INTESA SANPAOLO

Basel 2 Pillar 3

Disclosure as at 30 June 2010

This is an English translation of the Italian original "Terzo pilastro di Basilea 2 – Informativa al pubblico al 30 giugno 2010" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A. This document contains certain forward-looking statements and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate. The Intesa Sanpaolo Group's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. The following important factors could cause the Group's actual results to differ materially from those projected or implied in any forward-looking statements:

- *the Group's ability to successfully integrate the employees, products, services and systems of mergers and acquisitions;*
- *the impact of regulatory decisions and changes in the regulatory environment;*
- *the impact of political and economic developments in Italy and other countries in which the Group operates;*
- *the impact of fluctuations in currency exchange and interest rates;*
- *the Group's ability to achieve the expected return on the investments and capital expenditures it has made in Italy and in foreign countries; and*
- *the Group's ability to finalise capital management actions on its non-core assets (including disposals, either full or partial, partnerships, listings, etc.).*

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Basel 2 Pillar 3 – Disclosure as at 30 June 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.

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(*) As specifically laid down in the reference regulations, this Table is not required for half-yearly disclosures (see also the "Introduction" to this document); therefore, only a summary update is provided here in lieu of the details contained in the Annual Report.

Introduction

Notes to the Basel 2 Pillar 3 disclosure

The purpose of the disclosure defined as "Third pillar of Basel 2" is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2), by encouraging market discipline 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 and additions 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, essentially corresponding to the definition of Banking Group for Regulatory purposes (integrated by the proportional consolidation of the jointly controlled entities). The Tables include both a "qualitative section" and a "quantitative section". The "Pillar 3 Basel 2" 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/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.

Please therefore refer to the document as at 31 December 2009 for a more comprehensive examination of the qualitative aspects. Furthermore, this report highlights any significant changes in the first half of the year compared to the Annual Report 2009.

For the sake of completeness, please note that the information on regulatory capital and capital adequacy is also published in the Half-yearly Report as at 30 June 2010.

The regulations governing the drafting of the "Pillar 3 Basel 2" disclosure require credit institutions to adopt a formal policy to meet the minimum public disclosure requirements and to put procedures in place that enable them to assess its adequacy, also in terms of its verification and frequency. 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 for approval to the competent Corporate Bodies by the Manager responsible for preparing the Company's financial reports. 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 "Pillar 3 Basel 2" 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 implementation of Art. 154bis 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.

The regulatory provisions governing the publication of the "Pillar 3 Basel 2" 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 30 June 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 "Pillar 3 Basel 2" disclosure published as at 31 December 2009.

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

Last, 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.

Table 1 – General requirements

Qualitative disclosure

Pursuant to the reference regulations issued by the Bank of Italy, the half-yearly "Basel 2 Pillar 3" report does not include qualitative disclosure (the only disclosure foreseen for this Table). As stated in the Introduction, the reader is referred to the document for the year ended 31 December 2009 for a more comprehensive examination of the qualitative aspects relating to the objectives and policies set in place to manage the Group's various risk categories.
A summary of the Group's approach to risk exposure, management and control is also provided in the Half-yearly Report at 30 June 2010, in the chapter "Risk management".

Table 2 – Scope of application

Quantitative disclosure

Pursuant to the reference regulations issued by the Bank of Italy, the half-yearly "Basel 2 Pillar 3" report does not include qualitative disclosure (which provides full breakdown of the scope of consolidation). In addition, please note that the "prudential" scope of consolidation for the figures as at 30 June 2010 does not differ significantly from the scope as at 31 December 2009 and 31 March 2010, except for the sale of the securities services business unit (Intesa Sanpaolo Servizi Transazionali S.p.A. and Sanpaolo Bank S.A.). Furthermore, in June the Group purchased 50 branches of Monte dei Paschi di Siena through the subsidiary Banca CR Firenze.

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 30 June 2010

Name of banking subsidiary not included in the consolidation	Consolidation method	
	Consolidated line-by-line	Consolidated at equity
INSURANCE ENTITIES		
CENTROVITA ASSICURAZIONI S.P.A.	X	
EURIZON VITA S.P.A.	X	
EURIZONLIFE LTD	X	
EURIZONTUTELA S.P.A.	X	
FIDEURAM VITA S.P.A.	X	
SUD POLO VITA S.P.A.	X	
VUB POIST'OVACI MAKLER S.R.O.	X	
OTHER		
ADRIANO FINANCE II S.R.L. (*)	X	
ADRIANO FINANCE S.R.L. (*)	X	
ARTEN SICAV	X	
BRIVON HUNGARY ZRT.	X	
CANOVA SICAV	X	
CIB CAR TRADING LIMITED LIABILITY COMPANY	X	
CIB INSURANCE BROKER LTD	X	
CIL BUDA SQUARE LTD.	X	
CIL MNM LTD.		X
CIL-FOOD 2006 LTD	X	
CIMABUE SICAV	X	
CSB PLAZA INGATLANHASZNOSITO KFT.	X	
DUOMO FUNDING PLC	X	
FIDEURAM FUND BOND EURO HIGH YIELD	X	
FIDEURAM FUND BOND USA	X	
FIDEURAM FUND BOND YEN	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	

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

Name of banking subsidiary not included in the consolidation	Consolidation method	
	Consolidated line-by-line	Consolidated at equity
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 EURO SHORT TERM	X	
FIDEURAM FUND ZERO COUPON 2010	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	
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 GBP	X	
FONDO BOND JPY	X	
FONDO CARAVAGGIO	X	
FONDO FLEXIBLE STRATEGY	X	
FONDO TOTAL RETURN ALPHA STRATEGY	X	
HOTEL WIEN KERESKEDELMI KFT.	X	
LANCHID PALOTA INGATLANFEJLESZTO ES UZEMELETETO KFT.	X	
LELLE SPC - REAL ESTATE INVESTMENT AND TRADING CO.	X	
LEVANNA SICAV	X	
LUNAR FUNDING V PLC	X	
OBUDA DUNAPART LTD	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	

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

For the sake of completeness, please note that the prudential scope of consolidation also provides for proportional consolidation of the entities subject to joint control.

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 30 June 2010 there were no capital deficiencies of the subsidiaries not included in the scope of consolidation with respect to the mandatory capital requirements.

Table 3 – Regulatory capital structure

Quantitative disclosure

Regulatory capital structure

The structure of the regulatory capital of the Intesa Sanpaolo Group as at 30 June 2010 is summarised in the table below.

(millions of euro)

Information	30.06.2010	31.12.2009
A. Tier 1 capital before the application of prudential filters	**33,705**	**32,170**
B. Tier 1 capital prudential filters	**-1,014**	**-932**
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	-1,014	-932
C. Tier 1 capital before items to be deducted (A+B)	**32,691**	**31,238**
D. Items to be deducted from Tier 1 capital	**981**	**1,033**
E. Total Tier 1 capital (C-D)	**31,710**	**30,205**
F. Tier 2 capital before the application of prudential filters	**15,874**	**16,599**
G. Tier 2 capital prudential filters	**-49**	**-94**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-49	-94
H. Tier 2 capital before items to be deducted (F+G)	**15,825**	**16,505**
I. Items to be deducted from Tier 2 capital	**981**	**1,033**
L. Total Tier 2 capital (H-I)	**14,844**	**15,472**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**3,034**	**2,923**
N. Regulatory capital (E+L-M)	**43,520**	**42,754**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**43,520**	**42,754**

At the end of the first half of 2010, total regulatory capital came to 43,520 million euro, against to risk-weighted assets of 355,655 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. Regulatory capital takes into account ordinary operations and an estimate of the dividends to be paid on 2010 net income, the amount of which has been determined on a conventional basis as one-half of the dividends distributed on the 2009 net income (516 million euro of the total 1,033 million euro).

All capital ratios improved compared to 31 December 2009. The total capital ratio stood at 12.2%, while the Group's Tier 1 ratio was 8.9%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 7.7%.

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) and the application of the internal approach to determine capital requirements for residential mortgages for private individuals following authorisation from the Bank of Italy (+13 basis points on the Core Tier 1 ratio). The acquisition of the Monte dei Paschi di Siena branches had a negative impact (-7 basis points on the Core Tier 1).

Lastly, the Bank of Italy, in a Regulation issued on 18 May 2010, has provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries 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 from 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 30 June 2010 takes into account this measure (the effect on the Core Tier 1 ratio is +8 basis points).

More details of the breakdown of the regulatory capital are provided below.

Tier 1 capital

(millions of euro)

Information	30.06.2010	31.12.2009
TOTAL TIER 1 CAPITAL(*)		
- Share capital	6,974	7,036
- Share premium reserve	33,224	33,235
- Reserves and net income	13,872	12,766
- Non-innovative equity instruments	-	-
- Innovative equity instruments	4,500	4,499
- 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	**58,570**	**57,536**
- Own shares or quotas	-1	-2
- Goodwill	-19,382	-19,731
- Other intangible assets	-5,482	-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	-19	-11
Negative reserves on equities and quotas of UCI available for sale	-	-
Negative reserves on debt securities available for sale (**)	-469	-437
Net accumulated capital gain on tangible assets	-	-
Capital resources forming the object of forward purchase commitments included in tier 1 capital	-	-
Other negative prudential filters (***)	-526	-484
TOTAL NEGATIVE ITEMS	**-25,879**	**-26,298**
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**32,691**	**31,238**
TOTAL ITEMS TO BE DEDUCTED	**-981**	**-1,033**
- Investment in the Bank of Italy	-314	-314
- Insurance subsidiaries purchased after 20 July 2006	-25	-29
- Other banking and financial investments higher than 10% of the investee's capital	-434	-442
- Excess expected losses with respect to adjustments (IRB-AIRB models)	-122	-176
- Other deductions	-86	-72
TOTAL TIER 1 CAPITAL NET OF ITEMS TO BE DEDUCTED	**31,710**	**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.

(**) This caption does not include negative reserves on EU countries government bonds for which the Group opted not to include negative Tier 1 "prudential filters" pursuant to supervisory provisions, with effect on the Core Tier 1 ratio of +8 basis points.

(***) This caption includes, for a scarcely material amount, negative prudential filters on sale of real estate used in operations following recent supervisory provisions.

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	30.06.2010	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	*98*	*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	1,740	1,737
- Tier 2 subordinated liabilities	13,776	14,452
- Other positive items	17	1
- Positive IAS / IFRS prudential filters (+)		
Excess total adjustments with respect to expected losses	-	-
Net capital gains on equity investments	-	-
Other positive items	-	-
TOTAL POSITIVE ITEMS	**15,983**	**16,731**
- Net capital losses on equity investments	-33	-25
- Loans	-	-
- Other negative items	-76	-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	*-49*	*-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	**-158**	**-226**
TOTAL TIER 2 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**15,825**	**16,505**
TOTAL ITEMS TO BE DEDUCTED	**-981**	**-1,033**
- Investment in the Bank of Italy	-314	-314
- Insurance subsidiaries purchased after 20 July 2006	-25	-29
- Other banking and financial investments higher than 10% of the investee's capital	-434	-442
- Excess expected losses with respect to adjustments (IRB-AIRB models)	-122	-176
- Other deductions	-86	-72
TOTAL TIER 2 CAPITAL NET OF ITEMS TO BE DEDUCTED	**14,844**	**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

Quantitative disclosure

Before illustrating the quantitative data it should be noted that for the purposes of the internal capital adequacy assessment process (ICAAP - under Pillar II of Basel 2), during 2010 the Group presented its ICAAP Report as a "class 1" banking group, according to the Bank of Italy's classification, based on the extensive use of internal methodologies for measurement of risk, internal capital and total capital available.
The results 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 participated, were also published in July. As stated in the first chapter of this Report – to which reference should be made for further details – 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% 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 minimum capital adequacy ratio required for the purposes of the test.

According to the "New regulations for the prudential supervision of banks" (Bank of Italy Circular 263 of 27 December 2006), which implement 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.
For the calculation of credit and counterparty risk capital requirements, the Intesa Sanpaolo Group, having received authorisation from the Supervisory Authority, uses the foundation IRB approach for the Corporate segment and the IRB[1] approach for the Retail Mortgage segment (Residential mortgages for private individuals), from the report as at 31 December 2008 and 30 June 2010 respectively (see 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 roll-out plan for the advanced approaches presented to the Supervisory Authority.
Banks must also comply with capital requirements on market risks 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 the report as at 31 December 2009, to use the Advanced AMA Approach (internal model) to determine the 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. The remaining companies, which currently use the

[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.

Standardised approach, will migrate progressively to the Advanced approaches starting from the end of 2010, based on the rollout plan presented to the Management and Supervisory Authorities.

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 the soundness of the capital base: 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 preference shares) and risk-weighted assets.

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(millions of euro)

Information	30.06.2010			31.12.2009		
	Unweighted amounts	Weighted amounts	Requirements	Unweighted amounts	Weighted amounts	Requirements
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**538,808**	**310,494**	**24,839**	**540,605**	**316,258**	**25,301**
1. Standardised approach	282,041	145,680	11,654	344,625	165,206	13,217
2. Internal models (IRB)	198,421	147,929	11,834	191,735	148,331	11,866
3. Internal models - Advanced approach and retail exposures	53,942	13,799	1,104	-	-	-
4. Securitisations	4,404	3,086	247	4,245	2,721	218
A.2 Market risk		**16,204**	**1,296**		**16,804**	**1,344**
1. Standardised approach		14,083	1,127		14,889	1,191
2. Internal models		2,093	167		1,202	96
3. Concentration risk		28	2		713	57
A.3 Operational risk		**28,507**	**2,280**		**28,113**	**2,249**
1. Basic indicator approach		1,324	106		1,363	109
2. Standardised approach		9,953	796		9,925	794
3. Advanced measurement approach		17,230	1,378		16,825	1,346
A.4 Other capital requirements		**-**	**-**		-	-
A.5 Other calculation elements (*)		**450**	**36**		**473**	**38**
A6 Total capital requirements		**355,655**	**28,451**		**361,648**	**28,932**
B. CAPITAL RATIOS (%)						
B.1 Core Tier 1			**7.7%**			**7.1%**
B.2 Tier 1 ratio			**8.9%**			**8.4%**
B.3 Total capital ratio			**12.2%**			**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, 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 30 June 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 30.06.2010	Capital requirement 31.12.2009
Exposures to or secured by governments and central banks	101	101
Exposures to or secured by local authorities	297	275
Exposures to or secured by not for profit and public sector organisations	140	155
Exposures to or secured by multilateral development banks	-	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,149	1,093
Exposures to or secured by corporates	4,511	4,424
Retail exposures	2,935	3,130
Exposures secured by real estate property	647	2,106
Past due exposures	690	878
High-risk exposures	146	89
Exposures in the form of covered bonds	1	-
Short-term exposures to corporates	105	120
Exposures to UCI	247	70
Other exposures	685	776
Total capital requirement for credit risk and counterparty risk (Standardised Approach)	**11,654**	**13,217**

Capital requirement for Credit and Counterparty Risk (Foundation IRB Approach)

(millions of euro)

Regulatory portfolio	Capital requirement 30.06.2010	Capital requirement 31.12.2009
A. Exposures to or secured by corporates (Foundation IRB Approach)	**11,775**	**11,815**
A.1) Specialised lending	532	372
A.2) Specialised lending - slotting criteria	152	97
A.3) SMEs	3,856	3,974
A.4) Other corporates	7,235	7,372
B. Exposures secured by residential property (IRB Approach)	**1,104**	**-**
B.1) Retail	1,104	-
C. Equity exposures (simple risk weight approach)	**59**	**51**
C.1) Private equity exposures in sufficiently diversified portfolios	24	21
C.2) Exchange-traded equity exposures	9	10
C.3) Other equity exposures	26	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)	**12,938**	**11,866**

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 201 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	
	30.06.2010	31.12.2009
Originated securitisations	44	48
Third-party securitisations	203	170
Total capital requirement for credit risk and counterparty risk on securitisations (Standardised approach)	**247**	**218**

Capital requirement for Market Risk

(millions of euro)

Information	Capital requirement	
	30.06.2010	31.12.2009
Assets included in the regulatory trading book	**1,198**	**1,246**
Position risk	1,196	1,189
Settlement risk for DVP (Delivery Versus Payment) transactions	-	-
Concentration risk	2	57
Other assets	**98**	**98**
Foreign exchange risk	63	70
Commodity risk	35	28
Total capital requirement for market risk	**1,296**	**1,344**

The capital requirement for “counterparty risk” for the regulatory trading book is 585 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	
	30.06.2010	31.12.2009
Basic indicator approach	106	109
Standardised approach	796	794
Advanced measurement approach	1,378	1,346
Total capital requirement for operational risk	**2,280**	**2,249**

With effect from December 2009, almost all of the Group uses the Advanced Measurement Approach (AMA) and the Standardised Approach to determine capital requirements for operational risk. A small remaining number of companies use the Basic Indicator Approach (BIA). The AMA capital requirement is recalculated on a half yearly basis, whereas the Standardised and the BIA capital requirements are only calculated annually, unless one or more Group companies change approach during the year, by migrating towards more sophisticated models. Such an event occurred in the first half of 2010 with the transition to the Standardised Approach of Banca Prossima and Centro Leasing Rete, previously included under the residual scope of the BIA Approach.

Table 5 – Credit risk: general disclosures for all banks

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 both the banking book and the regulatory trading book.

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	1	1	2	64	64	61	8	8	5
2. Financial assets available for sale	5	5	5	1	1	1	-	-	-
3. Investments held to maturity	-	-	-	-	-	1	-	-	-
4. Due from banks	103	25	104	3	1	4	-	-	-
5. Loans to customers	18,527	6,267	17,490	12,210	9,654	12,591	3,865	3,577	3,134
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-
7. Financial assets under disposal	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-
Total A	**18,636**	**6,298**	**17,601**	**12,278**	**9,720**	**12,658**	**3,873**	**3,585**	**3,139**
B. OFF-BALANCE SHEET EXPOSURES	**161**	**110**	**190**	**636**	**559**	**673**	**-**	**-**	**-**
Total B	**161**	**110**	**190**	**636**	**559**	**673**	**-**	**-**	**-**
TOTAL - 30.06.2010	**18,797**	**6,408**	**17,791**	**12,914**	**10,279**	**13,331**	**3,873**	**3,585**	**3,139**
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	20	20	17	93,032	93,032	80,520	93,125	93,125	80,605
2. Financial assets available for sale	-	-	-	15,290	15,290	14,243	15,296	15,296	14,249
3. Investments held to maturity	-	-	-	4,325	4,325	4,452	4,325	4,325	4,453
4. Due from banks	-	-	1	47,887	47,851	45,528	47,993	47,877	45,637
5. Loans to customers	1,407	1,284	1,992	355,841	353,364	355,453	391,850	374,146	390,660
6. Financial assets designated at fair value through profit and loss	-	-	-	946	946	942	946	946	942
7. Financial assets under disposal	-	-	5	-	-	2,905	-	-	2,910
8. Hedging derivatives	-	-	-	9,320	9,320	8,157	9,320	9,320	8,157
Total A	**1,427**	**1,304**	**2,015**	**526,641**	**524,128**	**512,200**	**562,855**	**545,035**	**547,613**
B. OFF-BALANCE SHEET EXPOSURES	**332**	**316**	**273**	**198,184**	**197,888**	**203,269**	**199,313**	**198,873**	**204,405**
Total B	**332**	**316**	**273**	**198,184**	**197,888**	**203,269**	**199,313**	**198,873**	**204,405**
TOTAL - 30.06.2010	**1,759**	**1,620**	**2,288**	**724,825**	**722,016**	**715,469**	**762,168**	**743,908**	**752,018**
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	5,715	-10,384	504	-1,535	14	-55	3	-36	37	-250
A.2. Substandard loans	8,005	-2,132	1,620	-402	17	-19	1	-	11	-3
A.3. Restructured exposures	3,304	-248	235	-30	27	-10	10	-	-	-
A.4. Past due exposures	1,168	-119	117	-3	11	-	1	-	-	-
A.5. Other exposures	331,179	-1,829	59,402	-520	8,032	-42	4,790	-31	4,358	-57
Total A	**349,371**	**-14,712**	**61,878**	**-2,490**	**8,101**	**-126**	**4,805**	**-67**	**4,406**	**-310**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	104	-45	2	-3	-	-	-	-2	-	-
B.2. Substandard loans	454	-71	104	-6	1	-	-	-	-	-
B.3. Other non-performing assets	321	-16	15	-	11	-	-	-	-	-
B.5. Other exposures	64,647	-186	45,406	-73	18,728	-9	1,982	-4	762	-
Total B	**65,526**	**-318**	**45,527**	**-82**	**18,740**	**-9**	**1,982**	**-6**	**762**	**-**
TOTAL (A+B) 30.06.2010	**414,897**	**-15,030**	**107,405**	**-2,572**	**26,841**	**-135**	**6,787**	**-73**	**5,168**	**-310**
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	-	-	22	-73	-	-	3	-5	-	-
A.2. Substandard loans	-	-	1	-1	1	-1	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	3	-	-	-	-	-	-	-
A.5. Other exposures	22,087	-5	21,599	-8	4,792	-11	4,904	-11	1,803	-
Total A	**22,087**	**-5**	**21,625**	**-82**	**4,793**	**-12**	**4,907**	**-16**	**1,803**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	4	-1	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.5. Other exposures	18,856	-1	36,050	-11	8,923	-1	2,023	-9	511	-2
Total B	**18,856**	**-1**	**36,050**	**-11**	**8,923**	**-1**	**2,027**	**-10**	**511**	**-2**
TOTAL (A+B) 30.06.2010	**40,943**	**-6**	**57,675**	**-93**	**13,716**	**-13**	**6,934**	**-26**	**2,314**	**-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	4	-1	X	180	-54	X
A.2. Substandard loans	5	-5	X	19	-6	-
A.3. Restructured exposures	-	-	X	-	-	X
A.4. Past due exposures	15	-	X	7	-	X
A.5. Other exposures	49,133	X	-5	28,768	X	-38
Total A	**49,157**	**-6**	**-5**	**28,974**	**-60**	**-38**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	-	-	X	-	-	X
B.2. Substandard loans	-	-	X	-	-	X
B.3. Other non-performing assets	-	-	X	-	-	-
B.4. Other exposures	1,313	X	-	3,225	X	-4
Total B	**1,313**	**-**	**-**	**3,225**	**-**	**-4**
TOTAL - 30.06.2010	**50,470**	**-6**	**-5**	**32,199**	**-60**	**-42**
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	-449	X	-	-	X
A.2. Substandard loans	358	-54	X	-	-	X
A.3. Restructured exposures	17	-2	X	-	-	X
A.4. Past due exposures	35	-2	X	-	-	X
A.5. Other exposures	33,109	X	-90	3,466	X	-1
Total A	**33,613**	**-507**	**-90**	**3,466**	**-**	**-1**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	-	-	X	-	-	X
B.2. Substandard loans	17	-	X	-	-	X
B.3. Other non-performing assets	22	-	X	-	-	X
B.4. Other exposures	28,313	X	-8	1,764	X	-4
Total B	**28,352**	**-**	**-8**	**1,764**	**-**	**-4**
TOTAL - 30.06.2010	**61,965**	**-507**	**-98**	**5,230**	**-**	**-5**
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	4,789	-9,912	X	1,206	-1,844	X
A.2. Substandard loans	7,355	-2,025	X	1,917	-466	X
A.3. Restructured exposures	3,511	-254	X	48	-32	X
A.4. Past due exposures	995	-101	X	245	-19	X
A.5. Other exposures	214,862	X	-2,017	78,423	X	-328
Total A	**231,512**	**-12,292**	**-2,017**	**81,839**	**-2,361**	**-328**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	105	-50	X	1	-	X
B.2. Substandard loans	530	-76	X	12	-1	X
B.3. Other non-performing assets	323	-16	X	2	-	X
B.4. Other exposures	93,997	X	-249	2,913	X	-7
Total B	**94,955**	**-142**	**-249**	**2,928**	**-1**	**-7**
TOTAL - 30.06.2010	**326,467**	**-12,434**	**-2,266**	**84,767**	**-2,362**	**-335**
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	**66,269**	**9,612**	**9,473**	**18,987**	**42,272**	**28,441**	**40,705**	**142,957**	**126,854**	**-**
A.1 Government bonds	296	26	329	1,883	9,196	7,033	13,290	10,286	7,034	-
A.2 Other debt securities	364	398	433	373	1,153	1,922	2,673	13,860	14,437	-
A.3 Quotas of UCI	3,242	-	-	-	-	-	-	-	-	-
A.4 Loans	62,367	9,188	8,711	16,731	31,923	19,486	24,742	118,811	105,383	-
- Banks	*11,539*	*3,486*	*3,462*	*5,178*	*10,567*	*3,007*	*2,434*	*2,467*	*466*	-
- Customers	*50,828*	*5,702*	*5,249*	*11,553*	*21,356*	*16,479*	*22,308*	*116,344*	*104,917*	-
B. OFF-BALANCE SHEET EXPOSURES	**65,131**	**39,691**	**15,546**	**27,348**	**53,245**	**26,940**	**24,906**	**111,386**	**35,984**	**622**
B.1 Financial derivatives with exchange of capital										
- Long positions	*12,346*	*15,356*	*7,681*	*13,215*	*24,439*	*11,023*	*8,314*	*21,428*	*12,617*	-
- Short positions	*13,187*	*15,899*	*7,664*	*13,275*	*24,286*	*10,757*	*9,146*	*22,174*	*11,744*	-
B.2 Financial derivatives without exchange of capital										
- Long positions	*16,598*	*91*	*70*	*252*	*542*	*441*	*359*	*1,697*	*260*	-
- Short positions	*17,365*	*55*	*36*	*133*	*187*	*313*	*474*	*1,711*	*246*	-
B.3 Irrevocable commitments to lend funds										
- Long positions	*2,861*	*973*	*93*	*310*	*1,916*	*2,336*	*2,579*	*22,716*	*5,341*	*330*
- Short positions	*2,656*	*7,316*	*1*	*152*	*1,846*	*2,034*	*3,812*	*40,638*	*5,544*	*253*
B.4 Financial guarantees given	*118*	*1*	*1*	*11*	*29*	*36*	*222*	*1,022*	*232*	*39*
TOTAL AS AT 30.06.2010	**131,400**	**49,303**	**25,019**	**46,335**	**95,517**	**55,381**	**65,611**	**254,343**	**162,838**	**622**
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	30.06.2010	31.12.2009
A. Due from banks	**-15**	**2**	**-13**	**-19**
- Loans	-10	1	-9	-16
- Debt securities	-5	1	-4	-3
B. Loans to customers	**-2,491**	**1,086**	**-1,405**	**-3,422**
- Loans	-2,488	1,086	-1,402	-3,412
- Debt securities	-3	-	-3	-10
C. Total	**-2,506**	**1,088**	**-1,418**	**-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	30.06.2010	31.12.2009
A. Guarantees given	-37	34	-3	-6
B. Credit derivatives	-	-	-	-
C. Commitments to lend funds	-24	27	3	5
D. Other operations	-3	2	-1	-6
E. Total	**-64**	**63**	**-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 30 June 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	**2,173**	**1,288**	**202**	**155**
B.1 impairment losses	1,153	965	32	141
B.2 transfers from other non-performing exposure categories	650	182	146	4
B.3 other increases	370	141	24	10
B.4 business combinations	-	-	-	-
C. Decreases	**-1,007**	**-1,332**	**-23**	**-193**
C.1 recoveries on impairment losses	-258	-308	-9	-41
C.2 recoveries on repayments	-191	-88	-1	-9
C.3 write-offs	-363	-46	-11	-1
C.4 transfers to other non-performing exposure categories	-51	-794	-2	-135
C.5 other decreases	-144	-96	-	-7
C.6 business combinations	-	-	-	-
D. Final total adjustments	**12,260**	**2,556**	**288**	**122**

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

Changes in adjustments relating to non-performing exposures to banks as at 30 June 2010 (*)

(millions of euro)

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

(*) 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

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 effect, which does not take into account the decrease in exposure arising from the 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 for 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	30.06.2010			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	60,710	62,921	627	65,225	67,372	627
Exposures to or secured by local authorities	21,196	21,431	-	19,226	19,540	-
Exposures to or secured by not for profit and public sector organisations	9,813	10,475	-	10,294	10,458	-
Exposures to or secured by multilateral development banks	371	371	-	230	230	-
Exposures to or secured by international organisations	40	42	-	38	38	-
Exposures to or secured by supervised institutions	75,994	119,328	740	59,577	89,535	719
Exposures to or secured by corporates	81,476	88,273	-	80,764	84,988	-
Retail exposures	66,102	71,764	-	75,152	78,901	-
Exposures secured by real estate property	19,565	19,565	-	71,663	71,663	-
Past due exposures	7,467	7,532	-	10,296	10,349	-
High-risk exposures	1,121	1,121	-	834	834	-
Exposures in the form of covered bonds	103	103	-	-	-	-
Short-term exposures to corporates	2,058	2,144	-	2,392	2,491	-
Exposures to UCI	4,082	4,082	-	969	974	-
Other exposures	13,669	13,669	3,387	17,451	17,451	3,290
Securitisations (*)	4,404	4,404	-	4,245	4,245	-
Total credit risk	**368,171**	**427,225**	**4,754**	**418,356**	**459,069**	**4,636**

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

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 two tables.

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

(millions of euro)

Regulatory portfolio	30.06.2010										
	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	TOTAL
Exposures to or secured by governments and central banks	58,870	X	126	X	988	X	726	-	X	-	60,710
Exposures to or secured by local authorities	143	X	20,202	X	191	X	660	-	X	X	21,196
Exposures to or secured by not for profit and public sector organisations	224	X	8,335	X	29	X	1,225	-	X	X	9,813
Exposures to or secured by multilateral development banks	359	X	12	X	-	X	-	-	X	X	371
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	-	X	58,093	X	6,687	X	11,112	102	X	X	75,994
Exposures to or secured by corporates	-	X	2,498	X	9,628	X	68,964	386	X	X	81,476
Retail exposures	-	X	X	X	X	66,102	X	X	X	X	66,102
Exposures secured by real estate property	X	X	X	10,240	9,325	X	X	X	X	X	19,565
Past due exposures	-	X	X	X	176	X	3,910	3,381	X	X	7,467
High-risk exposures	X	X	X	X	X	X	399	38	684	X	1,121
Exposures in the form of covered bonds	X	88	15	X	-	X	-	X	X	X	103
Short-term exposures to corporates	X	X	-	X	-	X	2,058	-	X	X	2,058
Exposures to UCI	-	X	570	X	-	X	3,446	66	X	-	4,082
Other exposures	3,086	X	2,380	X	X	X	8,203	X	X	X	13,669
Securitisations	X	X	X	X	X	X	X	X	X	X	4,404
Total credit risk	**62,722**	**88**	**92,231**	**10,240**	**27,024**	**66,102**	**100,703**	**3,973**	**684**	**-**	**368,171**

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

(millions of euro)

Regulatory portfolio	30.06.2010										
	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	TOTAL
Exposures to or secured by governments and central banks	60,482	X	172	X	1,541	X	726	-	X	-	62,921
Exposures to or secured by local authorities	150	X	20,409	X	191	X	681	-	X	X	21,431
Exposures to or secured by not for profit and public sector organisations	877	X	8,343	X	29	X	1,226	-	X	X	10,475
Exposures to or secured by multilateral development banks	359	X	12	X	-	X	-	-	X	X	371
Exposures to or secured by international organisations	42	X	X	X	X	X	X	X	X	X	42
Exposures to or secured by supervised institutions	41,595	X	59,774	X	6,743	X	11,114	102	X	X	119,328
Exposures to or secured by corporates	6,291	X	3,003	X	9,628	X	68,964	387	X	X	88,273
Retail exposures	5,662	X	X	X	X	66,102	X	X	X	X	71,764
Exposures secured by real estate property	X	X	X	10,240	9,325	X	X	X	X	X	19,565
Past due exposures	65	X	X	X	176	X	3,910	3,381	X	X	7,532
High-risk exposures	X	X	X	X	X	X	399	38	684	X	1,121
Exposures in the form of covered bonds	X	88	15	X	-	X	-	X	X	X	103
Short-term exposures to corporates	86	X	-	X	-	X	2,058	-	X	X	2,144
Exposures to UCI	-	X	570	X	-	X	3,446	66	X	-	4,082
Other exposures	3,086	X	2,380	X	X	X	8,203	X	X	X	13,669
Securitisations	X	X	X	X	X	X	X	X	X	X	4,404
Total credit risk	**118,695**	**88**	**94,678**	**10,240**	**27,633**	**66,102**	**100,727**	**3,974**	**684**	**-**	**427,225**

Specialised lending and equity exposures subject to the IRB approaches

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2010	31.12.2009
A) Exposures to or secured by corporates: Specialised lending - slotting criteria		
A.1) Regulatory assessment - sufficient	166	88
A.2) Regulatory assessment - good	1,472	1,035
A.3) Regulatory assessment - strong	560	270
A.4) Default	36	6
B. Equity exposures: Simple risk weight approach		
B.1) Private equity exposures in sufficiently diversified portfolios - 190%	160	135
B.2) Exchange-traded equity exposures - 290%	36	43
B.3) Other equity exposures - 370%	88	68
C. Equity instruments: Other assets - Ancillary investments - (100%)	-	3
Total	**2,518**	**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 subject to IRB approaches

Quantitative disclosure

The table below shows the scope of companies for which the Group, as at 30 June 2010, uses the IRB approaches in calculating the capital requirements for credit and counterparty risk related to the "Corporate" (foundation IRB) and "Residential mortgages to private individuals" (IRB[1]) regulatory segments. Following the authorisation received at the end of 2008 for the Corporate segment, with effect from 30 June 2010, Intesa Sanpaolo and an initial group of subsidiaries received authorisation from the Bank of Italy to use the internal (IRB) system for the regulatory "Residential mortgages to private individuals" segment.
In addition, with effect from 31 March 2010, the subsidiary Intesa Sanpaolo Bank Ireland has also used the IRB approach to calculate the capital required to cover credit risk in the regulatory corporate segment (on a portfolio with a value prior to weighting of around one billion euro), following the authorisation received to this effect from the Supervisory Authorities.

Scope of companies for application of the IRB approaches

Name	Regulatory segment	
	Corporate	Residential mortgages to private individuals
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 dei Risparmi di Forlì e della Romagna S.p.A.	x	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 di Civitavecchia S.p.A.	x	x
Cassa di Risparmio di La Spezia S.p.A.	x	x
Cassa di Risparmio di Pistoia e Pescia S.p.A.	x	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	

[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.

The description of the internal models for the calculation of capital requirements, provided in the Pillar 3 document of December 2009, was limited to the foundation IRB model for the Corporate segment, the only model validated as at that date. During the first half year the Group received the authorisation to also use also the internal models for the "Residential mortgages to private individuals" segment. Consequently, even though it is not specifically required by the regulations, a summary has been provided in this document of the main characteristics of the IRB model for this segment, in order to provide the reader with a more complete and up-to-date picture of the internal models used by the Group following the process of validation by the Supervisory Authorities.

The Probability of Default (PD) and Loss Given Default (LGD) models for the Residential mortgages to private individuals segment

The PD model

The Residential mortgages segment comprises retail loans granted to private individuals and secured by residential properties.

The internal mortgage rating system is divided into an Acceptance Model, applied upon initial disbursement, and a Behavioral model, used for subsequent assessment during the lifetime of the mortgage.

The Acceptance Model remains in force for the first year of the mortgage. From the second year, the Performance rating is activated and is calculated on a monthly basis with the greatest weighting given to the behavioral related component. The Acceptance rating is still included within the components 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 Acceptance model

The Acceptance model consists of two modules, personal characteristics and contractual, which produce an overall rating. This rating may be subsequently modified by the comparison with an internal behavioral indicator of the counterparty's level of risk and with certain indicators of reliability chosen because they are considered as signalling situations of difficulty.

The Personal characteristics module uses the socio-demographic information of all the applicants and the elementary data from the Credit Bureau. However, during the estimation phase the observations relating to the individuals are weighted in order to obtain a single weighting for each contract, regardless of the number of applicants. The linear combination of the variables, duly transformed and standardized, generates the personal characteristics score.

The Contract module processes the information relating to the loan disbursed, such as the duration and loan to value, generating a contract score.

The two scores are linearly combined to give an overall score, which is in turn converted into a probability of default (PD) by means of calibration. This calibration takes place with reference to the long-term default rate ("central tendency"), calculated with a conservatism margin by overweighting the most recent crisis period. The PD is subsequently translated into credit rating classes to obtain an overall rating. The rating classes are specific to the segment, referring to a Master Scale built on an ad hoc basis but linked to the Corporate segment and the external agencies ratings.

The overall rating may be modified by the internal behavioral indicator in terms of positive or negative notching, based on the value of both indicators, using a matrix approach. However, in many cases, especially for new customers, the piece of information is not available. A second comparison, again by matrix, is made with the reliability indicators, which, by signalling serious situations, can only modify the rating in negatively. The result of the comparisons is the Final Acceptance rating.

The Behavioral model

From the second year of the mortgage, the Behavioral rating, calculated on a monthly basis, is activated. The Behavioral model, through a linear combination, uses duly transformed variables: contractual information; internal behavioral indicator of the counterparty's level of risk; and the overall Acceptance rating (calculated before the comparison with the internal performance indicator, in order to avoid duplication of information). This last variable is only included in the calculation of the score if the mortgage is in its second or third year of life, after which it is given a weighting of 0. Also, a penalty has been introduced in the model for mortgages with a high Loan to Value ratio, triggered when this exceeds 80%.

The resulting Behavioral score is converted into a probability of default by means of calibration, using the central tendency (expected long-term default rate) already used by the Acceptance model. The PD scores are then mapped onto the rating classes of the Mortgage Master Scale to obtain the Performance rating.

The LGD model

The LGD model for the Residential mortgages segment has been developed on the basis of a workout approach, that is by analysing the losses suffered by the Bank on historical defaults. The LGD is therefore determined on the basis of the actual recoveries achieved during the management of disputes, taking into account the (direct and indirect) costs and the recovery period, as required by the regulations.

As regards the discount rates, in order to ensure that the estimates are forward-looking, a current market rates approach has been adopted, based on the use of a risk free market curve obtained at the time of the calculation of the LGD. 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. In compliance with the regulatory provisions that require the adjustment of LGD estimates for an economic downturn, the abovementioned risk premium incorporates a prudential stress component determined according to a negative economic cycle.

In accordance with the process for non-performing loans and the procedures for the estimate of the PD, the definition of default used takes into account, in addition to Substandard and Doubtful loans, Past Due loans net of so-called "Technical Past Due Loans"; the latter have been identified for counterparties that return to performing status within two months from the date of acquiring Past Due status.

The scope of companies used to construct the sample refers to the Parent Company and the main commercial banks of the Banca dei Territori. The maximum time window for the observation of default relates to the positions opened during the period 1995 - 2009 and closed during the period 2000 - 2009. On a prudential basis, non-performing positions have been included in addition to the sample as defaults with an age of more than 10 years and for which the entire recovery process has not been completed as at the observation time-period ("Incomplete Workout").

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 developed for the Mortgage segment 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. It is calculated using the information available on the changes in status of the counterparties once the default has occurred. It consists of the probabilities associated of positions that evolve to reach a Non-Performing status and the loss rates associated with the period of transition from one risk status to another. In order to take account of the economic difficulties experienced in recent years, the analysis timeframe for the Danger Rate model has been prudentially limited to the two-year period 2008/2009;
- 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 final output grid of the Residential Mortgages Model is made up of the following analysis drivers: geographical area, presence/absence of personal guarantee and amount of real estate coverage.

Exposure values by regulatory portfolio (Foundation IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2010	31.12.2009
Exposures to or secured by corporates:		
- *Specialised lending*	*6,107*	*5,625*
- *SMEs (Small and Medium Enterprises)*	*66,438*	*64,671*
- *Other corporates*	*123,439*	*119,798*
Total credit risk (IRB)	**195,984**	**190,094**

Exposure values by regulatory portfolio (IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2010	31.12.2009
Exposures secured by residential property		
- *Retail*	*53,942*	-
Total credit risk (IRB)	**53,942**	**-**

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

(millions of euro)

Regulatory portfolio	Rating class	30.06.2010			31.12.2009
		Central PD (%)	Exposure value	Average risk weight	Exposure value
Exposures to or secured by corporates					
Specialised lending			**6,107**		**5,625**
	-class from 1 to 8	-	-	-	-
	-class 9	0.26	37	41%	46
	-class 10	0.41	65	52%	92
	-class 11	0.55	269	65%	289
	-class 12	0.89	458	76%	484
	-class 13	1.37	738	87%	778
	-class 14	1.81	1,060	99%	961
	-class 15	2.93	949	107%	841
	-class 16	4.71	742	121%	549
	-class 17	6.76	529	137%	410
	-class 18	10.09	459	165%	464
	-class 19	15.05	139	189%	193
	-class 20	21.46	336	225%	204
	-class 21 (default)	100.00	326	-	314

(millions of euro)

Regulatory portfolio	Rating class	30.06.2010 Central PD (%)	Exposure value	Average risk weight	31.12.2009 Exposure value
Exposures to or secured by corporates					
SMEs (Small and Medium Enterprises)			**66,438**		**64,671**
	-class from 1 to 3	-	-	-	-
	-class 4	0.05	1	17%	1
	-class 5	-	-	-	-
	-class 6	0.09	2,624	23%	2,650
	-class 7	0.12	1,738	28%	1,404
	-class 8	0.18	1,635	34%	1,570
	-class 9	0.26	2,016	44%	2,132
	-class 10	0.41	3,105	52%	3,135
	-class 11	0.55	4,265	62%	4,206
	-class 12	0.89	5,501	71%	5,499
	-class 13	1.37	7,046	81%	7,155
	-class 14	1.81	6,923	89%	6,625
	-class 15	2.93	8,435	97%	8,157
	-class 16	4.71	5,402	107%	5,287
	-class 17	6.76	3,030	123%	3,233
	-class 18	10.09	2,213	145%	2,400
	-class 19	15.05	1,261	165%	1,196
	-class 20	21.46	1,426	184%	1,177
	-class 21 (default)	100.00	9,817	-	8,844
Other corporates			**123,439**		**119,798**
	-class 1	-	-	-	-
	-class 2	0.03	960	15%	1,097
	-class 3	0.04	792	18%	843
	-class 4	0.05	7,514	21%	5,409
	-class 5	0.06	2,263	23%	1,654
	-class 6	0.09	8,327	28%	7,471
	-class 7	0.12	6,838	35%	5,937
	-class 8	0.18	8,865	43%	9,457
	-class 9	0.26	6,424	54%	8,623
	-class 10	0.41	13,174	66%	9,959
	-class 11	0.55	11,986	80%	12,819
	-class 12	0.89	10,322	90%	11,631
	-class 13	1.37	11,868	102%	10,331
	-class 14	1.81	6,022	116%	6,114
	-class 15	2.93	10,353	118%	10,485
	-class 16	4.71	2,963	142%	3,385
	-class 17	6.76	2,057	164%	2,192
	-class 18	10.09	2,644	186%	2,156
	-class 19	15.05	880	220%	1,133
	-class 20	21.46	1,127	238%	1,249
	-class 21 (default)	100.00	8,060	-	7,853

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

(millions of euro)

Regulatory portfolio	Rating class	30.06.2010 Central PD (%)	Exposure value (*)	Average risk weight	Weighted average LGD	31.12.2009 Exposure value
Exposures secured by residential property						
Retail			**53,942**			**-**
	-class from 1 to 5	-	-	-	-	-
	-class 6	0.09	1,189	3%	15.46%	-
	-class 7	-	-	-	-	-
	-class 8	0.18	1,842	5%	15.31%	-
	-class 9	0.26	4,859	8%	15.42%	-
	-class 10	-	-	-	-	-
	-class 11	0.55	12,714	12%	15.62%	-
	-class 12	0.89	12,156	19%	15.79%	-
	-class 13	-	-	-	-	-
	-class 14	1.81	9,477	28%	16.25%	-
	-class 15	2.93	4,179	38%	16.70%	-
	-class 16	4.71	3,262	58%	16.43%	-
	-class 17	-	-	-	-	-
	-class 18	-	-	-	-	-
	-class 19	-	-	-	-	-
	-class 20	21.46	1,524	96%	16.16%	-
	-class 21 (default)	100.00	2,740	69%	22.97%	-

(*) Considering the nature of the regulatory portfolio to which the IRB Approach is applied, exposure value of unused margins amounts to a mere 55 million euro. This value considers the application of an average credit conversion factor, or "Weighted average EAD", equal to 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-June 2010 on the counterparties in default belonging to the Corporate regulatory portfolio amounted to 814 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 84 million euro.

Comparison between estimated and actual results

For the Corporate segment, the Intesa Sanpaolo Group reports its capital requirements on the basis of the FIRB approach, and therefore only using the (corporate) PD and not the LGD.
This comparison is made by the Validation Unit, which carries out regular backtesting. Specifically, the default rates over a one-year period are compared with the ex ante estimated PDs, using measures of the performance of the model's discriminating power, in other words its ability to rank the counterparties according to creditworthiness correctly, and statistical tests to assess its calibration, that is the capacity to predict the default rates correctly.
As regards 2009, the results of the analysis conducted on the Corporate ratings in December 2008, observing the defaults over a 12 month period, confirmed the high discriminating power of the model, which showed an improvement on the previous results. With regard to calibration, the speed and intensity of the current crisis generated a rise in default rates, only partly reflected by the corresponding increase in the PDs given by the rating models. The latter are in fact designed to measure the creditworthiness of the counterparties over the long-term rather than reflecting short-term changes. Moreover, the correctness of the calibration used was confirmed the calibration tests, which incorporate the level of cyclicality.
For the PD of the Residential Mortgages segment, the comparison is made on a reconstructed population of ratings as the historical sample of produced data (ratings calculated at least one year before the time of

the comparison) is still limited. The initial results confirm the discriminating power of the model and the substantial consistency between the PD estimated ex ante and ex post default rates.
With regard to the LGD of the residential mortgages, the approach adopted, which, as summarised above, incorporates the data relating to the most recent defaults and includes various prudential elements, guarantees with a reasonable safety margin that the parameters used represent conservative estimates of the losses that will be recorded at the closure of the positions (at the moment obviously not yet observable).

Table 8 – Risk mitigation techniques

Quantitative disclosure

This Table lists the portions of exposures secured by financial collateral and personal guarantees. The column "Personal 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	30.06.2010			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	54	*54*	2,157	133	64	2,014
Exposures to or secured by local authorities	6	-	229	49	-	265
Exposures to or secured by not for profit and public sector organisations	653	-	9	142	-	22
Exposures to or secured by multilateral development banks	-	-	-	-	-	-
Exposures to or secured by international organisations	1	*1*	1	-	-	-
Exposures to or secured by supervised institutions	41,607	*12*	1,727	28,221	21	1,737
Exposures to or secured by corporates	6,526	*246*	271	3,661	141	563
Retail exposures	5,662	*21*	-	3,749	24	-
Past due exposures	65	-	-	53	-	-
High-risk exposures	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Short-term exposures to corporates	86	-	-	99	-	-
Exposures to UCI	-	-	-	5	-	-
Other exposures	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-
Total	**54,660**	**334**	**4,394**	**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 30.06.2010
Exposures to or secured by governments and central banks	1,612	X	46	X	553	X	-	-	X	-	2,211
Exposures to or secured by local authorities	1	X	207	X	-	X	21	-	X	X	229
Exposures to or secured by not for profit and public sector organisations	-	X	8	X	-	X	1	-	X	X	9
Exposures to or secured by multilateral development banks	-	X	-	X	-	X	-	-	X	X	-
Exposures to or secured by international organisations	2	X	X	X	X	X	X	X	X	X	2
Exposures to or secured by supervised institutions	-	X	1,681	X	56	X	2	-	X	X	1,739
Exposures to or secured by corporates	11	X	505	X	-	X	-	1	X	X	517
Retail exposures	21	X	X	X	X	-	X	X	X	X	21
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	**1,647**	**-**	**2,447**	**-**	**609**	**-**	**24**	**1**	**-**	**-**	**4,728**

Secured exposures subject to the foundation IRB approach

(millions of euro)

Regulatory portfolio	30.06.2010		31.12.2009	
	Collateral	Guarantees or credit derivatives	Collateral	Guarantees or credit derivatives
Exposures to or secured by corporates				
Specialised lending	*36*	*-*	*4,121*	*-*
SMEs	*19,533*	*264*	*18,217*	*262*
Other corporates	*11,912*	*197*	*11,316*	*167*
Specialised lending - slotting criteria	-	-	-	-
Total	**31,481**	**461**	**33,654**	**429**

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

Quantitative disclosure

Counterparty risk

(millions of euro)

Transaction categories	Mark-to-market method - Exposure 30.06.2010	Mark-to-market method - Exposure 31.12.2009
Derivative contracts	20,837	16,615
SFT transactions and long settlement transactions	47,616	33,270
Cross product netting	-	-

The capital requirement for "counterparty risk", for both the regulatory trading book and the banking book, is illustrated - 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)

	30.06.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,824,216**	**287,812**	**2,546,798**	**354,565**
a) Options	484,407	160,169	440,872	204,509
b) Swaps	2,338,855	-	2,105,572	-
c) Forwards	954	234	328	144
d) Futures	-	127,409	-	149,912
e) Others	-	-	26	-
2. Equities and stock indices	**42,513**	**18,035**	**52,243**	**12,640**
a) Options	41,807	17,501	51,776	11,966
b) Swaps	184	-	359	-
c) Forwards	522	-	108	-
d) Futures	-	534	-	674
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**102,906**	**5**	**79,229**	**13**
a) Options	14,548	-	6,580	-
b) Swaps	29,758	-	24,735	-
c) Forwards	58,337	-	47,646	-
d) Futures	-	5	-	13
e) Others	263	-	268	-
4. Commodities	**1,841**	**1,232**	**1,163**	**821**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,971,476**	**307,084**	**2,679,433**	**368,039**
AVERAGE VALUES	**2,824,182**	**332,501**	**2,692,371**	**439,380**

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

Hedging

(millions of euro)

	30.06.2010		31.12.2009	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt securities and interest rates	**258,301**	**-**	**243,294**	**-**
a) Options	6,463	-	4,017	-
b) Swaps	251,838	-	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	**5,034**	**-**	**4,314**	**-**
a) Options	-	-	-	-
b) Swaps	5,009	-	4,277	-
c) Forwards	25	-	37	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**263,335**	**-**	**247,608**	**-**
AVERAGE VALUES	**217,568**	**-**	**170,652**	**75**

Other derivatives

(millions of euro)

	30.06.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**15,345**	**-**	**4,284**	**-**
a) Options	11,215	-	2,296	-
b) Swaps	4,130	-	1,988	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**7,027**	**-**	**4,196**	**-**
a) Options	7,027	-	4,196	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**3,609**	**-**	**3,127**	**-**
a) Options	3	-	-	-
b) Swaps	306	-	280	-
c) Forwards	3,300	-	2,847	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**25,981**	**-**	**11,607**	**-**
AVERAGE VALUES	**16,802**	**6**	**15,620**	**-**

Financial derivatives - gross positive fair value: breakdown by product

(millions of euro)

	Positive fair value			
	30.06.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**48,535**	**940**	**34,351**	**581**
a) Options	6,544	808	5,295	581
b) Interest rate swaps	38,115	-	26,345	-
c) Cross currency swaps	2,247	-	1,874	-
d) Equity swaps	6	-	39	-
e) Forwards	1,537	-	687	-
f) Futures	-	132	-	-
g) Others	86	-	111	-
B. Banking book - hedging	**9,321**	**-**	**6,991**	**-**
a) Options	299	-	239	-
b) Interest rate swaps	8,457	-	6,586	-
c) Cross currency swaps	565	-	165	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	1	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**687**	**-**	**551**	**-**
a) Options	264	-	209	-
b) Interest rate swaps	420	-	316	-
c) Cross currency swaps	1	-	3	-
d) Equity swaps	-	-	-	-
e) Forwards	2	-	23	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**58,543**	**940**	**41,893**	**581**

Financial derivatives - gross negative fair value: breakdown by product

(millions of euro)

	Negative fair value			
	30.06.2010		31.12.2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**48,165**	**845**	**36,272**	**481**
a) Options	6,734	769	6,126	481
b) Interest rate swaps	38,150	-	27,124	-
c) Cross currency swaps	2,067	-	2,297	-
d) Equity swaps	8	-	38	-
e) Forwards	1,096	-	567	-
f) Futures	-	76	-	-
g) Others	110	-	120	-
B. Banking book - hedging	**6,824**	**-**	**5,054**	**-**
a) Options	171	-	199	-
b) Interest rate swaps	6,258	-	4,340	-
c) Cross currency swaps	392	-	515	-
d) Equity swaps	-	-	-	-
e) Forwards	3	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**1,259**	**-**	**518**	**-**
a) Options	861	-	459	-
b) Interest rate swaps	283	-	33	-
c) Cross currency swaps	9	-	1	-
d) Equity swaps	-	-	-	-
e) Forwards	106	-	25	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**56,248**	**845**	**41,844**	**481**

Over the counter financial derivatives – regulatory trading book: notional amounts, gross positive and negative fair values by counterparty as at 30 June 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	4,250	83,571	19,274	8,333	41,660	3,378
- positive fair value	13	432	971	333	37	1,957	28
- negative fair value	-	-66	-1,774	-573	-116	-231	-6
- future exposure	-	38	242	124	26	195	1
2. Equities and stock indices							
- notional amount	-	-	3,918	1,885	7,545	5	216
- positive fair value	-	-	30	20	6	-	-
- negative fair value	-	-	-20	-64	-47	-8	-10
- future exposure	-	-	49	42	9	-	-
3. Foreign exchange rates and gold							
- notional amount	-	168	10,261	8,332	717	7,370	75
- positive fair value	-	-	273	232	44	303	4
- negative fair value	-	-97	-419	-56	-40	-293	-2
- future exposure	-	13	122	52	4	153	1
4. Other values							
- notional amount	-	-	1	12	-	1,048	3
- positive fair value	-	-	-	-	-	29	-
- negative fair value	-	-	-	-	-	-38	-
- future exposure	-	-	-	1	-	135	-

Over the counter financial derivatives – regulatory trading book: notional amounts, gross positive and negative fair values by counterparty as at 30 June 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	150	-	2,297,871	364,643	100	786	-
- positive fair value	-	-	37,538	2,186	-	33	-
- negative fair value	-7	-	-37,058	-3,710	-12	-12	-
2. Equities and stock indices							
- notional amount	-	-	22,770	6,096	54	24	-
- positive fair value	-	-	668	241	-	9	-
- negative fair value	-	-	-580	-189	-3	-	-
3. Foreign exchange rates and gold							
- notional amount	815	1	67,192	6,019	441	1,515	-
- positive fair value	288	-	2,191	309	110	246	-
- negative fair value	-	-	-2,284	-343	-	-96	-
4. Other values							
- notional amount	-	-	663	6	-	108	-
- positive fair value	-	-	-	-	-	4	-
- negative fair value	-	-	-10	-	-	-1	-

Over the counter financial derivatives – banking book: notional amounts, gross positive and negative fair values by counterparty as at 30 June 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	-	-	76,459	357	-	34	12,186
- positive fair value	-	-	1,275	2	-	-	4
- negative fair value	-	-	-3,221	-164	-	-54	-524
- future exposure	-	-	23	1	-	-	5
2. Equities and stock indices							
- notional amount	-	-	2,883	89	-	102	2,315
- positive fair value	-	-	3	-	-	13	-
- negative fair value	-	-	-404	-	-	-	-147
- future exposure	-	-	5	4	-	7	-
3. Foreign exchange rates and gold							
- notional amount	22	-	1,378	122	-	11	118
- positive fair value	-	-	16	-	-	-	-
- negative fair value	-	-	-128	-25	-	-	-
- future exposure	-	-	27	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 30 June 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	-	-	176,609	8,001	-	-	-
- positive fair value	-	-	7,713	284	-	-	-
- negative fair value	-	-	-2,796	-330	-	-	-
2. Equities and stock indices							
- notional amount	-	-	1,113	525	-	-	-
- positive fair value	-	-	78	67	-	-	-
- negative fair value	-	-	-1	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	6,960	32	-	-	-
- positive fair value	-	-	543	10	-	-	-
- negative fair value	-	-	-289	-	-	-	-
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	28,652	23,134	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	858	-	-	-
- Other	-	138	-	-
Total 30.06.2010	**29,510**	**23,272**	**-**	**-**
Average values	**8,942**	**5,759**	**-**	**-**
Total 31.12.2009	**29,356**	**54,809**	**-**	**-**
2. Protection sales				
- Credit default products	28,095	23,789	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	224	-	-	-
- Other	58	148	-	-
Total 30.06.2010	**28,377**	**23,937**	**-**	**-**
Average values	**25,024**	**19,463**	**-**	**-**
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	
	30.06.2010	**31.12.2009**
A. Regulatory trading book	**1,947**	**2,386**
a) Credit default products	1,684	2,084
b) Credit spread products	-	-
c) Total rate of return swap	263	302
d) Other	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
TOTAL	**1,947**	**2,386**

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

(millions of euro)

	Negative fair value	
	30.06.2010	**31.12.2009**
A. Regulatory trading book	**2,320**	**2,722**
a) Credit default products	2,060	2,426
b) Credit spread products	-	-
c) Total rate of return swap	260	296
d) Other	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
TOTAL	**2,320**	**2,722**

Over the counter credit derivatives – gross (positive and negative) fair values by counterparty: contracts not included under netting arrangements as at 30 June 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	-	51	2,918	2,336	10	-	-
- positive fair value	-	54	110	61	-	-	-
- negative fair value	-	-	-4	-7	-	-	-
- future exposure	-	5	231	156	-	-	-
2. Protection sales							
- notional amount	-	-	2,930	2,658	10	-	-
- positive fair value	-	-	5	266	-	-	-
- negative fair value	-	-	-140	-312	-	-	-
- future exposure	-	-	2,149	3,732	-	-	-
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 30 June 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	-	-	35,951	11,516	-	-	-
- positive fair value	-	-	943	366	-	-	-
- negative fair value	-	-	-368	-45	-	-	-
2. Protection sales							
- notional amount	-	-	36,370	10,346	-	-	-
- positive fair value	-	-	119	23	-	-	-
- negative fair value	-	-	-1,025	-419	-	-	-
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 30 June 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	281	-	4,433	698	110	204	-
- negative fair value	-	-	-2,077	-549	-15	-13	-33
- future exposure	8	-	4,756	2,149	32	76	29
- net counterparty risk	289	-	9,189	2,847	142	280	29
2. Credit derivatives - bilateral agreements							
- positive fair value	-	-	-	1	-	-	-
- negative fair value	-	-	-4	-	-	-	-
- future exposure	-	-	6	-	-	-	-
- net counterparty risk	-	-	6	1	-	-	-
3. "Cross product" agreements							
- positive fair value	-	-	907	236	-	-	-
- negative fair value	-	-	-276	-	-	-	-
- future exposure	-	-	704	141	-	-	-
- net counterparty risk	-	-	1,611	377	-	-	-

Table 10 – Securitisations

Quantitative disclosure

The tables below detail the net exposures and adjustments for the securitisations. The figures represent the exposures shown in the financial statements, and include both the positions relating to both the regulatory banking book and the regulatory trading book. The breakdown by portfolio is disclosed in the "Breakdown of net exposures to securitisations by financial assets portfolio and by type" in this Table.

Securitisations: amount of originated and third party securitisation positions

(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	**160**	**160**	**21**	**21**	**111**	**107**	**13**	**13**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	*13*	*13*	*31*	*31*	-	-	-	-	-	-
b) Other	*160*	*160*	*8*	*8*	*80*	*76*	*13*	*13*	-	-	-	-
B. Third party underlying assets (*)	**5,030**	**5,029**	**474**	**465**	**41**	**41**	**135**	**135**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*5,030*	*5,029*	*474*	*465*	*41*	*41*	*135*	*135*	-	-	-	-
TOTAL 30.06.2010	**5,190**	**5,189**	**495**	**486**	**152**	**148**	**148**	**148**	**-**	**-**	**-**	**-**
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	**-**	**-**	**-**	**-**	**-**	**-**	**173**	**173**	**21**	**21**	**111**	**107**
a) Non-performing	-	-	-	-	-	-	-	-	*13*	*13*	*31*	*31*
b) Other	-	-	-	-	-	-	*173*	*173*	*8*	*8*	*80*	*76*
B. Third party underlying assets (*)	**1,646**	**1,646**	**-**	**-**	**-**	**-**	**6,811**	**6,810**	**474**	**465**	**41**	**41**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*1,646*	*1,646*	-	-	-	-	*6,811*	*6,810*	*474*	*465*	*41*	*41*
TOTAL 30.06.2010	**1,646**	**1,646**	**-**	**-**	**-**	**-**	**6,984**	**6,983**	**495**	**486**	**152**	**148**
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	1,363	85	4	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	81	16	40	-	-	-
Investments held to maturity	117	-	-	-	-	-
Loans (**)	3,474	380	60	1,794	-	-
Total 30.06.2010	**5,035**	**481**	**104**	**1,794**	**-**	**-**
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 203 million euro. No off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised are recorded as at 30 June 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 for accounting and prudential purposes	**6**	**-**	**16**	**-2**	**63**	**-3**
A.1 Intesa Lease Sec - *performing leasing contracts*	-	-	-	-	-	-
A.2 Intesa Sec 2 - *performing residential mortgages*	*5*	-	*3*	-	*22*	-
A.3 Intesa Sec - *performing mortgages*	-	-	-	-	*5*	*-1*
A.4 Intesa Sec Npl - *doubtful mortgages*	-	-	*13*	*-2*	*31*	*-2*
A.5 Cr Firenze Mutui - *performing mortgages*	*1*	-	-	-	*5*	-
B. Partly derecognised for accounting and prudential purposes	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised for accounting and prudential purposes	**154**	**1**	**5**	**-**	**44**	**-**
C.1 Intesa Sec 3(*) - *performing residential mortgages*	*142*	-	-	-	*26*	-
C.2 Da Vinci - *loans to the aircraft sector*	*3*	*1*	*1*	-	-	-
C.3 Split 2 - *performing leasing contracts*	*9*	-	*4*	-	*18*	-
TOTAL 30.06.2010	**160**	**1**	**21**	**-2**	**107**	**-3**
TOTAL 31.12.2009	**176**	**7**	**27**	**-26**	**116**	**12**

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

Securitisations: breakdown of off-balance sheet exposures deriving from main originated 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. Fully derecognised for accounting and prudential purposes	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Intesa Sec												
- performing mortgages	*13*	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised for accounting and prudential purposes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised for accounting and prudential purposes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTALE 30.06.2010	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTALE 31.12.2009	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 AYT Cedulas						
- Residential mortgages	*266*	-	-	-	-	-
A.2 Cartesio						
- Loans to the health system	*92*	-	-	-	-	-
A.3 Cordusio RMBS Securitisation						
- Residential mortgages	*36*	-	*18*	-	-	-
A.4 D'Annunzio						
- Loans to the health system	*160*	-	-	-	-	-
A.5 Duchess (*)						
- CLOs	*145*	*-14*	-	-	-	-
A.6 Euterpe (**)						
- Amounts due from tax authorities	*293*	*-2*	-	-	-	-
A.7 Fondo Immobili Pubblici						
- Public property	*271*	*6*	-	-	-	-
A.8 Geldilux						
- Loans	*183*	-	*2*	-	-	-
A.9 ROMULUS FUNDING Corp.						
- Romulus portfolio	*89*	-	-	-	-	-
A.10 Posillipo Finance						
- Loans to the health system	*187*	-	-	-	-	-
A.11 Soc. Cart. Crediti INPS						
- Social security benefits	*268*	-	-	-	-	-
A.12 SUMMER STREET 2004-1 LTD (*)						
- Structure Finance CDOs	*66*	*3*	-	-	-	-
A.13 Stone tower						
- CLOs (*)	*45*	*-2*	-	-	-	-
- CLOs	*10*	-	-	-	-	-
A.14 TCW GLOBAL PROJECT FUND III						
- Project Finance loans	*744*	-	-	-	-	-
A.15 GSC PARTNERS CDO FUND LTD						
- Corporate loans	*160*	-	-	-	-	-
A.16 Tevere Finance						
- Other activities	*473*	*-2*	-	-	*1*	*-1*
A.17 Vintage Finance						
- Public Utilities	*80*	-	-	-	-	-
A.18 Residual portfolio divided in 405 securities	*1,461*	*6 (***)*	*445*	*3 (****)*	*40*	-
TOTAL 30.06.2010	**5,029**	**-5**	**465**	**3**	**41**	**-1**
TOTAL 31.12.2009	**4,382**	**32**	**439**	**-12**	**45**	**-1**

(*) 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.

(**) Exposure to Euterpe (with 95 million euro included in the "residual portfolio") refers to single tranche securitisations, not classified as Exposures to securitisations for prudential supervision purposes.

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

(****) Of which 14 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 30 June 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
Credit cards	3	-	-	-	-	-
Consumer credit	88	-	6	-	-	-
Car loans	36	-	5	-	1	-
WL Collateral CMO	64	-	-	-	-	-
Loans to research	26	-	-	-	-	-
Project Finance loans	-	-	-	-	22	-
Financing for SMEs	164	-	23	-1	-	-
Residential mortgages	511	-	196	-5	17	-
Loans deriving from leasing contracts	119	1	9	-	-	-
Commercial mortgages	133	-	118	-1	-	-
Other assets	36	1	-	-	-	-
Long-term mortgages to public entities and industries	80	-	-	-	-	-
Other ABS (CLO-CMO-CFO)	43	-	80	14	-	-
CDO	61	-	8	-4	-	-
Financial derivatives (foreign exchange rates/interest rate/index)	97	4	-	-	-	-
TOTAL	**1,461**	**6**	**445**	**3**	**40**	**-**

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	-	-	-	-	-	-	*1,310*	-	-	-	-	-
A.2 Romulus												
- Asset Backed Securities and Collateralised debt obligations	135	-	-	-	-	-	336	-	-	-	-	-
A.3 Other minor												
- Asset Backed Securities	-	-	-	-	-	-	-	-	-	-	-	-
Total 30.06.2010	**135**	**-**	**-**	**-**	**-**	**-**	**1,646**	**-**	**-**	**-**	**-**	**-**
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	30.06.2010		31.12.2009	
	Originated securitisations	Third-party securitisations	Originated securitisations	Third-party securitisations
Risk weight 20%	11	566	15	536
Risk weight 35% (*)	90	-	110	-
Risk weight 50%	-	295	-	342
Risk weight 100%	8	294	11	243
Risk weight 150% (*)	108	-	115	-
Risk weight 350%	-	386	-	254
Risk weight 1250% - with rating	-	566	-	480
Risk weight 1250% - without rating	343	403	341	274
Look-through - second loss in ABCP	-	-	-	-
Look-through - other	-	16	-	-
Deducted from regulatory capital	-	-	-	-
Total	**560**	**2,526**	**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 the first half of 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 disclosure

Pursuant to the reference regulations issued by the Bank of Italy, the half-yearly "Basel 2 Pillar 3" report does not include a qualitative disclosure (the only disclosure foreseen for this Table). As stated in the Introduction, please refer to the document as at 31 December 2009 for a more comprehensive examination of the qualitative aspects of market risks. A summary of the Group's approach to market risk exposure, management and control is also provided in the Half-yearly Report at 30 June 2010, in the chapter "Risk management". From June 2010 the scope of the validated internal models was extended to the commodity risk for Banca IMI.

Capital requirements for market risks are listed in the condensed sub-tables of Table 4 "Capital adequacy" of this document.

Table 12 – Operational risk

Qualitative disclosure

Pursuant to the reference regulations issued by the Bank of Italy, the half-yearly "Basel 2 Pillar 3" report does not include a qualitative disclosure (the only disclosure foreseen provided for this Table). As stated in the Introduction, please refer to the document as at 31 December 2009 for a more comprehensive examination of the qualitative aspects of operational risks. A summary of the Group's approach to operational risk exposure, management and control is also provided in the Half-yearly Report at 30 June 2010, in the chapter "Risk management".

Capital requirements for operational risks are listed in the condensed sub-tables of Table 4 "Capital adequacy" of this disclosure document.

Table 13 – Equity exposures: disclosures for banking book positions

Quantitative disclosure

The table below gives a 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	30.06.2010								
	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 (**)	180	2,905	113	X	113	43	-32	X	X
B. Financial assets vailable for sale (AFS)	740	1,933	740	1,933	740	2	-23	324	-84
C. Financial assets designated at fair value through profit and loss (DAAFV)	-	-	-	-	-	-	-	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 33 million euro (25 million euro as at 31 December 2009).

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

(millions of euro)

	Weighted exposure	
	30.06.2010	31.12.2009
IRB approach	**735**	**637**
Private equity exposures in sufficiently diversified portfolios	304	257
Exchange-traded equity exposures	105	124
Other equity exposures	326	253
Other assets: instrumental investments	-	3
Standardised approach	**3,180**	**2,905**

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

Quantitative disclosure

Interest rate risk

Sensitivity of the interest margin, in the event of a 100 basis point rise in interest rates, amounted to +113 million euro (-115 million euro in the event of reduction) at the end of June 2010; these values are a slight decrease 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.

The interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, stood at 603 million euro at the end of June 2010 compared with the 560 million euro at the end of 2009.

The table below shows the effect 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)

		30.06.2010
EUR	Euro	536
USD	US dollar	25
CHF	Swiss franc	2
HUF	Hungarian forint	14
HRK	Croatian kuna	11
RUB	Russian rouble	2
	Other currencies	13
TOTAL		**603**

Interest rate risk, measured in terms of VaR, averaged 94 million euro in the first half of 2010 (131 million euro at the end of 2009), with a minimum value of 82 million euro and a maximum value of 106 million euro, which was also the value at the end of June 2010.

The reduction in the economic value in the event of a 200 bp change in interest rates remainde 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 para. 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 30 June 2010" corresponds to the corporate records, books and accounts.

27 August 2010

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

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)

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 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.

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.

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 preferred 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.

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).

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).

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 they need to cover all the risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing their current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

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.

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.

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.

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.).

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.

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.

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.

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.

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.

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

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 elements 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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Intesa Sanpaolo is the most widespread bank in Italy. Its leadership stems not only from its size but also thanks to its ability to interpret and respond to the needs of the areas in which it is present.
This commitment can be seen in the choice of maintaining and enhancing all the banks in the group, since it is they that allow Intesa Sanpaolo to present itself to the market as a fully-fledged citizen of every place in which it operates.
This is the reason the illustrations chosen for this report have been inspired by the rich cultural heritage of Italian cities. They show the steeples of greatest importance to the cities where our registered offices are located and which appear in the names of our local Banche dei Territori. It is a tribute to Italian tradition and history. But it is also emblematic of the willingness to communicate and establish relationships that distinguishes the people at Intesa Sanpaolo and the banks in the Group.

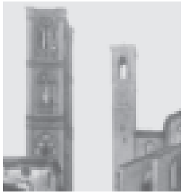

1. Milano
Steeple, Basilica of Sant'Ambrogio


2. Torino
Steeple, San Carlo Church


3. Napoli
Steeple, Santa Chiara Monastery


4. Trento
Steeple, Duomo of Trento


5. Forlì
Steeple, Piazza Vittorio Emanuele


6. Bologna
Steeple, San Francesco Church


7. Venezia
Steeple, Piazza San Marco

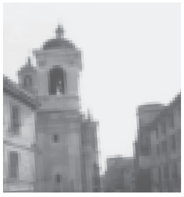

8. Padova
Steeple, Basilica of Sant'Antonio


9. Narni
Steeple of San Giovenale


10. Rieti
Steeple, Duomo dell'Assunta


11. Spoleto
Steeple, Palazzo Montevecchio


12. Bolzano
Steeple, San Giovanni in Villa Church

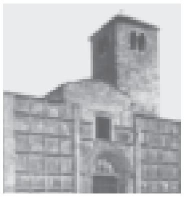

13. Civitavecchia
Steeple, Chiesa dell'Orazione e Morte


14. Foligno
Steeple, Cathedral


15. Pistoia
Steeple, Piazza del Duomo


16. Terni
Steeple, San Francesco Church


17. Firenze
Giotto's Bell Tower, Piazza del Duomo


18. Ascoli Piceno
Steeple, Santi Vincenzo e Anastasio Church


19. Viterbo
Steeple, Ex Chiesa degli Almadiani


20. Pescia
Steeple, Santa Maria Assunta Cathedral


21. Città di Castello
Steeple, Duomo


22. Pesaro
Steeple, San Giacomo Church


23. Gorizia
Steeple, Sant'Ignazio Church


24. Cagliari
Steeple, Sant'Anna Church


25. La Spezia
Steeple, Chiesa di Nostra Signora della Neve

Credits
1-7-8-17 Raccolte Museali Fratelli Alinari (RMFA), Firenze
2-4-5-6-10-18 Archivi Alinari - Alinari Archive, Firenze
3-11-14 Archivi Alinari - Anderson archive, Firenze
9-16 Photo by Sergio Pagliaricci, Terni
12 Photo by Michele Bernardinatti - KLR foto - Trento
13 Photo by Fotoarte Mazzoldi Gabriella, Civitavecchia
15 Archivi Alinari - Brogi Archive, Firenze
19 Photo by Francesco Biganzoli, Viterbo
20 Photo by Aurelio Amendola, Pistoia
21 Photo by Enrico Milanesi, Città di Castello
22 Photo by Luciano Dolcini, Pesaro
23 Photo by Franco Debernardi, Trieste
24 Photo by Elisabetta Messina, Cagliari
25 Photo by Maurizio Baldi, La Spezia