1.1. CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:
- achieving sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- given the current economic climate, privileging lending business aimed at supporting the real economy and production system;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions, with the aim of detecting any symptoms of imbalance and promoting corrective measures geared towards preventing possible deterioration of the relationship in a timely manner.

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

QUALITATIVE INFORMATION

Credit risk management policies

Organisation

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the Corporate Bodies, which, each to the extent of its competence, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.

The coverage and governance of credit ensured by the Corporate Bodies is reflected in the current organisational structure, which identifies four important areas of central responsibility, in addition to the business units:
- the Chief Lending Officer;
- the Chief Risk Officer;
- the Chief Operating Officer; and
- the Chief Financial Officer.

They ensure that risk control activities are managed and implemented with an appropriate level of segregation.

The Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion, manages and monitors non-performing loans and the recovery of doubtful loans and sets the Credit Granting and Management Rules, ensures that positions classified as non-performing, within his purview, are properly measured for financial statement purposes, and also defines operating credit processes, in collaboration with the subsidiary Intesa Sanpaolo Group Services, on some occasions at the proposal of the Group's various functions/structures.

The Chief Risk Officer is responsible for measuring and controlling the Group's risk exposures, defines the metrics used to measure credit risk, provides risk-adjusted pricing models and guidelines for expected loss, economic capital (ECAP), RWA and acceptance thresholds, formulates proposals for assigning Credit Granting and Managing Powers and constantly monitors risk and credit quality performance.

The Chief Operating Officer provides specialised support in defining credit processes while ensuring cost and performance synergies in the service offered.

In accordance with the strategic guidelines and risk management policies set by the Management Board and approved by the Supervisory Board, the Chief Financial Officer coordinates the process of formulating credit strategies (a process in which the other chiefs and the business units participate), oversees pricing from a risk/return standpoint according to value creation objectives and coordinates the process of assessing loans for reporting purposes. The Chief Financial Officer is also responsible for identifying and implementing hedging transactions for the risk exposures of the asset classes in the loan portfolio by taking advantage of the opportunities presented by the secondary credit market with a view towards active management of company value.

The levels of autonomy assigned to the decision-making bodies are determined by agreement between the Bank/Banking Group regarding the borrower/economic group. The rating assigned, along with any other credit-risk mitigating factors, conditions the determination of the decision-making competence of each delegated body. Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.

In the credit-granting phase, coordination mechanisms have been introduced with which Intesa Sanpaolo exercises its direction, governance and support of the Group:
- the system of Credit Powers and Granting and Monitoring Rules governing the ways in which credit risk to customers is assumed;
- "Credit-granting limit", intended as the overall limit of line of credit which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- the "Compliance opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

The exchange of basic information flows between different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each client/economic group both towards the Group as a whole and towards individual Group companies.

The activities within the Chief Risk Officer's purview are carried out directly by the Risk Management Department and the Credit Quality Monitoring Unit, for the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the aforementioned functions of the Parent Company.

Management, measurement and control systems

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.

Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.

A number of rating models are used for the Corporate segment:

– models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
– specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for LBO/acquisition-finance and asset-finance transactions.

In general terms, the structure of these models requires the integration of multiple modules:

– a quantitative module that processes financial and behavioural data;
– a qualitative module that requires the manager to fill in a questionnaire;
– an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the integrated rating.

Ratings are generally assigned on a decentralised basis by the Manager, who is the main figure in the process of assigning a rating to a counterparty. Any improvement override proposals are validated by a Specialist Unit allocated to the Parent Company, within the Chief Lending Officer's staff. The Specialist Unit is responsible for, among other duties, the task of assigning what are known as "centralised ratings" provided for in the rating assignment processes according to the corporate method and of intervening in the calculation of ratings with specialist models.

The models applied to the Retail portfolio are as follows:

– for the Small Business segment, since the end of 2008, a Group rating model by counterparty has been used, following a scheme similar to that of the Corporate segment, meaning that it is extremely decentralised and its quantitative-objective elements are supplemented by qualitative-subjective elements; in 2011, the service model for the Small Business segment was redefined, by introducing in particular a sub-segmentation of "Micro" and "Core" customers according to criteria of size, simplicity and commercial potential, and a partial automation of the granting process This required an adjustment of the rating model, which was divided into the two above-mentioned sub-segments, taking advantage of the opportunity to update the data sources and historical series used in development;
– for the Retail Mortgage segment (residential mortgages for private individuals), the Group model processes information relating to both the customer and the contract. It differentiates between initial disbursement, where the acceptance model is used, and the subsequent assessment during the lifetime of the mortgage (performance model), which takes into account behavioural data;
– a class of models is gradually being developed for other products aimed at individuals (the Other retail segment) such as personal loans, consumer credit, credit cards, current account overdrafts, etc. These models will gradually replace the management rating or scoring systems currently in use for various products.

The rating model for the Sovereign portfolio supports the assignment of an assessment of creditworthiness for over 260 countries. The structure of the model involves:

– a quantitative module for assessing country risk, which takes account of the structural rating assigned by the major international agencies, the risk implicit in market quotations of sovereign debt, a case-by-case macroeconomic assessment of countries identified as strategic and the international scenario;
– a qualitative opinion component, for which the Sovereign Rating Working Group is responsible, supplementing the qualitative opinion with elements drawn from the broader scope of publicly available information concerning the political and economic structure of individual sovereign countries.

The framework is completed by the models for the Public Entities portfolio, the Banks model, broken down into countries at risk and countries not at risk, and experience-based models for counterparties belonging to the Non Banking Financial Institutions portfolio.

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

The rating models (PD and LGD) for the Retail Mortgage segment received authorisation for transition to the IRB approach effective the June 2010 report, while rating models for the corporate segment received recognition for use of the AIRB approach to calculate requirements effective the 31 December 2010 reporting date (the FIRB model had been used since December 2008). For information on the plan to extend the IRB approach to other portfolios, refer to the paragraph concerning the Basel 2 Project.

Ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in loan granting and monitoring process: they are used to set Credit Powers and Granting and Monitoring Rules.

The rating system also includes a risk trend indicator, calculated on a monthly basis. It interacts with processes and procedures for loan management and credit risk control and allows timely assessments when any anomalies arise or persist. The positions to which the synthetic risk index attributes a high risk valuation, which is confirmed over time, are intercepted by the Non-performing Loan Process. This process, supported by a dedicated electronic procedure, enables constant monitoring, largely automatic, of all the phases for the management of anomalous positions. The positions which show an anomalous trend are classified into different processes based on the risk level, including the automatic classification in non-performing assets, as described in the related paragraph below.

The entire loan portfolio is also subject to a specific periodic review carried out by the competent central or peripheral structures based on the credit line limits for each counterparty/economic group.

The Credit Control Panel is the application used by the Group as the primary source employed to control and monitor the loan

portfolio in terms of its development over time and quantitative and qualitative composition and to carry out loan-related processes aimed at identifying any areas showing potential critical weaknesses. The information available refers to all Group banks and companies that operate on the target information technology system.
The Credit Monitoring Portal was launched in 2010. The Portal, into which data is input through the Credit Control Panel, is used by the peripheral units within the Banca dei Territori and Corporate & Investment Banking Divisions down to the Area level to access "informational" dashboards that provide an organic, structured report prepared with the aim of:
– providing a structured, navigable overview of the phenomenon under review;
– reducing the time required to search for and process information;
– facilitating the identification of critical areas and defining priority action;
– supporting the exchange of information between units on a consistent basis.

The Credit Monitoring Portal is subject to constant maintenance, which from a developmental standpoint aims to ensure that the set of information available is expanded through the creation of new dashboards for controlling and monitoring specific phenomena/processes.

Country risk is an additional component of an individual borrower's insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of transfer risk due to the freezing of international payments and is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a given country, whether they are the government, a bank, a private enterprise or an individual.
The country risk component is assessed in the context of the granting of credit to non-resident entities in order to arrive at a preliminary evaluation of the absorption of country risk limits set on an ex-ante basis. Such limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, defined on an annual basis as the result of an exercise aimed at optimising the risk implicit in the Group's cross-border lending operations.

Counterparty risk is a particular kind of credit risk associated with OTC derivative contracts that refers to the possibility that a counterparty may default before the contract matures. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, were the counterparty to default, the solvent party would be forced to replace the position on the market, thereby suffering a loss.
Counterparty risk also applies to securities financing transactions (repurchase agreements, securities lending, etc.).
The Group employs counterparty risk mitigation techniques that are recognised for regulatory purposes. These techniques are discussed in the paragraph concerning techniques for the mitigation of credit risk.
From a regulatory standpoint, banks must meet strict capital requirements for counterparty risk, regardless of the portfolio to which the positions are allocated (for regulatory purposes, both the banking book and trading book are subject to capital requirements for counterparty risk).
In particular, Intesa Sanpaolo Group adopts at the moment the Current Exposure Method (to both the trading book and banking book) in order to determine the loan equivalent of OTC derivatives, which is useful when computing capital requirements.
For operational purposes, the definition of the use of the credit lines for transactions in OTC derivatives generally involves the application of the greater of the mark-to-market and the add-on to determine the credit exposure, taking into account any existing netting and collateral agreements.
Add-ons indicate the maximum potential future exposure (peak measurement), regularly estimated by the Risk Management Department by macro-product type and maturity. For each contract used as a benchmark, the measure is equal to the peak in the Potential Future Exposure at the 95th percentile.
Banca IMI has used potential exposure (estimated according to the average actual PFE) to measure its use since October 2010.
The advanced measurement approach for counterparty risk is being consolidated by the "use test" on subsidiaries and is being rolled out for the Parent Company, with the aim of launching the validation process for regulatory purposes by the end of 2012.

In order for risk to be managed effectively within the Bank, the risk measurement system must be integrated into decision-making processes and the management of company operations. To that end, in accordance with the "use test" requirement of Basel 2, a specific project has been set up aimed at obtaining the estimate, also for regulatory purposes, of the statistical measures that enable the analysis of the evolution of the risk of the derivatives over time. The organisational functions involved, as described in the Bank's internal regulations, are:
– the Parent Company's Risk Management Department, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
– the central and divisional credit functions that use the measurements produced to monitor the positions assumed;
– the marketing and credit functions that draw on the foregoing measures as part of the granting process to determine the limits of lines of credit.

The project yielded the following results:
– April 2010: adoption for the entire Group of a new grid of operational add-ons that is more granular than its predecessor, with a revision of estimates for each risk profile;
– October 2010: adoption for management purposes only of the new simulation method and a new statistical measurement - Potential Future Exposure - for credit lines utilization by Banca IMI, according to internal policy.

In 2011 a project aimed at extending the use of the measurement to the Parent Company for management purposes was launched. The application to the Supervisory Authority for authorisation of the use of the model for regulatory purposes will be sent in 2012 for Banca IMI, following internal validation by the responsible company functions (Internal Validation and the Internal Auditing Department).
For the rest of the Group, use is monitored through the combined use of mark-to-market and add-ons estimated by the Risk Management Department.
In 2011 the Risk Management Department participated in the quantitative impact studies required by the Supervisory Authority in order to determine the impact of the new rules for determining the requirement for counterparty risk set by Basel III (the Credit

Value Adjustment, Stressed EPE, Increased Margin Period of Risk and requirements for transactions through Central Counterparties).

Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macro economic scenario and on stress scenarios.
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
The credit portfolio model allows the level of expected loss to be measured with the chosen confidence interval, or capital at risk. The latter reflects not only the risk level of individual counterparties but also the effects of undesired concentration due to the geographical/sector composition of the Group's loan portfolio.
The Group dedicates special attention to assessing concentration risk deriving from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. In the annual update of the Risk Appetite Framework, such counterparties are subject to stress tests aimed at identifying and assessing threats for the Group and the most appropriate mitigating actions:
- aimed at defining exposure limits for specific geographical areas and sets of counterparties (top 20);
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large risks" and to credit lines subject to country risk;
- aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on maximisation of overall portfolio value.

Techniques for the mitigation of credit risk

Mitigation techniques are adopted in order to reduce the loss given default. They include in particular guarantees and certain types of contracts that result in a reduction in credit risk.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual exposure, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present.
The loss given default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
During the loan granting and monitoring process, the presence of mitigating factors is encouraged for counterparties with non-investment grade ratings or some types of transactions, namely medium-/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges of non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
Detailed processes govern the material acquisition of individual guarantees, identifying the responsible structures as well as the methods for correct finalisation of guarantees, for filing documentation and for complete and timely reporting of the related information in the applications.
The set of internal regulations and organisational and procedural controls is aimed at ensuring that:
- all the fulfilments are planned to ensure the validity and effectiveness of the credit protection;
- for generally and normally used guarantees, standard contracts are defined, accompanied by instructions for use;
- the methods for approving guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the evaluation of the asset, the acceptance of the guarantee and the control of its value. The enforcement of the guarantee is handled by specialist departments responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, mainly concentrated on the borrower's ability to meet the obligations assumed, irrespective of the associated guarantee.
The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed in a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.
For real-estate collateral, the prudential market value is considered; for properties under construction, the construction cost is considered, net of prudential haircuts according to the intended use of the property.
Assets are appraised by internal and external technicians. The external technicians are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties secured by mortgages to private individuals is mainly assigned to specialised companies. The work of the experts is monitored on an ongoing basis, by means of statistical verifications and spot checks carried out centrally.
The technicians are required to produce estimates on the basis of standardised expert technical reports, differentiated according to the valuation method to be applied and the characteristics of the asset, in accordance with the Property Valuation Code prepared by the Bank.
Property valuations are managed through a specific integrated platform (the Appraisals Portal) covering the entire technical analysis phase, ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding real estate are kept.
The market value of collateral property is recalculated on a monthly basis through various statistical revaluation methods applied to prices/coefficients provided by an external supplier offering proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.

In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for mortgages, an obligation to carry insurance cover against fire damage and the presence of adequate monitoring of the property's value.
Guarantees are subject to accurate, regular control using a specific application, the CRM verifier, in which a series of tests have been implemented to confirm the effective compliance with the requirements set by prudential supervision regulations.
The support application verifies whether guarantees received are eligible with reference to each of the three methods permitted by the regulations for calculating capital requirements. Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.
To mitigate the counterparty risk associated with OTC (i.e. unregulated) derivatives and SFTs (securities financing transactions, i.e. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow for credit and debt positions to be netted against one another if a counterparty defaults.
This is achieved by entering into ISDA and ISMA/PSA agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
The Group also establishes collateral agreements, typically calling for daily margins, to cover transactions in OTC derivatives and SFTs (respectively the Credit Support Annex and Global Market Repurchase Agreement).

Non-performing financial assets

Non-performing financial assets include those loans which, due to events that occur after initial recognition, show objective evidence of possible impairment.
For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due, in decreasing order of severity), the Group applies regulations issued by the Bank of Italy, consistent with the regulations envisaged for such purpose by the Basel Accords and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms.
These assets are measured in accordance with the criteria and methods illustrated in Part A.2 – Accounting Policies, Main financial statement captions, Loans – to which specific reference should be made.
With reference to loans expired and/or past due, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within peripheral organisational units that perform specialist activities and within the Head Office units, which also have specialist skills and are responsible for the overall management and coordination of these matters.
On the subject of doubtful loans, it should be remarked that effective the second half of 2010 the Group adopted an organisational model based on the specialisation of management competencies between internal and external structures, calling for the positions of greatest significance and complexity to be handled internally. In particular, this model calls for:

- attribution to the Loan Recovery Department of coordination of all loan recovery activities and direct management (for Intesa Sanpaolo S.p.A. and almost all banks within the Banca dei Territori Division) of customers classified as doubtful effective July 2010 showing exposures in excess of a pre-determined threshold amount;
- the attribution to Italfondiario S.p.A. (for Intesa Sanpaolo S.p.A. and almost all banks within the Banca dei Territori Division) of direct management – under a specific mandate and with pre-defined limits – of customers classified as doubtful effective July 2010 showing exposures below the aforementioned threshold amount (the activity of Italfondiario S.p.A. is always coordinated and monitored by the Loan Recovery Department);
- the option, in special cases, not to entrust Italfondiario S.p.A. with the management of certain types of loans;
- the retention of management competency, defined according to the previous organisational model, between the Loan Recovery Department and Italfondiario S.p.A. for doubtful loans existing as at 30 June 2010;
- for doubtful positions of limited amounts, routine factoring without recourse to third-party companies on a monthly basis when they are classified as doubtful, with some specific exceptions.

The Loan Recovery Department draws on its own specialist units throughout the country to manage recovery activity for loans entrusted directly to it. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.
The assessment of the loans has been reviewed whenever events capable of significantly changing recovery prospects became known to the Bank. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.
The activity of Italfondiario S.p.A. in managing the loans entrusted to it under management mandate was monitored by the responsible internal units of the Bank.
In particular, it should be noted that the assessment of loans has been conducted using similar procedures to those established for the internal management of positions, and the other management activities are subject to the guidelines similar to those established for the internally managed positions.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery.
Assets are also classified as non-performing for financial reporting purposes through automatic mechanisms when given objective default thresholds are exceeded. Such mechanisms apply to expired and/or past-due loans, identified at the Group level, as well as positions that have met the objective requirements for non-standard status established by the Bank of Italy.
Automatic mechanisms detect any mismatches, thereby ensuring that material non-performing loans to counterparties shared between the Group's various intermediaries are subject to the required uniform convergence of management aims. Significance is represented by exceeding a pre-established warning threshold for loans classified as at the greatest risk, with respect to the overall exposure.
The return to performing of exposures classified as substandard, restructured and doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.

Exposures classified amongst "expired and/or past-due loans" are restored to performing status automatically when payment is received. The same mechanism is applied to exposures of moderate amounts previously classified as substandard in accordance with internal instructions when automatic mechanisms detect that the conditions that triggered reclassification no longer apply.
The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI, whereas "exposures" includes these items. The only exception is table A.2.1 related to credit exposures by external rating classes, which includes quotas of UCI.

A.1. Performing and non-performing credit exposures: amounts, adjustments, changes, economic and geographical breakdown

The data shown in the following tables (A.1.1 and A.1.2) refer to all companies within the scope of consolidation for accounting purposes. In the tables, figures for the banking group are stated net of all intragroup dealings, including those with other companies within the scope of consolidation.

A.1.1. Breakdown of credit exposures by portfolio classification and credit quality (book values)

(millions of euro)

	Banking group					Other companies		Total
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other Assets	Non-performing	Other	
1. Financial assets held for trading	10	55	14	7	57,352	-	1,092	58,530
2. Financial assets available for sale	5	-	-	-	26,505	-	37,578	64,088
3. Investments held to maturity	-	-	-	-	2,621	-	-	2,621
4. Due from banks	66	1	-	2	34,675	-	1,121	35,865
5. Loans to customers	8,998	9,126	3,425	1,147	352,836	-	1,212	376,744
6. Financial assets designated at fair value through profit and loss	-	-	-	-	680	-	21,686	22,366
7. Financial assets under disposal	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	10,209	-	39	10,248
Total 31.12.2011	**9,079**	**9,182**	**3,439**	**1,156**	**484,878**	**-**	**62,728**	**570,462**
Total 31.12.2010	**7,378**	**9,114**	**3,341**	**1,523**	**498,140**	**6**	**62,061**	**581,563**

A.1.2. Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

(millions of euro)

	Non-performing assets			Performing			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	119	-33	86	X	X	57,352	57,438
2. Financial assets available for sale	5	-	5	26,505	-	26,505	26,510
3. Investments held to maturity	-	-	-	2,623	-2	2,621	2,621
4. Due from banks	155	-86	69	34,702	-27	34,675	34,744
5. Loans to customers	41,798	-19,102	22,696	355,985	-3,149	352,836	375,532
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	680	680
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	10,209	10,209
Total A	**42,077**	**-19,221**	**22,856**	**419,815**	**-3,178**	**484,878**	**507,734**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	1,092	1,092
2. Financial assets available for sale	-	-	-	37,578	-	37,578	37,578
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	1,121	-	1,121	1,121
5. Loans to customers	-	-	-	1,212	-	1,212	1,212
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	21,686	21,686
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	39	39
Total B	**-**	**-**	**-**	**39,911**	**-**	**62,728**	**62,728**
Total 31.12.2011	**42,077**	**-19,221**	**22,856**	**459,726**	**-3,178**	**547,606**	**570,462**
Total 31.12.2010	**37,525**	**-16,163**	**21,362**	**463,247**	**-2,525**	**560,201**	**581,563**

In accordance with regulations, "Individual adjustments" include the impairment losses recognised to account for counterparty risk ("credit risk adjustment") on non-performing derivative contracts in the amount of 33 million euro (31 million euro as at 31 December 2010).
Within performing exposures, as at 31 December 2011, exposures renegotiated under collective agreements amounted to 1,777 million euro in gross terms and 1,756 million euro in net terms. Other performing exposures thus came to 457,949 million euro in gross terms and 545,850 million euro in net terms.
Other performing exposures include 2,979 million euro in assets past due by up to three months, 453 million euro in assets past due by more than three months but less than six months and 809 million euro in assets past due by more than six months. The share of the debt associated with those assets not yet past due came to 6,004 million euro, 980 million euro and 1,877 million euro, respectively.

A.1.3. Banking group - On- and off-balance sheet credit exposures to banks: gross and net values

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	152	-85	X	67
b) Substandard loans	1	-	X	1
c) Restructured exposures	-	-	X	-
d) Past due exposures	3	-1	X	2
e) Other assets	43,055	X	-27	43,028
TOTAL A	**43,211**	**-86**	**-27**	**43,098**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	-	-	X	-
b) Other	71,245	X	-19	71,226
TOTAL B	**71,245**	**-**	**-19**	**71,226**
TOTAL (A + B)	**114,456**	**-86**	**-46**	**114,324**

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

Off-balance sheet exposures also include counterparty risk associated with SFTs (securities financing transactions) defined in prudential regulations.

A.1.4. Banking group – On-balance sheet credit exposures to banks: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**104**	**58**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**55**	**6**	**-**	**5**
B.1 inflows from performing exposures	-	6	-	5
B.2 transfers from other non-performing exposure categories	53	-	-	-
B.3 other increases	2	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-7**	**-63**	**-**	**-2**
C.1 outflows to performing exposures	-	-	-	-
C.2 write-offs	-2	-3	-	-
C.3 repayments	-2	-7	-	-2
C.4 credit disposals	-2	-	-	-
C.5 transfers to other non-performing exposure categories	-	-53	-	-
C.6 other decreases	-1	-	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**152**	**1**	**-**	**3**
- of which exposures sold not derecognised	-	-	-	-

A.1.5. Banking group – On-balance sheet credit exposures to banks: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**78**	**9**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**12**	**1**	**-**	**1**
B.1 impairment losses	2	1	-	1
B.2 transfers from other non-performing exposure categories	7	-	-	-
B.3 other increases	3	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-5**	**-10**	**-**	**-**
C.1 recoveries on impairment losses	-1	-	-	-
C.2 recoveries on repayments	-1	-	-	-
C.3 write-offs	-2	-3	-	-
C.4 transfers to other non-performing exposure categories	-	-7	-	-
C.5 other decreases	-1	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**85**	**-**	**-**	**1**
- of which exposures sold not derecognised	-	-	-	-

A.1.6. Banking group - On- and off-balance sheet credit exposures to customers: gross and net values

(millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	24,966	-15,963	X	9,003
b) Substandard loans	11,486	-2,360	X	9,126
c) Restructured exposures	4,032	-607	X	3,425
d) Past due exposures	1,319	-172	X	1,147
e) Other assets	396,476	X	-3,151	393,325
TOTAL A	**438,279**	**-19,102**	**-3,151**	**416,026**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1,529	-187	X	1,342
b) Other	122,275	X	-260	122,015
TOTAL B	**123,804**	**-187**	**-260**	**123,357**
TOTAL (A + B)	**562,083**	**-19,289**	**-3,411**	**539,383**

On-balance sheet exposures include all on-balance sheet financial assets claimed from customers, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal.
Off-balance sheet exposures include all financial activities that are not on the balance sheet (guarantees given, commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.). Off-balance sheet exposures also include counterparty risk associated with SFTs (securities financing transactions) defined in prudential regulations.
Restructured exposures include 240 million euro associated with pool transactions (IBLOR structures) undertaken by the Bank as fronting bank, associated with cash collateral among deposits on the liabilities side.
Performing on-balance sheet exposures to customers include 3,391 million euro in dealings between the banking group and other companies within the scope of consolidation.
For performing off-balance sheet exposures, this amount comes to 2,137 million euro.

A.1.7. Banking group – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**20,569**	**11,378**	**3,631**	**1,667**
- of which exposures sold not derecognised	*11*	*5*	*-*	*-*
B. Increases	**7,454**	**10,125**	**1,014**	**4,432**
B.1 inflows from performing exposures	874	5,665	280	3,851
B.2 transfers from other non-performing exposure categories	5,254	2,838	576	94
B.3 other increases	1,107	1,428	152	451
B.4 business combinations	219	194	6	36
C. Decreases	**-3,057**	**-10,017**	**-613**	**-4,780**
C.1 outflows to performing exposures	-130	-1,958	-40	-1,651
C.2 write-offs	-720	-40	-103	-4
C.3 repayments	-1,292	-1,942	-85	-514
C.4 credit disposals	-179	-2	-	-
C.5 transfers to other non-performing exposure categories	-318	-5,590	-302	-2,552
C.6 other decreases	-362	-401	-83	-52
C.7 business combinations	-56	-84	-	-7
D. Final gross exposure	**24,966**	**11,486**	**4,032**	**1,319**
- of which exposures sold not derecognised	*23*	*24*	*-*	*8*

A.1.8. Banking group – On-balance sheet credit exposures to customers: changes in total adjustments

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**13,221**	**2,372**	**297**	**153**
- of which exposures sold not derecognised	*1*	*-*	*-*	*-*
B. Increases	**5,354**	**2,193**	**544**	**367**
B.1 impairment losses	3,128	1,503	408	256
B.2 transfers from other non-performing exposure categories	1,370	355	88	20
B.3 other increases	708	274	46	89
B.4 business combinations	148	61	2	2
C. Decreases	**-2,612**	**-2,205**	**-234**	**-348**
C.1 recoveries on impairment losses	-942	-463	-26	-57
C.2 recoveries on repayments	-303	-111	-3	-4
C.3 write-offs	-720	-40	-103	-4
C.4 transfers to other non-performing exposure categories	-103	-1,420	-60	-250
C.5 other decreases	-507	-159	-42	-33
C.6 business combinations	-37	-12	-	-
D. Final total adjustments	**15,963**	**2,360**	**607**	**172**
- of which exposures sold not derecognised	*5*	*3*	*-*	*-*

The "other increases" mainly include the verification of interest due and the increases in the balances of the funds in foreign currency following the change in the exchange rate.
The "other decreases" mainly refer to the decrease in the balances of funds in foreign currency due to changes in the exchange rate.

Conversion of loans into equity instruments

During the year, loans were converted into equity instruments or optionally or compulsorily convertible loans as part of restructuring agreements for non-performing positions. Gross loans converted into equity instruments came to 72 million euro and were adjusted for 1 million euro. The equity instruments obtained were recognised at their fair value of approximately 71 million euro at the execution date and classified among assets available for sale (2 million euro) and equity investments (69 million euro). Loans converted into optionally and compulsorily convertible loans came to 38 million euro and 152 million euro, respectively. The loans are carried at their conversion date fair values of 35 million euro and 145 million euro, respectively, and have been classified to the loan portfolio.
Where required, in application of accounting rules, the option component has been separated. The measurement of the option associated with the compulsorily convertible loan in particular resulted in the recognition of a total of 72 million euro in the income statement.

A.2. Classification of exposures based on external and internal ratings

A.2.1. Banking group - Breakdown of on- and off-balance sheet credit exposures by external rating classes

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for all portfolios subject to reporting: Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings.
These agencies are valid for all Group banks. Where two ratings are available for a single customer, the more conservative is adopted; where three ratings are available, the middle rating is adopted.
The Class 6 rating column includes non-performing loans.

(millions of euro)

	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance sheet exposures	**15,154**	**65,086**	**11,460**	**6,953**	**1,645**	**23,125**	**337,770**	**461,193**
B. Derivatives	**1,273**	**3,803**	**577**	**293**	**-**	**113**	**4,094**	**10,153**
B.1. Financial derivatives	1,254	3,652	531	293	-	113	3,974	9,817
B.2. Credit derivatives	19	151	46	-	-	-	120	336
C. Guarantees given	**4,000**	**7,347**	**2,813**	**813**	**97**	**617**	**36,648**	**52,335**
D. Commitments to lend funds	**24,932**	**51,147**	**7,289**	**965**	**376**	**678**	**46,708**	**132,095**
Total	**45,359**	**127,383**	**22,139**	**9,024**	**2,118**	**24,533**	**425,220**	**655,776**

It should be noted that the exposures presented in the table also include quotas of UCI of 2,069 million euro.
The following tables show the mapping of risk classes and the external rating classes employed.

Mapping of long-term ratings issued by external rating agencies

Long-term ratings for exposures to: central governments and central banks, supervised issuers, public-sector entities, local authorities, multilateral development banks, enterprises and other parties

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	from B1 to B3	from B+ to B-	from B+ to B-
6	Caa1 and lower	CCC+ and lower	CCC+ and lower

Short-term ratings for exposures to supervised issuers and enterprises

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F1+ , F1	A -1 + , A -1
2	P -2	A -2	F2
3	P -3	A -3	F3
from 4 to 6	NP	lower than A -3	lower than F3

Ratings for exposures to UCI

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA m/f to AA - m/f
2	from A1 to A3	from A+ to A-	from A + m/f to A - m/f
3 and 4	from Baa1 to Ba3	from BBB+ to BB-	from BBB m/f to BB - m/f
5 and 6	B1 and lower	B+ and lower	B + m/f and lower

Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	B1 and lower	B+ and lower	B+ and lower

Short-term ratings for exposures to securitisations

	ECAI		
	Moody's	**Fitch**	**Standard & Poor's**
Credit quality step			
1	P -1	F 1 +, F 1	A -1 + , A -1
2	P -2	F2	A -2
3	P -3	F3	A -3
from 4 to 6	NP	lower than F3	lower than A -3

A.2.2. Banking group - Breakdown of on- and off-balance sheet exposures by internal rating classes

As indicated above in the paragraph entitled "The Basel 2 Project" of Qualitative information, the Intesa Sanpaolo Group has a set of ratings that have been validated and are undergoing validation in respect of the portfolios Corporate and Retail Mortgages (residential mortgages for private individuals).

The breakdown of exposures by internal rating class and ratings for the Corporate and Retail Mortgage segment are based on all ratings available in the credit risk management system. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.

Unrated exposures account for 19% of all exposures to performing counterparties and refer to customer segments for which a rating model is not yet available (primarily personal loans to private parties and consumer credit), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries, which have yet to be fully integrated into the credit risk management system.

For the purposes of calculating the risk indicators, unrated counterparties are assigned an estimated rating on the basis of the average probabilities of default, deriving from the past experience of the respective sectors.

When unrated counterparties and non-performing loans are excluded, there is a high concentration of investment grade classes (classes 1, 2 and 3, representing ratings between AAA and BBB-) at 67% of the total, whilst 24% fall within the BB+/BB- range (class 4) and 9% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

	Internal rating classes							Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Non-performing exposures		
A. On-balance sheet exposures	**22,908**	**75,218**	**102,004**	**101,118**	**37,697**	**4,303**	**22,771**	**93,105**	**459,124**
B. Derivatives	**1,916**	**3,247**	**1,839**	**1,026**	**374**	**36**	**107**	**1,608**	**10,153**
B.1. Financial derivatives	1,911	3,112	1,773	1,011	374	36	107	1,493	9,817
B.2. Credit derivatives	5	135	66	15	-	-	-	115	336
C. Guarantees given	**10,231**	**13,258**	**13,806**	**8,258**	**1,635**	**123**	**569**	**4,455**	**52,335**
D. Commitments to lend funds	**29,084**	**44,554**	**25,536**	**8,768**	**3,863**	**254**	**666**	**19,370**	**132,095**
Total	**64,139**	**136,277**	**143,185**	**119,170**	**43,569**	**4,716**	**24,113**	**118,538**	**653,707**

A.3. Breakdown of guaranteed credit exposures by type of guarantee

A.3.1. Banking group - Guaranteed credit exposures to banks

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**6,445**	**-**	**641**	**-**	**1,977**	**-**	**1,591**	**-**	**10,654**
COLLATERAL (1)									
Real estate assets	-	-	-	-	-	-	-	-	-
Securities	6,301	-	470	-	-	-	-	-	6,771
Other	27	-	-	-	2,059	-	1,323	-	3,409
GUARANTEES (1)									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*25*	-	*15*	-	*96*	-	-	-	*136*
Other public entities	*14*	-	-	-	-	-	-	-	*14*
Banks	*2*	-	*4*	-	*37*	-	*1*	-	*44*
Other counterparties	*48*	-	*5*	-	-	-	-	-	*53*
TOTAL	**6,417**	**-**	**494**	**-**	**2,192**	**-**	**1,324**	**-**	**10,427**

(1) Fair Value of the guarantee or, if difficult to be determined, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

A.3.2. Banking group - Guaranteed credit exposures to customers

(millions of euro)

	GUARANTEED ON-BALANCE SHEET CREDIT EXPOSURES				GUARANTEED OFF-BALANCE SHEET CREDIT EXPOSURES				TOTAL
	Totally guaranteed		Partly guaranteed		Totally guaranteed		Partly guaranteed		
		of which non-performing		*of which non-performing*		*of which non-performing*		*of which non-performing*	
NET EXPOSURE	**192,675**	***14,142***	**15,760**	***2,137***	**14,440**	***452***	**4,024**	***178***	**226,899**
COLLATERAL (1)									
Real estate assets	316,825	*25,036*	2,853	*437*	8,043	*613*	438	*5*	328,159
Securities	9,205	*330*	1,933	*527*	593	*52*	546	*5*	12,277
Other	18,909	*1,280*	1,428	*212*	652	*9*	605	*13*	21,594
GUARANTEES (1)									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	-	-	-	-	-	-	-
Guarantees given									
Governments and Central Banks	*426*	*1*	*139*	*8*	*26*	-	-	-	*591*
Other public entities	*508*	*41*	*218*	*2*	*10*	-	*17*	-	*753*
Banks	*1,440*	*74*	*414*	*28*	*586*	*1*	*179*	*34*	*2,619*
Other counterparties	*37,416*	*3,648*	*4,871*	*361*	*6,357*	*129*	*676*	*12*	*49,320*
TOTAL	**384,729**	***30,410***	**11,856**	***1,575***	**16,267**	***804***	**2,461**	***69***	**415,313**

(1) Fair Value of the guarantee or, if difficult to be determined, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by sector (book value)

(millions of euro)

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES				TOTAL OFF-BALANCE SHEET EXPOSURES	TOTAL 31.12.2011	TOTAL 31.12.2010
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Other non-performing assets	Other exposures			
GOVERNMENTS													
Net exposure	1	-	-	1	47,918	47,920	5	-	-	4,099	4,104	52,024	58,147
Individual adjustments	-10	-	-	-	X	-10	-	-	-	X	-	-10	-9
Collective adjustments	X	X	X	X	-261	-261	X	X	X	-	-	-261	-14
OTHER PUBLIC ENTITIES													
Net exposure	175	51	-	10	20,011	20,247	-	-	8	1,829	1,837	22,084	21,215
Individual adjustments	-45	-6	-	-	X	-51	-	-	-	X	-	-51	-39
Collective adjustments	X	X	X	X	-39	-39	X	X	X	-4	-4	-43	-69
FINANCIAL INSTITUTIONS													
Net exposure	65	260	19	9	26,455	26,808	2	31	-	28,003	28,036	54,844	63,816
Individual adjustments	-362	-53	-2	-3	X	-420	-2	-	-	X	-2	-422	-415
Collective adjustments	X	X	X	X	-121	-121	X	X	X	-6	-6	-127	-97
INSURANCE COMPANIES													
Net exposure	-	-	-	-	2,225	2,225	-	-	-	2,393	2,393	4,618	5,171
Individual adjustments	-	-	-	-	X	-	-	-	-	X	-	-	-
Collective adjustments	X	X	X	X	-2	-2	X	X	X	-1	-1	-3	-96
NON-FINANCIAL COMPANIES													
Net exposure	7,076	7,197	3,358	909	211,933	230,473	147	584	525	81,697	82,953	313,426	317,069
Individual adjustments	-12,697	-1,727	-577	-111	X	-15,112	-56	-82	-25	X	-163	-15,275	-12,646
Collective adjustments	X	X	X	X	-2,328	-2,328	X	X	X	-239	-239	-2,567	-2,061
OTHER COUNTERPARTIES													
Net exposure	1,686	1,618	48	218	84,783	88,353	6	34	-	3,994	4,034	92,387	91,207
Individual adjustments	-2,849	-574	-28	-58	X	-3,509	-19	-3	-	X	-22	-3,531	-3,122
Collective adjustments	X	X	X	X	-400	-400	X	X	X	-10	-10	-410	-433

B.2. Banking group - Breakdown of on- and off-balance sheet credit exposures to customers by geographical area (book value)

(millions of euro)

	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	8,072	-13,706	889	-1,973	10	-37	2	-22	30	-225
A.2. Substandard loans	7,647	-1,994	1,418	-345	28	-3	2	-1	31	-17
A.3. Restructured exposures	3,059	-550	197	-33	22	-11	147	-13	-	-
A.4. Past due exposures	1,001	-128	126	-44	1	-	3	-	16	-
A.5. Other exposures	318,896	-2,065	56,920	-948	9,700	-44	2,752	-20	5,057	-74
Total A	**338,675**	**-18,443**	**59,550**	**-3,343**	**9,761**	**-95**	**2,906**	**-56**	**5,134**	**-316**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	139	-52	10	-4	5	-	-	-1	6	-19
B.2. Substandard loans	554	-70	88	-15	1	-	-	-	6	-1
B.3. Other non-performing assets	511	-24	6	-1	8	-	8	-	-	-
B.4. Other exposures	55,586	-165	45,809	-74	18,654	-13	1,720	-3	246	-5
Total B	**56,790**	**-311**	**45,913**	**-94**	**18,668**	**-13**	**1,728**	**-4**	**258**	**-25**
TOTAL (A+B) 31.12.2011	**395,465**	**-18,754**	**105,463**	**-3,437**	**28,429**	**-108**	**4,634**	**-60**	**5,392**	**-341**
TOTAL 31.12.2010	**408,944**	**-15,883**	**110,748**	**-2,637**	**25,175**	**-105**	**5,994**	**-76**	**5,764**	**-300**

B.3. Breakdown of relations with customers resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	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	2,678	-4,380	1,723	-3,051	1,734	-2,602	1,937	-3,673
A.2. Substandard loans	2,711	-691	1,498	-350	1,662	-383	1,776	-570
A.3. Restructured exposures	2,172	-420	599	-69	175	-42	113	-19
A.4. Past due exposures	283	-28	189	-24	270	-29	259	-47
A.5. Other exposures	112,982	-774	59,120	-408	100,393	-440	46,401	-443
Total A	**120,826**	**-6,293**	**63,129**	**-3,902**	**104,234**	**-3,496**	**50,486**	**-4,752**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	27	-12	32	-13	54	-21	26	-6
B.2. Substandard loans	199	-26	79	-6	194	-20	82	-18
B.3. Other non-performing assets	372	-17	58	-2	42	-1	39	-4
B.4. Other exposures	18,154	-66	8,293	-26	25,305	-63	3,834	-10
Total B	**18,752**	**-121**	**8,462**	**-47**	**25,595**	**-105**	**3,981**	**-38**
TOTAL (A+B) 31.12.2011	**139,578**	**-6,414**	**71,591**	**-3,949**	**129,829**	**-3,601**	**54,467**	**-4,790**
TOTALE 31.12.2010	**149,821**	**-5,311**	**71,601**	**-3,325**	**132,843**	**-3,006**	**54,679**	**-4,241**

B.4. Banking group - Breakdown of on- and off-balance sheet credit exposures to banks by geographical area (book value)

(millions of euro)

	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	43	-8	21	-72	-	-	3	-5	-	-
A.2. Substandard loans	1	-	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	2	-1	-	-	-	-	-	-
A.5. Other exposures	15,121	-4	21,161	-15	2,836	-3	2,471	-5	1,439	-
Total A	**15,165**	**-12**	**21,184**	**-88**	**2,836**	**-3**	**2,474**	**-10**	**1,439**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	8,137	-1	56,023	-9	4,846	-1	1,504	-6	716	-2
Total B	**8,137**	**-1**	**56,023**	**-9**	**4,846**	**-1**	**1,504**	**-6**	**716**	**-2**
TOTAL (A+B) 31.12.2011	**23,302**	**-13**	**77,207**	**-97**	**7,682**	**-4**	**3,978**	**-16**	**2,155**	**-2**
TOTAL 31.12.2010	**22,007**	**-12**	**63,079**	**-87**	**9,101**	**-6**	**6,362**	**-27**	**2,458**	**-2**

B.5. Breakdown of relations with banks resident in Italy by geographical area (book value)

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	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	43	-8	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	1	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-
A.5. Other exposures	4,568	-2	3,466	-1	6,794	-1	293	-
Total A	**4,611**	**-10**	**3,466**	**-1**	**6,795**	**-1**	**293**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	3,343	-	355	-	4,428	-1	11	-
Total B	**3,343**	**-**	**355**	**-**	**4,428**	**-1**	**11**	**-**
TOTAL (A+B) 31.12.2011	**7,954**	**-10**	**3,821**	**-1**	**11,223**	**-2**	**304**	**-**
TOTAL 31.12.2010	**8,457**	**-10**	**4,182**	**-1**	**9,193**	**-1**	**175**	**-**

B.6. Large risks

Large risks	
a) Book value (millions of euro)	87,571
b) Weighted value (millions of euro)	12,344
b) Number	6

On the basis of the updates to Bank of Italy Circular 263 of 27 December 2006 and the subsequent regulatory clarification provided by the Supervisory Authority effective for financial statements ending 31 December 2010, the number of large risks presented in the table was determined by reference to unweighted “exposures”, including those towards the Group’s counterparties, in excess of 10% of regulatory capital, where “exposures” are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from regulatory capital) with a customer or a group of related customers, without applying weighting factors.
Such presentation criteria result in the inclusion in the financial statement table for large risks of entities that - even with a weighting of 0% - present an unweighted exposure in excess of 10% of capital valid for the purposes of large risks.

C. SECURITISATIONS AND ASSET SALES

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

C.1. Securitisations

Qualitative information

In 2011 the Group carried out three new securitisations with similar characteristics (Electricity Securitisation, Gas Securitisation and Facility Services Securitisation). These transactions were conducted on portfolios of trade receivables purchased by the Intesa Sanpaolo Group from third parties. Risks of the portfolio of receivables, originated by primary customers and purchased by the Group without recourse, were subsequently securitised. Against receivables with a nominal value of approximately 746 million euro, numerous tranches of unrated securities were issued. For these transactions, the Group used the vehicles Trade Investment Receivable Vehicle S.a.r.l. and Natitri S.a.r.l. and the vehicle Duomo Funding Plc.

Quantitative information

C.1.1. Banking group - Breakdown of exposures deriving from securitisations by quality of underlying asset

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	exposure		exposure		exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	**9**	**9**	**139**	**139**	**117**	**113**
a) Non-performing	-	-	5	5	27	27
b) Other	9	9	134	134	90	86
B. Third party underlying assets	**5,684**	**5,675**	**417**	**412**	**29**	**29**
a) Non-performing	5	5	-	-	-	-
b) Other	5,679	5,670	417	412	29	29
Total	**5,693**	**5,684**	**556**	**551**	**146**	**142**

Part of the exposures shown in the table above has been included within the structured credit products: 2,571 million euro of gross exposures and 2,564 million euro net, in any case almost entirely attributable to exposures not included under the US subprime category. For further information on the relative economic and risk effects, see the chapter on market risks in the Notes to the consolidated financial statements.

Off- balance sheet

(millions of euro)

	Guarantees given						Credit lines					
	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	**-**	**-**	**-**	**-**	**-**	**-**	**742**	**742**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	742	742 (1)	-	-	-	-
B. Third party underlying assets (*)	**24**	**24**	**-**	**-**	**-**	**-**	**1,584**	**1,584**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	24	24	-	-	-	-	1,584	1,584	-	-	-	-
TOTAL	**24**	**24**	**-**	**-**	**-**	**-**	**2,326**	**2,326**	**-**	**-**	**-**	**-**

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

(1) including 648 million euro referring to liquidity lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39.

C.1.2. Banking group - Breakdown of exposures deriving from the main "originated" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(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	**3**	**-**	**21**	**-2**	**56**	**-1**
A.1 Intesa Sec 2						
- performing residential mortgages	*-*	*-*	*16*	*-*	*23*	*-*
A.2 Intesa Sec						
- performing mortgages	*-*	*-*	*-*	*-*	*1*	*-*
A.3 Intesa Sec Npl						
- doubtful mortgages	*-*	*-*	*5*	*-2*	*27*	*-1*
A.4 Cr Firenze Mutui						
- performing mortgages	*-*	*-*	*-*	*-*	*5*	*-*
A.5 Facility Services Securitisation						
- trade receivables	*3*	*-*	*-*	*-*	*-*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**6**	**-1**	**118**	**-**	**57**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	*-*	*-*	*85*	*-*	*29*	*-*
C.2 Da Vinci	-	-	-	-	-	-
- loans to the aircraft sector	*3*	*-1*	*1*	*-*	*-*	*-*
C.3 Split 2 (*)	-	-	-	-	-	-
- performing leasing contracts	*3*	*-*	*4*	*-*	*18*	*-*
C.4 Electricity Securitisation	-	-	-	-	-	-
- trade receivables	*-*	*-*	*24*	*-*	*8*	*-*
C.5 Gas Securitisation	-	-	-	-	-	-
- trade receivables	*-*	*-*	*4*	*-*	*2*	*-*
TOTAL	**9**	**-1**	**139**	**-2**	**113**	**-1**

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

The securitisations in the above table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on this exemption, assets or liabilities sold not derecognised, based on previous accounting principles and deriving from securitisations prior to 1 January 2004, have not been recorded in the financial statements, even if derecognition does not meet the requirements of IAS 39.

Off- balance sheet

(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	**-**	**-**	**-**	**-**	**-**	**-**	**94**	**-**	**-**	**-**	**-**	**-**
A.1 Duomo Funding Plc.												
- trade receivables	*-*	*-*	*-*	*-*	*-*	*-*	*94*	*-*	*-*	*-*	*-*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**648**	**-**	**-**	**-**	**-**	**-**
C.1 Duomo Funding Plc.												
- trade receivables	*-*	*-*	*-*	*-*	*-*	*-*	*648*	*-*	*-*	*-*	*-*	*-*
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**742**	**-**	**-**	**-**	**-**	**-**

C.1.3. Banking group - Breakdown of exposures deriving from the main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 Romulus Funding Corp.						
- Romulus portfolio	*1,941*	-	-	-	-	-
A.2 TCW GLOBAL PROJECT FUND III						
- Project Finance loans	*415*	-	-	-	-	-
A.3 Tevere Finance						
- Exposures to Italian local authorities	*357*	*-15*	-	-	-	-
A.4 Fondo Immobili Pubblici						
- Financial credits deriving from rental of properties to the public sector	*253*	*-4*	-	-	-	-
A.5 Posillipo Finance						
- Loans to the Italian health system	*181*	*-1*	-	-	-	-
A.6 Nepri Finance S.r.l.						
- Residential mortgages	*141*	*-6*	-	-	-	-
A.7 D'Annunzio						
- Loans to the Italian health system	*138*	*-1*	-	-	-	-
A.8 Euterpe (*)						
- Amounts due from tax authorities	*135*	*-2*	-	-	-	-
A.9 Duchess (**)						
- CLOs	*121*	*8*	-	-	-	-
A.10 Cordusio RMBS Securitisation						
- Residential mortgages	*86*	*-3*	*28*	*-2*	-	-
A.11 Sunrise S.r.l.						
- Consumer credit	*107*	*2*	*4*	-	-	-
A.12 Geldilux						
- Corporate loans	*100*	-	-	-	-	-
A.13 Siena Mortgage						
- Residential mortgages	*79*	-	-	-	-	-
A.14 Vintage Finance						
- Electric company receivables from the public sector	*78*	*-1*	-	-	-	-
A.15 Berica Residential MBS S.r.l.						
- Residential mortgages	*60*	*-1*	*9*	-	-	-
A.16 AYT Cedulas						
- Residential mortgages	*68*	-	-	-	-	-
A.17 CLARIS Finance S.r.l.						
- Residential mortgages	*67*	*-3*	-	-	-	-
A.18 Cartesio						
- Loans to the Italian health system	*65*	-	-	-	-	-
A.19 GSC Partners CDO Fund. Ltd.						
- Corporate loans	*52*	-	-	-	-	-
A.20 Residual portfolio divided in 389 securities	*1,231*	*-87* (***)	*371*	*-9* (****)	*29*	*-1*
TOTAL	**5,675**	**-114**	**412**	**-11**	**29**	**-1**

(*) Exposure to Euterpe (with 114 million euro included in the "residual portfolio") refers to single tranche securitisations, not classified as exposures to securitisations for supervisory purposes.

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

(***) Of which -6 million euro related to securities included in packages.

(****) Of which -3 million euro related to securities included in packages.

The table below shows the breakdown of the residual portfolio divided into 389 securities by type of underlying asset.

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Residential mortgages	419	-8	174	-3	7	-1
Other ABS (CLO-CMO-CFO) (*)	152	-16	6	-	-	-
CDO Cash	186	-58	-	-	-	-
Loans deriving from leasing contracts	99	-2	16	-2	-	-
Commercial mortgages	84	-2	112	-4	-	-
Car loans	61	-	5	-	-	-
Financing for SMEs	47	-	39	-	-	-
Loans to foreign public bodies	41	-	-	-	-	-
Electric company receivables from the public sector	40	-	-	-	-	-
Project finance loans	-	-	-	-	22	-
Loans to energy companies	19	-	-	-	-	-
WL Collateral CMO	18	-	-	-	-	-
Public property	7	-	9	-	-	-
Loans to foreign local authorities	15	-	-	-	-	-
Consumer credit	11	-	3	-	-	-
Personal loans	1	-	7	-	-	-
Credit cards	3	-	-	-	-	-
Other assets	28	-1	-	-	-	-
TOTALE	**1,231**	**-87**	**371**	**-9**	**29**	**-1**

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

Off- balance sheet

(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												
- ABCP Conduit transactions	-	-	-	-	-	-	*1,535*	-	-	-	-	-
A.2 Romulus												
- ABCP Conduit transactions	*24*	-	-	-	-	-	*49*	-	-	-	-	-
Total	**24**	**-**	**-**	**-**	**-**	**-**	**1,584**	**-**	**-**	**-**	**-**	**-**

(*) In addition to that shown in the table, the Group's trading portfolio as at 31 December 2011 also contains off-balance sheet transactions represented by credit default swaps with exposures to securitisations as underlyings for a nominal value of 616 million euro.

C.1.4. Banking group - Breakdown of exposures deriving from securitisations by 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	1,349	84	3	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	58	15	32	-	-	-
Investments held to maturity	118	-	-	-	-	-
Loans (**)	4,153	334	50	1,702	-	-
Total 31.12.2011	**5,678**	**433**	**85**	**1,702**	**-**	**-**
Total 31.12.2010	**5,207**	**462**	**98**	**2,371**	**-**	**-**

(*) Excluding on- and off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 181 million euro. As at 31 December 2011, off-balance sheet exposures deriving from originated securitisations whose assets sold were not fully derecognised from balance sheet assets totalled 648 million euro.

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

C.1.5. Banking group - Total amount of securitised assets underlying junior securities or other forms of backing

(millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**692**	**-**
A.1 Fully derecognised	168	X
1. Doubtful loans	*36*	*X*
2. Substandard loans	*1*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*2*	*X*
5. Other assets	*129*	*X*
A.2 Partly derecognised	-	X
1. Doubtful loans	*-*	*X*
2. Substandard loans	*-*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*-*	*X*
5. Other assets	*-*	*X*
A.3 Not derecognised	524	-
1. Doubtful loans	*13*	-
2. Substandard loans	*7*	-
3. Restructured exposures	*-*	-
4. Past due exposures	*3*	-
5. Other assets	*501*	-
B. Third party underlying assets	**1,126**	**-**
B.1. Doubtful loans	-	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	-	-
B.5. Other assets	1,126	-

C.1.6. Banking group - Stakes in special purpose vehicles

Name	Direct ownership	Registered office	% Stake
Intesa Lease Sec S.r.l.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec S.p.A.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 2 S.r.l.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 3 S.r.l.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec Npl S.p.A.	Intesa Sanpaolo	Milano	60.00%
Augusto S.r.l.	Intesa Sanpaolo	Milano	5.00%
Colombo S.r.l.	Intesa Sanpaolo	Milano	5.00%
Diocleziano S.r.l.	Intesa Sanpaolo	Milano	5.00%
Cr Firenze Mutui	CR Firenze	Conegliano Veneto	10.00%
ISP Sec 4 S.r.l. (*)	Intesa Sanpaolo	Milano	100.00%
ISP CB Ipotecario S.r.l. (**)	Intesa Sanpaolo	Milano	60.00%
ISP CB Pubblico S.r.l. (**)	Intesa Sanpaolo	Milano	60.00%

(*) The company ISP Sec 4 was not operative as at 31 December 2011.

(**) ISP CB Ipotecario and ISP CB Pubblico are not traditional securitisation vehicles which issue securities, but are involved in covered bond issues. For more information, see Section C.3 of Part E of these Notes to the consolidated financial statements.

C.1.7. Banking group - Servicer activities – collection of securitised loans and repayment of securities issued by special purpose vehicles

Servicer	Special purpose vehicles	Securitised assets (period-end figure) (millions of euro)		Collections of loans in the year (millions of euro)		Percentage of reimbursed securities (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sanpaolo	Intesa Sec	1	-	-	-	-	100%	-	100%	-	81%
Intesa Sanpaolo	Intesa Sec 2	8	132	1	92	-	100%	-	94%	-	-
Intesa Sanpaolo	Intesa Sec 3	37	1,236	4	361	-	100%	-	46%	-	-
Italfondiario	Intesa Sec NPL	32	-	17	-	100%	-	46%	-	-	-
Leasint	Intesa Lease Sec	7	4	2	30	-	100%	-	100%	-	-
Leasint	Split 2	11	110	3	97	-	100%	-	-	-	-
CR Firenze	Cr Firenze Mutui	2	89	2	23	-	91%	-	-	-	-
Total		**98**	**1,571**	**29**	**603**						

C.1.8. Banking group – Subsidiary special purpose vehicles

Intesa Sec

Securitisation of performing mortgages

(millions of euro)

A. Securitised assets			**2**
A.1 Loans		1	
- loans outstanding	*-*		
- past due loans	*1*		
A.2 Securities		-	
A.3 Other assets		1	
- accrued income on IRS	*-*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**-**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		-	
C. Securities issued			**2**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class B		-	
C.4 Class C		2	
D. Financing received			**-**
E. Other liabilities			**-**
E.1 Due to Parent Company		-	
E.2 Accrued expenses – interest on securities issued		-	
E.3 Accrued expenses on IRS		-	
E.4 “Additional return” allowance		-	
F. Interest expense on securities issued			**-**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**-**
H.1 Interest expense		-	
H.2 Additional return		-	
I. Interest income on securitised assets			**-**
L. Other revenues			**-**
L.1 Interest income		-	

Intesa Sec 2

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**148**
A.1 Loans		140	
- loans outstanding	*128*		
- past due loans	*12*		
A.2 Securities		-	
A.3 Other assets		8	
- accrued income on IRS	*-*		
- suspended items for DPP	*1*		
- tax credits	*7*		
B. Investments of the funds collected from loan management			**47**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		47	
C. Securities issued			**148**
C.1 Class A1		-	
C.2 Class A2		46	
C.3 Class B		41	
C.4 Class C		61	
D. Financing received			**20**
E. Other liabilities			**2**
E.1 Due to Parent Company		-	
E.2 Other DPP liabilities		1	
E.3 Accrued expenses – interest on securities issued		-	
E.4 Accrued expenses on IRS		1	
F. Interest expense on securities issued			**4**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**11**
H.1 Interest expense		10	
H.2 Cost of liquidation DPP of the period		1	
I. Interest income on securitised assets			**10**
L. Other revenues			**6**
L.1 Interest income		6	
L.2 Revenues from penalties for advanced extinguishment and other		-	

Intesa Sec 3

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**1,279**
A.1 Loans		1,273	
A.2 Securities		-	
A.3 Other assets		6	
- accrued income on IRS	*5*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**116**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		116	
C. Securities issued			**1,315**
C.1 Class A1		-	
C.2 Class A2		221	
C.3 Class A3		948	
C.4 Class B		73	
C.5 Class C		73	
D. Financing received			**25**
E. Other liabilities			**59**
E.1 Due to Parent Company		1	
E.2 "Additional return" allowance		46	
E.3 Accrued expenses – interest on securities issued		4	
E.4 Accrued expenses on IRS		8	
F. Interest expense on securities issued			**22**
G. Commissions and fees			**2**
G.1 Servicing		2	
G.2 Securities placement commissions		-	
H. Other expenses			**59**
H.1 Interest expense		41	
H.2 Forecasted losses on loans		1	
H.3 Additional return		17	
I. Interest income on securitised assets			**52**
L. Other revenues			**29**
L.1 Interest income		28	
L.2 Revenues from penalties for advanced extinguishment and other		1	

Intesa Sec Npl

Securitisation of non-performing mortgages

(millions of euro)

A. Securitised assets			**37**
A.1 Loans		32	
- loans outstanding	*-*		
- past due loans	*31*		
- loans for overdue interest	*1*		
A.2 Securities		-	
A.3 Other assets		5	
- cap option premium paid	*4*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**8**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		8	
C. Securities issued			**155**
C.1 Class A		-	
C.2 Class B		-	
C.3 Class C		-	
C.4 Class D		114	
C.5 Class E		41	
D. Financing received			**3**
E. Other liabilities			**16**
E.1 Amounts due for services rendered		2	
E.2 Accrued expenses – interest on securities issued		11	
E.3 Other accrued expenses		2	
E.4 Floor option premium received		1	
F. Interest expense on securities issued			**15**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**19**
H.1 Interest expense		5	
H.2 Other expenses		2	
H.3 Losses on overdue interest		8	
H.4 Losses on loans		3	
H.5 Forecasted losses on loans		1	
I. Interest income on securitised assets			**12**
L. Other revenues			**5**
L.1 Interest income		-	
L.2 Recovery of legal expenses		-	
L.3 Write-backs		5	

Split 2

Securitisation of loans arising from leasing contracts

(millions of euro)

A. Securitised assets		**156**
A.1 Loans	156	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**-**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	-	
C. Securities issued		**147**
C.1 Class A	20	
C.2 Class B	109	
C.3 Class C	-	
C.4 Class D	18	
D. Financing received		**9**
E. Other liabilities		**-**
F. Interest expense on securities issued		**4**
G. Commissions and fees		**-**
G.1 Servicing	-	
G.2 Other services	-	
H. Other expenses		**-**
I. Interest income on securitised assets		**4**
L. Other revenues		**-**

Intesa Lease Sec
Securitisation of performing loans arising from leasing contracts

(millions of euro)

A. Securitised assets			**11**
A.1 Loans		11	
- principal	*9*		
- credits for invoiced leasing instalments	*2*		
A.2 Securities		-	
A.3 Other assets		-	
B. Investments of the funds collected from loan management			**12**
B.1 Debt securities		12	
B.2 Equities		-	
B.3 Liquidity		-	
C. Securities issued			**6**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class A3		-	
C.4 Class B		-	
C.5 Class C		6	
D. Financing received			**-**
E. Other liabilities			**31**
E.1 Other accrued expenses and deferred income		-	
E.2 Allowance for "additional return"		31	
F. Interest expense on securities issued			**1**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**2**
H.1 Interest expense		-	
H.2 Other expenses		1	
H.3 Losses on loans		-	
H.4 Forecasted losses on loans		1	
H.5 Additional return		-	
I. Interest income on securitised assets			**1**
L. Other revenues			**2**
L.1 Interest income		-	
L.2 Write-backs		1	
L.3 Other revenues		1	

CR Firenze Mutui
Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**91**
A.1 Loans	91	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**7**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	7	
C. Securities issued		**89**
C.1 Class A	45	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		-
E. Other liabilities		**9**
F. Interest expense on securities issued		**2**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**-**
I. Interest income on securitised assets		**3**
L. Other revenues		**-**

C.2. Sales

C.2.1. Banking group - Financial assets sold not derecognised

(millions of euro)

	Cash assets				Derivatives	31.12.2011		31.12.2010	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**5,181**	**28**	**2**	**-**	**-**	**5,211**	**-**	**12,258**	**-**
- Financial assets sold totally recognised (book value)	5,181	28	2	-	-	5,211	-	12,258	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**14**	**-**	**-**	**-**	**X**	**14**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	14	-	-	-	X	14	-	-	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**8,351**	**-**	**-**	**-**	**X**	**8,351**	**-**	**7,569**	**-**
- Financial assets sold totally recognised (book value)	8,351	-	-	-	X	8,351	-	7,569	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**257**	**X**	**X**	**-**	**X**	**257**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	257	X	X	-	X	257	-	-	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**1,450**	**X**	**X**	**-**	**X**	**1,450**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	1,450	X	X	-	X	1,450	-	-	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**276**	**X**	**X**	**1,392**	**X**	**1,668**	**47**	**2,227**	**15**
- Financial assets sold totally recognised (book value)	276	X	X	1,392	X	1,668	47	2,227	15
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2011	**15,529**	**28**	**2**	**1,392**	**-**	**16,951**	**47**	**X**	**X**
Total 31.12.2010	**20,258**	**-**	**-**	**1,796**	**-**	**X**	**X**	**22,054**	**15**

Financial assets sold not derecognised are mostly made up of securities relative to repurchase agreements.
The financial assets sold not derecognised included within loans relate to the receivables sold under the Split 2 and SEC 3 securitisations.

C.2.2. Banking group - Financial liabilities corresponding to financial assets sold not derecognised

(millions of euro)

	Due to customers		Due to banks		Securities issued		Total 31.12.2011	Total 31.12.2010
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised		
Financial assets held for trading	960	-	3,761	-	-	-	4,721	12,251
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets available for sale	1,925	-	5,114	-	-	-	7,039	6,797
Investments held to maturity	-	-	-	-	-	-	-	-
Due from banks	78	-	704	-	-	-	782	-
Loans to customers	161	-	465	-	1,319	-	1,945	2,192
Total	**3,124**	**-**	**10,044**	**-**	**1,319**	**-**	**14,487**	**21,240**

The financial liabilities corresponding to financial assets sold not derecognised (shown in the columns Due to Banks and Due to Customers) relate to reverse repurchase agreements for securities recorded under assets. The Due to Customers column also shows the financial liabilities corresponding to receivables sold to the Split 2 vehicle, which does not fall within the scope of the Banking Group.
On the other hand, in accordance with the regulations, the liabilities issued as part of the related securitisation by the Intesa SEC 3 vehicle (included within the consolidation) are shown under securities issued.
However, they do not include the reverse repurchase agreements relating to securities received under repurchase agreements.

C.3. Banking group - Covered bond transactions

The Intesa Sanpaolo Group uses Covered Bonds (CB) to prudently establish eligible assets with Central Banks, or as a type of funding, by placing Covered Bonds on the market.
Transactions are structured by selling assets (loans, mortgages) to a vehicle, with the simultaneous granting of a subordinated loan to the vehicle for payment of the sale price. In the Intesa Sanpaolo Group, in this phase the seller is always the same entity as the lender. Securities may be issued directly by the originator of the assets or by the Parent Company, relating to assets sold to the vehicle by other Group companies.
In accordance with IAS 39, these transactions do not represent sales without recourse for accounting purposes, as the Group companies involved maintained all the risks and rewards connected to the loans sold. Therefore, when recording the transactions, Bank of Italy provisions are applied, according to which, where the originator and the lender are the same entity, the separate assets of the vehicle, provided as security for the issues of Covered Bonds, are consolidated in the separate financial statements.

Starting from 2009, the Intesa Sanpaolo Group has carried out two Covered Bonds issue programmes.
The first programme, launched at the end of July 2009, had an initial maximum of 10 billion euro, raised to 20 billion euro in 2011. The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by Banca Infrastrutture Innovazione e Sviluppo (BIIS), was transferred.
As at 31 December 2011, BIIS completed five sales of performing assets to the guarantor vehicle ISP CB Pubblico, to enable the Parent Company Intesa Sanpaolo to issue Covered Bonds. In detail, performing loans and securities to the public sector with a nominal value of 7.6 billion euro were sold from 2009 to 2010, in addition to sales made during 2011, as illustrated below:

– in March 2011, BIIS sold the vehicle a portfolio of performing securities to the public sector, deriving from the closure of the two self-securitisations CBO1 and CBO2, carried out through the vehicle SPQR II S.r.l., amounting to a nominal value of 2.9 billion euro;
– in June 2011, the subsidiary sold the vehicle a portfolio exclusively comprising performing loans to the public sector, for a nominal value of 2.4 billion euro;
– in December 2011, BIIS repurchased from the vehicle a nominal amount of 450 million euro of loans in breach, i.e. loans which were no longer eligible to be used as underlyings for the Covered Bonds issues carried out by Intesa Sanpaolo.

From 2009 to 2010, against these sales, Covered Bonds were issued for a total nominal value of 5 billion euro (of which 3 billion euro relating to a covered bond which matured in the fourth quarter of 2011), in addition to the issues carried out in 2011, detailed below:

– in January 2011, against the third sale of assets, carried out at the end of 2010, Intesa Sanpaolo issued and placed on the market a tranche of Covered Bonds with a nominal value of 1.5 billion euro, with a fixed-rate coupon and a 10-year maturity;
– in March 2011, a new Covered Bonds issue with a nominal value of 2.4 billion euro was carried out against the fourth sale of assets finalised by BIIS. The bonds issued have a floating-rate coupon linked to the 6-month Euribor, were purchased in full by BIIS, which allocated them as security for its funding at the European Central Bank, through transactions carried out via the Parent Company;
– in July 2011, Intesa Sanpaolo carried out an additional issue with a nominal value of 2 billion euro, maturing in 2013; these bonds were also purchased in full by BIIS, to be able to use them, where necessary, as security for its funding in the Eurosystem, through transactions to be carried out by the Parent Company;
– in December 2011, Intesa Sanpaolo carried out an additional issue of Covered Bonds with a nominal value of 2.4 billion euro, maturing in 2014; these bonds were purchased in full by BIIS, to be able to use them, where necessary, as security for its funding in the Eurosystem, through transactions to be carried out by the Parent Company.

In the second programme, amounting to a maximum of 20 billion euro, the guarantor of the Covered Bonds is the vehicle ISP CB Ipotecario S.r.l., to which a portfolio of triple-A-rated securitised securities (RMBS), with underlying composed of Italian residential mortgage loans originated by Intesa Sanpaolo, was transferred. In 2010, against the sales of these assets, Intesa Sanpaolo carried out issues of Covered Bonds with a nominal value of 1 billion euro, in addition to the issues carried out in 2011, detailed below:

- in February 2011, an issue with a nominal value of 2.5 billion euro, intended for the Euromarket. The bonds issued have a 4.375% coupon, 5-year maturity and an Aaa rating from Moody's. The bonds were placed with institutional investors;
- also in February 2011, two issues of Registered Covered Bonds, with a nominal value of 100 million euro and 300 million euro, respectively. The bonds mature in 15 and 20 years, are fixed-rate (5.25% and 5.375%, respectively) and are backed by an Aaa rating from Moody's. The bonds were placed with institutional investors;
- in September 2011, an additional issue of Registered Covered Bonds with a nominal value of 210 million euro. The bond has a 16-year maturity, is fixed-rate (5.25%) and is backed by an Aaa rating from Moody's. The bonds were placed with institutional investors;
- also in September 2011, two floating-rate issues, with nominal values of 2.3 billion euro and 2.25 billion euro, respectively, 2-year maturity and an Aaa rating from Moody's. Both issues were subscribed by the subsidiary Banca IMI;
- in November 2011, an issue with a nominal value of 1.6 billion euro. The bonds issued have a floating-rate coupon, 2-year maturity and an Aa1 rating from Moody's. The issue was subscribed in full by Banca IMI;
- in December 2011, an issue with a nominal value of 2 billion euro. The bonds issued have a floating-rate coupon, 2-year maturity and an Aa1 rating from Moody's. The issue was subscribed in full by Banca IMI.

The key figures for ISP CB Pubblico and ISP CB Ipotecario as at 31 December 2011 are shown in the table below.

(millions of euro)

COVERED BONDS		Vehicle data		Subordinated loan [1]	Covered Bonds issued	of which: held by the Group		
		Total assets	Cumulated losses	amount	nominal amount	nominal amount	IAS classification	Valuation
ISP CB PUBBLICO	Performing public sector loans and securities	13,994	-	13,551	10,300	6,800	L&R	Amortised cost
ISP CB IPOTECARIO	RMBSs (Performing residential mortgages)	15,163	-	14,829	12,260	8,150	L&R	Amortised cost

[1] The item includes the subordinated loan granted by the originator for the purchase of the portfolio of securitised performing loans. Such loan is subject to derecognition in the IAS-compliant financial statements of the originator and Intesa Sanpaolo Group consolidated financial statements. The figure shown above also includes the amount of subordinated loans disbursed in 2011, for which no issues have yet been made.

D. BANKING GROUP - MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2011, the expected operating loss on core banks (Basel 2 validation area) amounted to 0.51% of disbursed loans, a 0.07 percentage point decrease on the figure at the end of 2010. The economic capital corresponded to 3.6% of disbursed loans, a reduction of 0.5% compared to the figure in 2010. The decrease is due to, on one hand, the improvement in the ratings recorded as a result of the moderately favourable economic scenario in the first part of the year and, on the other, the updating of the LGD estimates in the residential mortgages segment.

The internal rating and LGD models are subject to internal validation process and a level three control by the Internal Auditing Department. The control functions produce an annual report for the Bank of Italy on the compliance of the models with the supervisory regulations, which also verifies deviations of the ex ante estimates and the effective ex post values. This report, approved by the Management Board and the Supervisory Board of Intesa Sanpaolo, confirms the requirements of compliance.