4	0.05	6,736	12%	39.5	3,542	34%	5,409
	-class 5	0.06	3,085	18%	42.6	2,444	45%	1,654
	-class 6	0.09	9,241	26%	39.8	4,671	34%	7,471
	-class 7	0.12	9,845	29%	40.2	4,880	38%	5,937
	-class 8	0.18	8,928	34%	40.0	4,866	46%	9,457
	-class 9	0.26	6,053	45%	39.4	2,305	35%	8,623
	-class 10	0.40	14,241	57%	39.3	5,775	37%	9,959
	-class 11	0.54	10,670	65%	38.7	3,367	33%	12,819
	-class 12	0.88	11,571	75%	37.3	2,101	28%	11,631
	-class 13	1.34	13,173	84%	36.2	2,677	31%	10,331
	-class 14	1.79	7,449	102%	37.4	1,032	27%	6,114
	-class 15	2.86	7,270	114%	35.9	1,393	32%	10,485
	-class 16	4.60	3,897	123%	35.3	388	23%	3,385
	-class 17	6.66	2,941	142%	34.9	470	34%	2,192
	-class 18	10.01	2,366	174%	37.3	255	32%	2,156
	-class 19	15.13	939	191%	36.9	130	30%	1,133
	-class 20	22.40	1,348	214%	36.7	123	34%	1,249
	-class 21 (default)	100.00	7,607	-	38.9	438	38%	7,853

(*) As at 31 December 2009 the Intesa Sanpaolo Group did not use the Advanced IRB approach.

(**) The disclosure refers only to the Advanced IRB approach. The weighted average EAD refers to both revocable and irrevocable margins.

Breakdown of exposures by exposure class and PD class (IRB Approach)(*)

(millions of euro)

Regulatory portfolio	Rating class	31.12.2010 Central PD (%)	Exposure value (**)	Average risk weight	Weighted average LGD (%)	31.12.2009 Exposure value
Exposures secured by residential property						
Retail			**55,330**			**-**
	-class from 1 to 5	-	-	-	-	-
	-class 6	0.09	1,082	3%	15.5	-
	-class 7	-	-	-	-	-
	-class 8	0.18	1,716	5%	15.2	-
	-class 9	0.26	4,733	7%	15.4	-
	-class 10	-	-	-	-	-
	-class 11	0.54	12,681	12%	15.6	-
	-class 12	0.88	12,964	19%	15.8	-
	-class 13	-	-	0%	-	-
	-class 14	1.79	10,201	28%	16.3	-
	-class 15	2.86	4,276	38%	16.7	-
	-class 16	4.60	3,425	58%	16.4	-
	-class 17	-	-	-	-	-
	-class 18	-	-	-	-	-
	-class 19	-	-	-	-	-
	-class 20	22.40	1,418	96%	16.1	-
	-class 21 (default)	100.00	2,834	-	24.1	-

(*) As at 31 December 2009 the Intesa Sanpaolo Group did not use this approach for the calculation of the capital requirement.

(**) Given the nature of the sole regulatory portfolio for which the IRB approach is currently used, the Exposure value for Unused margins is only 77 million euro. This Exposure value takes into account the application of an average credit conversion factor, or "Weighted average EAD", of 50% for all rating classes.

The exposure value shown in the tables of this Table is stated gross of adjustments.

Actual adjustments

The actual adjustments made during the period January-December 2010 on the counterparties in default belonging to the Corporate regulatory portfolio amounted to 1,410 million euro (2,016 million euro for the whole of 2009). With regard to the regulatory Residential mortgages for private individuals segment, which migrated to the IRB approach on 30 June 2010, the adjustments on counterparties in default amounted to 194 million euro.

Comparison between estimated and actual results

As previously highlighted, the Intesa Sanpaolo Group adopts advanced methods for determining capital requirements for the Corporate and Retail Mortgage segments. Therefore, for these two portfolios, the internally estimated PD (probability of default) and LGD (loss given default) parameters are used.
The comparison between estimated losses and actual losses is carried out by the Internal Validation Unit as part of the backtesting procedures. This is then examined separately for the two components – PD and LGD.

For the PD, the default rates over a one-year period are compared with the ex ante estimated PDs, using measures of performance for evaluating the model's discriminating power, in other words its ability to correctly rank the counterparties according to their creditworthiness, and statistical tests to assess its calibration, namely the ability to correctly predict the default rates.
For the Corporate segment, the comparison of estimated PD to actual default rates shows a decisive improvement on the previous year's situation, due to the receding effects of the crisis on the one hand, and the aforementioned upgrades to the model, on the other. The default rates are at higher levels than the average portfolio PD, but only slightly, and the correctness of their calibration was confirmed by the tests which incorporate the cyclicality level. On the Mortgage segment, the default rate is lower than the average PD assigned ex ante.

In terms of LGD, it can be noted that the approach adopted in the estimation phase (including the most recent data and introducing various prudential elements) guarantees the application of parameters representing conservative estimates of losses.
The comparisons of average LGDs and coverage levels (ratio of analytical adjustments to exposures) of non-performing loans show substantial consistency between the two measures.

Table 8 – Risk mitigation techniques

Qualitative disclosure

Policies and processes for, and indication of the extent to which the Bank makes use of, on- and off-balance sheet netting

The Intesa Sanpaolo Group does not use on-balance sheet offsetting techniques for mutual items between the Bank and the counterparty.

The Group uses (bilateral) netting agreements that, in the event of default of the counterparty, enable the netting off of mutual claims and obligations in relation to transactions in financial instruments and credit derivatives, as well as securities financing transactions (SFTs).

This takes place through the signature of ISDA agreements (for transactions in derivatives) and ISMA/PSA agreements (for transactions involving securities). Both of these protocols enable the management and mitigation of credit risk. In compliance with the conditions laid down by the Supervisory regulations, these agreements permit the reduction of the absorption of regulatory capital.

The Group also establishes collateral agreements to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Master Repurchase Agreement). Another mitigation technique used within the Group is the subscription to the SwapClear service. This is a clearing service (provided by LCH Clearnet Ltd for the professional interbank market) for the most standard types of over the counter derivative contracts (plain vanilla IRS). The individual transactions, previously concluded between the subscribers to the service, are subsequently transferred to the clearing house, which, in the same way as for listed derivatives, becomes the counterparty for the original contracting parties via a legal novation mechanism. SwapClear provides for the settlement of the daily variation margin on the individual transactions, so that the mutual claims and obligations are automatically netted off against each other.

In addition to the reduction of operational risk (through the daily netting off of all the cash flows and the precise control of the transactions), SwapClear offers the typical advantages of centralised netting and collateralisation agreements. Also, the Group’s subscription to the CLS – Continuous Linked Settlement circuit, and to the corresponding settlement services on a payment-versus-payment basis has enabled the mitigation of the settlement risk at the time of mutual payments with counterparties.

Policies and processes for collateral evaluation and management

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value – differentiated according to pledged and mortgage collateral. The enforcement of the guarantee is handled by specialist departments responsible for credit recovery. In any case, the presence of collateral does not grant exemption from a complete assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee. Under certain conditions (type of counterparty, rating assigned, type of contract), the collateral has an impact, as a mitigating factor, on the determination of the approval limits. Mitigating factors are defined based on elements that contribute to reducing the potential losses for the Bank in the case of default of the counterparty. For operational purposes, the extent of the mitigating factors is determined based on a series of factors. Among these, the Loss Given Default (LGD) is of major importance. This is expressed by a percentage, which is higher in the case of non-guaranteed interventions and lower, on the contrary, in the presence of elements mitigating credit risk.

Guarantees received are included in the calculation of the Loss Given Default, based on (i) the initial value; (ii) the strength of said value over time; and (iii) the ease of realisation.

The guarantees received with the highest impact include:

- pledges on financial assets, differentiated based on the underlying (cash, OECD government bonds, financial instruments issued by the Bank, shares and bonds quoted on regulated markets, mutual funds, etc.) ;
- mortgages on real estate, separated based on the use of the asset (residential, industrial property,

agricultural funds/properties, commercial, industrial properties, etc.);

provided that:

- they are provided without any time limits or, if the collateral has an expiry date, this is not before the expiry of the loan guaranteed;
- they are acquired in a form that is enforceable against third parties and in accordance with the procedures established by the regulations prevailing at the time.

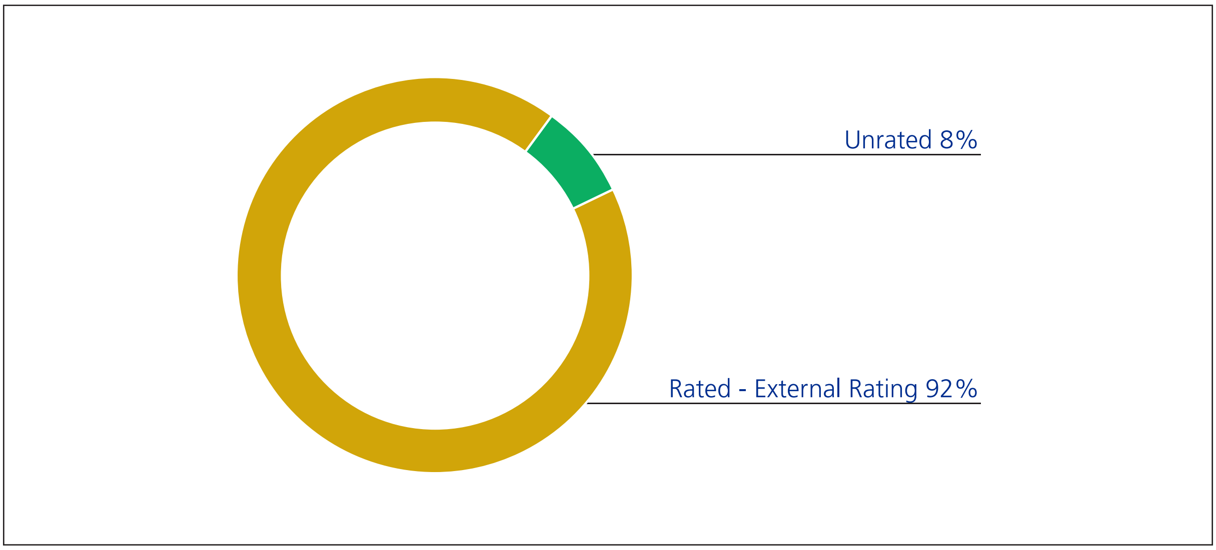
During the credit granting phase, the assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed in a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments or set of financial instruments accepted as collateral.
In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of the collateral in the presence of a reduction of the initial value of the assets and the extension of the pledge to include sums from the redemption of the financial instruments.

With regard to mortgage collateral, separate processes and methods are aimed at ensuring the proper assessment and monitoring of the value of the properties accepted as collateral.
Assets are evaluated, prior to the decision to grant the credit, using both internal and external technicians. The external technicians are included in a special list of professionals accredited on the basis of an individual verification of their capabilities and experience and the characteristics of absolute professional independence. The valuation of residential properties secured by mortgages to private individuals is mainly assigned to specialised companies. The work of the experts is monitored on an ongoing basis, by means of statistical verifications and spot checks carried out centrally.
The experts' duties are scaled on the basis of both the amount of the transaction and the property types. A system is also in place for the review by the central functions of the expert surveys for large-scale transactions.
The technicians are required to produce estimates on the basis of standardised expert technical reports, differentiated according to the valuation method to be applied and the building category of the asset offered as collateral.
In order to ensure that the standards and valuation criteria are uniform, a "Property Valuation Code" is in force, which ensures the compatibility of the estimates, and guarantees that the value of the property is calculated clearly and transparently on a prudential basis.
During the credit granting phase, the valuation of the properties is based on the prudential market value or, for properties under construction, on the construction cost. The resulting value is multiplied by the haircut percentages, differentiated on the basis of the property's designated use.
The value of properties under construction is monitored on an ongoing basis by experts who perform inspections, verify the progress of the works and prepare technical reports for loan disbursement for transactions on a work progress basis.
The valuation is updated in the event of limitation or splitting of the mortgage, of damage to the property and, in any case, every three years for major exposures.
To cover the residual risks, the borrower is required to provide an insurance policy against fire damage, issued by companies that have an agreement with or are approved by the Bank. The insurable value is determined by a survey, on the basis of the property's reconstruction cost new.

The main types of guarantor and credit derivative counterparty and their creditworthiness

The credit derivative transactions have banks and international financial and insurance institutions as counterparties, almost all of which have an agency rating with a high investment grade.

Creditworthiness of the counterparties in credit derivative transactions



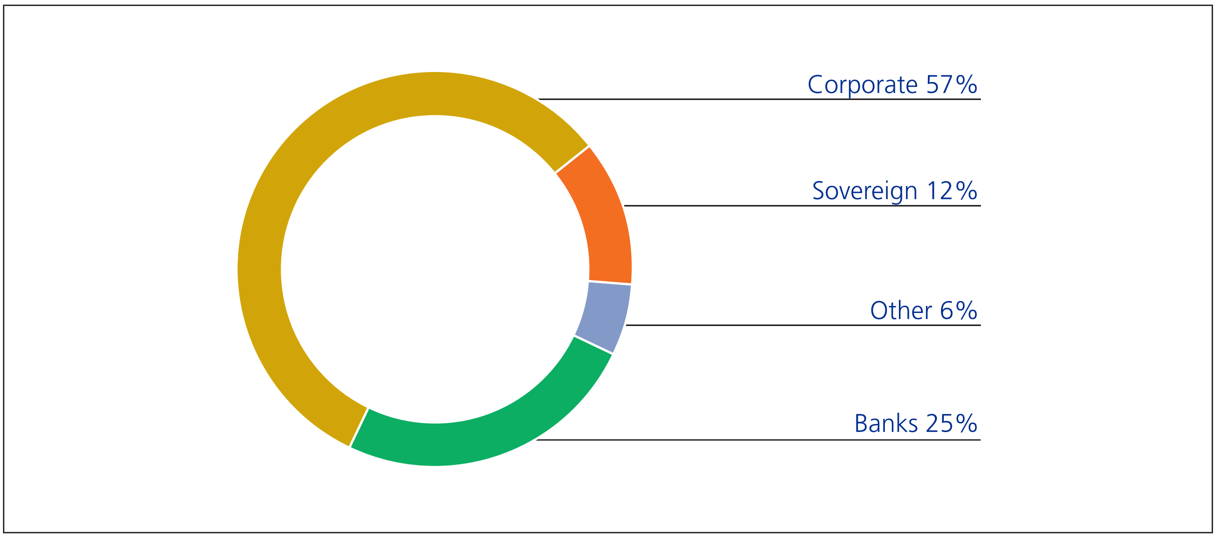
Information about market or credit risk concentrations under the credit risk mitigation instruments used

Personal guarantees

Personal guarantees, as noted in the quantitative disclosure, cover a limited amount of the overall credit exposure.

As a result of the transition to AIRB, there has been a significant increase in the percentage of corporate guarantors, mostly belonging to the same economic group as the guaranteed party, which now represent 57% of the total amount (compared to 14% as at December 2009). Aside from the Italian Government and several leading corporate counterparties, there are no other significant concentrations among guarantors. Moreover, guarantors show a high credit quality, with 54% investment grade.

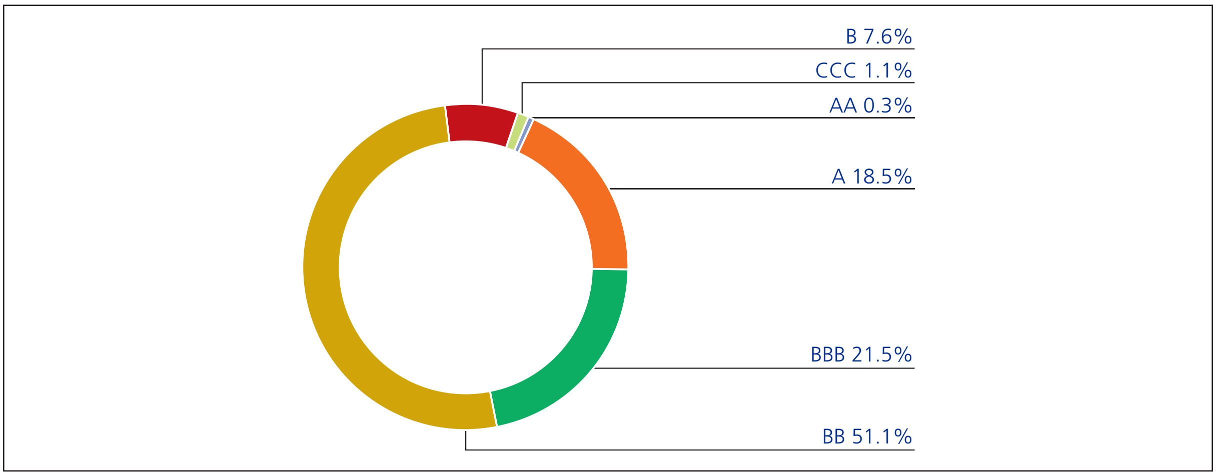
Personal guarantees by type of counterparty



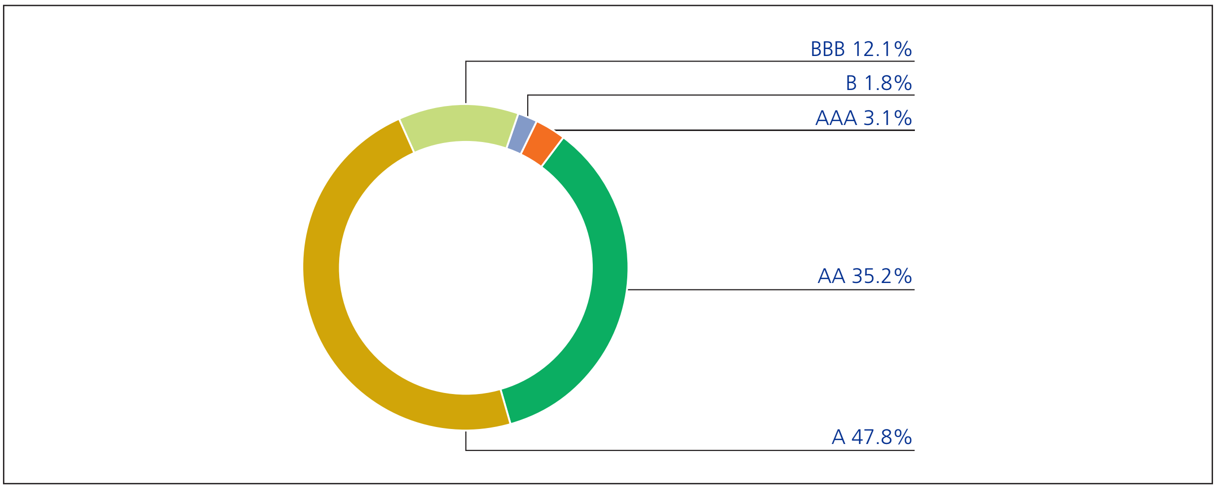
Personal guarantees by guarantor rating classes

The distribution by rating classes shows that corporate guarantors and guarantors belonging to other segments classified as investment grade have shares of approximately 40% and 98%, respectively. The former are assigned ratings using the internal model, and the latter are assigned ratings by Agencies.

Corporate personal guarantees by guarantor rating classes



Other non-corporate segment personal guarantees by guarantor rating classes



Financial collateral

The majority (around 89%) of the financial collateral eligible for risk mitigation relates to repurchase agreements. The securities are almost all issued by the Italian government and other sovereign issuers with high investment grade ratings. As regards the potential exposure to market risk, it should be noted that two thirds of these securities have a maturity of less than 5 years.
The remaining approximately 11% of financial collateral relates to cash deposits and pledges on bonds.

Other collateral

Other collateral consists almost entirely of mortgages on real estate assets. Although there are no particular concentrations, for example in individual assets or particular geographical areas, the major amount of mortgage lending is in the Bank's exposure to a systematic risk factor represented by the prices of the real estate assets. This exposure, which is naturally inherent to lending operations, is quantified by means of appropriate scenario and stress analyses within the ICAAP process.

Quantitative disclosure

As required by the specific regulations, this table lists only the portions of exposures secured by financial collateral and personal guarantees subject to the calculation of capital requirements using the standard and foundation IRB approaches. The column "Guarantees or credit derivatives" consists almost exclusively of guarantees received in the form of personal guarantees, as credit derivatives represent an insignificant proportion of the total guarantees of the Intesa Sanpaolo Group.

Breakdown of exposures secured by collateral, guarantees or credit derivatives by exposure class

Secured exposures subject to the Standardised approach

(millions of euro)

Regulatory portfolio	31.12.2010			31.12.2009		
	Collateral		Guarantees or credit derivatives	Collateral		Guarantees or credit derivatives
		of which: Simple approach			*of which: Simple approach*	
Exposures to or secured by governments and central banks	52	*52*	2,280	133	64	2,014
Exposures to or secured by local authorities	5	-	364	49	-	265
Exposures to or secured by not for profit and public sector organisations	1,044	-	18	142	-	22
Exposures to or secured by multilateral development banks	-	-	-	-	-	-
Exposures to or secured by international organisations	-	-	-	-	-	-
Exposures to or secured by supervised institutions	49,688	*70*	2,166	28,221	21	1,737
Exposures to or secured by corporates	4,948	-	116	3,661	141	563
Retail exposures	5,673	*2*	-	3,749	24	-
Past due exposures	71	-	-	53	-	-
High-risk exposures	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Short-term exposures to corporates	95	-	-	99	-	-
Exposures to UCI	-	-	-	5	-	-
Other exposures	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-
Total	**61,576**	**124**	**4,944**	**36,112**	**250**	**4,601**

The Table above complements the disclosures in Table 6, in the sub-table "exposures with credit risk mitigation", which shows the residual exposure not covered by these guarantees. Under the current regulations, when the comprehensive method is adopted (as Intesa Sanpaolo does in the majority of cases), collateral (e.g. cash collateral or securities received as pledges) reduces risk exposure, whereas personal guarantees (and the remaining collateral - simplified method) transfer the related risk to the guarantor's regulatory portfolio; consequently, the representation of personal guarantees included in this Table is the guarantor's responsibility.
Exposures secured by mortgage collateral, for which the regulations require the assignment of preferential weightings, are not shown in this Table, as they are already included in Table 6 under "exposures secured by real estate property".

Exposures secured by guarantees or credit derivatives and collateral – simplified method: guarantor weighting factors (Standardised approach)

(millions of euro)

Regulatory portfolio	Guarantor's weights										
	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	Total as at 31.12.2010
Exposures to or secured by governments and central banks	1,785	X	4	X	543	X	-	-	X	-	2,332
Exposures to or secured by local authorities	-	X	325	X	-	X	39	-	X	X	364
Exposures to or secured by not for profit and public sector organisations	-	X	17	X	-	X	1	-	X	X	18
Exposures to or secured by multilateral development banks	-	X	-	X	-	X	-	-	X	X	-
Exposures to or secured by international organisations	-	X	X	X	X	X	X	X	X	X	-
Exposures to or secured by supervised institutions	68	X	2,097	X	70	X	1	-	X	X	2,236
Exposures to or secured by corporates	-	X	116	X	-	X	-	-	X	X	116
Retail exposures	-	X	X	X	X	2	X	X	X	X	2
Exposures secured by real estate property	X	X	X	-	-	X	X	X	X	X	-
Past due exposures	-	X	X	X	-	X	-	-	X	X	-
High-risk exposures	X	X	X	X	X	X	-	-	-	X	-
Exposures in the form of covered bonds	X	-	-	X	-	X	-	X	X	X	-
Short-term exposures to corporates	-	X	-	X	-	X	-	-	X	X	-
Exposures to UCI	-	X	-	X	-	X	-	-	X	-	-
Other exposures	-	X	-	X	X	X	-	X	X	X	-
Securitisations	X	X	X	X	X	X	X	X	X	X	-
Total	**1,853**	**-**	**2,559**	**-**	**613**	**2**	**41**	**-**	**-**	**-**	**5,068**

Secured exposures subject to the foundation IRB approach (*)

(millions of euro)

Regulatory portfolio	31.12.2010		31.12.2009	
	Collateral	Guarantees or credit derivatives	Collateral	Guarantees or credit derivatives
Exposures to or secured by corporates				
Specialised lending	-	-	*4,121*	-
SMEs	*4,365*	*187*	*18,217*	*262*
Other corporates	*2,639*	*95*	*11,316*	*167*
Specialised lending - slotting criteria	-	-	-	-
Total	**7,004**	**282**	**33,654**	**429**

(*) As at 31 December 2009 the Intesa Sanpaolo Group did not use the Advanced IRB approach, therefore regulations do not provide for this disclosure.

Exposures secured by residential mortgage collateral for private individuals (regulatory segment of residential mortgages for private individuals), for which the Group applies the IRB approach, are not included in this Table inasmuch as they are specifically indicated in Table 7.

Table 9 – Counterparty risk

Qualitative disclosure

Counterparty risk, in accordance with Bank of Italy Circular 263 – "New regulations for the prudential supervision of banks", is a specific type of credit risk and represents the risk of a counterparty in a transaction defaulting before the final settlement of the cash flows involved in the transaction. The regulations lay down specific rules for the quantification of the amount of the exposures while referring to those governing credit risk for the determination of risk weightings.
In accordance with these regulations, counterparty risk is calculated for the following categories of transactions:

– over-the-counter (OTC) financial and credit derivatives;
– Securities Financial Transactions – SFTs (e.g. repurchase agreements);
– transactions with medium to long-term settlement.

The framework provides for the uniform treatment of counterparty risk regardless of the portfolio in which the exposures have been classified (the banking and regulatory trading books are both subject to capital requirements for counterparty risk). For the purposes of reducing the amount of the exposures, recognition of various types of contractual netting arrangements ("Master netting agreements") is permitted, subject to compliance with statutory requirements.

For regulatory reporting purposes the Group currently uses the "mark-to-market" approach for the calculation of the exposures subject to counterparty risk for OTC financial and credit derivatives, whereas for repurchase agreements it considers the guarantee in securities as financial collateral, directly reducing the value of the exposure ("comprehensive" method).

For operational purposes, the definition of the use of the credit lines for transactions in OTC derivatives generally involves the application of the greater of the mark-to-market and the add-on to determine the credit exposure, taking into account any existing netting and collateral agreements. Banca IMI is the exception, as from October 2010 it adopted a more advanced method which will be described below.
Add-ons indicate the maximum potential future exposure (peak measurement), regularly estimated by the Risk Management Department by macro-product type and maturity. For each contract used as a benchmark, the measure is equal to the peak in the Potential Future Exposure at the 95th percentile. The Risk Management Department regularly re-estimates the Add-On table applied to the entire Group.

The loan facility for OTC transactions is defined on precisely the same basis as the on-balance sheet exposures, as the transactions in derivatives represent a particular form of use by the customers. The grid for the operational add-ons forms part of the monitoring systems for the lines of credit for OTC derivatives that apply the calculation algorithm on a daily basis to quantify the credit exposure to a particular counterparty.

The Group makes extensive use of netting and cash collateral agreements to substantially mitigate the exposure to counterparties, particularly towards banks and financial institutions (see Table 8 for further details).

In order for risk to be managed effectively within the Bank, the risk measurement system must be integrated into decision-making processes and the management of company operations. To that end, in accordance with the "use test" requirement of Basel 2, a specific project has been set up aimed at obtaining the estimate, also for regulatory purposes, of the statistical measures that enable the analysis of the evolution of the risk of the derivatives over time. The organisational functions involved, as described in the Bank's internal regulations, are:

– the Parent Company's Risk Management Department, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
– the central and divisional credit functions that use the measurements produced to monitor the positions assumed;

– the marketing and credit functions that draw on the foregoing measures as part of the granting process to determine the limits of lines of credit.

Specifically, the following measures were defined:

– PFE (potential future exposure): evolution over time of the credit exposure (i.e. positive mark-to-market) with a 95% confidence level; this is a prudent measure used for operational purposes;
– EPE (expected positive exposure): weighted average for the expected time of the credit exposure, where the weightings are the portions that each time step represents of the entire time period. This is a regulatory measure.

The project yielded the following results:

1. April 2010: adoption for the entire Group of a new grid of operational add-ons that is more granular than its predecessor, with a revision of estimates for each risk profile;
2. October 2010: Banca IMI's adoption for management purposes only of the new simulation method over time and the mean effective PFE for loans, according to internal policy.

In 2011 a project aimed at extending the use of the measurement to the Parent Company will be launched. The application for approval of the use of the model for regulatory purposes will be sent to the Supervisory Authority at a later date, upon the completion of the calculation project and the incorporation of the measurement into the Parent Company's credit monitoring systems and internal validation by the responsible company functions (Internal Validation and Internal Auditing Department).

For the purposes of the balance sheet measurements, the counterparty risk represents a measurement element (fair value) used to adjust the mark-to-market of the OTC derivatives through a process of Credit Risk Adjustment (CRA). The determination of fair value considers not only market factors and the nature of the contract (maturity, type of contract, etc.), but also the credit quality of the counterparty in relation to the current and potential exposure.

CRA is determined with reference to the cost of a protection CDS on the default of the counterparty on the basis of the average residual maturity of the contract, and in the absence of the expected loss and the capital absorption deriving from the internal rating assigned to the counterparty. These costs are applied to the current exposure, if positive, or otherwise to the potential future exposure (add-on).

With reference to the impact in terms of guarantees that the Bank would have to provide in the event of the downgrading of its credit rating, some of the collateral agreements signed by the Group provide for the reduction of the minimum transfer amount and of the thresholds in the event of the Group's downgrading.

Quantitative disclosure

Counterparty risk

(millions of euro)

Transaction categories	Mark-to-market method - Exposure	
	31.12.2010	31.12.2009
Derivative contracts	17,599	16,615
SFT transactions and long settlement transactions	60,452	33,270
Cross product netting	-	-

The capital requirement for "counterparty risk", for both the regulatory trading book and the *banking book*, is shown - for the individual regulatory portfolios - in the tables of the capital requirements for credit risk treated under the standardised approach and the IRB approach. The tables below show the information on financial and credit derivatives required by the regulations.

Financial derivatives - Regulatory trading book: period-end and average notional amounts

(millions of euro)

	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,609,337**	**210,215**	**2,546,798**	**354,565**
a) Options	373,205	126,555	440,872	204,509
b) Swaps	2,235,310	-	2,105,572	-
c) Forwards	764	-	328	144
d) Futures	58	83,660	-	149,912
e) Others	-	-	26	-
2. Equities and stock indices	**36,937**	**17,658**	**52,243**	**12,640**
a) Options	36,543	16,012	51,776	11,966
b) Swaps	156	-	359	-
c) Forwards	238	-	108	-
d) Futures	-	1,646	-	674
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**101,916**	**7**	**79,229**	**13**
a) Options	11,793	-	6,580	-
b) Swaps	25,052	-	24,735	-
c) Forwards	64,597	-	47,646	-
d) Futures	-	7	-	13
e) Others	474	-	268	-
4. Commodities	**2,615**	**1,513**	**1,163**	**821**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,750,805**	**229,393**	**2,679,433**	**368,039**
AVERAGE VALUES	**2,719,832**	**300,071**	**2,692,371**	**439,380**

Financial derivatives - Banking book: period-end and average notional amounts

Hedging

(millions of euro)

	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**264,509**	**-**	**243,294**	**-**
a) Options	8,946	-	4,017	-
b) Swaps	255,563	-	239,277	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**5,718**	**-**	**4,314**	**-**
a) Options	-	-	-	-
b) Swaps	5,718	-	4,277	-
c) Forwards	-	-	37	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**270,227**	**-**	**247,608**	**-**
AVERAGE VALUES	**263,820**	**-**	**170,652**	**75**

Other derivatives

(millions of euro)

	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**13,860**	**-**	**4,284**	**-**
a) Options	8,763	-	2,296	-
b) Swaps	5,097	-	1,988	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**6,920**	**-**	**4,196**	**-**
a) Options	6,920	-	4,196	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**4,688**	**-**	**3,127**	**-**
a) Options	31	-	-	-
b) Swaps	714	-	280	-
c) Forwards	3,943	-	2,847	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**25,468**	**-**	**11,607**	**-**
AVERAGE VALUES	**16,620**	**-**	**15,620**	**-**

Financial derivatives - gross positive fair value: breakdown by product

(millions of euro)

	Positive fair value			
	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**35,244**	**782**	**34,351**	**581**
a) Options	5,367	676	5,295	581
b) Interest rate swaps	27,373	-	26,345	-
c) Cross currency swaps	1,508	-	1,874	-
d) Equity swaps	4	-	39	-
e) Forwards	810	-	687	-
f) Futures	-	37	-	-
g) Others	182	69	111	-
B. Banking book - hedging	**7,377**	**-**	**6,991**	**-**
a) Options	505	-	239	-
b) Interest rate swaps	6,503	-	6,586	-
c) Cross currency swaps	369	-	165	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	1	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**699**	**-**	**551**	**-**
a) Options	319	-	209	-
b) Interest rate swaps	370	-	316	-
c) Cross currency swaps	6	-	3	-
d) Equity swaps	-	-	-	-
e) Forwards	4	-	23	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**43,320**	**782**	**41,893**	**581**

Financial derivatives - gross negative fair value: breakdown by product

(millions of euro)

	Negative fair value			
	31.12.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**38,083**	**674**	**36,272**	**481**
a) Options	6,525	579	6,126	481
b) Interest rate swaps	28,749	-	27,124	-
c) Cross currency swaps	1,880	-	2,297	-
d) Equity swaps	7	-	38	-
e) Forwards	745	-	567	-
f) Futures	-	57	-	-
g) Others	177	38	120	-
B. Banking book - hedging	**5,753**	**-**	**5,054**	**-**
a) Options	176	-	199	-
b) Interest rate swaps	5,037	-	4,340	-
c) Cross currency swaps	540	-	515	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**1,223**	**-**	**518**	**-**
a) Options	879	-	459	-
b) Interest rate swaps	219	-	33	-
c) Cross currency swaps	5	-	1	-
d) Equity swaps	-	-	-	-
e) Forwards	120	-	25	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**45,059**	**674**	**41,844**	**481**

Over the counter financial derivatives – regulatory trading book: notional amounts, gross positive and negative fair values by counterparty as at 31 December 2010

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	3,892	46,365	12,158	4,412	39,553	415
- positive fair value	6	375	747	292	28	1,437	4
- negative fair value	-	-62	-1,180	-512	-113	-157	-24
- future exposure	-	33	127	86	19	177	1
2. Equities and stock indices							
- notional amount	52	-	2,759	323	6,138	-	142
- positive fair value	7	-	20	9	2	-	-
- negative fair value	-	-	-1,597	-1	-47	-	-4
- future exposure	5	-	25	10	8	-	-
3. Foreign exchange rates and gold							
- notional amount	-	154	8,309	9,031	251	7,245	63
- positive fair value	-	-	71	136	11	238	3
- negative fair value	-	-61	-417	-95	-2	-108	-
- future exposure	-	12	61	121	2	94	1
4. Other values							
- notional amount	-	-	1	8	-	1,398	3
- positive fair value	-	-	-	-	-	23	-
- negative fair value	-	-	-	-2	-	-64	-
- future exposure	-	-	-	1	-	150	-

Over the counter financial derivatives – regulatory trading book: notional amounts, gross positive and negative fair values by counterparty as at 31 December 2010

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	2,150	-	1,740,513	758,117	109	1,453	-
- positive fair value	465	-	26,075	2,329	-	40	-
- negative fair value	-8	-	-27,978	-2,451	-14	-20	-
2. Equities and stock indices							
- notional amount	-	-	18,648	8,822	53	-	-
- positive fair value	-	-	554	196	-	-	-
- negative fair value	-	-	-688	-207	-3	-	-
3. Foreign exchange rates and gold							
- notional amount	748	1	67,277	6,713	404	1,720	-
- positive fair value	381	-	1,045	236	134	230	-
- negative fair value	-	-	-1,718	-419	-	-41	-
4. Other values							
- notional amount	-	-	742	105	-	358	-
- positive fair value	-	-	130	14	-	7	-
- negative fair value	-	-	-54	-11	-	-25	-

Over the counter financial derivatives – banking book: notional amounts, gross positive and negative fair values by counterparty as at 31 December 2010

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	-	-	79,610	400	-	10	9,545
- positive fair value	-	-	938	2	-	-	3
- negative fair value	-	-	-2,294	-135	-	-1	-485
- future exposure	-	-	22	1	-	-	5
2. Equities and stock indices							
- notional amount	-	-	2,783	81	-	88	2,304
- positive fair value	-	-	3	-	-	8	-
- negative fair value	-	-	-389	-	-	-	-188
- future exposure	-	-	5	3	-	5	-
3. Foreign exchange rates and gold							
- notional amount	-	-	1,934	116	-	-	13
- positive fair value	-	-	46	-	-	-	-
- negative fair value	-	-	-149	-14	-	-	-
- future exposure	-	-	29	9	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

Over the counter financial derivatives – banking book: notional amounts, gross positive and negative fair values by counterparty as at 31 December 2010

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	-	-	181,972	6,832	-	-	-
- positive fair value	-	-	6,331	215	-	-	-
- negative fair value	-	-	-2,496	-309	-	-	-
2. Equities and stock indices							
- notional amount	-	-	1,139	525	-	-	-
- positive fair value	-	-	119	69	-	-	-
- negative fair value	-	-	-1	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	8,325	18	-	-	-
- positive fair value	-	-	337	5	-	-	-
- negative fair value	-	-	-515	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

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	28,380	28,894	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	1,079	-	-	-
- Other	-	-	-	-
Total 31.12.2010	**29,459**	**28,894**	**-**	**-**
Average values	**29,453**	**41,861**	**-**	**-**
Total 31.12.2009	**29,356**	**54,809**	**-**	**-**
2. Protection sales				
- Credit default products	25,932	29,677	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	354	-	-	-
- Other	-	-	-	-
Total 31.12.2010	**26,286**	**29,677**	**-**	**-**
Average values	**28,046**	**42,727**	**-**	**-**
Total 31.12.2009	**26,216**	**55,779**	**-**	**-**

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

(millions of euro)

	Positive fair value	
	31.12.2010	31.12.2009
A. Regulatory trading book	**2,233**	**2,386**
a) Credit default products	1,824	2,084
b) Credit spread products	-	-
c) Total rate of return swap	409	302
d) Other	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
TOTAL	**2,233**	**2,386**

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

(millions of euro)

	Negative fair value	
	31.12.2010	31.12.2009
A. Regulatory trading book	**2,382**	**2,722**
a) Credit default products	2,146	2,426
b) Credit spread products	-	-
c) Total rate of return swap	236	296
d) Other	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
TOTAL	**2,382**	**2,722**

Over the counter credit derivatives – gross (positive and negative) fair values by counterparty: contracts not included under netting arrangements as at 31 December 2010

(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	-	57	2,343	2,219	-	-	-
- positive fair value	-	62	62	55	-	-	-
- negative fair value	-	-	-8	-10	-	-	-
- future exposure	-	6	182	150	-	-	-
2. Protection sales							
- notional amount	-	-	2,434	2,965	-	-	-
- positive fair value	-	-	9	240	-	-	-
- negative fair value	-	-	-88	-475	-	-	-
- future exposure	-	-	1,429	3,008	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Over the counter credit derivatives – gross (positive and negative) fair values by counterparty: contracts included under netting arrangements as at 31 December 2010

(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	-	-	41,010	12,724	-	-	-
- positive fair value	-	-	978	385	-	-	-
- negative fair value	-	-	-273	-84	-	-	-
2. Protection sales							
- notional amount	-	-	38,487	12,077	-	-	-
- positive fair value	-	-	238	204	-	-	-
- negative fair value	-	-	-962	-482	-	-	-
BANKING BOOK		**-**					
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Over the counter credit and financial derivatives – net fair values and future exposure by counterparty as at 31 December 2010

(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	840	-	1,609	214	134	235	-
- negative fair value	-	-	-1,979	-483	-17	-42	-
- future exposure	37	-	1,191	1,894	30	94	-
- net counterparty risk	877	-	1,211	272	164	329	-
2. Credit derivatives - bilateral agreements							
- positive fair value	-	-	-	1	-	-	-
- negative fair value	-	-	-1	-	-	-	-
- future exposure	-	-	-	1	-	-	-
- net counterparty risk	-	-	-	1	-	-	-
3. "Cross product" agreements							
- positive fair value	-	-	1,312	323	-	-	-
- negative fair value	-	-	-1,087	-377	-	-	-
- future exposure	-	-	4,536	733	-	-	-
- net counterparty risk	-	-	4,252	777	-	-	-

Table 10 – Securitisations

Qualitative disclosure

Securitisations: objectives and the roles undertaken by the Bank

Own securitisations
The own securitisations of the Intesa Sanpaolo Group may be differentiated into:
- securitisations that, through the conversion of the loans sold into refinanceable securities, form part of the overall general policy of strengthening of the Group's liquidity position (see section "self-securitisations and eligibility") and are not standard securitisations as they do not transfer the risk outside the Group;
- securitisations structured with the objective of achieving economic benefits from the optimisation of the loan portfolio, the diversification of funding sources and the reduction of their cost ("originated securitisations").

The Group conducts these transactions using Special Purpose Entities (SPEs), namely vehicles that enable an entity to raise resources through the securitisation of part of its assets. In general this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle that, to finance the purchase, issues securities, which are later placed in the market or through a private placement. Resources raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash flows generated by the loans sold.

Self-securitisations and eligibility
In previous years, Intesa Sanpaolo's cash securitisations (non-synthetic) were mainly a medium-long term funding instrument, structured with the aim of reducing the liquidity gap between medium-term loans and short-term deposits, of diversifying the sources of financing and the investor base, and of obtaining funding at a competitive rate, through the issue of securities with a AAA rating or in any case with a rating higher than the Bank's rating.

In view of the critical condition of the financial markets, the Group has considered it prudent to enhance its portfolio of eligible assets to establish a liquidity reserve activated through ECB financing operations or by means of the instruments established as part of the emergency measures adopted by the Italian Government and the Bank of Italy to guarantee the stability of the credit system.
This has mainly taken place through "self-securitisations" of Group assets, also through the analysis of particular types of assets (such as certain loans to the public sector and large corporates). Despite the fact that it has an excellent liquidity profile, Intesa Sanpaolo has considered it appropriate to expand its options for access to the short-term funding market.

Nevertheless, a prudential decision has been made, given the current market environment, to maintain an adequate and equivalent level of eligible assets in relation to its interbank funding (also in the form of CDs and CPs).
The issue of RMBS in relation to Italian residential mortgages also helps in creating the cover pool supporting the issues of medium and long term covered bonds to be placed in the institutional market.
A large part of the RMBS notes originating from self-securitisations are therefore initially designated for use for ECB eligibility, but may also be subsequently used as the cover pool for the programme of Covered Bonds.

In any event, the securities will initially form part of the portfolio of eligible assets, however, they may be placed in the market in the future if the conditions of the markets improve.
From this perspective, the structure of the "self-securitisations" is usually fully equivalent to the transactions carried out previously and placed in the market.

These consist of a sale by Intesa Sanpaolo of a portfolio of assets to an SPV established pursuant to Law 130/99 that issues two tranches of notes (one senior and one subordinate constituting the credit enhancement). The Group then subscribes in full for the notes issued by the SPV to fund the purchase of the loans. The senior notes (rated and quoted) are eligible and may be used for the purposes described above.

With regard to the assets to be securitised, on the basis of the assessment conducted by the Group for this purpose, priority is generally given to assets equivalent (or similar) to those already securitised in the past, such as, for example:

- real estate mortgages and mortgage loans of the Group's Network banks;
- ineligible fixed-income securities of Banca Infrastrutture Innovazione e Sviluppo ("BIIS") and Banca IMI;
- ineligible BIIS loans;
- leasing rentals of Leasint;
- mortgage loans of Mediocredito Italiano.

The self-securitisations do not contribute to the figures included in the tables, because – as already mentioned – they do not constitute standard securitisations.

Standard securitisations

The securitisations in this category are as follows:

- ***Da Vinci:***
  A synthetic securitisation concluded in 2006 by Banca Intesa aimed at covering and actively managing its risk exposure in the aircraft and aeronautic sector (nominal amount of around 650 million dollars). The guarantees supporting the Da Vinci portfolio consisted of 128 aircraft belonging to 22 airline companies from 14 countries. With this transaction, Banca Intesa acquired protection through a credit default swap utilising:
  - for the unfunded portion (84%), a Senior Swap contract underwritten by a leading financer, covering the risk of the Da Vinci risk portfolio with a rating higher than or equivalent to AA;
  - for the funded portion (12%), the Special Purpose Vehicle Da Vinci Synthetic Plc, which issued notes for an overall value of 78.2 million dollars, consisting of three tranches (the first with an A rating for 32.5 million dollars, the second with a BBB rating for 26.1 million dollars and the third with a BB+ rating for 19.6 million dollars) placed with international institutional investors only.

  The structure of this transaction also allowed for the sale at any time of the remaining 4% of the risk, corresponding to around 26 million dollars. The rating agencies used were S&P, Fitch and Moody's.
- ***Intesa Sec 3:***
  Transaction structured in 2006 by Banca Intesa on a portfolio consisting of 72,570 "performing" residential mortgages, issued predominantly in Northern Italy, to private individuals, and guaranteed by first lien mortgages, for an original book value of 3,644 million euro. This transaction, essentially aimed at reducing the liquidity gap between medium-term loans and short-term deposits, was carried out through the sale of the abovementioned portfolio to the vehicle Intesa Sec 3 S.r.l., which issued mortgage-backed securities placed with institutional investors. The rating agencies used were S&P and Moody's.
- ***Split 2:***
  In 2004, Sanpaolo Leasint sold to the vehicle Split 2 Srl, without recourse, the loans deriving from performing leasing contracts covering real estate, motor vehicles and capital goods for a total amount of 1,805 million euro. To raise the funds needed to purchase the loans, Split 2 issued three classes of securities with ratings assigned by all three agencies (Moody's, S&P and Fitch) that were placed in the market, and a Junior class of 18.1 million euro entirely subscribed by Sanpaolo Leasint. The transaction was aimed at diversifying the company's funding sources, temporally matching the underlying funding and loans and freeing up economic and regulatory capital.
- ***Intesa Lease Sec:***
  In 2003, Intesa Leasing sold, to SPV Intesa Lease Sec S.r.l., without recourse, a portfolio of loans and associated rights deriving from payments due in relation to a portfolio of financial lease contracts originated by Intesa Leasing for around 1.5 billion euro. The purchase of the loans by Intesa Lease Sec Srl was financed through the issue of securities. The transaction was broken down into the following tranches: three Senior classes A1, A2, A3 (amounting respectively to 374, 350 and 665 million euro) with a AAA rating; a Mezzanine class B (84 million euro) with an EIF guarantee and a AAA rating; and

an unrated subordinate class C (22.4 million euro). All of the Senior and Mezzanine tranches were offered to institutional investors and the subordinated security was fully subscribed by Intesa Leasing. In 2004, Intesa Leasing sold the C security to Crèdit Suisse First Boston (Europe) Limited. The securitisation was essentially aimed at freeing up regulatory capital at consolidated level and obtaining medium-term funding at a competitive rate, through the issue of securities with a AAA rating. The rating agencies used were S&P, Fitch and Moody's.

– ***Intesa Sec 2:***
  In 2002, Banca Intesa structured a securitisation on a portfolio consisting of 67,000 "performing" residential mortgages, issued predominantly in Northern Italy to private individuals, and guaranteed by first lien mortgages, for 2,026 million euro. This transaction, essentially aimed at reducing the liquidity gap between medium-term loans and short-term deposits, was carried out through the sale of the abovementioned portfolio to the special purpose vehicle IntesaBci Sec 2 S.r.l., which issued mortgage-backed securities placed with institutional investors in four tranches: class A1 of 405.5 million euro with a AAA rating; class A2 of 1,519.6 million euro with a AAA rating; class B of 40.6 with a AA rating; and class C of 61 million euro with a BBB rating. The rating agencies used were S&P, Fitch and Moody's.
– ***Cr Firenze Mutui:***
  At the year end Banca CR Firenze had an outstanding securitisation relating to "performing" mortgages, carried out in the fourth quarter of 2002, through the special purpose vehicle CR Firenze Mutui S.r.l.. For this transaction the vehicle had issued securities for 521 million euro. The rating agencies used were S&P, Fitch and Moody's.
– ***Intesa Sec Npl:***
  This transaction, completed in 2001, involved the securitisation of doubtful loans relating to 6,997 positions represented by residential and commercial mortgages originating from the Cariplo loan portfolio, acquired by IntesaBci through the merger at the end of 2000. Around 53% of the loans related to corporate counterparties resident in Italy, around 44% to families and the remaining 3% to other operators. This transaction led to the sale of loans for a gross value of 895 million euro, transferred "without recourse" to the special purpose vehicle IntesaBci Sec NPL, for a sale price of 516 million euro. The transaction was funded by the special purpose vehicle through the issue of bonds in five tranches with a total nominal value of 525 million euro. The first three (class A of 274 million euro with a AAA rating; class B of 72 million euro with a AA rating; and class C of 20 million euro with an A rating) were subscribed by Morgan Stanley, Crédit Agricole-Indosuez and Caboto and they subsequently placed them with institutional investors. The final two tranches (class D of 118 million euro and class E of 41 million euro, both unrated) on the other hand were subscribed by IntesaBci. The rating agencies used were Fitch and Moody's.
– ***Intesa Sec:***
  During 2000 Banca Intesa carried out a securitisation of mortgages of the Group. The portfolio, placed in the market through the special purpose vehicle Intesa Sec, consisted of over 20,000 performing mortgages granted to private individuals. Against loans with a residual capital of around 993 billion Italian lira purchased at nominal value, the vehicle issued three tranches of rated securities for a value of 977 billion that were placed with institutional investors. The fourth unrated tranche of around 16 billion was subscribed for directly by the Group. This transaction was part of an operational strategy aimed at improving the return on capital by reinvesting the liquidity generated and using the regulatory capital made available. The rating agencies used were Fitch and Moody's.

Asset-Backed Commercial Paper (ABCP) programmes

In accordance with IAS/IFRS (SIC 12), Intesa Sanpaolo controls and fully consolidates:

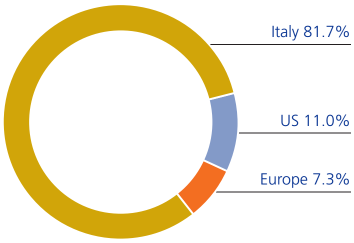
– ***Romulus Funding Corporation:***
  a company based in the USA that purchases financial assets, represented by loans or securities, with predefined characteristics (eligibility criteria), originated by the Bank's customers, and finances the purchases by issuing Asset-Backed Commercial Paper;
– ***Duomo Funding PLC:***
  an entity that operates in a similar manner to Romulus Funding, but is limited to the European market, and is financed through funding agreements with Romulus.

The total assets of the vehicle Romulus included loans to Duomo of 1,220 million euro. The vehicle's securities portfolio is fully classified under the loan portfolio, and a portion of this is included among structured credit products. As at 31 December 2010, this portion of securities had a nominal value of 165 million euro, measured at amortised cost. Their carrying amount as at the same date was 143 million euro. A security included in said portfolio was written down due to impairment in 2010, for 4 million euro. The vehicle's assets also include liquidity and other assets amounting to 1 million euro.

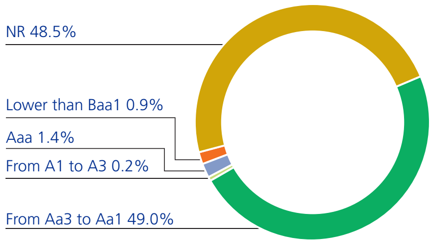
The total assets of Duomo were made up of 464 million euro of loans to Intesa Sanpaolo, as collateral for an intragroup protection sale on the risk of a leading insurance company, 96 million euro of loans to the banking subsidiary Intesa Sanpaolo Bank Ireland, 662 million euro of loans to customers, and 3 million euro of liquidity and other assets.

The following additional information is provided concerning the portfolios held by the two vehicles:

Breakdown by geographical area



Breakdown of assets by rating



Please note that, although part of the uses (approximately 49%) in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were not supported by an external rating, they were nevertheless of sufficient quality for the commercial papers issued by Romulus to maintain the A-1/P-1 ratings. More specifically, the percentage of assets with a rating between Aaa and Aa increased slightly, from 48% as at 31 December 2009 to 51% as at 31 December 2010. The securities classified in the loan portfolio of the vehicles under discussion are made up as follows: 51% of 2002 vintage, 11% of 2003 vintage, 1% of 2004 vintage and the remaining 37% of 2007 vintage.

"Third party" securitisations

The Intesa Sanpaolo Group also operates in the securitisations market as an investor, although the volume of the existing investments, in both banking and trading books, represents a very small part of the Bank's assets. These operations relate, on the one hand, to the diversification of the risk profile of the managed portfolio and the maximisation of the risk-return target, and on the other hand to the activities involving securities representing public loans, carried out by BIIS, a division of the Intesa Sanpaolo Group, specialising in Public Finance. The second category concerns purchases of portfolios of receivables due to third parties from public authorities. These portfolios are purchased by vehicles whose securities are subscribed by BIIS. For the health receivables, the completion of the securitisation is however subject to the issue of a guarantee by the competent regional authority (delegated payment), thanks to which the risk relating to the portfolio is transformed into a transaction with recourse against the regional authority, which usually has a high credit rating.

Securitisations: methods for calculating the risk weighted exposures

Intesa Sanpaolo applies the standardised approach for the calculation of the capital requirement to cover the credit risk relating to the securitisations.

Securitisations: accounting standards

The rules for the recognition of securitisations, governed by the IAS/IFRS in the IAS 39 document (paragraphs relating to derecognition), are divided according to whether or not the underlying assets must be derecognised.

In the event of derecognition

When all the risks and benefits from the ownership are effectively transferred, the transferor (originator) shall derecognise the transferred assets from its financial statements and record offsetting entries for the consideration received and any profit or loss from the sale.
If the consideration received is not made up entirely of an amount of available cash, but consists partly of financial assets, these are initially recognised at fair value. Their fair value is also used in the calculation of the profit or loss from the sale.
Should derecognition be permitted, if only a part of the cash flows that derive from a loan is sold, the carrying value of the part maintained is recognised at fair value as at the date of the sale. Any arrangement costs incurred by the originator are recorded in the income statement when incurred as they are not attributable to any financial assets appearing in the financial statements.
The assets sold are derecognised and the profit or loss from the sale, together with any receivable relating to the sale consideration, are recorded in the financial statements as at the date of the completion of the sale. More generally, the entry date for the transaction in the financial statements depends on the contractual clauses. If the cash flows from the assets sold are transferred after the execution of the agreement, for example when there are suspending clauses, the assets are derecognised and the proceeds of the sale are recognised at the time of the transfer of the cash flows.

In the event of no derecognition

If the requirements established by IAS 39 are not met and the securitisation does not therefore qualify for derecognition, the originator records the loan as an offsetting entry for the consideration received.
A common example is when the originator sells a loan portfolio to the special purpose vehicle, but subscribes for the junior class in full (and therefore for the majority of the risks and benefits of the underlying assets) and/or provides a collateral for the transaction.
In this case, the arrangement costs directly incurred by the originator are recorded in the income statement when they are sustained. If there is no derecognition, the loans securitised continue to be recorded in the originator's financial statements.
Subsequently, the originator must recognise any income from the asset transferred and any charges incurred on the liability recorded without offsetting any of the costs and revenues.
The loan portfolio transferred continues to be classified in the loan category that it originally formed part of and, consequently, is measured at amortised cost and valued (individually or on a collective basis) as if the transaction had never taken place.
It should also be noted that, for the securitisations prior to 1 January 2004 (Intesa Sec, Intesa Sec 2, Intesa Sec Npl and Intesa Lease Sec), the Group made use of the exemption from compliance with the IAS/IFRS requirements permitted by IFRS 1 on first-time adoption and, consequently, the assets or liabilities sold and derecognised on the basis of the previous accounting standards have not been recorded in the financial statements. For the transactions conducted after that date the provisions of IAS 39 on the derecognition of financial assets and liabilities have been applied.

Synthetic securitisations

Synthetic securitisations are usually recognised on the basis of the following rules.
The loans subject to synthetic securitisation continue to be recorded in the assets of the bank (protection buyer) that has retained full ownership of them. The premium paid by the bank to the protection seller for the purchase of the protection Credit Default Swap is recorded under commission expense in the income statement, where the premiums relating to the credit derivatives associated with the guarantees received are recorded. The financial guarantee received from the protection seller also contributes to the determination of the adjustments made to the loans subject to the guarantee (overall and, where applicable, specific).

Any deposit liabilities received by the bank, as a result of the issue of notes by vehicles that sell portions of the risk acquired from the protection seller in the market through the issue of notes, are recorded under payables in the balance sheet liabilities.

Quantitative disclosure

The tables below detail the net exposures and adjustments for the securitisations. The amounts shown in the tables represent the exposures in the financial statements, as also reported in Part E: Information on Risks and relative hedging policies, in the Notes to the consolidated financial statements, and include both the positions relating to the banking book and the regulatory trading book.

Securitisations: amount of the securitisation positions originated and third party

(millions of euro)

	On-balance sheet exposures						Guarantees given					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Exposure		Exposure		Exposure		Exposure		Exposure		Exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**14**	**14**	**116**	**116**	**107**	**105**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	*7*	*7*	*28*	*29*	-	-	-	-	-	-
b) Other	*14*	*14*	*109*	*109*	*79*	*76*	-	-	-	-	-	-
B. Third party underlying assets (*)	**5,207**	**5,206**	**455**	**446**	**40**	**39**	**73**	**42**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*5,207*	*5,206*	*455*	*446*	*40*	*39*	*73*	*42*	-	-	-	-
TOTAL 30.06.2010	**5,221**	**5,220**	**571**	**562**	**147**	**144**	**73**	**42**	**-**	**-**	**-**	**-**
TOTAL 31.12.2009	**4,559**	**4,558**	**472**	**466**	**164**	**161**	**135**	**135**	**-**	**-**	**2**	**2**

	Credit lines						Total					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Exposure		Exposure		Exposure		Exposure		Exposure		Exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**14**	**116**	**116**	**107**	**105**
a) Non-performing	-	-	-	-	-	-	-	-	*7*	*7*	*28*	*29*
b) Other	-	-	-	-	-	-	*14*	*14*	*109*	*109*	*79*	*76*
B. Third party underlying assets (*)	**2,329**	**2,329**	**-**	**-**	**-**	**-**	**7,609**	**7,577**	**455**	**446**	**40**	**39**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*2,329*	*2,329*	-	-	-	-	*7,609*	*7,577*	*455*	*446*	*40*	*39*
TOTAL 30.06.2010	**2,329**	**2,329**	**-**	**-**	**-**	**-**	**7,623**	**7,591**	**571**	**562**	**147**	**144**
TOTAL 31.12.2009	**1,766**	**1,766**	**-**	**-**	**-**	**-**	**6,460**	**6,459**	**472**	**466**	**166**	**163**

(*) Including Romulus and Duomo Asset Backed Commercial Paper (ABCP) programmes as detailed in the tables relating to third party securitisations.

Breakdown of net exposures to securitisations by financial assets portfolio and by type

(millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	1,917	86	6	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	65	10	33	-	-	-
Investments held to maturity	118	-	-	-	-	-
Loans (**)	3,107	366	59	2,371	-	-
Total 31.12.2010	**5,207**	**462**	**98**	**2,371**	**-**	**-**
Total 31.12.2009	**4,392**	**460**	**117**	**1,901**	**-**	**2**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 159 million euro. No off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised are recorded as at 31 December 2010.

(**) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

Securitisations: breakdown of on-balance sheet exposures deriving from main originated securitisations by type of securitised asset and by type of exposure

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**1**	**-**	**16**	**-8**	**59**	**-6**
A.1 Intesa Lease Sec						
- performing leasing contracts	-	-	-	-	-	-
A.1 Intesa Sec 2						
- performing residential mortgages	-	-	*9*	-	*24*	-
A.2 Intesa Sec						
- performing mortgages	-	-	-	-	*1*	*-1*
A.3 Intesa Sec Npl						
- doubtful mortgages	-	-	*7*	*-8*	*29*	*-5*
A.4 Cr Firenze Mutui						
- performing mortgages	*1*	-	-	-	*5*	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**13**	**2**	**100**	**1**	**46**	**-**
C.1 Intesa Sec 3 (*)						
- performing residential mortgages	-	-	*94*	-	*28*	-
C.2 Da Vinci						
- loans to the aircraft sector	*4*	*2*	*1*	*1*	-	-
C.3 Split 2 (**)						
- performing leasing contracts	*9*	-	*5*	-	*18*	-
TOTAL 31.12.2010	**14**	**2**	**116**	**-7**	**105**	**-6**
TOTAL 31.12.2009	**176**	**7**	**27**	**-26**	**116**	**12**

(*) Derecognised for prudential purposes, not for accounting purposes.

(**) A securitisation vehicle not recorded under the Banking Group, but whose securitised assets are not derecognised by the Group originating the securitisation.

Securitisations: breakdown of off-balance sheet exposures deriving from main originated securitisations by type of securitised asset and by type of exposure

This type of exposure did not exist as at 31 December 2010.

Securitisations: breakdown of on-balance sheet exposures deriving from main third party securitisations by type of securitised asset and by type of exposure

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 TCW GLOBAL PROJECT FUND III						
- project finance loans	*662*	-	-	-	-	-
A.2 Tevere Finance						
- loans to Italian local authorities	*473*	*-2*	-	-	-	*-2*
A.3 Euterpe (*)						
- amounts due from tax authorities	*293*	*-2*	-	-	-	-
A.4 Fondo Immobili Pubblici						
- loans deriving from rental of properties to the public sector	*277*	*5*	-	-	-	-
A.5 AYT Cedulas						
- residential mortgages	*264*	-	-	-	-	-
A.6 Nepri Finance S.r.l.						
- residential mortgages	*239*	*-1*	-	-	-	-
A.7 Soc. Cart. Crediti INPS						
- social security benefits	*234*	-	-	-	-	-
A.8 Posillipo Finance						
- receivables from Italian health sector	*185*	-	-	-	-	-
A.9 Duchess (**)						
- CLOs	*155*	*-4*	-	-	-	-
A.10 D'Annunzio						
- receivables from Italian health sector	*152*	*-1*	-	-	-	-
A.11 Romulus Funding Corp.						
- Romulus portfolio	*130*	-	-	-	-	-
A.12 GSC Partners CDO Fund. Ltd.						
- corporate loans	*115*	-	-	-	-	-
A.13 Siena Mortgage						
- residential mortgages	*102*	-	-	-	-	-
A.14 Cordusio RMBS Securitisation						
- residential mortgages	*78*	-	*22*	-	-	-
A.15 Geldilux						
- corporate loans	*99*	-	-	-	-	-
A.16 Sunrise S.r.l.						
- consumer credit	*93*	-	*4*	-	-	-
A.17 Cartesio						
- receivables from Italian health sector	*83*	-	-	-	-	-
A.18 Vintage Finance						
- electric companies receivables from public sector	*79*	-	-	-	-	-
A.19 Summer Street 2004-1 LTD (**)						
- structured finance CDOs	*55*	*2*	-	-	-	-
A.20 Granite Master Issuer Plc.						
- residential mortgages	*22*	-	*30*	-	-	-
A.21 Residual portfolio divided in 386 securities	*1,416*	-5 (***)	*390*	*11* (****)	*39*	*-1*
TOTAL 31.10.2010	**5,206**	**-8**	**446**	**11**	**39**	**-3**
TOTAL 31.12.2009	**4,382**	**32**	**439**	**-12**	**45**	**-1**

(*) Exposure to Euterpe (with 88 million euro included in the "residual portfolio") refers to single tranche securitisations, not classified as exposures to securitisations for supervisory purposes.

(**) Position included in packages, whose credit risk is entirely hedged by a specific credit default swap (CDS). The adjustment highlighted was, therefore, practically identical to the positive fair value of the derivative. For further information on the relevant economic and risk impacts, see the paragraph on structured credit products in Part E of the Notes to the consolidated financial statements.

(***) Of which -1 million euro related to securities included in packages.

(****) Of which 17 million euro related to securities included in packages.

Securitisations: breakdown of on-balance sheet exposures deriving from main third party securitisations by type of securitised asset and by type of exposure: composition of the residual portfolio as at 31 December 2010

(millions of euro)

Residual portfolio divided by type of underlying asset	**On-balance sheet exposures**					
	Senior		**Mezzanine**		**Junior**	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Residential mortgages	501	-4	155	-1	16	-1
Commercial mortgages	99	-	98	-	-	-
Other ABSs (CLO-CMO-CFO) (*)	105	-1	71	17	-	-
Financing for SMEs	145	1	23	-1	-	-
Loans deriving from leasing contracts	106	-	11	-	-	-
Car loans	106	-	8	-	1	-
CDOs	104	-	8	-4	-	-
WL Collateral CMOs	51	-	-	-	-	-
Loans to foreign public bodies	44	-	-	-	-	-
Consumer credit	36	-	-	-	-	-
Loans to energy companies	29	-	-	-	-	-
Public property	14	-	14	-	-	-
Project finance loans	-	-	-	-	22	-
Loans to foreign local authorities	15	-	-	-	-	-
Loans to research	13	-	-	-	-	-
Personal loans	8	-	2	-	-	-
Credit cards	3	-	-	-	-	-
Other assets	37	-1	-	-	-	-
TOTAL	**1,416**	**-5**	**390**	**11**	**39**	**-1**

(*) Includes position part of packages, whose credit risk is entirely hedged by a specific credit default swap (CDS). The adjustment highlighted was, therefore, practically identical to the positive fair value of the derivative. For further information on the relevant economic and risk impacts, see the paragraph on structured credit products in Part E of the Notes to the consolidated financial statements.

Securitisations: breakdown of off-balance sheet exposures deriving from main third party securitisations by type of securitised asset and by type of exposure

(millions of euro)

	Guarantees given						**Credit lines**					
	Senior		**Mezzanine**		**Junior**		**Senior**		**Mezzanine**		**Junior**	
	Net exposure	**Adjust./ recoveries**	**Net exposure**	**Adjust./ recoveries**	**Net exposure**	**Adjust./ recoveries**	**Net exposure**	**Adjust./ recoveries**	**Net exposure**	**Adjust./ recoveries**	**Net exposure**	**Adjust./ recoveries**
A.1 Duomo *- Asset Backed Securities and Collateralised debt obligations*	-	-	-	-	-	-	*2,165*	-	-	-	-	-
A.2 Romulus *- Asset Backed Securities and Collateralised debt obligations*	42	-31	-	-	-	-	164	-	-	-	-	-
Total 31.12.2010	**42**	**-31**	**-**	**-**	**-**	**-**	**2,329**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2009	**122**	**-**	**-**	**-**	**2**	**-**	**1,766**	**-**	**-**	**-**	**-**	**-**

Securitisations: weighted amounts of securitisation positions based on risk weight bands - Standardised approach

(millions of euro)

Risk weight bands	31.12.2010		31.12.2009	
	Originated securitisations	Third-party securitisations	Originated securitisations	Third-party securitisations
Risk weight 20%	7	458	15	536
Risk weight 35% (*)	74	-	110	-
Risk weight 50%	-	250	-	342
Risk weight 100%	11	251	11	243
Risk weight 150% (*)	85	-	115	-
Risk weight 350%	-	275	-	254
Risk weight 1250% - with rating	-	885	-	480
Risk weight 1250% - without rating	361	352	341	274
Look-through - second loss in ABCP	-	-	-	-
Look-through - other	-	2,524	-	-
Deducted from regulatory capital	-	-	-	-
Total	**538**	**4,995**	**592**	**2,129**

(*) Weights applied to the securitised assets, in accordance with the regulations in the event of failure to pass the cap test.

The table above details the exposures to securitisations by weight band. The amounts shown relate solely to the exposures included in the banking book and, therefore, do not include the exposures to securitisations included in the regulatory trading book.

Securitisations carried out during the period

In 2010, the Group did not carry out any new securitisations.

Table 11 – Market risks: disclosures for banks using the internal models approach (IMA) for position risk, foreign exchange risk and commodity risk

Qualitative and quantitative disclosure

The quantification of trading risks is based on daily 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:

Risk factors	
Interest rates	Spreads in credit default swaps (CDS)
Equity and market indexes	Spreads in bond issues
Investment funds	Correlation instruments
Foreign exchange rates	Dividend derivatives
Implied volatilities	Asset Backed Securities (ABS)
	Commodities

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 4% 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 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.
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 funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI; (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo; (iv) position risk on dividend derivatives.
From the second quarter 2010, the validated risk profiles were extended to commodity risk for Banca IMI, the only legal entity of the Group authorised to hold open positions in commodities.

Breakdown of capital requirements by Calculation approach

(millions of euro)

Information	Approach		
	Standardised approach	Internal models	Concentration risk
Assets included in the regulatory trading book	**911**	**158**	**51**
Position risk	911	158	-
Settlement risk for DVP transactions (Delivery Versus Payment)	-	-	-
Concentration risk	-	-	51
Other assets	**67**	**44**	**-**
Foreign exchange risk	67	-	-
Commodity risk	-	44	-
Total capital requirement for market risk as at 31.12.2010	**978**	**202**	**51**
Total capital requirement for market risk as at 31.12.2009	**1,191**	**96**	**57**

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 risk.

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 periodically 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 including 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).

Daily VaR evolution

During the fourth quarter of 2010 market risks originated by Intesa Sanpaolo and Banca IMI decreased

compared to the previous periods. The average daily VaR for the fourth quarter of 2010 was 36.8 million euro, down by 15% on the third quarter.
With regard to the whole of 2010, the average Group risk profile (38 million euro) decreased compared to the average values in 2009 (40.6 million euro).

Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and 3rd quarter of 2010 [(a)]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	22.3	21.3	24.0	27.6	27.0	19.5
Banca IMI	14.5	11.5	22.4	15.8	13.9	11.7
Total	**36.8**	**33.3**	**44.3**	**43.4**	**40.9**	**31.3**

(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.

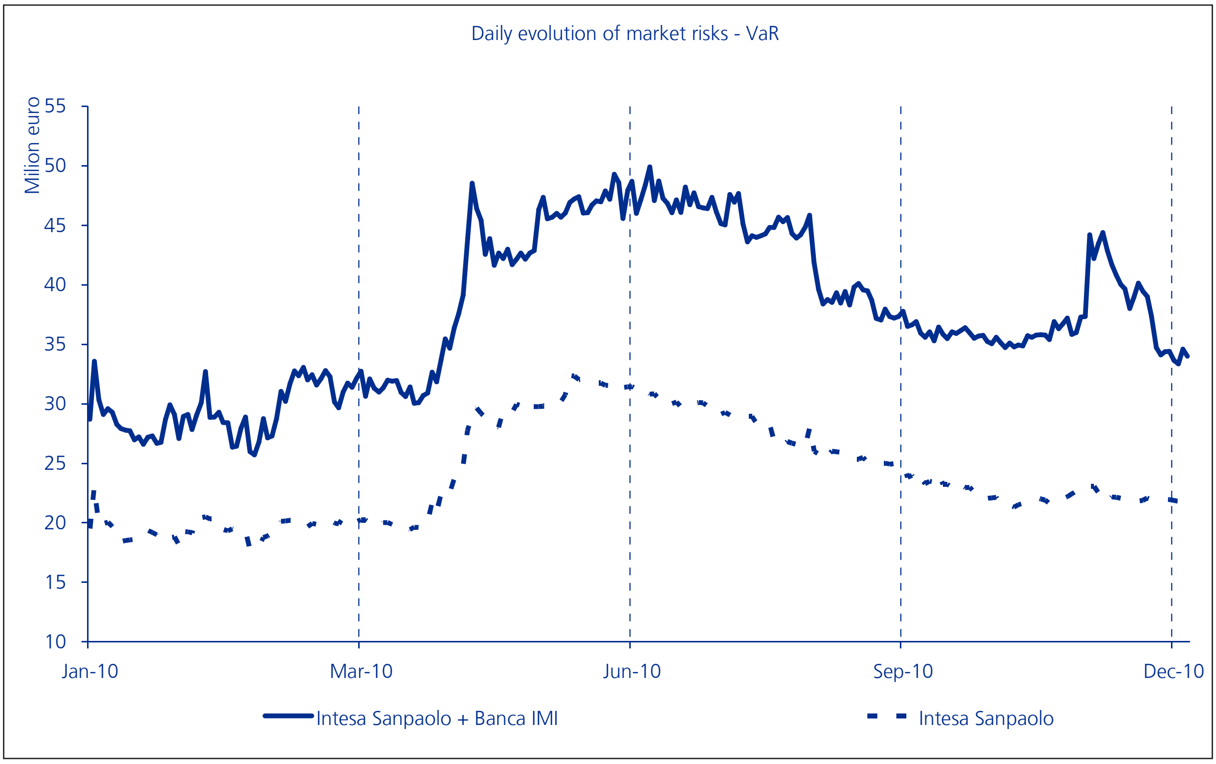
Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between 2010-2009 [(a)]

(in millions of euro)

	2010				2009		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	24.1	17.8	32.2	21.6	26.9	18.8	35.6
Banca IMI	13.9	8.9	22.4	13.2	13.7	7.2	21.7
Total	**38.0**	**27.6**	**49.9**	**34.8**	**40.6**	**27.1**	**55.6**

(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.

Banca IMI alone recorded an average VaR in line with the previous year. Observing performance over the year, it is clear that the risk measures grew in line with the crisis in the sovereign markets in the eurozone and a subsequent stabilisation mainly from operations (a decrease in certain exposures and greater hedge effectiveness) and a different impact of volatilities on historical simulation scenarios.
Please also note that in October 2008 and during 2009, certain highly illiquid securities (mainly ABS) and positions resulting from restructuring of unfunded structures were reclassified to the loan portfolio.
The average VaR in the fourth quarter of 2010 for this portfolio, not included in the VaR limit monitoring and the above statistics, was approximately 8.8 million euro.



For Intesa Sanpaolo, the breakdown of the risk profile in the fourth quarter of 2010 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 54% of total VaR. Credit spread risk was the most significant component for Banca IMI, representing 51% of the total.

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

4th quarter 2010	Shares	Hedge fund	Rates	Credit spread	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	3%	54%	14%	24%	2%	3%	0%
Banca IMI	8%	0%	24%	51%	2%	7%	8%
Total	**5%**	**25%**	**19%**	**39%**	**2%**	**6%**	**4%**

[(a)] Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the fourth quarter of 2010, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

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

Contribution of strategies to portfolio breakdown [(a)]

	31.12.2010	31.12.2009
- Catalyst Driven	0%	1%
- Credit	75%	72%
- Non credit strategies	5%	0%
- Directional trading	4%	4%
- Equity hedged	8%	9%
- Fixed Income Arbitrage	8%	12%
- Multi-strategy	0%	1%
- Volatility	0%	1%
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.

During 2010, the hedge fund portfolio achieved the envisaged asset allocation, investing in strategies linked to distressed credit and exiting other categories of credit more linked to market direction (e.g. Multistrategy, Volatility).

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 and foreign exchange rates as at the end of December is summarised in the following table.

(millions of euro)

	Equity		Interest rates		Credit spreads		Foreign Exchange rates		Commodities	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-5	5	16	-15	82	-80	15	-4	-6	6
of which SCP					6	-7				

In particular:
- for positions on stock markets a 5% increase in stock prices and a resulting 10% drop in volatility would have led to a gain of about 5 million euro; on the contrary, a 5% decrease in prices and resulting 10% increase in volatility would have led to a loss of about 5 million euro;
- for exposures to interest rates, a parallel +25 basis point shift in the yield curve would have led to a 15 million euro loss, whereas a parallel -25 basis point shift would have led to a 16 million euro gain;
- for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to an 80 million euro loss, of which about 7 million euro attributable to structured credit products (SCP);
- on foreign exchange exposures, the revaluation of the euro would have recorded a loss of about 4 million euro;
- lastly, on commodity exposures a 6 million euro loss would have been recorded had there been a 50% decrease in prices.

Backtesting

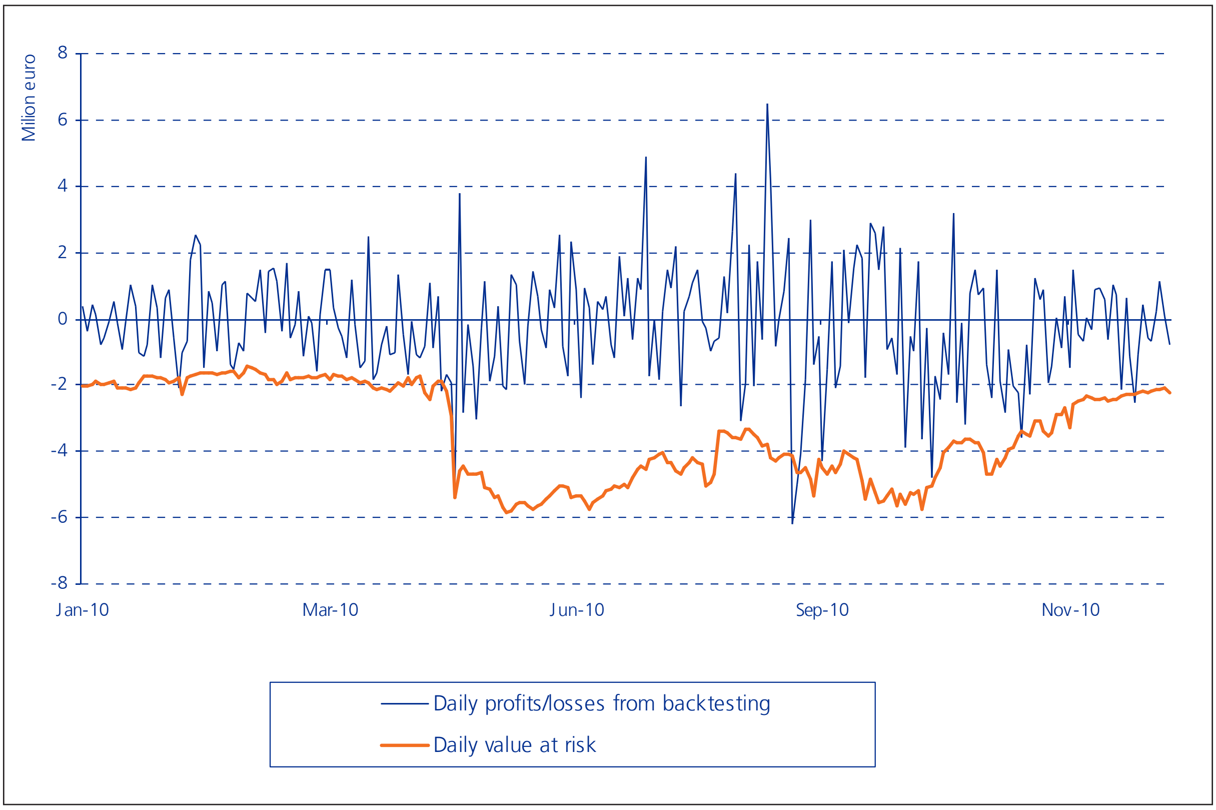
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

– 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.

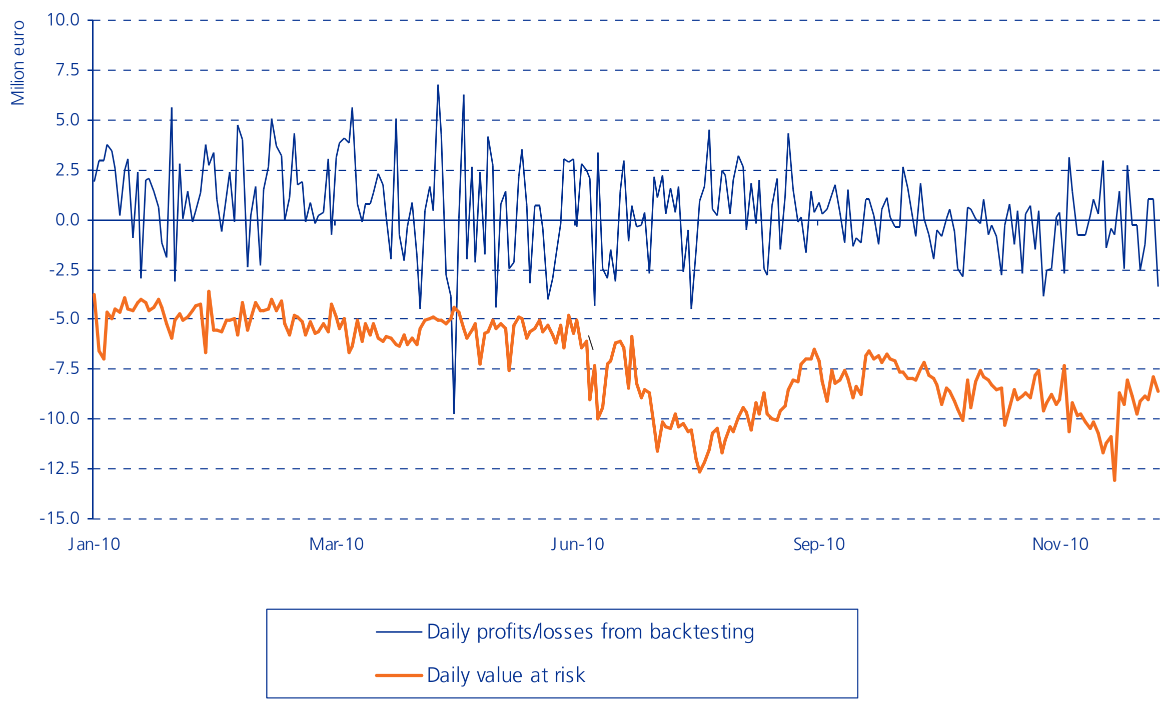
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo's regulatory backtesting, shown in the following graph, found six cases where the daily losses from backtesting were higher than the VaR estimate. These excesses are mainly due to the volatility of interest rates and the bases between the treasury and swap curves in the periods of tension on the financial markets, where there is greater portfolio concentration.



Backtesting in Banca IMI

Banca IMI's regulatory backtesting, set out in the following graph, highlights a critical situation in May due to the volatility of the treasury curves during the sovereign crisis in the eurozone.



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 indexes.

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

	Total	of which				
		Corporate	Financial	Emerging	Covered	Securitis.
Intesa Sanpaolo	44%	0%	62%	2%	35%	1%
Banca IMI	56%	-12%	43%	1%	10%	58%
Total	**100%**	**-5%**	**53%**	**2%**	**25%**	**25%**

(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.

(b) 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 for Intesa Sanpaolo and the securitisation segment for Banca IMI.

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 on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

In the third quarter 2010, the Management Board resolved a new VaR limit for the Group of 70 million euro, an increase compared to the previous 63 million euro. This increase was defined for the purpose of purchasing out of the money options in a highly volatile market environment in which diametrically opposite scenarios may also occur.

The use of VaR limits in Intesa Sanpaolo (held for trading component), in the component sub-allocated to the organisational units, averaged 66% in 2010, with a maximum use of 98%. In Banca IMI, VaR operating limits averaged 59%, with a maximum use of 91%.

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 42% for Intesa Sanpaolo and 59% for Banca IMI.

The use of VaR operating limits on the AFS component at year end was 70%. The limit on that component amounts to 40 million euro and was introduced in 2009 to monitor the volatility of shareholders' equity.

Description of the level of conformity with the rules governing the systems and controls aimed at ensuring prudent and reliable valuations of the positions included in the regulatory trading book

The Fair Value Policy

The Intesa Sanpaolo Group's Fair Value Policy governs the measurement of financial instruments after initial recognition with reference to the Group's portfolios measured at Fair Value.
The Fair Value Policy, in all of its constituent documents, is governed and formalised by the Risk Management Department, applies to the Parent Company and all consolidated subsidiaries, is integrated into the risk measurement and management processes, is subject to regular review and updating and approval by the relevant functions, and is used for the preparation of the financial statement documents.
The related accounting policies are detailed below. A summary is also provided below of the various stages of the process of measurement of financial instruments together with details of the valuation models used to measure the financial instruments.

Accounting policies: Fair value measurement methods (Fair value hierarchy)

Fair value is the amount for which an asset may be exchanged or a liability settled between knowledgeable, willing counterparties in an arm's length transaction. Underlying the definition of fair value is an assumption that an entity is a going concern without any need to liquidate or curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value reflects the credit quality of the instrument since it incorporates counterparty risk.

Financial instruments

The fair value of financial instruments is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other

financial instruments.
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.
When no quote 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-offer 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 of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:
– reference to market values indirectly connected to the instrument to be valued and deduced from products with the same risk profile (comparable approach);
– valuations performed using – even partially – inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the person making the assessment (Mark-to-Model).

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (comparable approach - level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (Mark-to-Model Approach - level 3).
The following instruments are considered quoted on an active market (***level 1***): equities quoted on a regulated market, bonds quoted on the EuroMTS circuit and those for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices, mutual funds, spot exchange rates, derivatives for which quotes are available on an active market (for example, futures and exchanged traded options). Lastly, hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, are considered as quoted on an active market, provided that no adjustments are required for the valuation of the liquidity or counterparty risks of the underlying assets. Conversely, all other financial instruments, which do not fall in the categories described above, are not considered quoted on an active market.
For financial instruments quoted on active markets the current bid price is used for financial assets and the current asking price for financial liabilities, struck on the most advantageous 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.
When no prices can be derived on active markets, the fair value of financial instruments is determined using the comparable approach (***level 2***) which uses measurement models based on market parameters. In this case the valuation is not based on the prices of the same financial instrument to be measured, but on prices or credit spreads presumed from official quotes of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the search for transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. The calculation methodologies used in the comparable approach 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 quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – that significantly influence the final valuation.
The fair value of bonds without official quotes expressed by an active market is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics. Credits spread sources are contributed and liquid securities of the same issuer, credit default swaps on the same reference entity, contributed and liquid securities issued by an issuer with the same rating and belonging to the same sector. The different seniority of the security to be priced relatively to the issuer's debt structure is also considered.
Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of the Intesa Sanpaolo Group is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.

In consideration of their number and complexity, a systematic reference framework has been developed for derivatives which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are valued through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market.
Moreover, when determining fair value, the credit quality of the counterparty is also considered. Fair value considers counterparty credit risk and future exposures of the contract through the so-called Credit Risk Adjustment (CRA).
With respect to structured credit products, in the case of ABS, if significant prices are not available, valuation techniques consider parameters which may be presumed from the market (comparable approach), such as spreads presumed from new issuers and/or collected from the major investment banks, further strengthened by a qualitative analysis relative to the performance of the underlying asset presumed from periodic investor reports and subject to backtesting with actual sale prices.
Derivatives for which fair value is determined using the comparable approach also include 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 so-called "relative" valuation models based on multipliers. Multipliers are used under the comparable companies' or comparable transactions' approach. In the former case, reference is made to a sample of comparable listed companies, therefore the stock prices from which the multiples to measure the investment are deducted. In the latter case, reference is made to the trading prices of the market related to comparable companies registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions.
Finally, loans also fall under the financial instruments whose fair value is determined using the comparable approach. In particular, for medium- and long-term assets and liabilities measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount 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 and complex credit derivatives (CDOs) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- other loans, of a smaller amount, classified in the available-for-sale portfolio;
- derivative transactions relating to securitisations and equity-risk structured options.

The fair value of debt securities and complex credit derivatives (funded and unfunded CDOs) is determined based on a quantitative model which estimates losses on collateral with a simulation of the relevant cash flows which uses copula functions. The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default - derived from market spreads, recovery rates, the correlation between the value of collaterals present in the structure and the expected residual life of the contract. In order to incorporate high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters. On the basis of this valuation, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis, condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.), are summarised in an indicator representing credit

quality on which downgrades depend, so as to proceed to a consistent adjustment in the valuation. Finally, for this class of products, management has the possibility to decide a further adjustment which must be based on prices observed from counterparties and on expert opinions.
With respect to credit derivatives on index tranches, off-the-run series are valued at level 3 when no reliable and verifiable quotes are available from the Risk Management Department. Fair value is determined based on the quotes of series being issued, adjusted to reflect the different underlying.
The fair value of hedge funds is determined by reducing the operating NAV provided by the Fund Administrator, by an amount deriving from an individual measurement process of the counterparty risk (being the risk associated with the credit quality of the fund's prime brokers[1]) and the liquidity risk (which occurs when the assets in which the fund is invested become so illiquid that they cast doubts as to the validity of the valuation process).
Equities to which the "relative" models indicated with respect to level 2 are not applied are valued using "absolute" valuation models. In particular, these models are based on flows which substantially anticipate the carrying amount of the security by estimating the cash flows it can generate over time, discounted using a rate that is in line with the risk level of the instrument, balance sheet models or balance sheet-income statement mixed models.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.
The valuation process of financial instruments ("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. In particular:
  - reference categories are established for the various types of market parameters;
  - the reference requirements governing the identification of official revaluation sources are set;
  - the fixing conditions of official figures are established;
  - the data certification conditions are established;
- 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. The validation process is particularly important at the start of activities in a new financial instrument which requires the development of further pricing models, and when the Bank decides to use a new model to measure payoffs previously managed with models deemed to be less adequate. All models used for the measurement must be submitted to an internal certification process which involves various competent structures or independent companies in highly complex or particularly critical cases;
- 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.

The fair value policy also provides for adjustments to reflect the model risk and other uncertainties relating to valuation. In particular, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. Indeed, it is possible that models which price elementary instruments with the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shift), and periodically reviewed. These fair value adjustments, due to model risks, are part of a Mark to Market Adjustment Policy adopted for the purpose of considering, in addition to model risk described above, also other factors eligible to influence

[1] The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

valuation and essentially attributable to:
- high and/or complex risk profile;
- position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
- valuation difficulties due to the lack of liquid and observable market parameters.

A more detailed description of the fair value measurement models can be found in the section on "valuation models used to measure the financial instruments".

Certification and monitoring of the market parameters and the model risk

As part of its overall monitoring of the controls on the individual transactions dealt with by the ICT Systems Department (IT modules) and the Operating Systems Department (back office controls), the Risk Management Department monitors and certifies the models used for the valuation processes and the market parameters identified to feed them. If the valuation systems are found to be incapable of providing reliable valuations, the Risk Management Department values the financial instrument directly using specially developed internal instruments.

These activities are broken down into various stages, which are described briefly below.

Identification, certification and treatment of market data and the sources for measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of comparable or mark-to-model approaches, highlight the need to establish univocal principles in the determination of market parameters. To this end the Market Data Reference Guide – a document prepared and updated by the Risk Management Department on the basis of the Group's Internal Regulations approved by the Management bodies of the Parent Company and Group Companies – has established the processes necessary to identify market parameters and the means according to which such parameters must be extracted and used. Such market data may be both elementary and derived data. In particular, for each reference category (asset class), the regulation determines the relative requisites, as well as the cut-off and certification means. The document defines the collection of the contribution sources deemed adequate for the assessment of financial instruments held for any purpose in the proprietary portfolios of the Bank and its subsidiaries. These same sources are used in revaluations carried out for third parties under Service Level Agreements, reached in advance. Adequacy is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, of measuring the contribution bid-ask, and lastly, for OTC products, of verifying the comparability of the contribution sources. For each market parameter category the cut-off time is determined univocally, with reference to the timing of definition of the parameter, the reference bid/ask side and the number of contributions necessary to verify the price. The use of all market parameters in Intesa Sanpaolo is subordinated to their certification (Validation Process) by the Risk Management Department (RMD), in terms of specific controls (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.

Model Risk Management

In general, Model Risk is represented by the possibility that the price of a financial instrument is materially influenced by the valuation approach chosen. In the case of complex financial instruments, for which there is no standard valuation method in the market, or during periods when new valuation methods are being established in the market, it is possible that different methods may consistently value the elementary instruments of reference, but provide differing valuations for exotic instruments. The risk model is monitored through a diverse series of analyses and checks carried out at various stages, aimed at certifying the various pricing methods used by the Bank ("Model Validation"), at regularly monitoring the performance of the models in operation to promptly identify any deviation from the market ("Model Risk Monitoring") and at identifying any adjustments to be made to the valuations ("Model Risk Adjustment", see the section below "Adjustments adopted to reflect model risk and other uncertainties related to the valuation").

Model Validation

In general, all the pricing models used by the Bank must undergo an internal certification process by the various structures involved. The possibility of independent certification issued by high standing financial service companies is also provided for in highly-complex cases and/or in presence of market turbulence (so-called market dislocation)[2]. The internal certification process is activated when a new financial instrument starts to be used that requires an adjustment to the existing pricing methods or the development of new methods, or when the existing methods need to be adjusted for the valuation of existing contracts. The validation of the methods involves a series of operational steps, which are adopted where necessary, including the:

- contextualisation of the problem within the current market practice and the relevant available literature;
- analysis of the financial aspects and the types of significant payoff;
- formalisation and independent derivation of the mathematical aspects;
- analysis of the numerical/implementation aspects and tests through the replication, where necessary, of the pricing libraries of the Front Office systems through an independent prototype;
- analysis of the relevant market data, verifying the presence, liquidity and frequency of update of the contributions;
- analysis of the calibration methods, in other words the model's ability to optimise its internal parameters (or meta-data) to best replicate the information provided by the quoted instruments;
- stress tests of the parameters of the model that are not observable in the market and analysis of the impact on the valuation of the complex instruments;
- market tests comparing, where possible, the prices obtained from the model with the quotes available from the counterparties.

If no problems are identified by the above analysis, the Risk Management Department validates the method, which becomes part of the Group Fair Value Policy and can be used for the official valuations. If the analysis identifies a significant "Model Risk", which, however, is within the limits of the approach's ability to correctly manage the related contracts, the Risk Management Department selects a supplementary approach to determine the appropriate adjustments to be made to the mark to market, and validates the supplemented approach.

Model Risk Monitoring

The performance of the models in operation is monitored continuously to promptly identify any deviations from the market and implement the necessary assessments and measures. This monitoring is performed in various ways, including:

- repricing of quoted elementary instruments: verifying the model's ability to reduce the market prices of all the quoted instruments considered to be relevant and sufficiently liquid. For interest rate derivatives, an automatic repricing system for elementary financial instruments is used in the Bank's Front Office systems, which enables the systematic verification of any deviations between the model and the market. Where significant deviations are found, especially outside the market bid-ask quotes, the impact on the respective trading portfolios is analysed and any adjustments to be made to the corresponding valuations are quantified;
- comparison with benchmarks: the monitoring method described above is further enhanced by the extensive use of data supplied by qualified external providers (e.g. Markit), which provide consensus valuations from leading market counterparties for interest rate instruments (swaps, basis swaps, cap/floor, European and Bermuda swaptions, CMS, CMS spread options), equities (options on indexes and on single stocks) and credit (CDS). Such information is far richer than that normally available from standard contribution sources, for example in terms of maturities, underlying assets and strikes. If there are significant differences between the model and the benchmark their impact is analysed and, as in the case above, any mark-to-market adjustments are quantified. The possibility of extending the comparison with benchmarks to other instruments or underlying assets is constantly monitored;
- comparison with market prices: verification against prices provided by counterparties via Collateral Management, indicative listed prices provided by brokers, intrinsic parameters identified

[2] For example, Intesa Sanpaolo used a similar validation for CDO exposures.

from these indicative listed prices, checks of the most recent revaluation price in relation to the price of the financial instrument deriving from unwinding, sales, and new similar or comparable transactions.

Adjustments adopted to reflect model risk and other uncertainties related to the valuation

If problems are found by the Model Validation process or the Model Risk Monitoring process in the calculation of the Fair Value of particular financial instruments, the appropriate Mark-to-Market Adjustments to be made to the valuations are identified. These adjustments are regularly reviewed, also in the light of market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in selected models and their implementation.

In addition to the adjustments relating to the abovementioned factors, the Mark-to-Market Adjustment Policy also provides for other types of adjustments relating to other factors capable of influencing the valuation. These factors essentially involve:
- high and/or complex risk profile;
- position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration) and
- valuation difficulties due to the lack of liquid and observable market parameters.

For illiquid products an adjustment is made to the fair value. This adjustment is generally not very relevant for instruments for which the valuation is supplied directly by an active market (level 1). Specifically, highly liquid quoted securities are valued directly at mid price, whereas for quoted securities with low liquidity and unquoted securities the bid price is used for long positions and the ask price for short positions. Bonds that are not quoted are valued according to credit spreads that differ based on the position of the security (long or short).

Conversely, for derivatives for which fair value is determined with a valuation technique (levels 2 and 3), the adjustment may be calculated with different means according to the availability on the market of bid and ask prices and products with similar characteristics in terms of contract type, underlying asset, currency, maturity and volumes traded which may be used as benchmarks.
Where none of the indications above is available, stress tests are performed on input parameters deemed to be relevant in the model. The main factors considered to be illiquid (in addition to the inputs for the valuation of structured credit derivatives, illustrated above) and for which the respective adjustments have been calculated, are represented in this market context, are connected to risks on Commodities, on Dividends and Variance Swaps, FOI (Consumer price index for blue and white-collar worker households) inflation and options on inflation, on specific indexes such as Rendistato, volatility of 12-month cap indexes and "quanto" correlation (connected to pay offs and index-linking expressed in different currencies).

The management of the Mark-to-Market Adjustment process is formalised with appropriate calculation methodologies on the basis of the different configurations of the points set out above. Calculation of the adjustments depends on the dynamics of the factors indicated above and is disciplined by the Risk Management Department. The criteria for the release are subordinated to the elimination of the factors indicated above and disciplined by the Risk Management Department. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.

For new products, the decision to apply Mark-to-Market Adjustment processes is taken by the New Product Committee upon the proposal of the Risk Management Department.

Information on valuation models which are concretely used for measurement of financial instruments

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products), on the valuation models used for measurement.

I. Pricing model for non-contributed securities

Pricing of non-contributed securities (that is, securities without official listings expressed by an active market) occurs through the use of an appropriate credit spread test (in application of the comparable approach): given a non-contributed security, the level of the credit spread is estimated starting from contributed and liquid financial instruments with similar characteristics. The hierarchy of sources which are used to estimate the level of the credit spread are the following:

- contributed and liquid securities (benchmark) of the same issuer;
- Credit Default Swaps on the same reference entity;
- contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case the different seniority of the security is considered to be priced relatively to the issuer's debt structure.

Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar quoted securities.

If there is also an embedded option a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and the illiquidity of the underlyings. This component is calculated on the basis of the type of option and its maturity.

II. Models for pricing interest rate, foreign exchange, equity, inflation and commodity derivatives

Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are valued through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market and subject to the monitoring processes illustrated above. In terms of fair value hierarchy, prices determined in this way fall in the Comparable Approach category.

The table below illustrates the main models used to price OTC derivatives on the basis of the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black, SABR, Libor Market Model, Hull-White at 1 and 2 factors, Mixture of Hull-White at 1 and 2 factors, Bivariate longnormal, Rendistato	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV)	Interest rate curves, spot and forward FX, FX volatility
Equity	Net present Value Equity, Black-Scholes Generalised, Heston, Jump Diffusion	Interest rate curves, underlying asset spot rate, interest rate curves, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Bifactorial Inflation	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations

Moreover, the determination of fair value of OTC derivatives must consider, in addition to market factors and the nature of the contract (maturity, type of contract, etc.), also the credit quality of the counterparty. In particular:

– mark-to-market, namely the pricing using risk free (particularly interest rate curve and volatility)

market data;
- fair value, which considers counterparty credit risk and future exposures of the contract.

The difference between fair value and mark-to-market – so-called Credit Risk Adjustment (CRA) – is the discounted value of the expected future loss, considering that the future exposure has a volatility related to that of the markets. The application of this methodology occurs as follows:
- in the case of positive net present exposure, the CRA is calculated starting from the latter, from credit spreads and in function of the average residual life of the contract;
- in the case of net present exposure close to zero or negative, CRA is determined assuming that the future exposure may be estimated through Basel 2 add-on factors.

III. Model for pricing structured credit products

Regarding ABS, if significant prices are not available from consensus platforms/Info providers (level 1, effective market quotes), valuation techniques are used that take into account parameters that can be gathered from an active market (level 2, comparable approach).
In this case, the cash flows are obtained from info providers or specialised platforms, whereas the spreads are gathered from new issues, from consensus platforms and from market research produced by major investment banks, verifying the consistency and coherence of these valuations with the prices gathered from the market (level 1).
Lastly, the valuation based on quantitative models and parameters is accompanied by a qualitative analysis aimed at highlighting structural aspects that are (or not fully) encompassed by the analyses described above, relating the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

With reference to complex credit derivatives (CDOs), in view of the market dislocations between the financial and credit markets, Intesa Sanpaolo has paid particular attention to pricing methodologies, and prepared a new Fair Value Policy that has been applied since the 2007 financial statements. No material changes were made to the Policy, although the ongoing improvement of input treatment continued, in order to ensure consistent adherence to the market figures. At the same time the Waterfall assessment was refined. The Fair Value Policy also sets out specific procedures on the inputs necessary for valuations.
Regarding CDO pricing, Intesa Sanpaolo uses a quantitative model which estimates joint losses on collateral with a simulation of the relevant cash flows which uses copula functions.
The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default derived from market spreads, recovery rates, the correlation between the value of collaterals present in the structure and the expected residual life of the contract.
For spreads, the valuation process incorporates, as promptly as possible, all the market inputs (including synthetic indexes such as LCDX, Levx and CMBX) considered to be significant: consensus parameters calculated by multicontribution platforms and market spread estimates made available by major dealers are used.

The Market Data Reference Guide, which sets out credit spread contribution sources, was moreover integrated with specific policies for the other inputs such as correlations and recovery rates.
For specific types of collateral, such as trust preferred securities, the probability of default is estimated using the Expected Default Frequency from Moody's - KMV.

In order to incorporate high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters; in particular:
- stress of recovery rates: expected recovery rates on the assets held as collateral in every deal have been decreased by 25% (50% for underlying REITS);
- stress of asset value correlation: inter and intra correlations have been increased by 15% or 25% depending on the type of product;
- stress of spreads: the spreads, used to determine the marginal distributions of defaults, have been increased by 10%;
- stress of expected residual lives: the latter have been increased by 1 year.

Each of these modules contributes to the definition of a sensitivity grid of the value to the single parameter; results are then aggregated assuming independence between the single elements.

The valuation framework used for the CDO Cash Flows also manages the Waterfall effects. The latter entails the correct definition of the payment priorities according to the seniority of the various tranches and the contractual clauses. In general these provide for the diversion of the capital and interest payments from the lower tranches of the Capital Structure to the higher tranches, upon the occurrence of Trigger Events, such as the failure of the Overcollateralisation and Interest Coverage tests.

After this valuation, credit analyses on underlying assets were fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis are condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.) which are summarised in an indicator representing credit quality. On the basis of the value of this synthetic indicator, specific thresholds have been identified which correspond to a number of downgrades, so to proceed to a consistent adjustment in the valuation. Finally, for this class of products, Top Management has the possibility to decide a further adjustment which must be based on prices observed from counterparties and on expert opinions.

IV. The pricing model for hedge funds

The main parameter used for the valuation of hedge funds is the NAV (Net Asset Value), which however may be prudentially adjusted by the Risk Management Department, during the valuation of inventories for accounting purposes, on the basis of an individual valuation process and certain risk drivers, aimed at verifying specific idiosyncratic risks, mainly identified as follows:

- counterparty risk;
- illiquidity risk.

These elements have been measured starting from 2008, the year when the deepening crisis had significant impacts on banks, and the fair value policy was reviewed to fully incorporate the changes in the operating environment and the risks associated with hedge funds in particular following the Lehman default. This policy was introduced during 2009 after a backtesting stage which endorsed the choices made. During 2009-2010 several qualitative parameters were reviewed as part of the regular revision of the policy.

Specifically, the first risk driver – counterparty risk - relates to the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, which is a potential source of risk in the case of default. The resulting prudential adjustment to the operational NAV differs according to whether this activity is concentrated in a single name or is diversified across several service providers.

With regard to the illiquidity drivers, these relate to the risk intrinsic to the pricing of the fund assets, therefore, the prudential adjustment is applied based on the availability of prices or certain weaknesses in the pricing policies used by the fund.

Table 12 – Operational risk

Qualitative disclosure

Methods for calculating Operational Risk

As illustrated in the Introduction, since 31 December 2009 the Group has used the Advanced Measurement Approach (AMA) internal model to calculate the capital requirements for operational risk for an initial scope of companies including the Banks and Companies of the Banca dei Territori Division (except for the former Gruppo CR Firenze, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka.
Effective 31 December 2010, the Group was then authorised to extend advanced approaches to a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka. The remaining companies currently using the Standardised Approach will migrate progressively to the Advanced Approaches starting from the end of 2011, based on the gradual rollout plan presented to the Supervisory Authority. A remaining, residual, number of companies use the Basic Indicator Approach (BIA).

The table below shows the capital requirement, calculated using the three different Approaches.

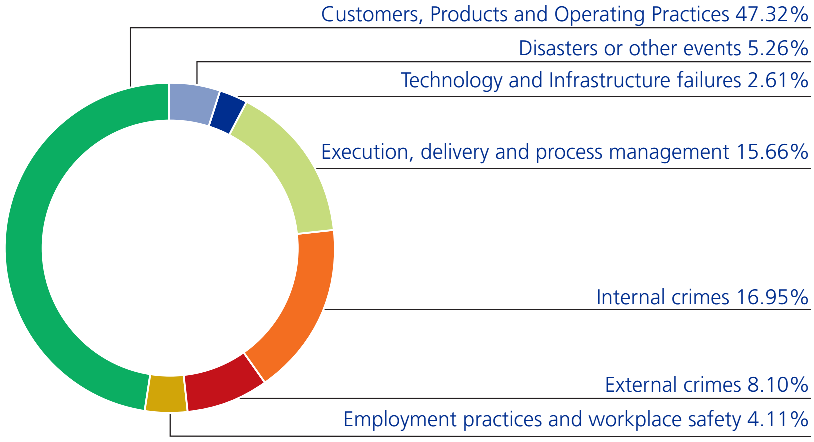
Breakdown of capital requirements by Calculation approach

(millions of euro)

Approach	Capital requirement
Advanced Measurement Approach (AMA)	**1,623**
Traditional Standardised Approach (TSA)	**422**
Corporate Finance	9
Trading & Sales	50
Retail Banking	130
Commercial Banking	155
Payment & Settlement	8
Agency Services	5
Asset Management	64
Retail Brokerage	1
Basic Indicator Approach (BIA)	**129**
Total as at 31.12.2010	**2,174**
Total as at 31.12.2009	**2,249**

The following shows the breakdown of capital requirement relating to the Advanced AMA Approach by type of operational event.

Breakdown of Capital Requirement (Advanced AMA Approach) by type of operational event



The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (the Operational 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 and the Corporate Centre) with the objective of assessing the potential economic impact of particularly serious operational events.

Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst loss); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment and internal control factors, to take account of the effectiveness of internal controls in the various organisational units.

The Group has activated a traditional operational risk transfer policy (BBB, D&O, capital policies), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements, as the insurance mitigation component of the internal model has not yet been submitted for regulatory approval. The process required to obtain this approval is planned to start in 2011.

Table 13 – Equity exposures: disclosures for banking book positions

Qualitative disclosure

Equity exposures included in the banking book: differentiation between exposures according to the objectives pursued

The investments in equities present in the Banking Group have a variety of functions:

- strategic: companies subject to significant influence, joint ventures with industry partners and institutional investments;
- instrumental to the Bank's business and the development of commercial operations;
- systemic institutional: investments in public finance, consortium companies, and local bodies and institutions;
- financial investment: especially private equity investments.

Recognition and valuation of the equity instruments included in the banking book

The equity exposures included in the banking book are classified under the balance sheet items Investments and Assets available for sale. They are not, however, except for marginal amounts, included within the Financial assets designated at fair value through profit and loss, because the Intesa Sanpaolo Group essentially usually classifies investments in relation to insurance policies in this category (not included in the scope of this disclosure, see Table 2) and certain debt securities with embedded derivatives or debt securities subject to financial hedging.

Financial assets available for sale – accounting policies

1. Classification criteria

This category includes equities that are not classified as Financial assets held for trading, Financial assets designated at fair value through profit and loss or Investments. Specifically, this item includes equity investments that are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds.

2. Recognition criteria

Initial recognition of financial assets occurs at settlement date. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument. For a description of the valuation techniques used to calculate fair value, see the discussion of this subject in Table 11 of this document.

3. Measurement criteria

After initial recognition, the Financial assets available for sale are measured at fair value, the gains or losses deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, recent comparable transactions, etc..
The equities included in this category for which the fair value cannot be reliably determined are maintained at cost.
Financial assets available for sale are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured by means of specific valuation methods (see item 5 below).

If the reasons for impairment are no longer valid following an event subsequent to the registration of impairment, recoveries are posted through shareholders' equity.

4. Derecognition criteria

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

5. Impairment tests for financial assets available for sale

The impairment of financial assets available for sale and other financial assets is described in Table 5 under the item "Description of the methods adopted to calculate the adjustments".

Equity investments – accounting policies

1. Classification criteria

This caption includes investments in companies subject to joint control (other than the entities conducting banking or insurance business, which are consolidated in this document according to the proportional consolidation method – see Table 2) and associates.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when the Parent Company, directly or indirectly, holds at least 20% of voting rights or if the Parent Company – with a lower equity stake – has the power of participating in the determination of the financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.
Certain companies in which Intesa Sanpaolo holds a stake exceeding 20% are not considered subject to significant influence since Intesa Sanpaolo, directly or indirectly, exclusively has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the protection of its economic interests.
The caption also includes the equity stake in Bank of Italy.

2. Recognition criteria

Initial recognition occurs at settlement date. On initial recognition, the investments are recorded at cost, including transaction costs and revenues directly attributable to the instrument.

3. Measurement criteria

The investments are valued by consolidation at equity. Intesa Sanpaolo has also opted to use this consolidation method for companies subject to joint control instead of proportional consolidation, as permitted by IAS 31.
The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in the company's shareholders' equity.
Any difference between the value of the equity investment and the shareholders' equity of the company involved is recorded in the book value of the company.
The valuation of the portion of shareholders' equity does not consider any potential voting rights.
The portion of the company's results for the period pertaining to the Group is recorded in a specific caption of the consolidated income statement.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final

disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.
For consolidation of companies subject to joint control and investments in associates, the most recent approved (annual or interim) figures have been used. In certain marginal cases, the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on the Intesa Sanpaolo Group's Consolidated financial statements.
The investment in the Bank of Italy and certain investments in marginal companies i) in liquidation and/or terminating activities and ii) at the start-up phase with no balance sheet are maintained at cost.

4. Derecognition criteria
Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

5. Impairment tests of equity investments
At each balance sheet date the investments in associates or companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, market capitalisation lower than the company's net book value, in the case of securities listed on active markets or in the case of securities quoted on active markets, or by a carrying value of the investment in the separate financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income.
The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value net of sales costs and the value in use.
For a description of the valuation techniques used to determine fair value, see the relevant chapter (Table 11).
Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows.

Quantitative disclosure

The tables below show the breakdown of the Equity exposures according to their book classification. The figures represent the exposures shown in the financial statements.

Banking book: on-balance sheet equity exposures (*)

(millions of euro)

Exposure type/values	31.12.2010								
	Book value		Fair value		Market value	Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Level 1	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	221	2,495	176	X	176	365	-72	X	X
B. Financial assets vailable for sale (AFS)	762	2,046	762	2,046	762	5	-42	465	-89
C. Financial assets designated at fair value through profit and loss (DAAFV)	-	14	-	14	-	-	-	X	X

Exposure type/values	31.12.2009								
	Book value		Fair value		Market value	Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Level 1	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	191	2,868	142	X	142	643	-82	X	X
B. Financial assets vailable for sale (AFS)	848	1,938	848	1,938	848	159	-149	339	-34
C. Financial assets designated at fair value through profit and loss (DAAFV)	-	-	-	-	-	-	-	X	X

(*) This table provides figures pertaining exclusively to the Banking Group.

(**) For Investments, fair value refers to listed investments only (level 1).

The net capital losses on equity investments included under the negative elements of the Tier 2 capital amount to 22 million euro (25 million euro as at 31 December 2009).

Banking book: on-balance sheet equity exposures - weighted values

(millions of euro)

	Weighted exposure	
	31.12.2010	**31.12.2009**
IRB approach	**653**	**637**
Private equity exposures in sufficiently diversified portfolios	314	257
Exchange-traded equity exposures	126	124
Other equity exposures	213	253
Other assets: instrumental investments	-	3
Standardised approach	**3,444**	**2,905**

Table 14 – Interest rate risk on positions in the banking book

Qualitative disclosure

Interest rate risk

Interest rate risk originated by the banking book arises primarily in the Parent Company and in the main Group Companies that carry out retail and corporate banking and represents the risk that potential variations in the rates will have an impact on the interest margin and on the net present value of the assets and liabilities included within the banking book.

Within the banking book, the capital items are represented as “to maturity” or “repricing” depending on whether they involve a fixed or variable rate with the exception of customer sight deposits and loans for which the choice has been made to use a behavioural as opposed to contractual representation for the calculation of the risk measures.

As already mentioned in Table 1 of this disclosure, two types of measurement have been adopted for the measurement of the financial risks generated by the banking book, namely Value at Risk (VaR) and Sensitivity analysis.

The VaR, in addition to being used to measure the price and exchange risks generated by the equity investments, is also used to consolidate exposure to financial risks of the various Group companies that perform banking book activities, thereby taking into account diversification benefits.

The shift sensitivity analysis, with reference to the interest rate risk, defines the movement as a parallel and uniform shift of +100 basis points of the 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.

The sensitivity of the interest margin is measured on the basis of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. It should be noted that this measure highlights the effect of variations in market interest rates on the portfolio being measured, and excludes assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered as a predictor of the future levels of the interest margin.

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

Quantitative disclosure

Interest rate risk

Interest margin sensitivity – assuming a 100 basis point rise in interest rates – amounted to +163 million euro (-166 million euro in the event of reduction) at the end of 2010; these values increased compared to the 2009 year-end figures (+119 million euro and -120 million euro, respectively, in the event of an increase/decrease in interest rates).
In the case of invariance of the other income components, the aforesaid potential impact would be reflected also in the Group's year-end net income and taking into account the abovementioned assumptions concerning the measurement procedures.

In 2010, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 516 million euro and 426 million euro at year end compared to the 560 million euro at the end of 2009.

The table below shows the impact on the banking book of the ±100bp shock, broken down into the main currencies that the Intesa Sanpaolo Group is exposed to.

(millions of euro)

		31.12.2010
EUR	Euro	350
USD	US dollar	43
CHF	Swiss franc	1
HUF	Hungarian forint	12
HRK	Croatian kuna	4
RUB	Russian rouble	3
	Other currencies	13
TOTAL		**426**

Interest rate risk, measured in terms of VaR, averaged 98 million euro in 2010, confirmed by the final year end figure (131 million euro at the end of 2009), with a minimum value of 82 million euro and a maximum value of 116 million euro.

The reduction in the economic value in the event of a 200 bp change in interest rates stayed within the limits of the alert threshold set by the prevailing Regulatory provisions (20% of the Regulatory Capital).

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

The Manager responsible for preparing the Company's financial reports, Ernesto Riva, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document "Basel 2 - Pillar 3 as at 31 December 2010" corresponds to the corporate records, books and accounts.

5 April 2011

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

Independent Auditors' Report on Basel 2 Pillar 3

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Independent auditors' report
(translation from the original Italian text)

To the Management Board of Intesa Sanpaolo S.p.A.

1. We have reviewed the "Basel 2 Pillar 3 - Disclosure" (the "Pillar 3") of Intesa Sanpaolo S.p.A. and its subsidiaries (the "Intesa Sanpaolo Group") as of and for the year ended December 31, 2010. As described in the section "Notes to the Basel 2 Pillar 3 disclosure", the preparation of Pillar 3 in conformity with the Circular n. 263 of December 27, 2006 issued by the Bank of Italy, Title IV "Disclosure" is the responsibility of the Intesa Sanpaolo S.p.A.'s Management Board. The implementation and maintainance of adequate management and internal control processes for the preparation of data and information contained in Pillar 3 is the responsibility of the Intesa Sanpaolo S.p.A.'s Management Board. Our responsibility is to issue this report based on our review.

2. We conducted our work in accordance with International Standard on Assurance Engagements 3000 - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. We planned and performed our work to obtain reasonable assurance, less in scope than an audit, that the financial information reported in Pillar 3 is not materially misstated.

   In detail, we performed the following procedures:

   - comparison of data and financial information reported in Pillar 3 and data and information included in the consolidated financial statements of Intesa Sanpaolo Group as of and for the year ended December 31, 2010 on which we issued our audit report dated March 29, 2011;
   - interview and discussion with the management of Intesa Sanpaolo S.p.A. and of its main subsidiaries, included in the "Banking Group", as defined in Table 2 of Pillar 3, to obtain information about information technology, accounting and reporting systems used in preparing Pillar 3, as well as about processes and internal control procedures that support the data collection, aggregation, processing and transmission of such data and information to the manager responsible for preparing the company's financial reports in order to prepare Pillar 3;
   - sample-based analyses of supporting documentation used in preparing Pillar 3, in order to obtain evidence of the processes implemented for the preparation of data and information disclosed in Pillar 3;
   - reading of the communications with Bank of Italy in connection with the authorization process to use the internal systems, foundation and advanced, to determine capital requirements;

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- reading of the reports prepared by the Internal Audit Department and Internal Validation Function, regarding the management and internal control processes relating to the preparation of data and information reported in Pillar 3;
- obtaining the representation letter on the compliance of Pillar 3 with Circular n. 263 of December 27, 2006 issued by the Bank of Italy and on the reliability and completeness of the information and data contained in Pillar 3.

Our work has been performed to achieve the scope of our engagement. We did not perform audit procedures such as tests of compliance or other substantive procedures, and our work was substantially less in scope than an audit conducted in accordance with ISAE 3000. Accordingly, the work performed does not give us assurance to be aware of all relevant fact and circumstances that could have been identified by performing an audit.

With respect to the Pillar 3 of the prior year, presented for comparative purposes, reference should be made to our report issued on March 26, 2010.

3. Based on our review, nothing has come to our attention that causes us to believe that Pillar 3 of Intesa Sanpaolo Group as of December 31, 2010, prepared on the basis of the methodologies and processes described in the same document, is not consistent with the data and information included in the consolidated financial statements of Intesa Sanpaolo Group as of and for the year ended December 31, 2010 and consequently, that it has not been prepared, in all significant respects, in conformity with the criteria established by Circular n. 263 of December 27, 2006 issued by the Bank of Italy, Title IV "Public Disclosures".

4. This report was prepared for the Management Board in accordance with our engagement. Our work has been conducted to report to Intesa Sanpaolo S.p.A. only the matters presented in this report. Therefore, we have no responsibility to any party other than Intesa Sanpaolo S.p.A., regarding the work performed, this report or the conclusions reported herein.

Turin, April 6, 2011

Reconta Ernst & Young S.p.A.
Signed by: Massimo Testa

Glossary

GLOSSARY OF TERMS PERTAINING TO DISCLOSURE REQUIREMENTS UNDER THE THIRD PILLAR OF BASEL 2

(with the meaning adopted in this document and excluding terms widely used in the Italian language or which are used in a context that already clarifies their meaning)

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

ABS (receivables)
ABS whose collateral is made up of receivables.

AIRB (Advanced Internal Rating Based)
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only for certain regulatory segments by institutions meeting more stringent requirements compared to the Foundation Approach. With the Advanced Approach, banks use their own internal estimates for all inputs (PD, LGD, EAD) used for credit risk assessment, whereas for Foundation IRB they only estimate PD.

AMA
(Advanced Measurement Approach) - A method for determining the operational risk capital requirements using calculation models based on operational loss data and other assessment elements collected and processed by the bank. Specific access thresholds and eligibility requirements are defined for adoption of the Standardised and Advanced approaches. For AMA systems, the requirements concern not only the management system but also the measurement system.

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to "proprietary" trading.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
Equity (or Junior) Tranche: The riskiest portion of the portfolio, it is also known as "first loss" and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
Mezzanine Tranche: The tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.
Senior/Supersenior Tranche: The tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

Cap test
A test performed in respect of the originator or the promoter to establish capital requirements in securitisation transactions. Under the regulations, the risk-weighted value of all exposures in respect of a single securitisation cannot exceed the weighted value of the securitised assets, calculated as if said assets had not been securitised (cap). The capital requirement in respect of all exposures to the same securitisation is equal to 8% of the cap.

Categories of financial instruments provided for by IAS 39
Financial assets "held-for-trading", which include: any asset acquired for the purpose of selling it in the near term or part of portfolios of instruments managed jointly for the purpose of short-term profit-taking; assets designated at fair value, under the IAS, this category may include the assets that the entity decides in any case to measure at fair value with value changes recognized through profit and loss, in the cases provided for by IAS 39; *financial assets "held-to-maturity",* non-derivative assets with fixed-term and fixed or determinable payments, that an entity intends and is able to hold to maturity; *"Loans and receivables",* non-derivative financial assets with fixed or determinable payments not quoted in an active market; *financial assets "available-for-sale",* specifically designated as such, or, to a lesser extent, others not falling under the previous categories.

CCF – Credit Conversion Factor
For banks that use the Standardised Approach and the FIRB, the Credit Conversion Factor is the weighting - provided for by the applicable regulations - applied to off-balance sheet exposures to determine their EAD:
- 100% to full-risk guarantees and commitments;
- 50% to medium-risk guarantees and commitments (e.g. margins available on irrevocable credit lines with an original maturity of more than one year);
- 20% to medium-low risk guarantees and commitments (import-export documentary credits);
- 0% to low-risk guarantees and commitments (e.g. undrawn revocable credit facilities).

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

Core Tier 1 ratio
The ratio of *Tier 1 capital*, net of excluded instruments (*preference shares and savings shares*), to total risk-weighted assets. *Preferred shares* are innovative capital instruments, usually issued by foreign subsidiaries, and included in the tier 1 capital if their characteristics ensure the banks' asset stability. The Tier 1 ratio is the same ratio inclusive of the preferred shares in the numerator.

Corporate
Customer segment consisting of medium- and large-sized companies (*mid-corporate and large corporate*).

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts for the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market, mainly by means of instruments other than cash, to acquire credit exposures of varying maturities and intensities, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

Credit risk
The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

CRM
Credit Risk Mitigation.

Cumulative loss
Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Default
Declared inability to honour one's debts and/or make the relevant interest payments.

Delinquency
Failure to make loan payments at a certain date, normally provided at 30, 60 and 90 days.

EAD – Exposure At Default
Relating to positions on or off balance sheet, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach are entitled to estimate EAD. The others are required to make reference to statutory estimates.

EDF – Expected Default Frequency
Frequency of default, normally based on a sample internal or external to the bank, which represents the average risk level associable with a counterparty.

Exotics (derivatives)
Non-standard instruments unlisted on the regular markets, whose price is based on mathematical models.

Expected loss
Amount of losses on loans or receivables that an entity could sustain over a holding period of one year. Given a portfolio of loans and receivables, the expected loss represents the average value of the distribution of losses.

Fair value
The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

FiRB
See "*IRB*"

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Grandfathering
Grandfathering clause regarding capital requirements, exempting from IRB treatment equity exposures acquired prior to 31 December 2007 (for more details, see Bank of Italy Circular 263/2006, Title II, Chapter 1, Part II, Section VI).

Hybrid instruments included in Tier 1 capital
Financial instruments that may be included in Tier 1 capital up to specific limits when the funding raised is available on an ongoing basis and there is an ability to absorb losses that fully guarantees the bank's capital stability. Such instruments may be classified as innovative or non-innovative depending on whether there are incentives for early redemption by the issuer (e.g., step-up clauses).

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB (International Accounting Standard Board)
The IASB (previously known as the IASC) is the entity responsible for issuing international accounting standards (IAS/IFRS).

ICAAP
Under the "Second Pillar" (Title III) banks are required to adopt processes and instruments for implementing the Internal
Capital Adequacy Assessment Process, (ICAAP) to determine the amount of capital needed to cover all risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing current and potential future exposure, taking

into account business strategies and developments in the economic and business environment.

IFRIC (International Financial Reporting Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

IMA
Internal Models Approach: it can be used to calculate market risks.

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." It represents the risk level inherent in the portfolio of performing loans and constitutes the basic indicator for determining the size of the stock of collective adjustments to be set aside in the financial statements.

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

IRB (Internal Rating Based)
Approach based on internal ratings within the framework of the New Basel Accord. In the internal ratings approach the expected loss on a loan portfolio is estimated through three parameters (PD, LGD and EAD). In the foundation approach only the PD is estimated by the Bank, for the other parameters reference is made to the indications from the supervisory authorities.

Junior
In a securitisation transaction it is the lowest-ranking tranche of the securities issued (Equity tranche), being the first to bear losses that may occur in the course of the recovery of the underlying assets.

LDA - Loss Distribution Approach
It is a model used to assess exposure to operational risk. It makes it possible to estimate the amount of expected and unexpected loss for any event/loss combination and any *business line*.

Liquidity risk
The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of rapidly converting financial assets into cash without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

Loss Given Default (LGD)
It indicates the estimated loss rate in the event of borrower default.

Lower Tier 2
It designates subordinated liabilities that meet the eligibility criteria for inclusion in supplementary (Tier 2) capital.

Macro-hedging
Use of macro-hedging. Hedging procedure involving a single derivative product for various positions.

Market risk
Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

Non-performing
Term generally referring to loans for which payments are overdue.

Operational risk
The risk of incurring losses due to inadequacy or failures of processes, human resources or 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 non-contractual liability or other disputes; it does not include strategic risk (losses due to wrong management strategies) or reputational risk (loss of market shares as a consequence of negative publicity regarding the bank).

Past due loans
"Past due loans" are non-performing loans on which payments are past due and/or overdue on a continuing basis for over 90/180 days, in accordance with the definition set forth in current supervisory reporting rules.

Performing
Term generally referring to loans characterised by regular performance.

Pool (transactions)
See "*Syndicated lending*".

Preferred shares
See "*Core Tier 1*".

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

Ratings
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

Risk Weighted Assets (RWA)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Slotting
A system for calculating capital requirements, based on regulatory classification criteria, applicable to the exposures relating to Specialised Lending by banks authorised to use the internal credit risk rating system (for more details, see Bank of Italy Circular 263/2006, Title II, Chapter 1, Part II, Section V).

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Tier 1
Core capital (Tier 1) includes the paid-in capital, the share premium reserve, reserves from retained earnings (including IAS/IFRS first-time–adoption reserve other than those included under valuation reserves), and excludes treasury shares and intangible assets. Consolidated Tier 1 capital also includes minority interest.

Tier 2
Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses, and the other positive elements that constitute capital items of a secondary nature; the positive "prudential filters" of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity investments, negative items related to loans, other negative elements, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before items to be deducted". Tier 2 capital is made up of the difference between "Tier 2 capital before items to be deducted" and 50% "items to be deducted".

Total capital ratio
Capital ratio referred to regulatory capital components (Tier 1 plus Tier 2).

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Upper Tier 2
Hybrid capital instruments (e.g., perpetual loans) that make up the highest quality elements of Tier 2 capital.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and

assuming that a certain amount of time is required to liquidate positions.

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PRESTAMPA E STAMPA: AGEMA CORPORATION - ITALIA

STAMPATO SU CARTA ECOLOGICA RICICLATA FSC CON INCHIOSTRI ECOCOMPATIBILI VEGETALI DA GRAFICHE AGEMA S.P.A. ITALIA - SOCIETÀ CERTIFICATA PER LO SVILUPPO ECOSOSTENIBILE.

An ability to develop new solutions, attention to and ongoing dialogue with households, businesses, the third sector and public institutions underlie Intesa Sanpaolo's commitment to contribute to Italy's growth.
A role that we carry out with professionalism, a sense of responsibility and passion, offering innovative, personalised products and services and sharing our projects with our customers.
This is the origin of the decision to tell our story through the vivid, positive stories of our customers, representing, with these images, the projects achieved, the spirit of initiative and entrepreneurial determination and ability.

Brunello Cucinelli S.p.A., Solomeo (PG).

Students in the Villa Amoretti Public Library, Torino.

I Leprotti, Abbiategrasso (MI).

Photovoltaic plant in Montalto di Castro, Viterbo.

The Venturino family, Maretto (AT).

Esaote S.p.A., Genova.

Buccellati Holding Italia S.p.A., Milano.

La Casa dei Girasoli, "Genitori Oggi" Non-Profit Voluntary Association, San Giustino Umbro (PG).

Photo: Alessandro Digaetano