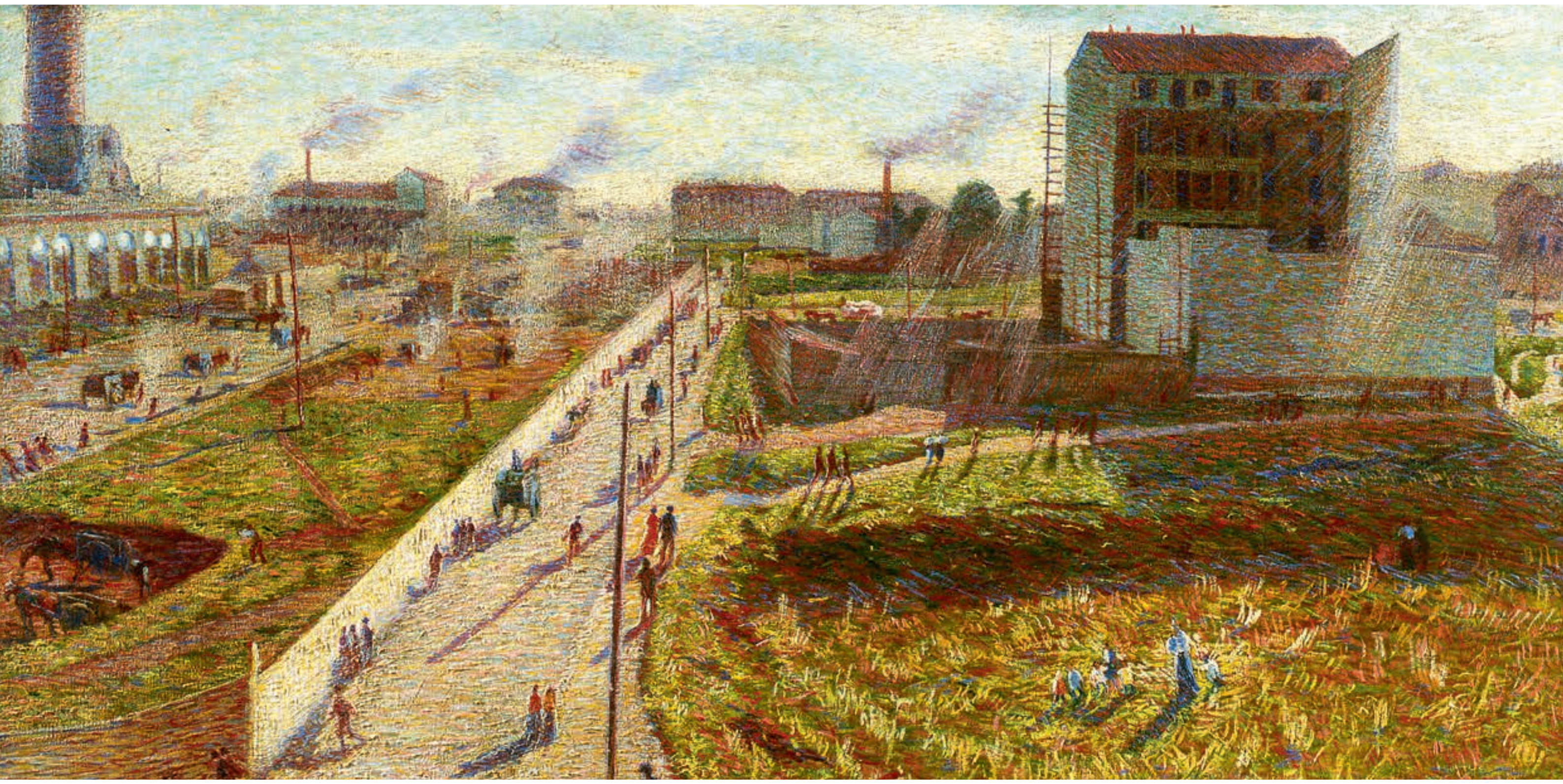
Basel 2 Pillar 3

Disclosure as at 30 June 2013



This is an English translation of the Italian language original "Terzo pilastro di Basilea 2 – Informativa al pubblico al 30 giugno 2013" that has been prepared solely for the convenience of the reader. The Italian language original "Terzo pilastro di Basilea 2 – Informativa al pubblico al 30 giugno 2013" was approved by the Management Board of Intesa Sanpaolo on 2 August 2013 and is available on group.intesasanpaolo.com

This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Basel 2 Pillar 3 Disclosures as at 30 June 2013

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8.545.681.412,32 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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(*) This Table is not required for half-yearly disclosures (see also the "Introduction" to this document).

Introduction

Notes to the Basel 2 Pillar 3 disclosure

As is common knowledge, the purpose of the disclosure defined as "Basel 2 Pillar 3" is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The goal is to encourage market efficiency by identifying the transparency requirements that permit operators to enjoy access to fundamental information concerning regulatory capital, exposure and risk assessment processes and thus concerning intermediaries' capital adequacy. This has particular relevance under the framework introduced by Basel 2, where reliance on internal methodologies gives banks more discretion in assessing capital requirements.

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

Note that in accordance with the provisions of the abovementioned Circular, this document is divided into sections called "Tables" and has been drawn up on a consolidated basis with reference to a "prudential" scope of consolidation, essentially corresponding to the definition of Banking Group for Regulatory purposes (integrated by the proportional consolidation of the jointly controlled entities). The Tables include both a "qualitative section" and a "quantitative section". The "Basel 2 Pillar 3" disclosure is published in accordance with the rules laid down by the Bank of Italy with the following frequency:
- figures as at 31 December: full qualitative and quantitative disclosure;
- figures as at 30 June: update of the quantitative disclosure only (with the exception of information on remuneration policy – Table 15), because Intesa Sanpaolo is one of the groups that have adopted IRB and/or AMA approaches for credit and operational risk;
- figures as at 31 March and 30 September: update solely of the quantitative disclosure on capital (Table 3) and capital adequacy (Table 4), because Intesa Sanpaolo forms part of the groups that have adopted IRB and/or AMA approaches for credit and operational risk.

Please therefore refer to the document as at 31 December 2012 for a more comprehensive examination of the qualitative aspects. Furthermore, this report highlights any significant changes in the first six months of the year compared to the Annual Report 2012. In addition, please note that the "prudential" scope of consolidation for the figures as at 30 June 2013 does not differ from that as at 31 December 2012. Also with regard to the scope of companies for the application of internal models there are no significant differences from that as at 31 December 2012, except for some changes with regard to operational risk (see Tables 4 and 12).

Summary information on regulatory capital and capital adequacy are also published in the Half-yearly Report as at 30 June 2013. This Report also provides an update on Group liquidity risk.

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

All the amounts reported in this disclosure, unless otherwise specified, are stated in millions of euro. The figures shown for comparison refer to the "Basel 2 Pillar 3" disclosure published as at 31 December 2012.

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

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

Capital ratios as at 30 June 2013

(millions of euro)

Regulatory capital and capital ratios	30.06.2013	31.12.2012
Regulatory capital		
Tier 1 capital	34,551	36,013
of which: instruments not included in Core Tier 1 ratio (*)	*2,544*	*2,544*
Tier 2 capital	5,952	8,141
Minus items to be deducted (**)	-	-3,410
REGULATORY CAPITAL	**40,503**	**40,744**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**40,503**	**40,744**
Risk-weighted assets		
Credit and counterparty risks	244,123	253,309
Market risks	18,915	18,427
Operational risks	22,689	25,745
Other risks (***)	1,606	1,138
RISK-WEIGHTED ASSETS	**287,333**	**298,619**
Capital ratios %		
Core Tier 1 ratio	11.1	11.2
Tier 1 ratio	12.0	12.1
Total capital ratio	14.1	13.6

(*) This caption includes preferred shares, savings shares and preference ordinary shares.

(**) Effective 1 January 2013, the elements of an insurance nature previously deducted from total regulatory capital have instead been deducted from tier 1 and tier 2 capital (at 50% each), on a par with the other elements deducted, according to the specific indications contained in Bank of Italy Circulars 155 and 263.

(***) In relation to risk-weighted assets, this caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities. It also includes the supplement for the floor relating to the calculation of capital requirements for the credit risk according to IRB approaches.

Regulatory capital and related capital ratios as at 30 June 2013 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.

As at 30 June 2013, total regulatory capital came to 40,503 million euro, compared to risk-weighted assets of 287,333 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
The decrease in risk-weighted assets posted during the period is attributable to ordinary operations with customers, optimisation processes and the decrease in operational risk, largely due to the stipulation of new insurance coverage (second layer policy) known as Operational Risk Insurance Programme, which offers coverage greater than that of traditional (first layer) policies and therefore significantly increases the limit of liability, in effect transferring the risk of significant operational losses to the insurance market. The internal model insurance mitigation component referring to these policies was approved by the Bank of Italy in June 2013 with immediate effect.

With respect to the method for determining regulatory capital, note that following the notice received from the Bank of Italy on 9 May 2013, a negative prudential filter has been applied to sterilise the positive effects on Core Tier 1 associated with multiple cases of tax realignment of goodwill. The effects of this sterilisation, spread over a 5-year period from report as at 31 March 2013, were calculated in reference to the associated DTAs (Deferred Tax Assets) as at 31 December 2012, net of the substitute tax paid and the total of such DTAs reversed to the income statement during the period. The application of this filter led to a negative effect on Core Tier 1 of 2 hundredths of a point.
The application effective from 1 January 2013 of the amendments to IAS 19 (an accounting standard that governs employee benefits) had a limited impact for regulatory purposes, inasmuch as the negative valuation reserve generated was essentially sterilised through the specific prudential filter envisaged by the Bank of Italy.

The Total capital ratio stood at 14.1%, while the Group's Tier 1 ratio was 12.0%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 11.1%.

Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective from 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 30 June 2013 account for this measure (the effect on the Core Tier 1 ratio is +6 basis points).

Table 1 – General requirements

Qualitative disclosure

Pursuant to the reference regulations issued by the Bank of Italy, the half-yearly "Basel 2 Pillar 3" report does not include a qualitative disclosure (the only disclosure required for this Table). As stated in the Introduction, the reader is referred to the document for the year ended 31 December 2012 for a more comprehensive examination of the qualitative aspects relating to the objectives and policies to manage the various risk categories to which the Group is exposed.
A summary of the Group's approach to risk exposure, management and control is also provided in the Half-yearly Report as at 30 June 2013, in the chapter entitled "Risk management".

Table 2 – Scope of application

Quantitative disclosure

Pursuant to the reference regulations issued by the Bank of Italy, the half-yearly "Basel 2 Pillar 3" report does not include qualitative disclosure (which provides full breakdown of the scope of consolidation). The "prudential" scope of consolidation as at 30 June 2013 did not differ substantially from that as at 31 December 2012 and as at 31 March 2013.

Name of subsidiaries not included in the consolidation

Entities consolidated in the financial statements and not included in the prudential scope of consolidation as at 30 June 2013

Name of banking subsidiary not included in the consolidation	Consolidation method	
	Consolidated line-by-line	Consolidated at equity
INSURANCE COMPANIES		
Fideuram Vita S.p.A.	X	
Bentos Assicurazioni S.p.A.	X	
Intesa Sanpaolo Assicura S.p.A.	X	
Intesa Sanpaolo Vita S.p.A.	X	
Intesa Sanpaolo Life Limited	X	
VUB Generali A.S.		X
OTHER		
A.I.2 S.r.l.		X
Adriano Finance 2 S.r.l.	X	
Adriano Lease Sec (*)	X	
Arten Sicav	X	
BRIVON HUGARY ZRT.	X	
Cib Car Trading Limited Liability Company	X	
Cib Insurance Broker Ltd	X	
CIF S.r.l.	X	
CIL MNM LTD.		X
Cimabue Sicav	X	
DB Platinum III Sicav (già DB Platinum II Sicav)	X	
Duomo Funding Plc	X	
Eurizon Investimenti Sicav	X	
Eurizon Multi Alpha Classe I	X	
Fideuram Fund Bond Global Emerging Markets	X	
Fideuram Fund Bond Usa	X	
Fideuram Fund Bond Yen	X	
Fideuram Fund Bond Euro High Yield	X	
Fideuram Fund Equity Euro	X	
Fideuram Fund Equity Euro Corporate Bond	X	
Fideuram Fund Equity Europe Growth	X	
Fideuram Fund Equity Europe Value	X	
Fideuram Fund Equity Global Emerging Markets	X	
Fideuram Fund Equity Italy	X	
Fideuram Fund Equity Japan	X	
Fideuram Fund Equity Pacific Ex Japan	X	
Fideuram Fund Equity Usa	X	
Fideuram Fund Equity Usa Advantage	X	
Fideuram Fund Equity Usa Value	X	
Fideuram Fund Euro Bond Long Risk	X	
Fideuram Fund Euro Bond Low Risk	X	

Name of banking subsidiary not included in the consolidation	Consolidation method	
	Consolidated line-by-line	Consolidated at equity
Fideuram Fund Euro Bond Medium Risk	X	
Fideuram Fund Euro Defensive Bond	X	
Fideuram Fund Euro Short Risk	X	
Fideuram Fund Zero Coupon 2013	X	
Fideuram Fund Zero Coupon 2014	X	
Fideuram Fund Zero Coupon 2015	X	
Fideuram Fund Zero Coupon 2016	X	
Fideuram Fund Zero Coupon 2017	X	
Fideuram Fund Zero Coupon 2018	X	
Fideuram Fund Zero Coupon 2019	X	
Fideuram Fund Zero Coupon 2020	X	
Fideuram Fund Zero Coupon 2021	X	
Fideuram Fund Zero Coupon 2022	X	
Fideuram Fund Zero Coupon 2023	X	
Fideuram Fund Zero Coupon 2024	X	
Fideuram Fund Zero Coupon 2025	X	
Fideuram Fund Zero Coupon 2026	X	
Fideuram Fund Zero Coupon 2027	X	
Fideuram Fund Zero Coupon 2028	X	
Fideuram Fund Zero Coupon 2029	X	
Fideuram Fund Zero Coupon 2030	X	
Fideuram Fund Zero Coupon 2031	X	
Fideuram Fund Zero Coupon 2032	X	
Fideuram Fund Zero Coupon 2033	X	
Fideuram Fund Zero Coupon 2034	X	
Fideuram Fund Zero Coupon 2035	X	
Fideuram Fund Zero Coupon 2036	X	
Fideuram Fund Zero Coupon 2037	X	
Fideuram Fund Zero Coupon 2038	X	
Fideuram Fund Zero Coupon 2039	X	
Fideuram Fund Zero Coupon 2040	X	
Fideuram Fund Zero Coupon 2041	X	
Fideuram Fund Zero Coupon 2042	X	
Fideuram Fund Zero Coupon 2043	X	
Fondo Bond Emerging Markets	X	
Fondo Bond Eur Long Term	X	
Fondo Bond Eur Medium Term	X	
Fondo Bond Eur Short Term	X	
Fondo Bond GBP	X	
Fondo Bond JPY	X	
Fondo Bond USD	X	
Fondo Caravaggio	X	
Fondo Epsilon Q-Flexible	X	
Fondo Equity Eastern Europe	X	
Fondo Equity Emerging Market	X	
Fondo Equity Europe	X	
Fondo Equity High Tech	X	
Fondo Equity Telecommunication	X	
Fondo Flexible Strategy	X	
Fondo Hayez	X	
IN.FRA. Investire nelle Infrastrutture S.p.A.	X	
Iniziative Logistiche	X	
Levanna Sicav	X	
Lunar Funding V Plc	X	
Mercurio Sicav	X	
RE.Consult Infrastrutture	X	
Recovery Property Utilisation and Services ZRT	X	
Romulus Funding Corporation	X	
SP Lux Sicav II	X	
Starling Financial Plc	X	
Tiepolo Sicav	X	
Trade Receivables Investment Vehicle S.a.r.l. (*)	X	
TT1 Lux S.A.	X	

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

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

As at 30 June 2013 there were no capital deficiencies of the subsidiaries not included in the scope of consolidation with respect to the mandatory capital requirements.

Table 3 – Regulatory capital structure

Quantitative disclosure

Regulatory capital structure

The structure of the regulatory capital of the Intesa Sanpaolo Group as at 30 June 2013 is summarised in the table below:

(millions of euro)

Information	30.06.2013	31.12.2012
A. Tier 1 capital before the application of prudential filters	**38,319**	**38,342**
B. Tier 1 capital prudential filters	**-143**	**-387**
B.1 Positive IAS/IFRS prudential filters (+)	252	-
B.2 Negative IAS/IFRS prudential filters (-)	-395	-387
C. Tier 1 capital before items to be deducted (A+B)	**38,176**	**37,955**
D. Items to be deducted from Tier 1 capital	**3,625**	**1,942**
E. Total Tier 1 capital (C-D)	**34,551**	**36,013**
F. Tier 2 capital before the application of prudential filters	**9,633**	**10,175**
G. Tier 2 capital prudential filters	**-56**	**-92**
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-56	-92
H. Tier 2 capital before items to be deducted (F+G)	**9,577**	**10,083**
I. Items to be deducted from Tier 2 capital	**3,625**	**1,942**
L. Total Tier 2 capital (H-I)	**5,952**	**8,141**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**-**	**3,410**
N. Regulatory capital (E+L-M)	**40,503**	**40,744**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**40,503**	**40,744**

Regulatory capital takes into account an estimate of the dividends to be paid in 2013 on 2013 net income, determined by convention as 1/2 of the amount distributed to shareholders in 2013 (416 million euro of the 832 million euro paid in 2013).

Moreover, on the basis of specific instructions concerning regulatory capital issued by the Bank of Italy on 9 May 2013:

– the impact of the introduction of the new version of IAS 19 – Employee Benefits has been sterilised for regulatory purposes. In particular, "Regulatory capital before the application of prudential filters" includes -261 million euro attributable to the valuation reserve on actuarial losses (including the share attributable to minority shareholders) introduced effective from 1 January 2013. The update to the Standard eliminated the option of using the previous "corridor method," according to which the aforementioned valuation effects passed through the income statement over multiple years, provided that the loss exceeded certain thresholds. This valuation component was sterilised by recognising among "Positive IAS/IFRS prudential filters" an amount equal to the share of the actuarial loss that would not have been recognised in the income statement according to the abovementioned "corridor method" (252 million euro, including the share attributable to minority shareholders);

– effective from 31 March 2013, the benefits to the balance sheet from deferred tax assets (DTAs) associated with multiple cases of tax realignment of a single amount of goodwill are excluded from the calculation of regulatory capital, through inclusion among "Negative IAS/IFRS prudential filters". The exclusion is progressive over a period of five years. The amount of the filter as at 30 June 2013 is 71 million euro and, based on the Supervisory Provisions, includes the first year and the amount attributable to the half year. The remaining amounts will gradually be eliminated from the calculation of Regulatory Capital by 31 December 2016.

Lastly, the caption "Items to be deducted from total regulatory capital" has a zero balance as at 30 June 2013, since the option that allowed the deduction of insurance investments made prior to 20 July 2006 from total regulatory capital (the only contribution to this item) was eliminated. These forms of investment are now included in the ordinary rule, which provides that they are to be deducted 50% from Tier 1 capital and 50% from Tier 2 capital.

More details of the breakdown of the Tier 1 and Tier 2 capital are provided below.

Tier 1 capital

(millions of euro)

Information	30.06.2013	31.12.2012
TOTAL TIER 1 CAPITAL[(a)]		
- Share capital - ordinary shares (b)	8,236	8,236
- Share capital - preference savings shares (c)	488	488
- Share premium reserve	30,987	30,989
- Reserves and net income	10,861	10,896
- Non-innovative equity instruments	478	478
- Innovative equity instruments with final expiry	-	-
- Innovative equity instruments subject to transition requirements (grandfathering) (c)	1,578	1,578
- Positive IAS / IFRS prudential filters (+)		
Fair value option: changes in bank's own creditworthiness	-	-
Redeemable shares	-	-
Capital resources forming the object of forward purchase commitments included in tier 1 capital	-	-
Other positive prudential filters (d)	*252*	-
TOTAL POSITIVE ITEMS	**52,880**	**52,665**
- Treasury shares or quotas (e)	-14	-12
- Goodwill	-9,065	-9,125
- Other intangible assets	-4,969	-5,186
- Loss for the period	-	-
- Adjustments to loans	-	-
- Adjustments calculated on the regulatory trading and banking books	-	-
- Other (d)	-261	-
- Negative IAS / IFRS prudential filters (-)		
Fair value option: changes in bank's own creditworthiness	-	-
Negative reserves on equities and quotas of UCI available for sale	-	-
Negative reserves on debt securities available for sale (f)	*-291*	*-353*
Net accumulated capital gain on tangible assets	-	-
Capital resources forming the object of forward purchase commitments not included in tier 1 capital	-	-
Other negative prudential filters (g)	*-104*	*-34*
TOTAL NEGATIVE ITEMS	**-14,704**	**-14,710**
TOTAL TIER 1 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**38,176**	**37,955**
TOTAL ITEMS TO BE DEDUCTED	**-3,625**	**-1,942**
- Investment in the Bank of Italy	-312	-312
- Insurance subsidiaries	-2,277	-604
- Other banking and financial investments higher than 20% of the investee's capital	-282	-270
- Excess expected losses with respect to adjustments (IRB approaches)	-546	-600
- Other deductions	-208	-156
TOTAL TIER 1 CAPITAL NET OF ITEMS TO BE DEDUCTED	**34,551**	**36,013**

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

(b) It does not include 9 millions euro of preference shares subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 5th update of 22 December 2010, "New regulations for the prudential supervision of banks".

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

(d) The "Other negative items" of Tier 1 capital include the valuation reserve for actuarial losses introduced on a compulsory basis effective 1 January 2013 by IAS 19 – Employee Benefits in replacement of the previous "corridor method." This method called for the above valuation effects to pass through the income statement over multiple years, provided that those effects exceeded given thresholds. The "Other positive prudential filters" include the reversal of this valuation component, but only with respect to the share that would not have been recognised in the income statement according to the previous "corridor method."

(e) The caption essentially includes ordinary shares, only for the component relating to the Banking Group.

(f) The caption does not include the negative reserves on government bonds of EU countries, for which the supervisory regulations provided for the option – exercised by the Group – to exclude these from the negative Tier 1 capital filters, with an effect on the Core Tier 1 ratio of 6 basis points.

(g) The item includes 71 million euro in deferred tax assets (DTAs) associated with the tax realignment of a single amount of goodwill on multiple occasions.

The "Total items to be deducted" amounted to half the overall deductions, 50% of which were allocated as a reduction to the Tier 1 capital and the remaining 50% as a reduction to the Tier 2 capital. As specified above, effective from 1 January 2013 this aggregate also includes insurance investments associated with relationships that arose prior to 20 July 2006, which previously were deducted from total regulatory capital.

Tier 2 capital

(millions of euro)

Information	30.06.2013	31.12.2012
TIER 2 CAPITAL (a)		
- Valuation reserves - Tangible assets		
Legally-required revaluations	*361*	*352*
Property and equipment used in operations	-	-
- Valuation reserve - Securities available for sale		
Equities and quotas of UCI	*111*	*184*
Debt securities	-	-
- Non-innovative equity instruments not included in tier 1 capital	-	-
- Innovative equity instruments not included in tier 1 capital	-	-
- Hybrid capital instruments	1,390	1,389
- Tier 2 subordinated liabilities	7,893	8,328
- Excess total adjustments with respect to expected losses	216	237
- Net capital gains on equity investments	19	3
- Other positive items	-	-
- Positive IAS / IFRS prudential filters (+)		
Net accumulated capital gain on tangible assets	-	-
Capital resources forming the object of forward purchase commitments included in tier 2 capital	-	-
Other positive items	-	-
TOTAL POSITIVE ITEMS	**9,990**	**10,493**
- Net capital losses on equity investments	-	-
- Loans	-	-
- Other negative items	-357	-318
- Negative IAS / IFRS prudential filters (-)		
Portion not included of the valuation reserve on property and equipment used in operations	-	-
Portion not included of positive reserves on securities available for sale - Equities	*-56*	*-92*
Portion not included of positive reserves on securities available for sale - Debt securities	-	-
Tier 2 subordinated liabilities and hybrid capital instruments forming the object of forward purchase commitments not included in tier 2 capital	-	-
Other negative filters	-	-
TOTAL NEGATIVE ITEMS	**-413**	**-410**
TOTAL TIER 2 CAPITAL BEFORE ITEMS TO BE DEDUCTED	**9,577**	**10,083**
TOTAL ITEMS TO BE DEDUCTED	**-3,625**	**-1,942**
- Investment in the Bank of Italy	-312	-312
- Insurance subsidiaries	-2,277	-604
- Other banking and financial investments higher than 20% of the investee's capital	-282	-270
- Excess expected losses with respect to adjustments (IRB approaches)	-546	-600
- Other deductions	-208	-156
TOTAL TIER 2 CAPITAL NET OF ITEMS TO BE DEDUCTED	**5,952**	**8,141**

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

Table 4 – Capital adequacy

Quantitative disclosure

According to the "New regulations for the prudential supervision of banks" (Bank of Italy Circular 263 of 27 December 2006 and subsequent amendments), which adopt the provisions on the International convergence of capital measurement and capital standards (Basel 2), the banking Group's capital must amount to at least 8% of total risk-weighted assets (total capital ratio) arising from the risks typically associated with banking and financial activity (credit, counterparty, market, and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques and the decrease in operational risk following insurance coverage.
In general terms, the group-level capital requirement is calculated as the sum of the individual requirements of the individual companies that make up the Banking group, net of exposures arising from intragroup relations included in the calculation of credit, counterparty and settlement risk.
Moreover, the Intesa Sanpaolo Group was subject to a capital requirement restriction, consisting in a floor of 90% of the sum of the requirements for credit, market and counterparty risk, calculated based on the Basel 1 rules. This penalty was prudently introduced by the Bank of Italy on authorising the use of Internal Methods for the calculation of requirements for credit risk in relation to several aspects deemed worthy of implementing. Taking account of the measures implemented by the Intesa Sanpaolo Group in relation to the problems detected, the Bank of Italy authorised the reduction of said floor from 90% to 85% starting from 30 June 2011.

In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital soundness: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preferred shares and savings shares and preference ordinary shares) and risk-weighted assets.

For the calculation of credit and counterparty risk capital requirements, the Intesa Sanpaolo Group, having received authorisation from the Supervisory Authority, uses the Advanced IRB approach (AIRB) and the foundation IRB approach (FIRB) for the Corporate segment and the IRB approach[1] for the Retail Mortgage segment (Residential mortgages for private individuals) and SME retail segment (retail exposures). In particular:

- for the Corporate segment, authorisation was obtained from the Supervisory Authority to use the AIRB approach on a scope that extends to the Parent Company, the network banks and Mediocredito Italiano, as well as the foreign companies Intesa Sanpaolo Bank Ireland Plc and VUB Banka (the authorisation for the latter is for the Foundation IRB). With effect from June 2012 permission was obtained to extend the AIRB approach to the subsidiary Banca IMI and for the adoption of rating models for the hedging of Specialised Lending exposures at Group Level, together with the use of internal LGD estimates for the Corporate segment in relation to the product companies Leasing and Mediofactoring (the FIRB approach had been in use since December 2008);
- for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective from June 2010, extended to the former Casse del Centro network banks effective from the report as at 31 December 2011 and to VUB Banka with effect from the report as at 30 June 2012.
- authorisation for transition to the IRB approach was granted for the SME Retail segment effective from the December 2012 report for the Parent Company, the network banks and Mediocredito Italiano.

The Group is also proceeding with the development of the rating models for the other segments, to which the standard methods are applied, and the extension of the scope of companies and their application in accordance with the plan presented to the Supervisory Authority.

Banks must also comply with capital requirements for market risks calculated on the whole trading book separately for the various types of risk: position risk on debt securities and equities and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk, settlement risk and

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

position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and general position risk (rate fluctuation risk) for debt securities. Effective the report as at 30 September 2012, Intesa Sanpaolo and Banca IMI have received authorisation from the Supervisory Authority to extend the scope of the model to specific risk on debt securities. The model was extended on the basis of the current methodological framework (a historical simulation in full evaluation), and required the integration of the incremental risk charge into the calculation of the capital requirement for market risks; for Banca IMI, position risk in quotas of UCIs is also included in the internal model (with regard to the Constant Proportion Portfolio Insurance – CPPI component). The scope of validated risks has subsequently been extended to position risk on dividend derivatives and position risk on commodities for Banca IMI, which is the only legal entity in the Group authorised to hold open positions in commodities. In addition, Banca IMI and Intesa Sanpaolo have been using Stressed VaR to calculate the requirement for market risks, since December 2011. Standardised approaches are used for the other types of risk.
Counterparty risk is calculated independently of the portfolio of allocation.

With respect to Operational Risks, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirements for regulatory purposes:
- effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
- effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
- effective from 31 December 2011, for a third set including Banca Infrastrutture Innovazione e Sviluppo. The full demerger of the Bank in favour of the Parent Company Intesa Sanpaolo and Leasint was completed in December 2012;
- effective from 30 June 2013, for a fourth scope including several companies of the Banca Fideuram group (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland and Sanpaolo Invest) and two subsidiaries of VUB Banka (VUB Leasing and Consumer Finance Holding).

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2014, based on the roll-out plan presented to the Management and Supervisory Authorities.
The Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. In order to allow optimum use of the available operational risk transfer tools and to take advantage of the capital benefits, pursuant to the applicable regulations, the Group implemented an optimisation programme of traditional insurance coverages (first layer policies) and stipulated a new insurance coverage (a second layer policy) known as the Operational Risk Insurance Programme. The internal model’s insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements as of the end of June.

In April 2013 the Group presented its Annual Internal Capital Adequacy Assessment Process Report as a “class 1” banking group, according to Bank of Italy classification, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available.

Capital requirements and capital ratios of the Intesa Sanpaolo Group

(millions of euro)

Information	30.06.2013			31.12.2012		
	Unweighted amounts	Weighted amounts	Requirements	Unweighted amounts	Weighted amounts	Requirements
A. CAPITAL REQUIREMENTS						
A.1 Credit and counterparty risks	**556,299**	**244,123**	**19,529**	**569,162**	**253,309**	**20,265**
1. Standardised approach	252,757	101,825	8,146	256,202	105,908	8,473
2. Internal models (IRB)	4,025	4,291	343	4,254	4,308	345
3. Internal models - Advanced approach and retail exposures	296,286	131,414	10,513	305,171	136,848	10,947
4. Securitisations - bankig book	3,231	6,593	527	3,535	6,245	500
A.2 Market risk		**18,915**	**1,513**		**18,427**	**1,474**
1. Standardised approach		5,596	448		6,294	504
2. Internal models		13,319	1,065		11,927	954
3. Concentration risk		-	-		206	16
A.3 Operational risk		**22,689**	**1,815**		**25,745**	**2,059**
1. Basic indicator approach		902	72		1,038	83
2. Standardised approach		3,498	280		4,339	347
3. Advanced measurement approach		18,289	1,463		20,368	1,629
A.4 Other capital requirements		**-**	**-**		-	-
A.5 Other calculation elements [(a)]		**1,606**	**128**		**1,138**	**91**
A6 Total capital requirements		**287,333**	**22,985**		**298,619**	**23,889**
B. CAPITAL RATIOS (%)						
B.1 Core Tier 1			**11.1%**			**11.2%**
B.2 Tier 1 ratio			**12.0%**			**12.1%**
B.3 Total capital ratio			**14.1%**			**13.6%**

(a) The caption includes further specific capital requirements as provided for by the Supervisory Authority to the various Group entities and the supplement for the floor relating to the calculation of capital requirements for the credit risk according to IRB approaches.

In the case of the standardised approach, "unweighted amounts" correspond – in accordance with regulatory provisions – to the exposure value, which takes into account prudential filters, risk mitigation techniques and credit conversion factors. In the case of the internal rating based approach, "unweighted amounts" correspond to "exposure at default" (EAD). For guarantees given and commitments to disburse funds, credit conversion factors are also included when determining EAD.

As always (see also the "Introduction" of this document), the comparative figures presented refer to the Pillar 3 Report of the prior year. During the first half of 2013 the scope of companies authorised to use internal models for credit risk has not changed compared to 31 December 2012.

The tables below provide details of the Group's different capital requirements as at 30 June 2013.

Capital requirement for Credit and Counterparty Risk

The following table breaks capital requirements down between credit risk and counterparty risk.

(millions of euro)

Information	Capital requirement	
	30.06.2013	**31.12.2012**
Credit risk	18,811	19,424
Counterparty risk	718	841
Total capital requirement for credit risk and counterparty risk	**19,529**	**20,265**

Counterparty risk is calculated on both the trading book and the banking book. The relative requirements are presented, for each regulatory portfolio, in the following tables.

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

(millions of euro)

Regulatory portfolio (a)	Capital requirement	
	30.06.2013	31.12.2012
Exposures to or secured by governments and central banks	201	123
Exposures to or secured by local authorities	268	284
Exposures to or secured by not for profit and public sector organisations	559	566
Exposures to or secured by multilateral development banks	-	-
Exposures to or secured by international organisations	-	-
Exposures to or secured by supervised institutions	1,487	1,531
Exposures to or secured by corporates	2,074	2,259
Retail exposures	1,757	1,842
Exposures secured by real estate property	274	296
Past due exposures	484	503
High-risk exposures	88	105
Exposures in the form of covered bonds	53	53
Short-term exposures to corporates	55	65
Exposures to UCI	107	117
Other exposures	739	729
Total capital requirement for credit risk and counterparty risk (Standardised Approach)	**8,146**	**8,473**

(a) The equity exposures for the companies that have adopted the IRB approach for the corporate regulatory portfolio, subject to grandfathering provisions regarding capital requirements, have a capital requirement of 138 million euro (155 million as at 31 December 2012).

Capital requirement for Credit and Counterparty Risk (IRB Approach)

(millions of euro)

Regulatory portfolio	Capital requirement	
	30.06.2013	31.12.2012
A. Exposures to or secured by corporates (Foundation IRB Approach)	**9,387**	**9,803**
A.1) Specialised lending	1,254	1,291
A.2) Specialised lending - slotting criteria	7	8
A.3) SMEs	3,008	3,143
A.4) Other corporates	5,118	5,361
B. Eetail exposures (IRB Approach)	**1,379**	**1,403**
B.1) Exposures secured by residential property: SMEs	55	50
B.2) Exposures secured by residential property: natural persons	915	926
B.3) Other retail exposures: SMEs	409	427
C. Equity exposures (simple risk weight approach)	**88**	**86**
C.1) Private equity exposures in sufficiently diversified portfolios	15	21
C.2) Exchange-traded equity exposures	2	3
C.3) Other equity exposures	71	62
D. Other assets	**2**	**-**
E. Exposures subject to supervisory transition regarding capital requirements	**-**	**-**
Total capital requirement for credit risk and counterparty risk (IRB Approach)	**10,856**	**11,292**

Capital requirement for Credit and Counterparty Risk on securitisations – banking book

(millions of euro)

Information	Capital requirement	
	30.06.2013	31.12.2012
Securitisations - Standardised Approach	344	309
Securitisations - IRB (Rating Based Approach)	183	191
Total capital requirement for credit risk and counterparty risk on securitisations	**527**	**500**

Capital requirement for Market Risk

(millions of euro)

Information	Capital requirement	
	30.06.2013	31.12.2012
Assets included in the regulatory trading book	**1,400**	**1,396**
Position risk (a)	1,400	1,380
Concentration risk	-	16
Other assets	**113**	**78**
Foreign exchange risk	81	48
Settlement risk for DVP (Delivery Versus Payment) transactions	-	-
Commodity risk	32	30
Total capital requirement for market risk	**1,513**	**1,474**

(a) The caption includes capital requirements for exposures to securitisations of 96 million euro (169 million as at 31 December 2012).

Capital requirement for Operational Risk

(millions of euro)

Information	Capital requirement	
	30.06.2013	31.12.2012
Basic indicator approach	72	83
Standardised approach	280	347
Advanced measurement approach	1,463	1,629
Total capital requirement for operational risk	**1,815**	**2,059**

As already noted, almost all the Group companies used the Advanced Measurement Approach (AMA) and the Standardised Approach to determine capital requirements for operational risk. A small remaining number of companies use the Basic Indicator Approach (BIA). For the AMA Approaches the requirement is recalculated on a half yearly basis, whereas for the Standardised and the BIA Approaches the requirement is only calculated annually, unless one or more Group companies change approach during the year, by migrating towards more evolved models.
In the first half of 2013, Banca Monte Parma migrated from the BIA Approach to the Standardised Approach, while Banca Fideuram, with four of its subsidiaries and two subsidiaries of the Slovak VUB Banka, migrated from the Standardised Approach to the Advanced Measurement Approaches (AMA).
As at 30 June 2013, the capital absorption resulting from this process amounts to 1,815 million euro, down compared to 31 December 2012 (2,059 million euro). Contributing to this decrease were: the benefit from the introduction of the Operational Risk Insurance Programme, the change in the AMA scope and ongoing updates in the historical series of loss data, both within the Group and in the ORX (Operational Riskdata eXchange Association) Consortium, which form part of the AMA models in relation to the LDA (Loss Distribution Approach) component.

Table 5 – Credit risk: general disclosures for all banks

Quantitative disclosure

The tables below show the Gross credit exposures - total and average - and the related adjustments broken down by risk class, geographical area, counterparty category and residual maturity, together with the adjustments made during the period. The figures represent the exposures shown in the financial statements, and include both the positions relating to the banking book and the regulatory trading book.
"On-balance sheet exposures" include all on-balance sheet financial assets claimed from banks and customers, irrespective of their portfolio of IAS/IFRS allocation: trading, available for sale, held to maturity, loans and receivables, assets designated at fair value through profit and loss or assets under disposal. An exception is represented by equity exposures which, consistently with the Annual Report (Part E of the Notes to the financial statements – Credit risk) regulated by Circular 262 of the Bank of Italy, are excluded from Table 5. Equity exposures included in the banking book are detailed in Table 13 hereof. In compliance with the provisions already referred to, the units of UCI are included in Table 5 only under the Residual maturity table.
"Off-balance sheet exposures" include all financial activities that are not on the balance sheet (guarantees given, Irrevocable commitments to lend funds, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of such activities (trading, hedging, etc.).

The following table presents such exposures by risk class and IAS/IFRS portfolio, also including in the "Financial assets held for trading" portfolio derivatives positions not already classified to the "Hedging derivatives portfolio".

Overall credit exposure by risk class (*)

(millions of euro)

Portfolios/category	Doubtful loans			Substandard loans			Restructured exposures		
	Gross	Net	Gross Average (**)	Gross	Net	Gross Average (**)	Gross	Net	Gross Average (**)
1. Financial assets held for trading	8	3	7	108	74	112	33	26	40
2. Financial assets available for sale	2	2	2	-	-	-	-	-	-
3. Investments held to maturity	-	-	-	-	-	-	-	-	-
4. Due from banks	111	36	115	1	1	1	-	-	-
5. Loans to customers	30,969	12,055	29,666	17,101	13,114	15,791	2,272	1,999	2,930
6. Financial assets designated at fair value through profit and loss	-	-	-	5	5	6	-	-	-
7. Financial assets under disposal	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-	-
TOTAL - 30.06.2013	**31,090**	**12,096**	**29,790**	**17,215**	**13,194**	**15,910**	**2,305**	**2,025**	**2,970**
TOTAL - 31.12.2012	**28,489**	**11,246**	**26,411**	**14,602**	**11,582**	**13,130**	**3,633**	**2,901**	**3,897**

Portfolios/category	Past due exposures			Other exposures			Total		
	Gross	Net	Gross Average (**)	Gross	Net	Gross Average (**)	Gross	Net	Gross Average (**)
1. Financial assets held for trading	12	11	19	53,156	53,156	56,921	53,317	53,270	57,099
2. Financial assets available for sale	-	-	2	56,034	56,034	53,288	56,036	56,036	53,292
3. Investments held to maturity	-	-	-	2,142	2,140	2,155	2,142	2,140	2,155
4. Due from banks	-	-	2	30,957	30,933	33,565	31,069	30,970	33,683
5. Loans to customers	2,791	2,489	3,018	333,184	330,759	343,014	386,317	360,416	394,419
6. Financial assets designated at fair value through profit and loss	-	-	-	1,092	1,092	1,147	1,097	1,097	1,153
7. Financial assets under disposal	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	8,903	8,903	10,277	8,903	8,903	10,277
TOTAL - 30.06.2013	**2,803**	**2,500**	**3,041**	**485,468**	**483,017**	**500,367**	**538,881**	**512,832**	**552,078**
TOTAL - 31.12.2012	**3,277**	**2,943**	**2,542**	**515,264**	**512,654**	**505,782**	**565,265**	**541,326**	**551,762**

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

(**) Half-yearly average.

Credit exposures by geographical area to customers and banks

Credit exposures by geographical area – customers (*)

(millions of euro)

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	10,605	-16,394	1,435	-2,319	3	-37	2	-22	12	-141
A.2. Substandard loans	11,938	-3,488	1,072	-439	8	-5	10	-3	91	-51
A.3. Restructured exposures	1,656	-221	184	-40	-	-	149	-10	10	-3
A.4. Past due exposures	2,253	-241	184	-54	12	-1	6	-1	38	-5
A.5. Other exposures	333,877	-1,822	53,449	-496	8,258	-35	2,768	-18	3,565	-56
Total A	**360,329**	**-22,166**	**56,324**	**-3,348**	**8,281**	**-78**	**2,935**	**-54**	**3,716**	**-256**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	146	-73	25	-26	-	-	-	-2	2	-15
B.2. Substandard loans	716	-56	31	-6	-	-	-	-	4	-1
B.3. Other non-performing assets	414	-25	1	-1	-	-	-	-	1	-
B.5. Other exposures	52,299	-168	45,258	-60	13,851	-8	788	-2	792	-4
Total B	**53,575**	**-322**	**45,315**	**-93**	**13,851**	**-8**	**788**	**-4**	**799**	**-20**
TOTAL (A+B) 30.06.2013	**413,904**	**-22,488**	**101,639**	**-3,441**	**22,132**	**-86**	**3,723**	**-58**	**4,515**	**-276**
TOTAL 31.12.2012	**423,192**	**-20,492**	**107,789**	**-3,301**	**23,600**	**-85**	**3,523**	**-51**	**5,090**	**-328**

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

Credit exposures by geographical area – banks (*)

(millions of euro)

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	18	-7	19	-66	-	-	-	-2	-	-
A.2. Substandard loans	-	-	-	-	-	-	1	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	9,371	-4	20,303	-14	2,194	-2	3,506	-4	1,456	-
Total A	**9,389**	**-11**	**20,322**	**-80**	**2,194**	**-2**	**3,507**	**-6**	**1,456**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	2	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	1	-	-	-	-	-	-	-
B.5. Other exposures	4,555	-1	61,271	-11	4,402	-1	1,480	-7	1,010	-3
Total B	**4,555**	**-1**	**61,274**	**-11**	**4,402**	**-1**	**1,480**	**-7**	**1,010**	**-3**
TOTAL (A+B) 30.06.2013	**13,944**	**-12**	**81,596**	**-91**	**6,596**	**-3**	**4,987**	**-13**	**2,466**	**-3**
TOTAL 31.12.2012	**18,155**	**-11**	**103,193**	**-93**	**7,070**	**-5**	**3,107**	**-11**	**2,085**	**-2**

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

Credit exposures and adjustments to customers by counterparty (*)

(millions of euro)

	GOVERNMENTS			OTHER PUBLIC ENTITIES		
	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments
A. ON-BALANCE SHEET EXPOSURES						
A.1. Doubtful loans	1	-9	-	181	-76	-
A.2. Substandard loans	-	-	-	23	-10	-
A.3. Restructured exposures	-	-	-	-	-	-
A.4. Past due exposures	6	-	-	31	-1	-
A.5. Other exposures	81,396	-	-7	20,555	-	-54
Total A	**81,403**	**-9**	**-7**	**20,790**	**-87**	**-54**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-
B.4. Other exposures	4,290	-	-	1,380	-	-3
Total B	**4,290**	**-**	**-**	**1,380**	**-**	**-3**
TOTAL - 30.06.2013	**85,693**	**-9**	**-7**	**22,170**	**-87**	**-57**
TOTAL - 31.12.2012	**79,105**	**-12**	**-13**	**23,104**	**-69**	**-47**

	FINANCIAL INSTITUTIONS			INSURANCE COMPANIES		
	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments
A. ON-BALANCE SHEET EXPOSURES						
A.1. Doubtful loans	126	-303	-	-	-	-
A.2. Substandard loans	315	-89	-	-	-	-
A.3. Restructured exposures	80	-18	-	-	-	-
A.4. Past due exposures	53	-4	-	-	-	-
A.5. Other exposures	27,459	-	-102	1,519	-	-3
Total A	**28,033**	**-414**	**-102**	**1,519**	**-**	**-3**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	-	-	-	-	-	-
B.2. Substandard loans	4	-4	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-
B.4. Other exposures	30,890	-	-12	1,606	-	-2
Total B	**30,894**	**-4**	**-12**	**1,606**	**-**	**-2**
TOTAL - 30.06.2013	**58,927**	**-418**	**-114**	**3,125**	**-**	**-5**
TOTAL - 31.12.2012	**67,655**	**-355**	**-101**	**2,985**	**-**	**-6**

	NON-FINANCIAL COMPANIES			OTHER COUNTERPARTIES		
	Net exposure	Individual adjustments	Collective adjustments	Net exposure	Individual adjustments	Collective adjustments
A. ON-BALANCE SHEET EXPOSURES						
A.1. Doubtful loans	9,843	-15,555	-	1,906	-2,970	-
A.2. Substandard loans	11,204	-3,212	-	1,577	-675	-
A.3. Restructured exposures	1,894	-222	-	25	-34	-
A.4. Past due exposures	1,855	-191	-	548	-106	-
A.5. Other exposures	187,127	-	-1,948	83,861	-	-313
Total A	**211,923**	**-19,180**	**-1,948**	**87,917**	**-3,785**	**-313**
B. OFF-BALANCE SHEET EXPOSURES						
B.1. Doubtful loans	170	-101	-	3	-15	-
B.2. Substandard loans	738	-57	-	9	-2	-
B.3. Other non-performing assets	415	-26	-	1	-	-
B.4. Other exposures	72,434	-	-216	2,388	-	-9
Total B	**73,757**	**-184**	**-216**	**2,401**	**-17**	**-9**
TOTAL - 30.06.2013	**285,680**	**-19,364**	**-2,164**	**90,318**	**-3,802**	**-322**
TOTAL - 31.12.2012	**299,904**	**-17,453**	**-2,366**	**90,441**	**-3,504**	**-331**

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

The breakdown by maturity of financial assets is shown in the table below according to the rules set forth in financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity. Therefore, no operational data was used that would require, for example, the representation of cash items according to their level of liquidability.

Credit exposures by residual contractual maturity (*)

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
A. ON-BALANCE SHEET EXPOSURES	**75,144**	**8,866**	**8,245**	**15,279**	**31,167**	**33,979**	**55,697**	**133,499**	**110,681**	**3,112**
A.1 Government bonds	1,222	204	914	356	5,517	9,985	23,815	21,918	6,859	5
A.2 Other debt securities	1,052	751	662	989	460	942	1,365	8,480	8,999	4
A.3 Quotas of UCI	2,401	-	-	-	-	-	-	-	-	-
A.4 Loans	70,469	7,911	6,669	13,934	25,190	23,052	30,517	103,101	94,823	3,103
- Banks	*13,924*	*1,887*	*1,121*	*1,805*	*3,560*	*1,858*	*1,128*	*909*	*140*	*3,051*
- Customers	*56,545*	*6,024*	*5,548*	*12,129*	*21,630*	*21,194*	*29,389*	*102,192*	*94,683*	*52*
B. OFF-BALANCE SHEET EXPOSURES	**137,023**	**39,618**	**28,009**	**24,983**	**49,818**	**27,980**	**38,284**	**194,973**	**31,510**	**185**
B.1 Financial derivatives with exchange of capital										
- Long positions	*8,153*	*16,572*	*13,941*	*12,253*	*22,075*	*9,592*	*13,430*	*93,534*	*11,039*	*36*
- Short positions	*10,279*	*14,797*	*13,854*	*12,135*	*21,670*	*9,983*	*13,505*	*25,014*	*11,133*	*36*
B.2 Financial derivatives without exchange of capital										
- Long positions	*38,719*	*79*	*60*	*71*	*511*	*374*	*1,117*	*885*	*288*	*-*
- Short positions	*37,234*	*76*	*61*	*88*	*444*	*316*	*826*	*980*	*418*	*-*
B.3 Irrevocable commitments to lend funds										
- Long positions	*8,170*	*6,191*	*80*	*115*	*565*	*759*	*1,693*	*16,261*	*2,024*	*54*
- Short positions	*32,552*	*1,900*	*3*	*150*	*132*	*269*	*474*	*498*	*737*	*57*
B.4 Financial guarantees given	*208*	*3*	*10*	*25*	*69*	*123*	*107*	*179*	*145*	*2*
B.5 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*73*	*2,176*	*3,282*	*3,566*	*28,811*	*2,863*	*-*
- Short positions	*-*	*-*	*-*	*73*	*2,176*	*3,282*	*3,566*	*28,811*	*2,863*	*-*
B.6 Credit derivatives without exchange of capital										
- Long positions	*821*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*887*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
TOTAL AS AT 30.06.2013	**212,167**	**48,484**	**36,254**	**40,262**	**80,985**	**61,959**	**93,981**	**328,472**	**142,191**	**3,297**
TOTAL AS AT 31.12.2011	**212,749**	**77,084**	**30,812**	**56,782**	**74,807**	**67,623**	**76,933**	**294,148**	**151,345**	**6,710**

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

The following tables present value adjustments recognised in the income statement and include both specific adjustments to non-performing positions and collective adjustments to performing positions.

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

(millions of euro)

	Impairment losses	Recoveries	30.06.2013	31.12.2012
A. Due from banks	**-7**	**1**	**-6**	**8**
- Loans	-7	1	-6	**8**
- Debt securities	-	-	-	**-**
B. Loans to customers	**-3,521**	**1,168**	**-2,353**	**-4,316**
Non-performing loans purchased	**-31**	**6**	**-25**	**-4**
- Loans	-31	6	-25	**-4**
- Debt securities	-	-	-	**-**
Other	-3,490	1,162	-2,328	**-4,312**
- Loans	-3,466	1,148	-2,318	**-4,251**
- Debt securities	-24	14	-10	**-61**
C. Total	**-3,528**	**1,169**	**-2,359**	**-4,308**

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

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

(millions of euro)

	Impairment losses	Recoveries	30.06.2013	31.12.2012
A. Guarantees given	-38	51	13	-31
B. Credit derivatives	-	-	-	-
C. Commitments to lend funds	-16	17	1	-21
D. Other operations	-3	3	-	-1
E. Total	**-57**	**71**	**14**	**-53**

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

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

Changes in adjustments relating to non-performing on-balance sheet exposures to customers as at 30 June 2013 (*)

(millions of euro)

Information	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**17,159**	**2,985**	**723**	**332**
B. Increases	**2,930**	**2,440**	**144**	**386**
B.1 impairment losses	1,594	1,372	21	300
B.1bis losses on disposal	10	-	-	-
B.2 transfers from other non-performing exposure categories	895	836	90	10
B.3 other increases	431	232	33	76
B.4 business combinations	-	-	-	-
C. Decreases	**-1,176**	**-1,439**	**-593**	**-416**
C.1 recoveries on impairment losses	-337	-285	-10	-70
C.2 recoveries on repayments	-151	-44	-1	-7
C.2bis profits on disposal	-6	-	-	-
C.3 write-offs	-358	-26	-18	-2
C.4 transfers to other non-performing exposure categories	-47	-949	-534	-301
C.5 other decreases	-277	-135	-30	-36
C.6 business combinations	-	-	-	-
D. Final total adjustments	**18,913**	**3,986**	**274**	**302**

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

Changes in adjustments relating to non-performing on-balance sheet exposures to banks as at 30 June 2013 (*)

(millions of euro)

Information	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial total adjustments	**82**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**
B.1 impairment losses	-	-	-	-
B.1bis losses on disposal	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	-	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-7**	**-**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-	-
C.2 recoveries on repayments	-	-	-	-
C.2bis profits on disposal	-1	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-
C.5 other decreases	-6	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**75**	**-**	**-**	**-**

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

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

Quantitative disclosure

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

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

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

The exposures listed in the columns "Exposures with credit risk mitigation" and "Exposures without credit risk mitigation" also contain the off-balance sheet exposures in relation to guarantees and commitments (including the margins available on lines of credit) without the application of the credit conversion factors (CCF) required by the prudential regulations. The off-balance sheet exposures in relation to guarantees and commitments are disclosed side by side with the counterparty weighting factor.
Please note that exposures backed by collateral - whose exposure level is reduced due to application of the comprehensive method as provided for by applicable regulations - are conventionally represented side by side with 0% weighting in the table "Exposures without credit risk mitigation".

The column "Exposures deducted from regulatory capital" reports all the exposures not considered for the purposes of determining the weighted assets, as they are directly deducted from the regulatory capital (see Table 3). These exposures include both exposures deducted at 50% from the Tier 1 capital and 50% from the Tier 2 capital (net of expected losses in excess of impairment losses – IRB models) and the exposures deducted from the total capital until 31 December 2012.

Breakdown of exposures: standardised approach

(millions of euro)

Regulatory portfolio	30.06.2013			31.12.2012		
	Exposure with credit risk mitigation	Exposure without credit risk mitigation	Exposures deducted from regulatory capital	Exposure with credit risk mitigation	Exposure without credit risk mitigation	Exposures deducted from regulatory capital
Exposures to or secured by governments and central banks	96,967	102,773	624	96,117	100,950	624
Exposures to or secured by local authorities	16,717	17,170	-	21,058	21,535	-
Exposures to or secured by not for profit and public sector organisations	9,352	9,574	-	9,973	10,157	-
Exposures to or secured by multilateral development banks	3,480	3,483	-	1,032	1,036	-
Exposures to or secured by international organisations	40	40	-	41	41	-
Exposures to or secured by supervised institutions	82,097	98,647	356	89,603	101,414	336
Exposures to or secured by corporates	36,158	41,871	-	37,962	43,824	-
Retail exposures	37,172	39,126	-	38,560	40,675	-
Exposures secured by real estate property	8,215	8,215	-	8,670	8,670	-
Past due exposures	5,693	5,765	-	5,522	5,598	-
High-risk exposures	770	770	-	926	926	-
Exposures in the form of covered bonds	1,647	1,647	-	1,632	1,632	-
Short-term exposures to corporates	1,180	1,224	-	1,256	1,305	-
Exposures to UCI	1,663	1,730	-	1,767	1,862	-
Other exposures	14,329	14,329	5,178	14,839	14,839	5,136
Securitisations (*)	2,252	2,252	-	2,445	2,445	-
Total credit risk	**317,732**	**348,616**	**6,158**	**331,403**	**356,909**	**6,096**

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

For certain regulatory portfolios (Exposures to or secured by corporates, Retail exposures and Exposures secured by real estate property), the Group uses the standardised approach to a lesser extent, as the Parent Company and the main subsidiaries obtained authorisation to use the IRB approaches. For information on the different scope of companies which the IRB approaches are applied to, see the information in Table 7.

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

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

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

(millions of euro)

Regulatory portfolio	30.06.2013										
	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	TOTAL
Exposures to or secured by governments and central banks	94,662	X	37	X	723	X	1,545	-	X	-	96,967
Exposures to or secured by local authorities	108	X	15,932	X	117	X	558	2	X	X	16,717
Exposures to or secured by not for profit and public sector organisations	6	X	109	X	14	X	9,223	-	X	X	9,352
Exposures to or secured by multilateral development banks	3,463	X	12	X	5	X	-	-	X	X	3,480
Exposures to or secured by international organisations	40	X	X	X	X	X	X	X	X	X	40
Exposures to or secured by supervised institutions	-	X	52,931	X	1,049	X	27,788	329	X	X	82,097
Exposures to or secured by corporates	-	X	746	X	1,944	X	33,361	107	X	X	36,158
Retail exposures	-	X	X	X	X	37,172	X	X	X	X	37,172
Exposures secured by real estate property	X	X	X	4,414	3,801	X	X	X	X	X	8,215
Past due exposures	-	X	X	X	141	X	3,633	1,919	X	X	5,693
High-risk exposures	X	X	X	X	X	X	420	42	308	X	770
Exposures in the form of covered bonds	X	214	311	X	1,074	X	48	X	X	X	1,647
Short-term exposures to corporates	-	X	-	X	-	X	1,180	-	X	X	1,180
Exposures to UCI	-	X	-	X	-	X	1,433	40	X	190	1,663
Other exposures	3,210	X	2,016	X	X	X	9,103	X	X	X	14,329
Securitisations	X	X	X	X	X	X	X	X	X	X	2,252
Total credit risk 30.06.2013 (*)	**101,489**	**214**	**72,094**	**4,414**	**8,868**	**37,172**	**88,292**	**2,439**	**308**	**190**	**317,732**
Total credit risk 31.12.2012 (*)	**99,209**	**225**	**84,468**	**4,129**	**10,302**	**38,560**	**88,576**	**2,932**	**368**	**189**	**331,403**

(*) Total credit risk includes Securitisatoins (2,445 millions as at December 31, 2012).

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

(millions of euro)

Regulatory portfolio	30.06.2013										
	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	TOTAL
Exposures to or secured by governments and central banks	99,580	X	47	X	996	X	2,150	-	X	-	102,773
Exposures to or secured by local authorities	109	X	16,339	X	117	X	603	2	X	X	17,170
Exposures to or secured by not for profit and public sector organisations	200	X	109	X	14	X	9,251	-	X	X	9,574
Exposures to or secured by multilateral development banks	3,466	X	12	X	5	X	-	-	X	X	3,483
Exposures to or secured by international organisations	40	X	X	X	-	X	X	X	X	X	40
Exposures to or secured by supervised institutions	15,553	X	53,401	X	1,108	X	28,256	329	X	X	98,647
Exposures to or secured by corporates	5,641	X	746	X	2,016	X	33,361	107	X	X	41,871
Retail exposures	1,954	X	X	X	-	37,172	X	X	X	X	39,126
Exposures secured by real estate property	X	X	X	4,414	3,801	X	X	X	X	X	8,215
Past due exposures	72	X	X	-	141	X	3,633	1,919	X	X	5,765
High-risk exposures	X	X	X	X	-	X	420	42	308	X	770
Exposures in the form of covered bonds	X	214	311	X	1,074	X	48	X	X	X	1,647
Short-term exposures to corporates	44	X	-	X	-	X	1,180	-	X	X	1,224
Exposures to UCI	67	X	-	X	-	X	1,433	40	X	190	1,730
Other exposures	3,210	X	2,016	X	X	X	9,103	-	X	X	14,329
Securitisations	X	X	X	X	X	X	X	X	X	X	2,252
Total credit risk 30.06.2013 (*)	**129,936**	**214**	**72,981**	**4,414**	**9,272**	**37,172**	**89,438**	**2,439**	**308**	**190**	**348,616**
Total credit risk 31.12.2012 (*)	**122,187**	**225**	**85,461**	**4,129**	**11,214**	**38,560**	**89,198**	**2,933**	**368**	**189**	**356,909**

(*) Total credit risk includes Securitisatoins (2,445 millions as at December 31, 2012).

Specialised lending and equity exposures subject to the IRB approaches

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2013	31.12.2012
A) Exposures to or secured by corporates: Specialised lending - slotting criteria	**80**	**94**
A.1) Regulatory assessment - weak	-	-
A.2) Regulatory assessment - sufficient	37	43
A.3) Regulatory assessment - good	43	51
A.4) Regulatory assessment - strong	-	-
A.5) Default	-	-
B. Equity exposures: Simple risk weight approach	**347**	**362**
B.1) Private equity exposures in sufficiently diversified portfolios - 190%	97	139
B.2) Exchange-traded equity exposures - 290%	8	12
B.3) Other equity exposures - 370%	242	211
Total Specialised lending and equity exposures subject to the IRB approaches	**427**	**456**

(*) In addition to the figures in this table, 41 million euro refers to other exposures subject to the AIRB approaches and related regulatory risk weightings as at 30 June 2013.

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

Table 7 – Credit risk: disclosures for portfolios subject to IRB approaches

Quantitative disclosure

As indicated in the report as at 31 December 2012, the Bank of Italy letter dated 22 February 2013 authorised the Intesa Sanpaolo Group to use the advanced internal system to determine regulatory capital requirements for credit risk for retail loans to small and medium-sized enterprises, effective from the December 2012 report.

In the first half of 2013, some fine tuning was implemented for Small Business (Micro and Core) rating models[1] , agreed upon with the Supervisory Authority in order to incorporate the most recent historical series. The main adjustments, already applied for the June 2013 report, mainly involved the following:

– updating of the historical series;
– calculation of new Central Tendency (with long-term default rates of the portfolio referring to the period 2006-2012) and consequent recalibration of the models;
– revision of the internal Master Scale by updating the PD class.

The table below shows the scope of companies for which the Group, as at 30 June 2013, uses the IRB approaches in calculating the capital requirements for credit and counterparty risk for the "Corporate" (Foundation and Advanced IRB), "Residential mortgages to private individuals" (IRB[2]) and "SME retail" (IRB) regulatory segments.

Scope of companies for application of the IRB approaches as at 30 June 2013

Name	Regulatory segment			
	Corporate		SME retail	Residential mortgages to private individuals
	Foundation	Advanced		
Intesa Sanpaolo S.p.A.		x	x	x
Banca CR Firenze S.p.A.		x	x	x
Banca dell'Adriatico S.p.A.		x	x	x
Banca di Credito Sardo S.p.A.		x	x	x
Banca di Trento e Bolzano S.p.A.		x	x	x
Banca IMI S.p.A.		x		
Banco di Napoli S.p.A.		x	x	x
Cassa di Risparmio del Friuli Venezia Giulia S.p.A.		x	x	x
Cassa di Risparmio del Veneto S.p.A.		x	x	x
Cassa di Risparmio della Provincia di Viterbo S.p.A.		x	x	x
Cassa di Risparmio dell'Umbria S.p.A.		x	x	x
Cassa di Risparmio di Civitavecchia S.p.A.		x	x	x
Cassa dei Risparmio di Forlì e della Romagna S.p.A.		x	x	x
Cassa di Risparmio di Pistoia e della Lucchesia S.p.A.		x	x	x
Cassa di Risparmio di Rieti S.p.A.		x	x	x
Cassa di Risparmio di Venezia S.p.A.		x	x	x
Cassa di Risparmio in Bologna S.p.A.		x	x	x
Intesa Sanpaolo Bank Ireland P.l.c.		x		
Leasint S.p.A.		x		
Mediocredito Italiano S.p.A.		x	x	
Mediofactoring S.p.A.		x		
Vseobecna Uverova Banka A.S.	x			x

[1] The Small Business (Micro and Core) rating models are applied to the entire Small Business Retail population, segmented based on two criteria defined at the regulatory level (exposure of the Banking Group of under 1 million euro) and with respect to the Intesa Sanpaolo Group (with individual or Group turnover of less than 2.5 million euro).

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

The exposure values as at 30 June 2013 for the various IRB approaches (IRB, Foundation IRB and Advanced IRB) are shown in the tables below.

Exposure values by regulatory portfolio (Foundation IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2013	31.12.2012
Exposures to or secured by corporates:		
- *Specialised lending*	*846*	*817*
- *SMEs (Small and Medium Enterprises)*	*1,052*	*1,004*
- *Other corporates*	*1,700*	*1,968*
Total credit risk (IRB)	**3,598**	**3,789**

Exposure values by regulatory portfolio (Advanced IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2013	31.12.2012
Exposures to or secured by corporates:		
- *Specialised lending*	*19,049*	*19,294*
- *SMEs (Small and Medium Enterprises)*	*73,942*	*75,618*
- *Other corporates*	*117,867*	*123,808*
Total credit risk (Advanced IRB approach)	**210,858**	**218,720**

Exposure values by regulatory portfolio (IRB Approach)

(millions of euro)

Regulatory portfolio	Exposure value	
	30.06.2013	31.12.2012
Retail exposures:		
- *Exposures secured by residential property: SMEs*	*3,158*	*2,981*
- *Exposures secured by residential property: private individuals*	*63,437*	*63,918*
- *Other retail exposures: SMEs*	*18,792*	*19,366*
Total credit risk (IRB)	**85,387**	**86,265**

Values of exposures to securitisations (IRB – RBA Approach)

(millions of euro)

Securitizations	Exposure value	
	30.06.2013	31.12.2012
Exposures to securitisations (RBA)	*979*	*1,231*
Total credit risk (IRB)	**979**	**1,231**

For detailed information on exposures to securitisations, see Table 10.

The exposure value shown in the tables set forth in this Table is expressed gross of adjustments and takes into account (for guarantees given and commitments to disburse funds) credit conversion factors. Conversely, the exposure value does not consider the techniques for mitigation of risk which – for exposures assessed using internal models – are directly incorporated in the weightings applied to said exposure.

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

(millions of euro)

Regulatory portfolio	Rating class	30.06.2013 Central PD (%)	Exposure value	Average risk weight	Weighted average LGD (%) (*)	Revocable and irrevocable margins (*)	Weighted average EAD (*)	31.12.2012 Exposure value
Exposures to or secured by corporates								
- Specialised lending			**19,895**			**3,016**		**20,111**
	-class from 1 to 3	-	-	-	-	-	-	-
	-class 4	0.04	1	9%	41.7	-	-	4
	-class 5	-	-	0%	-	-	-	28
	-class 6	0.07	8	13%	37.7	1	0	52
	-class 7	0.10	2	18%	21.0	-	-	2
	-class 8	0.15	1	0	33.7	-	-	-
	-class 9	0.23	1,010	28%	19.0	276	61%	1,360
	-class 10	0.35	449	70%	44.7	50	46%	624
	-class 11	0.50	803	53%	26.7	245	39%	1,646
	-class 12	0.83	1,868	64%	27.5	285	48%	1,942
	-class 13	1.27	2,509	63%	24.0	286	48%	1,870
	-class 14	1.77	2,677	93%	31.1	521	62%	2,249
	-class 15	2.86	3,440	80%	24.4	519	49%	3,490
	-class 16	4.72	1,873	88%	25.8	254	45%	2,068
	-class 17	7.26	1,310	110%	28.8	157	41%	1,032
	-class 18	10.44	1,024	110%	25.6	196	49%	1,394
	-class 19	16.78	710	174%	31.7	38	28%	492
	-class 20	26.76	878	138%	23.3	99	58%	795
	-class 21 (default)	100.00	1,332	-	36.6	89	3800%	1,063
- SMEs (Small and Medium Enterprises)			**74,994**			**3,096**		**76,622**
	-class from 1 to 3	-	-	-	-	-	-	-
	-class 4	0.04	2	8%	34.5	2	39%	2
	-class 5	0.05	5	23%	40.5	-	-	1
	-class 6	0.07	1,101	14%	33.4	110	5%	1,299
	-class 7	0.10	1,421	18%	33.2	151	8%	1,467
	-class 8	0.15	2,390	22%	32.6	200	8%	2,616
	-class 9	0.23	3,036	28%	33.2	217	8%	3,262
	-class 10	0.35	2,743	36%	33.3	161	9%	2,822
	-class 11	0.50	5,131	44%	32.8	275	9%	5,470
	-class 12	0.83	5,018	53%	32.3	223	9%	5,435
	-class 13	1.27	6,446	62%	32.0	226	9%	6,753
	-class 14	1.77	6,824	70%	31.7	333	14%	7,231
	-class 15	2.86	7,913	78%	31.3	321	14%	8,430
	-class 16	4.72	5,694	83%	30.1	270	22%	6,054
	-class 17	7.26	2,974	94%	29.6	116	21%	3,312
	-class 18	10.44	3,206	113%	29.9	75	16%	3,368
	-class 19	16.78	1,114	136%	29.8	60	32%	1,050
	-class 20	26.76	1,425	158%	31.0	106	32%	1,197
	-class 21 (default)	100.00	18,551	-	48.4	250	24%	16,853
- Other corporates			**119,567**			**37,800**		**125,776**
	-class 1	-	-	-	-	-	-	-
	-class 2	-	-	-	-	-	-	-
	-class 3	0.03	3,880	12%	38.4	3,317	33%	4,155
	-class 4	0.04	2,221	16%	38.8	1,969	47%	1,995
	-class 5	0.05	5,822	14%	37.2	4,250	41%	5,991
	-class 6	0.07	5,718	19%	37.3	3,036	26%	8,914
	-class 7	0.10	7,879	29%	37.9	3,272	33%	6,663
	-class 8	0.15	11,098	32%	37.5	6,317	35%	13,483
	-class 9	0.23	4,131	37%	36.3	1,070	20%	4,735
	-class 10	0.35	15,827	48%	36.2	5,364	29%	14,257
	-class 11	0.50	9,881	57%	36.0	2,571	26%	13,206
	-class 12	0.83	10,087	68%	36.3	1,351	24%	10,503
	-class 13	1.27	8,052	77%	34.0	1,163	26%	8,154
	-class 14	1.77	7,139	89%	34.9	1,193	26%	8,623
	-class 15	2.86	8,541	103%	35.4	1,470	39%	7,071
	-class 16	4.72	2,285	124%	36.2	245	34%	2,115
	-class 17	7.26	1,996	138%	34.3	269	34%	1,966
	-class 18	10.44	2,257	162%	34.3	231	36%	2,020
	-class 19	16.78	1,257	197%	37.7	182	32%	1,054
	-class 20	26.76	240	196%	34.4	59	42%	625
	-class 21 (default)	100.00	11,256	-	43.0	471	29%	10,246

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

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

(millions of euro)

		30.06.2013						31.12.2012
Regulatory portfolio	**Rating class**	**Central PD (%)**	**Exposure value**	**Average risk weight**	**Weighted average LGD (%)**	**Revocable and irrevocable margins**	**Weighted average EAD**	**Exposure value**
Retail exposures								
- Exposures secured by residential property: SMEs			**3,158**			**57**		**2,981**
	-class from 1 to 5	-	-	-	-	-	-	-
	-class 6	-	-	-	-	-	-	-
	-class 7	-	-	-	-	-	-	-
	-class 8	0.15	358	7%	22.1	11	50%	362
	-class 9	-	-	0%	-	-	0%	122
	-class 10	0.35	193	11%	22.0	4	50%	96
	-class 11	0.50	164	16%	21.9	4	50%	132
	-class 12	0.83	163	20%	22.3	3	50%	146
	-class 13	1.27	231	25%	22.0	5	51%	198
	-class 14	1.77	319	30%	22.1	5	50%	272
	-class 15	2.86	298	33%	22.2	6	50%	297
	-class 16	4.72	256	35%	22.3	4	50%	224
	-class 17	7.26	162	40%	22.7	4	50%	149
	-class 18	10.44	2	40%	22.4	-	50%	201
	-class 19	16.78	196	52%	22.2	5	50%	61
	-class 20	26.76	118	60%	22.4	2	50%	75
	-class 21 (default)	100.00	698	-	31.7	4	50%	646
- Exposures secured by residential property: private individuals			**63,437**			**183**		**63,918**
	-class from 1 to 5	-	-	-	-	-	-	-
	-class 6	0.07	2,619	4%	18.6	11	87%	2,679
	-class 7	-	-	-	-	-	-	-
	-class 8	0.15	2,125	4%	13.0	12	67%	2,227
	-class 9	0.35	5,874	6%	13.0	32	82%	6,130
	-class 10	-	-	-	-	-	-	-
	-class 11	0.83	13,505	10%	12.9	38	70%	13,881
	-class 12	1.27	14,349	15%	13.0	34	67%	14,255
	-class 13	-	-	-	-	-	-	-
	-class 14	2.86	11,014	23%	13.3	21	60%	10,939
	-class 15	4.72	4,873	32%	13.9	18	61%	4,903
	-class 16	7.26	3,899	48%	13.7	12	58%	3,908
	-class 17	-	-	-	-	-	-	-
	-class 18	-	-	0%	-	-	-	7
	-class 19	-	-	-	-	-	-	-
	-class 20	26.76	1,605	86%	14.4	4	64%	1,620
	-class 21 (default)	100.00	3,574	-	22.8	1	50%	3,369
- Other retail exposures: SMEs			**18,792**			**398**		**19,366**
	-class from 1 to 5	-	-	-	-	-	-	-
	-class 6	-	-	-	-	-	-	-
	-class 7	-	-	-	-	-	-	-
	-class 8	0.15	2,392	10%	30.4	151	6%	2,711
	-class 9	0.23	1	14%	28.7	-	0%	738
	-class 10	0.35	1,282	16%	31.2	46	4%	704
	-class 11	0.50	895	24%	31.6	29	4%	921
	-class 12	0.83	980	29%	31.8	25	4%	1,020
	-class 13	1.27	1,300	36%	32.1	27	5%	1,301
	-class 14	1.77	1,548	44%	32.8	27	5%	1,537
	-class 15	2.86	1,557	50%	33.6	24	5%	1,671
	-class 16	4.72	1,285	53%	33.9	19	5%	1,178
	-class 17	7.26	862	61%	34.1	11	5%	860
	-class 18	10.44	2	61%	34.4	-	6%	911
	-class 19	16.78	856	79%	34.1	15	9%	311
	-class 20	26.76	424	91%	33.8	5	6%	278
	-class 21 (default)	100.00	5,408	-	59.8	19	12%	5,225

Actual losses and comparison with expected losses

The table below indicates the actual value adjustments recorded in the income statement during the first half of 2013 and during the last three years with respect to counterparties in default belonging to the regulatory portfolios to which the Group applies internal methods to calculate the capital requirements for credit risk. For the SME retail segment, validated in 2012, only the figure for said year is provided.

Actual losses by regulatory portfolio

(millions of euro)

Regulatory portfolio	Actual losses			
	I° Half 2013	2012	2011	2010
Exposures to or secured by corporates (Corporate)	-1,849	-2,546	-2,023	-1,410
Exposures secured by residential property (Retail mortgages)	-89	-166	-100	-194
Exposures to SMEs (SME retail)	-204	-359	X	X

As previously highlighted, the Intesa Sanpaolo Group adopts advanced methods for determining capital requirements for the Corporate, SME and Retail Mortgage segments. Therefore, for these three portfolios, the PD (probability of default) and LGD (loss given default) parameters, estimated internally, are used.
The comparison between estimated losses and actual losses is carried out annually by the Internal Validation Unit as part of the backtesting procedures.
For the PD, the default rates over a one-year period are compared with the ex ante estimated PDs, using measures of the performance of the model's discriminating power, in other words its ability to correctly rank the counterparties according to creditworthiness, and statistical tests to assess its calibration, namely the ability to correctly predict the default rates.
In terms of LGD, analyses were carried out in terms of population stability, prudential nature of the estimates, validity of the estimates on the development sub-sample, discriminating power, soundness of the estimates (LGD backtesting, namely comparison between the losses actually recorded and those estimated by the model with a specific confidence level), accuracy of the estimates, stability of the Danger Rate estimates and representativeness of the internal data.

Table 8 – Risk mitigation techniques

Quantitative disclosure

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

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

Secured exposures subject to the Standardised approach

(millions of euro)

Regulatory portfolio	30.06.2013			31.12.2012		
	Collateral		Personal guarantees or credit derivatives	Collateral		Personal guarantees or credit derivatives
		of which: Simple approach			*of which: Simple approach*	
Exposures to or secured by governments and central banks	1,032	534	4,774	984	452	3,849
Exposures to or secured by local authorities	1	-	452	1	-	476
Exposures to or secured by not for profit and public sector organisations	194	-	28	155	-	29
Exposures to or secured by multilateral development banks	2	2	1	3	3	1
Exposures to or secured by international organisations	-	-	-	-	-	-
Exposures to or secured by supervised institutions	15,571	18	979	10,705	20	1,106
Exposures to or secured by corporates	5,641	-	72	5,628	-	234
Retail exposures	1,954	-	-	2,115	-	-
Past due exposures	72	-	-	76	-	-
High-risk exposures	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Short-term exposures to corporates	44	-	-	49	-	-
Exposures to UCI	67	-	-	95	-	-
Other exposures	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-
Total	**24,578**	**554**	**6,306**	**19,811**	**475**	**5,695**

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

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

(millions of euro)

Regulatory portfolio	Guarantor's weights										
	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	Total as at 30.06.2013
Exposures to or secured by governments and central banks	4,420	X	10	X	273	X	605	-	X	-	5,308
Exposures to or secured by local authorities	-	X	407	X	-	X	45	-	X	X	452
Exposures to or secured by not for profit and public sector organisations	-	X	-	X	-	X	28	-	X	X	28
Exposures to or secured by multilateral development banks	3	X	-	X	-	X	-	-	X	X	3
Exposures to or secured by international organisations	-	X	X	X	X	X	X	X	X	X	-
Exposures to or secured by supervised institutions	-	X	470	X	59	X	468	-	X	X	997
Exposures to or secured by corporates	-	X	-	X	72	X	-	-	X	X	72
Retail exposures	-	X	X	X	X	-	X	X	X	X	-
Exposures secured by real estate property	X	X	X	-	-	X	X	X	X	X	-
Past due exposures	-	X	X	X	-	X	-	-	X	X	-
High-risk exposures	X	X	X	X	X	X	-	-	-	X	-
Exposures in the form of covered bonds	X	-	-	X	-	X	-	X	X	X	-
Short-term exposures to corporates	-	X	-	X	-	X	-	-	X	X	-
Exposures to UCI	-	X	-	X	-	X	-	-	X	-	-
Other exposures	-	X	-	X	X	X	-	X	X	X	-
Securitisations	X	X	X	X	X	X	X	X	X	X	-
Total 30.06.2013	**4,423**	**-**	**887**	**-**	**404**	**-**	**1,146**	**-**	**-**	**-**	**6,860**
Total 31.12.2012	**3,642**	**-**	**993**	**-**	**912**	**-**	**622**	**1**	**-**	**-**	**6,170**

Secured exposures subject to the foundation IRB approach

(millions of euro)

Regulatory portfolio	30.06.2013		31.12.2012	
	Collateral	Personal guarantees or credit derivatives	Collateral	Personal guarantees or credit derivatives
Exposures to or secured by corporates				
Specialised lending	*10*	-	*17*	-
SMEs	*74*	-	*69*	-
Other corporates	*5*	-	*4*	-
Specialised lending - slotting criteria	-	-	-	-
Total	**89**	**-**	**90**	**-**

The secured exposures subject to the foundation IRB approach solely regard VUB Banka, the only company of the Group that still uses the foundation IRB approach after migration by the Group's other companies to the advanced approaches (AIRB).

Exposures secured by mortgage collateral for private individuals or retail, for which the Group applies the IRB approach (other than the foundation IRB approach), are not included in this Table inasmuch as they are specifically indicated in Table 7.

Table 9 – Counterparty risk

Quantitative disclosure

Counterparty risk

(millions of euro)

Transaction categories	Mark-to-market method - Exposure 30.06.2013	Mark-to-market method - Exposure 31.12.2012
Derivative contracts	18,037	21,481
SFT transactions (Securities Financing Transaction) and long settlement transactions	24,884	17,736
Cross product netting	-	-

The figures in the table above – in accordance with the prudential regulations - are presented net of exposures to central counterparties for an amount of 2,650 million euro for derivative contracts and 19,234 million euro for SFTs (2,396 million euro and 32,739 million euro respectively as at 31 December 2012). The amounts in the other tables below include said exposures, in line with the financial statement regulations envisaged for Italian banks.

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

The exposure value shown in the table above, for both positions in the regulatory trading book and the banking book, is calculated by referring to:

– for positions in derivatives, at the loan equivalent, which takes account of the effects of any netting arrangements, but does not consider the effect of any guarantees received;
– for positions deriving from SFTs with long-term settlement, at the exposure value, without taking account of risk mitigation techniques.

The exposures in the table above benefited from risk mitigation (collateral) for a total of 21,709 million euro, of which 2,739 million euro referring to derivative exposures (17,273 million euro and 3,442 million euro respectively as at 31 December 2012).

The capital requirement for "counterparty risk", for both the regulatory trading book and the *banking book*, is shown - for the individual regulatory portfolios - in the tables of the capital requirements for credit risk treated under the standardised approach and the IRB approach.

The tables below show the information on financial and credit derivatives required by the regulations. In particular, the fair value of OTC derivative financial instruments was determined considering the creditworthiness of the single counterparties ("Bilateral Credit Risk Adjustment" see Table 11). With regard to contracts outstanding as at 30 June 2013, this led to a net positive impact of 38 million euro being recorded in the income statement (of which 9 million euro referring to contracts negotiated with customers). Adjustments, which were recorded, for every single contract, on the market value determined using the risk free curves, amounted to 285 million euro as at 30 June 2013, of which 47 million euro relating to non-performing positions.

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

(millions of euro)

	30.06.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,569,979**	**152,919**	**2,641,115**	**119,053**
a) Options	224,380	73,082	264,213	35,847
b) Swaps	2,344,187	-	2,376,024	-
c) Forwards	596	-	55	-
d) Futures	816	79,837	823	83,206
e) Others	-	-	-	-
2. Equities and stock indices	**22,445**	**25,062**	**22,432**	**19,721**
a) Options	21,878	23,636	21,492	18,474
b) Swaps	462	-	568	-
c) Forwards	105	-	372	-
d) Futures	-	1,426	-	1,247
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**126,021**	**269**	**106,769**	**270**
a) Options	16,002	22	12,982	-
b) Swaps	30,461	-	24,906	-
c) Forwards	78,610	-	68,389	2
d) Futures	-	247	-	268
e) Others	948	-	492	-
4. Commodities	**8,000**	**2,780**	**7,714**	**2,009**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,726,445**	**181,030**	**2,778,030**	**141,053**
AVERAGE VALUES	**2,754,109**	**158,267**	**2,942,130**	**170,625**

Transactions in futures presented in the column "Over the counter" refer to transactions closed through direct participants in organised futures markets not belonging to the banking group.

By convention, the column "Over the counter" includes the transactions of Banca IMI transferred to the Swapclear circuit (LCH group) of 1,005,310 million euro as at 30 June 2013 (928,321 million euro as at 31 December 2012). This circuit, replacing the original counterparties of the OTC derivatives, mitigates credit risk by calling daily margins on all positions transferred.

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

Hedging

(millions of euro)

	30.06.2013		31.12.2012	
	Over the counter	**Central counterparties**	**Over the counter**	**Central counterparties**
1. Debt securities and interest rates	**263,150**	**-**	**279,361**	**-**
a) Options	5,540	-	8,982	-
b) Swaps	257,610	-	270,379	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**3,793**	**-**	**4,027**	**-**
a) Options	-	-	-	-
b) Swaps	3,793	-	4,027	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**266,943**	**-**	**283,388**	**-**
AVERAGE VALUES	**274,536**	**-**	**257,416**	**-**

Other derivatives

(millions of euro)

	30.06.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**11,203**	**-**	**12,931**	**-**
a) Options	6,391	-	8,022	-
b) Swaps	4,812	-	4,909	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**4,488**	**-**	**4,174**	**-**
a) Options	4,488	-	4,174	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**1,707**	**-**	**3,255**	**-**
a) Options	46	-	80	-
b) Swaps	1,175	-	1,388	-
c) Forwards	486	-	1,787	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**2**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**17,400**	**-**	**20,360**	**-**
AVERAGE VALUES	**18,961**	**-**	**22,192**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments, the derivatives used to hedge debt securities measured at fair value through profit and loss, operational foreign exchange risk hedging derivatives correlated to specific foreign-currency funding and the put and call options relating to commitments on equity investments.

Financial derivatives - gross positive fair value: breakdown by product

(millions of euro)

	Positive fair value			
	30.06.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**32,810**	**535**	**42,092**	**451**
a) Options	5,156	442	6,175	361
b) Interest rate swaps	25,656	-	34,071	-
c) Cross currency swaps	1,142	-	825	-
d) Equity swaps	9	-	30	-
e) Forwards	684	-	826	-
f) Futures	-	93	-	90
g) Others	163	-	165	-
B. Banking book - hedging	**8,903**	**-**	**11,651**	**-**
a) Options	298	-	314	-
b) Interest rate swaps	8,208	-	10,732	-
c) Cross currency swaps	397	-	605	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**674**	**-**	**746**	**-**
a) Options	243	-	212	-
b) Interest rate swaps	420	-	519	-
c) Cross currency swaps	8	-	13	-
d) Equity swaps	-	-	-	-
e) Forwards	3	-	2	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**42,387**	**535**	**54,489**	**451**

Financial derivatives - gross negative fair value: breakdown by product

(millions of euro)

	Negative fair value			
	30.06.2013		31.12.2012	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**37,232**	**694**	**45,922**	**506**
a) Options	8,188	590	8,162	433
b) Interest rate swaps	26,831	-	35,224	-
c) Cross currency swaps	1,461	-	1,593	-
d) Equity swaps	31	-	23	-
e) Forwards	583	-	725	-
f) Futures	-	104	-	73
g) Others	138	-	195	-
B. Banking book - hedging	**8,566**	**-**	**10,460**	**-**
a) Options	-	-	82	-
b) Interest rate swaps	8,361	-	10,145	-
c) Cross currency swaps	205	-	233	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**816**	**-**	**874**	**-**
a) Options	651	-	634	-
b) Interest rate swaps	136	-	184	-
c) Cross currency swaps	29	-	54	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	2	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**46,614**	**694**	**57,256**	**506**

By convention, the column "Over the counter" includes the transactions of Banca IMI transferred to the Swapclear circuit (LCH group) of 792 million euro as at 30 June 2013 (768 million euro as at 31 December 2012). This circuit, replacing the original counterparties of the OTC derivatives, mitigates credit risk by calling daily margins on all positions transferred.

Over the counter financial derivatives – regulatory trading book: notional amounts, gross positive and negative fair values by counterparty as at 30 June 2013

Contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	2,955	17,956	5,290	1,050	36,099	255
- positive fair value	-	511	531	262	3	1,600	13
- negative fair value	-	-41	-829	-108	-14	-75	-2
- future exposure	-	20	139	32	4	185	1
2. Equities and stock indices							
- notional amount	3	-	358	4,246	3,498	9	18
- positive fair value	-	-	19	3	-	-	-
- negative fair value	-	-	-3,797	-10	-151	-	-4
- future exposure	-	-	8	315	3	1	-
3. Foreign exchange rates and gold							
- notional amount	-	192	10,554	11,447	811	12,999	257
- positive fair value	-	-	48	80	6	247	1
- negative fair value	-	-40	-493	-99	-4	-123	-3
- future exposure	-	12	112	197	7	226	1
4. Other values							
- notional amount	-	-	1	34	-	2,335	-
- positive fair value	-	-	-	-	-	37	-
- negative fair value	-	-	-3	-	-	-28	-
- future exposure	-	-	-	2	-	235	-

Over the counter financial derivatives – regulatory trading book: notional amounts, gross positive and negative fair values by counterparty as at 30 June 2013

Contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	7,225	-	1,355,584	1,139,827	980	2,758	-
- positive fair value	2,857	-	21,715	2,395	17	200	-
- negative fair value	-7	-	-26,203	-3,042	-15	-162	-
2. Equities and stock indices							
- notional amount	-	-	9,058	5,061	194	-	-
- positive fair value	-	-	418	151	-	-	-
- negative fair value	-	-	-240	-129	-16	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	75,093	9,251	512	4,905	-
- positive fair value	-	-	571	443	153	400	-
- negative fair value	-	-	-1,322	-58	-5	-93	-
4. Other values							
- notional amount	-	-	1,272	140	-	4,218	-
- positive fair value	-	-	26	7	-	96	-
- negative fair value	-	-	-18	-9	-	-90	-

Over the counter financial derivatives – banking book: notional amounts, gross positive and negative fair values by counterparty as at 30 June 2013

Contracts not included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	451	7,891	4	-	1,065	5,582
- positive fair value	-	10	212	-	-	7	4
- negative fair value	-	-	-232	-	-	-2	-287
- future exposure	-	7	8	-	-	4	4
2. Equities and stock indices							
- notional amount	-	-	3,558	34	-	335	275
- positive fair value	-	-	59	-	-	-	-
- negative fair value	-	-	-274	-	-	-92	-48
- future exposure	-	-	44	-	-	2	-
3. Foreign exchange rates and gold							
- notional amount	5	-	459	34	-	6	33
- positive fair value	-	-	29	-	-	-	-
- negative fair value	-	-	-2	-	-	-	-
- future exposure	-	-	1	-	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	2	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

Over the counter financial derivatives – banking book: notional amounts, gross positive and negative fair values by counterparty as at 30 June 2013

Contracts included under netting arrangements

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Debt securities and interest rates							
- notional amount	-	-	251,782	7,578	-	-	-
- positive fair value	-	-	8,579	244	-	-	-
- negative fair value	-	-	-7,601	-610	-	-	-
2. Equities and stock indices							
- notional amount	-	-	267	19	-	-	-
- positive fair value	-	-	48	6	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	4,729	234	-	-	-
- positive fair value	-	-	377	2	-	-	-
- negative fair value	-	-	-172	-62	-	-	-
4. Other values							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Credit derivatives – period-end and average notional amounts

(millions of euro)

	Regulatory trading book		Banking book	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
- Credit default products	21,690	37,852	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	69	-	-	-
- Other	-	-	-	-
Total 30.06.2013	**21,759**	**37,852**	**-**	**-**
Average values	**24,988**	**45,922**	**-**	**-**
Total 31.12.2012	**25,745**	**52,159**	**-**	**-**
2. Protection sales				
- Credit default products	20,882	38,266	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	90	-	-	-
- Other	-	-	-	-
Total 30.06.2013	**20,972**	**38,266**	**-**	**-**
Average values	**33,287**	**45,395**	**-**	**-**
Total 31.12.2012	**24,993**	**52,520**	**-**	**-**

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

(millions of euro)

	Positive fair value	
	30.06.2013	31.12.2012
A. Regulatory trading book	**1,334**	**1,544**
a) Credit default products	1,227	1,394
b) Credit spread products	-	-
c) Total rate of return swap	107	150
d) Other	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
TOTAL	**1,334**	**1,544**

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

(millions of euro)

	Negative fair value	
	30.06.2012	31.12.2012
A. Regulatory trading book	**1,566**	**1,879**
a) Credit default products	1,450	1,737
b) Credit spread products	-	-
c) Total rate of return swap	116	142
d) Other	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
TOTAL	**1,566**	**1,879**

Over the counter credit derivatives – gross (positive and negative) fair values by counterparty: contracts not included under netting arrangements as at 30 June 2013

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	96	381	863	-	-	-
- positive fair value	-	68	4	38	-	-	-
- negative fair value	-	-	-2	-2	-	-	-
- future exposure	-	5	32	69	-	-	-
2. Protection sales							
- notional amount	-	-	716	737	-	-	-
- positive fair value	-	-	3	3	-	-	-
- negative fair value	-	-	-208	-29	-	-	-
- future exposure	-	-	28	12	-	-	-
BANKING BOOK							
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Over the counter credit derivatives – gross (positive and negative) fair values by counterparty: contracts included under netting arrangements as at 30 June 2013

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
REGULATORY TRADING BOOK							
1. Protection purchases							
- notional amount	-	-	41,882	16,389	-	-	-
- positive fair value	-	-	478	246	-	-	-
- negative fair value	-	-	-313	-87	-	-	-
2. Protection sales							
- notional amount	-	-	43,127	14,658	-	-	-
- positive fair value	-	-	279	215	-	-	-
- negative fair value	-	-	-484	-443	-	-	-
BANKING BOOK		-					
1. Protection purchases							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Over the counter credit and financial derivatives – net fair values and future exposure by counterparty as at 30 June 2013

(millions of euro)

	Governments and Central Banks	Public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Financial derivatives - bilateral agreements							
- positive fair value	2,850	-	1,753	270	158	403	-
- negative fair value	-	-	-1,434	-853	-25	-51	-
- future exposure	106	-	787	2,703	40	343	-
- net counterparty risk	2,956	-	973	321	198	742	-
2. Credit derivatives - bilateral agreements							
- positive fair value	-	-	-	3	-	-	-
- negative fair value	-	-	-1	-1	-	-	-
- future exposure	-	-	4	13	-	-	-
- net counterparty risk	-	-	4	16	-	-	-
3. "Cross product" agreements							
- positive fair value	-	-	1,152	403	-	-	-
- negative fair value	-	-	-5,458	-554	-	-	-
- future exposure	-	-	3,792	841	-	-	-
- net counterparty risk	-	-	3,881	1,123	-	-	-

The net amount of counterparty risk has been decreased with respect to financial companies to account for the Banca IMI transactions transferred to the Swapclear circuit (LCH group) for 2,596 million euro (2,396 million euro as at 31 December 2012). This circuit, replacing the original counterparties of the OTC derivatives, mitigates credit risk by calling daily margins on all positions transferred.

The effect of netting on the positive fair value of OTC (financial and credit) derivative contracts included under netting arrangements (bilateral and/or cross-product) amounted to 32,932 million euro, mainly referring to banking counterparties (41,477 million euro as at 31 December 2012).

The total positive net fair value of derivatives concluded OTC or with Central Counterparties was 10,790 million euro (14,557 million euro as at 31 December 2012). This amount includes both contracts included under netting arrangements as well as those not included under such arrangements.

Table 10 – Securitisations

Quantitative disclosure

The tables below detail the net exposures and adjustments for the securitisations. The figures in the tables represent the exposures shown in the financial statements, and include both the positions relating to the banking book and the regulatory trading book.

Securitisations: amount of the securitisation positions originated and third party

(millions of euro)

	On-balance sheet exposures						Guarantees given					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Exposure		Exposure		Exposure		Exposure		Exposure		Exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**1**	**1**	**96**	**96**	**71**	**68**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	*22*	*22*	-	-	-	-	-	-
b) Other	*1*	*1*	*96*	*96*	*49*	*46*	-	-	-	-	-	-
B. Third party underlying assets (*)	**4,641**	**4,636**	**349**	**343**	**29**	**29**	**15**	**15**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*4,641*	*4,636*	*349*	*343*	*29*	*29*	*15*	*15*	-	-	-	-
TOTAL 30.06.2013	**4,642**	**4,637**	**445**	**439**	**100**	**97**	**15**	**15**	**-**	**-**	**-**	**-**
TOTAL 31.12.2012	**5,011**	**5,004**	**586**	**581**	**108**	**104**	**15**	**15**	**-**	**-**	**-**	**-**

	Credit lines						Total					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Exposure		Exposure		Exposure		Exposure		Exposure		Exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**1,147**	**1,147**	**-**	**-**	**-**	**-**	**1,148**	**1,148**	**96**	**96**	**71**	**68**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	*22*	*22*
b) Other	*1,147*	*1,147 (**)*	-	-	-	-	*1,148*	*1,148*	*96*	*96*	*49*	*46*
B. Third party underlying assets (*)	**1,392**	**1,392**	**-**	**-**	**-**	**-**	**6,048**	**6,043**	**349**	**343**	**29**	**29**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*1,392*	*1,392*	-	-	-	-	*6,048*	*6,043*	*349*	*343*	*29*	*29*
TOTAL 30.06.2013	**2,539**	**2,539**	**-**	**-**	**-**	**-**	**7,196**	**7,191**	**445**	**439**	**100**	**97**
TOTAL 31.12.2012	**2,659**	**2,659**	**-**	**-**	**-**	**-**	**7,685**	**7,678**	**586**	**581**	**108**	**104**

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

(**) All referring to liquidity lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39.

With the exception of the Da Vinci securitisation (synthetic securitisation), the Group's originated securitisations include only traditional transactions and ABCP (Asset Backed Commercial Paper) programmes.

Total amount of assets awaiting securitisation

At the end of June 2013, the Group had no specific significant securitisation transactions pending in the short term. Furthermore, for the sake of completeness, note that in 2011, Mediocredito Italiano entered into two agreements with the Ministry of Economic Development, which provide subsidies in the form of cash collateral provided as pledge to the bank for two portfolios of credit exposures to be disbursed to SMEs for purposes envisaged by the Italian National Innovation Fund (FNI).

For each of the agreements entered into, the loan portfolio will be divided into two separate tranches: a junior tranche, exposed to initial losses, and a senior tranche, with a rating equivalent to A-. The tranching of the portfolio is to be determined by the bank by applying the Supervisory Approach Formula. As a guarantee for the two potential portfolios, the Bank has received a total cash collateral amount of 16 million euro, into a interest-bearing deposit account, provisionally calculated based on the estimate of available portfolios. Creation of the portfolio under the first agreement was concretely initiated in 2012

and continued during the course of the first half of 2013, together with the beginning of creation of the portfolio under the second agreement. The deadline for creation of both portfolios is set at 20 May 2014, following authorisation by the Ministry for an extension on the first portfolio.
Taking into account the economic conditions, the specific investment objectives indicated by the aforementioned agreements and the innovative nature of the measure that narrows the scope of beneficiaries, only a limited number of transactions were stipulated as at 30 June 2013, for a value of just under 6 million euro. Considering their limited representativeness with respect to the overall portfolio, these transactions were prudentially considered as senior unsecured loans.

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

(millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures (*)		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	1,040	103	8	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	9	3	21	-	-	-
Investments held to maturity	49	-	-	-	-	-
Loans (**)	3,538	237	27	1,407	-	-
Total 30.06.2013	**4,636**	**343**	**56**	**1,407**	**-**	**-**
Total 31.12.2012	**4,998**	**429**	**47**	**1,573**	**-**	**-**

(*) Excluding on-balance sheet exposures for 137 million euro and off-balance sheet exposures for 1,147 million euro deriving from originated securitisations whose assets sold have not been fully derecognised from balance sheet assets.

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

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

(millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**1**	**-**	**-**	**-**	**27**	**5**
A.1 Intesa Sec Npl						
- performing mortgages	*-*	*-*	*-*	*-*	*22*	*5*
A.2 Cr Firenze Mutui						
- performing mortgages	*1*	*-*	*-*	*-*	*5*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**96**	**-**	**41**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	*-*	*-*	*63*	*-*	*29*	*-*
C.2 Da Vinci						
- loans to the aircraft sector	*-*	*-*	*2*	*-*	*-*	*-*
C.3 Facility Services Securitisation						
- trade receivables	*-*	*-*	*3*	*-*	*-*	*-*
C.4 Electricity Securitisation						
- trade receivables	*-*	*-*	*24*	*-*	*10*	*-*
C.5 Gas Securitisation						
- trade receivables	*-*	*-*	*4*	*-*	*2*	*-*
TOTAL 30.06.2013	**1**	**-**	**96**	**-**	**68**	**5**
TOTAL 31.12.2012	**7**	**2**	**152**	**-1**	**79**	**-8**

Intesa Sec 3 is not derecognised for financial statement purposes, but it is derecognised for prudential purposes. During the first half of 2013 the liquidation of the Split 2 vehicle terminated the securitisation.

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

(millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
A. Fully derecognised for accounting and prudential purposes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Partly derecognised for accounting and prudential purposes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised for accounting and prudential purposes	**-**	**-**	**-**	**-**	**-**	**-**	**1,147**	**-**	**-**	**-**	**-**	**-**
C.1 Duomo Funding Plc.												
- trade receivables (*)	*-*	*-*	*-*	*-*	*-*	*-*	*1,147*	*-*	*-*	*-*	*-*	*-*
TOTAL 30.06.2013	**-**	**-**	**-**	**-**	**-**	**-**	**1,147**	**-**	**-**	**-**	**-**	**-**
TOTAL 31.12.2012	**-**	**-**	**-**	**-**	**-**	**-**	**1,101**	**-**	**-**	**-**	**-**	**-**

(*) The figure refers to off-balance sheet exposures deriving from main originated securitisations (including the new Luce 2 and Gas 2 transactions and the new Food&Beverages tranche (Securitisations carried out during the period), whose assets sold were not derecognised for accounting and prudential purposes.

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

(millions of euro)

	On-balance sheet exposures								
	Senior			Mezzanine			Junior		
	Book value	Adjust./ recoveries	of which: non performing	Book value	Adjust./ recoveries	of which: non performing	Book value	Adjust./ recoveries	of which: non performing
A.1 Romulus [(*)]									
- Asset backed commercial papers									
of which: Banking book	*2,064*	-	-	-	-	-	-	-	-
A.2 Fondo Immobili Pubblici									
- Financial credits deriving from rental of properties to the public sector									
of which: Banking book	*184*	-	-	-	-	-	-	-	-
of which : Trading book	*53*	*3*	-	-	-	-	-	-	-
A.3 TCWGP									
- Project Finance loans									
of which: Banking book	*215*	-	-	-	-	-	-	-	-
A.4 Berica Residential MBS S.r.l.									
- Residential mortgages									
of which: Banking book	*54*	-	-	*7*	-	-	-	-	-
of which : Trading book	*118*	-	-	-	-	-	-	-	-
A.5 Posillipo Finance									
- Loans to the Italian health system									
of which: Banking book	*175*	*-1*	-	-	-	-	-	-	-
A.6 D'Annunzio									
- Loans to the Italian health system									
of which: Banking book	*116*	-	-	-	-	-	-	-	-
A.7 Cordusio RMBS Securitisation									
- Residential mortgages									
of which: Banking book	*36*	-	-	*18*	-	-	-	-	-
of which : Trading book	*31*	-	-	*15*	*1*	-	-	-	-
A.8 Duchess [(**)]									
- CLOs									
of which : Trading book	*92*	*2*	-	-	-	-	-	-	-
A.9 CLARIS Finance S.r.l.									
- Residential mortgages									
of which: Banking book	*21*	-	-	-	-	-	-	-	-
of which : Trading book	*64*	-	-	-	-	-	-	-	-
A.10 Siena Mortgage									
- Residential mortgages									
of which: Banking book	*47*	-	-	-	-	-	-	-	-
of which : Trading book	*36*	-	-	-	-	-	-	-	-
A.11 Sunrise S.r.l.									
- Consumer credit									
of which: Banking book	*3*	-	-	*5*	-	-	-	-	-
of which : Trading book	*54*	*7*	-	*18*	*1*	-	-	-	-
A.12 VOBA N.3 Srl									
- Residential mortgages									
di cui: Banking book	*48*	*-1*	-	-	-	-	-	-	-
di cui: Trading book	*30*	-	-	-	-	-	-	-	-
A.13 VELAHOME Srl									
- Residential mortgages									
of which: Banking book	*27*	-	-	*4*	-	-	-	-	-
of which : Trading book	*41*	*1*	-	*1*	-	-	-	-	-
A.14 Nepri Finance S.r.l.									
- Residential mortgages									
of which : Trading book	*71*	*1*	-	-	-	-	-	-	-
A.15 Mecenate									
- Residential mortgages									
of which : Trading book	*56*	-	-	-	-	-	-	-	-
A.16 Vintage Finance									
- electric company receivables from the public sector									
of which: Banking book	*50*	-	-	-	-	-	-	-	-
A.17 Residual portfolio divided in 465 securities [(***)]	*950*	*-5*	*- (****)*	*275*	*-3*	-	*29*	*-1*	-
of which: Banking book	*556*	*-6*	-	*205*	*-5*	-	*21*	*-1*	-
of which : Trading book	*394*	*1*	-	*70*	*2*	-	*8*	-	-
TOTAL 30.06.2013	**4,636**	**7**	**-**	**343**	**-1**	**-**	**29**	**-1**	**-**
of which: Banking book	**3,596**	**-8**	**-**	**239**	**-5**	**-**	**21**	**-1**	**-**
of which: Trading book	**1,040**	**15**	**-**	**104**	**4**	**-**	**8**	**-**	**-**
TOTAL 31.12.2012	**4,997**	**45**	**-**	**429**	**-2**	**-**	**25**	**-1**	**-**
of which: Banking book	**3,747**	**-8**	**-**	**298**	**-7**	**-**	**23**	**-1**	**-**
of which: Trading book	**1,250**	**53**	**-**	**131**	**5**	**-**	**2**	**-**	**-**

(*) Romulus securities held in the Banking Group's portfolios are shown under third party securitisations, as these are ABCP issued by the vehicle partly for assets of the Banking Group and partly for risks originating from other economic operators, without distinction.

(**) 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 negative fair value of the derivative.

(***) Please note that 41 million euro included among "Residual portfolio divided" refers to single tranche securitisations, classified as Senior securities and not as exposures to securitisations for supervisory purposes.

(****) Please note that with regard to – 5 million in net impairment losses, -1 million euro related to securities included in packages

Securitisations: breakdown of on-balance sheet exposures deriving from main third party securitisations by type of securitised asset and by type of exposure: composition of the residual banking book as at 30 June 2013

(millions of euro)

Residual portfolio divided by type of underlying asset - banking book	On-balance sheet exposures - 30.06.2013								
	Senior			Mezzanine			Junior		
	Book value	Adjust./ recoveries	of which: non performing	Book value	Adjust./ recoveries	of which: non performing	Book value	Adjust./ recoveries	of which: non performing
Residential mortgages	234	-2	-	105	-	-	2	-1	-
Commercial mortgages	49	-4	-	80	-6	-	-	-	-
CDO cash	121	-	-	-	-	-	-	-	-
Other ABS (CLO-CMO-CFO)	42	-	-	2	-	-	-	-	-
Loans to the Italian health system	37	-	-	-	-	-	-	-	-
Loans to foreign public bodies	36	-	-	-	-	-	-	-	-
Financing for SMEs	17	-	-	10	1	-	-	-	-
Project finance loans	-	-	-	-	-	-	19	-	-
WL Collateral CMO	10	-	-	-	-	-	-	-	-
Loans deriving from leasing contracts	3	-	-	4	-	-	-	-	-
Public property	3	-	-	2	-	-	-	-	-
Loans to energy companies	4	-	-	-	-	-	-	-	-
Car loans	-	-	-	2	-	-	-	-	-
TOTAL	**556**	**-6**	**-**	**205**	**-5**	**-**	**21**	**-1**	**-**

Securitisations: breakdown of on-balance sheet exposures deriving from main third party securitisations by type of securitised asset and by type of exposure: composition of the residual trading book as at 30 June 2013

(millions of euro)

Residual portfolio divided by type of underlying asset - trading book	On-balance sheet exposures - 30.06.2013								
	Senior			Mezzanine			Junior		
	Book value	Adjust./ recoveries	of which: non performing	Book value	Adjust./ recoveries	of which: non performing	Book value	Adjust./ recoveries	of which: non performing
Residential mortgages	130	-1	-	21	-	-	5	-	-
Loans deriving from leasing contracts	92	3	-	29	1	-	-	-	-
Financing for SMEs	94	-	-	6	-	-	-	-	-
Other ABS (CLO-CMO-CFO) (*)	38	-1	-	-	-	-	-	-	-
Consumer credit	34	-	-	-	-	-	-	-	-
Public property	2	-	-	7	1	-	-	-	-
Commercial mortgages	-	-	-	5	-	-	3	-	-
Electric company receivables from the public sector	1	-	-	-	-	-	-	-	-
Other assets	3	-	-	2	-	-	-	-	-
TOTAL	**394**	**1**	**-**	**70**	**2**	**-**	**8**	**-**	**-**

(*) 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.

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

(millions of euro)

Type of securitised asset/Exposure (*)	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*	-	-	-	-	-	-	*1,331*	-	-	-	-	-
A.2 Romulus - *ABCP Conduit transactions*	15	-	-	-	-	-	61	-	-	-	-	-
Total 30.06.2013	**15**	**-**	**-**	**-**	**-**	**-**	**1,392**	**-**	**-**	**-**	**-**	**-**
Total 31.12.2012	**15**	**-**	**-**	**-**	**-**	**-**	**1,558**	**-**	**-**	**-**	**-**	**-**

(*) In addition to that shown in the table, the Group's trading portfolio as at 30 June 2013 also contains off-balance sheet transactions represented by credit default swaps with exposures to securitisations as underlyings for a nominal value of 106 million euro.

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

(millions of euro)

Risk weight bands	30.06.2013		31.12.2012	
	Originated securitisations	Third-party securitisations	Originated securitisations	Third-party securitisations
Risk weight 20%	-	6	-	5
Risk weight 35% (*)	-	-	-	-
Risk weight 40%	-	-	-	-
Risk weight 50%	-	102	-	148
Risk weight 100%	2	370	7	416
Risk weight 150% (*)	46	-	46	-
Risk weight 225%	-	39	-	-
Risk weight 350%	-	717	-	742
Risk weight 650%	-	168	-	292
Risk weight 1250% - with rating	-	1,378	-	1,990
Risk weight 1250% - without rating	369	496	377	490
Look-through - second loss in ABCP	-	-	-	-
Look-through - other	-	1,100	-	754
Deducted from regulatory capital	-	-	-	-
Total	**417**	**4,376**	**430**	**4,837**

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

Securitisations: weighted amounts of securitisation positions based on risk weight bands - IRB approach (Rating Based Approach)

(millions of euro)

Risk weight bands	30.06.2013		31.12.2012	
	Originated securitisations	Third-party securitisations	Originated securitisations	Third-party securitisations
Risk weight 7 - 10%	-	37	-	36
Risk weight 12 - 18%	-	74	-	64
Risk weight 20 - 35%	11	54	27	68
Risk weight 40 - 75%	6	87	-	99
Risk weight 100%	-	41	4	59
Risk weight 150%	-	55	-	60
Risk weight 200%	-	81	-	91
Risk weight 225%	-	-	-	-
Risk weight 250%	10	71	-	79
Risk weight 300%	-	159	-	211
Risk weight 350%	-	-	-	-
Risk weight 425%	-	193	-	220
Risk weight 500%	-	56	-	66
Risk weight 650%	-	57	-	218
Risk weight 750%	-	-	-	-
Risk weight 850%	-	-	-	-
Risk weight 1250% - with rating	-	2,002	-	1,783
Risk weight 1250% - without rating	-	31	-	-
Deducted from regulatory capital	-	-	-	-
Total	**27**	**2,998**	**31**	**3,054**

The tables above detail the weighted amounts (RWA) of exposures to securitisations by weight band. Details of the exposures included in the banking book and the regulatory trading book are shown in the following tables, including information on the re-securitisations, the related capital requirements and the type of exposure underlying transactions with weightings of 1250%.

Additional information on market risks of the trading book, including the capital requirement in relation to the securitisations included in that book, is set out in Table 11 hereof.

Banking Book securitisation transactions: weighted amounts and requirements of securitisation positions based on risk weight bands - Standardised approach

(millions of euro)

Risk weight bands	Originated securitisations	of which: Re-securitisations	Third-party securitisations	of which: Re-securitisations
Weighted amounts (RWA)				
Risk weight 20%	-	-	2	-
Risk weight 35% (*)	-	-	-	-
Risk weight 40%	-	-	-	-
Risk weight 50%	-	-	73	-
Risk weight 100%	2	-	298	-
Risk weight 150% (*)	46	-	-	-
Risk weight 225%	-	-	39	39
Risk weight 350%	-	-	647	-
Risk weight 650%	-	-	168	168
Risk weight 1250% - with rating	-	-	1,065	981
Risk weight 1250% - without rating	369	-	496	191
Look-through - second loss in ABCP	-	-	-	-
Look-through - other	-	-	1,100	-
Deducted from regulatory capital	-	-	-	-
Total RWA Banking book as at 30.06.2013	**417**	**-**	**3,888**	**1,379**
Total RWA Banking book as at 31.12.2012	**430**	**-**	**3,430**	**1,449**
Capital requirements				
Risk weight 20%	-	-	-	-
Risk weight 35% (*)	-	-	-	-
Risk weight 40%	-	-	-	-
Risk weight 50%	-	-	6	-
Risk weight 100%	-	-	24	-
Risk weight 150% (*)	4	-	-	-
Risk weight 225%	-	-	3	3
Risk weight 350%	-	-	52	-
Risk weight 650%	-	-	13	13
Risk weight 1250% - with rating	-	-	85	78
Risk weight 1250% - without rating	30	-	40	15
Look-through - second loss in ABCP	-	-	-	-
Look-through - other	-	-	88	-
Deducted from regulatory capital	-	-	-	-
Total Requirements Banking book as at 30.06.2013	**34**	**-**	**311**	**109**
Total Requirements Banking book as at 31.12.2012	**35**	**-**	**274**	**115**

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

Trading Book securitisation transactions: weighted amounts and requirements of securitisation positions based on risk weight bands - Standardised approach

(millions of euro)

Risk weight bands	Originated securitisations	of which: Re-securitisations	Third-party securitisations	of which: Re-securitisations
Weighted amounts (RWA)				
Risk weight 20%	-	-	4	-
Risk weight 35% (*)	-	-	-	-
Risk weight 40%	-	-	-	-
Risk weight 50%	-	-	29	-
Risk weight 100%	-	-	72	-
Risk weight 150% (*)	-	-	-	-
Risk weight 225%	-	-	-	-
Risk weight 350%	-	-	70	-
Risk weight 650%	-	-	-	-
Risk weight 1250% - with rating	-	-	313	-
Risk weight 1250% - without rating	-	-	-	-
Look-through - second loss in ABCP	-	-	-	-
Look-through - other	-	-	-	-
Deducted from regulatory capital	-	-	-	-
Total RWA Trading book as at 30.06.2013	**-**	**-**	**488**	**-**
Total RWA Trading book as at 31.12.2012	**-**	**-**	**1,407**	**672**
Capital requirements				
Risk weight 20%	-	-	-	-
Risk weight 35% (*)	-	-	-	-
Risk weight 40%	-	-	-	-
Risk weight 50%	-	-	2	-
Risk weight 100%	-	-	6	-
Risk weight 150% (*)	-	-	-	-
Risk weight 225%	-	-	-	-
Risk weight 350%	-	-	6	-
Risk weight 650%	-	-	-	-
Risk weight 1250% - with rating	-	-	25	-
Risk weight 1250% - without rating	-	-	-	-
Look-through - second loss in ABCP	-	-	-	-
Look-through - other	-	-	-	-
Deducted from regulatory capital	-	-	-	-
Total Requirements Trading book as at 30.06.2013	**-**	**-**	**39**	**-**
Total Requirements Trading book as at 31.12.2012	**-**	**-**	**113**	**54**

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

Banking Book securitisation transactions: weighted amounts and requirements of securitisation positions based on risk weight bands - IRB approach (Rating Based Approach)

(millions of euro)

Risk weight bands	Originated securitisations	of which: Re-securitisations	Third-party securitisations	of which: Re-securitisations
Weighted amounts (RWA)				
Risk weight 7 - 10%	-	-	22	-
Risk weight 12 - 18%	-	-	23	-
Risk weight 20 - 35%	6	-	26	2
Risk weight 40 - 75%	6	-	63	-
Risk weight 100%	-	-	19	1
Risk weight 150%	-	-	55	55
Risk weight 200%	-	-	75	75
Risk weight 225%	-	-	-	-
Risk weight 250%	10	-	46	-
Risk weight 300%	-	-	-	-
Risk weight 350%	-	-	-	-
Risk weight 425%	-	-	190	-
Risk weight 500%	-	-	56	56
Risk weight 650%	-	-	57	-
Risk weight 750%	-	-	-	-
Risk weight 850%	-	-	-	-
Risk weight 1250% - with rating	-	-	1,634	14
Risk weight 1250% - without rating	-	-	-	-
Deducted from regulatory capital	-	-	-	-
Total RWA Banking book 30.06.2013	**22**	**-**	**2,266**	**203**
Total RWA Banking book 31.12.2012	**14**	**-**	**2,371**	**313**
Capital requirements				
Risk weight 7 - 10%	-	-	2	-
Risk weight 12 - 18%	-	-	2	-
Risk weight 20 - 35%	-	-	2	-
Risk weight 40 - 75%	-	-	5	-
Risk weight 100%	-	-	2	-
Risk weight 150%	-	-	4	4
Risk weight 200%	-	-	6	6
Risk weight 225%	-	-	-	-
Risk weight 250%	1	-	4	-
Risk weight 300%	-	-	-	-
Risk weight 350%	-	-	-	-
Risk weight 425%	-	-	15	-
Risk weight 500%	-	-	4	4
Risk weight 650%	-	-	5	-
Risk weight 750%	-	-	-	-
Risk weight 850%	-	-	-	-
Risk weight 1250% - with rating	-	-	131	1
Risk weight 1250% - without rating	-	-	-	-
Deducted from regulatory capital	-	-	-	-
Total Requirements Banking book as at 30.06.2013	**1**	**-**	**182**	**15**
Total Requirements Banking book as at 31.12.2013	**1**	**-**	**188**	**25**

Trading Book securitisation transactions: weighted amounts and requirements of securitisation positions based on risk weight bands - IRB approach (Rating Based Approach)

(millions of euro)

Risk weight bands	Originated securitisations	of which: Re-securitisations	Third-party securitisations	of which: Re-securitisations
Weighted amounts (RWA)				
Risk weight 7 - 10%	-	-	15	-
Risk weight 12 - 18%	-	-	51	-
Risk weight 20 - 35%	5	-	28	-
Risk weight 40 - 75%	-	-	24	-
Risk weight 100%	-	-	22	16
Risk weight 150%	-	-	-	-
Risk weight 200%	-	-	6	6
Risk weight 225%	-	-	-	-
Risk weight 250%	-	-	25	-
Risk weight 300%	-	-	159	159
Risk weight 350%	-	-	-	-
Risk weight 425%	-	-	3	-
Risk weight 500%	-	-	-	-
Risk weight 650%	-	-	-	-
Risk weight 750%	-	-	-	-
Risk weight 850%	-	-	-	-
Risk weight 1250% - with rating	-	-	368	241
Risk weight 1250% - without rating	-	-	31	-
Deducted from regulatory capital	-	-	-	-
Total RWA Trading book 30.06.2013	**5**	**-**	**732**	**422**
Total RWA Trading book 31.12.2012	**17**	**-**	**683**	**517**
Capital requirements				
Risk weight 7 - 10%	-	-	1	-
Risk weight 12 - 18%	-	-	4	-
Risk weight 20 - 35%	-	-	2	-
Risk weight 40 - 75%	-	-	2	-
Risk weight 100%	-	-	2	1
Risk weight 150%	-	-	-	-
Risk weight 200%	-	-	-	-
Risk weight 225%	-	-	-	-
Risk weight 250%	-	-	2	-
Risk weight 300%	-	-	13	13
Risk weight 350%	-	-	-	-
Risk weight 425%	-	-	-	-
Risk weight 500%	-	-	-	-
Risk weight 650%	-	-	-	-
Risk weight 750%	-	-	-	-
Risk weight 850%	-	-	-	-
Risk weight 1250% - with rating	-	-	29	19
Risk weight 1250% - without rating	-	-	2	-
Deducted from regulatory capital	-	-	-	-
Total Requirements Trading book as at 30.06.2013	**-**	**-**	**57**	**33**
Total Requirements Trading book as at 31.12.2012	**1**	**- -**	**55**	**42**

Exposures to own and third party re-securitisations – exposures covered by credit risk mitigation techniques

It is specified that the exposures referring to re-securitisations did not benefit from credit risk mitigation techniques.

Breakdown of exposures for positions weighted at 1250% - Standardised and IRB Approaches

(millions of euro)

	Banking book		Trading book	
	Originated securitisations	Third-party securitisations	Originated securitisations	Third-party securitisations
CDO cash	-	948	-	138
RMBSs	369	837	-	52
CMBSs	-	439	-	-
Other ABS (CLO/CMO/CFO)	-	299	-	86
Credit derivatives	-	-	-	313
Project Finance loans	-	234	-	-
Financing for SMEs	-	215	-	-
Loans deriving from leasing contracts	-	-	-	120
WL Collateral CMO	-	32	-	-
Other assets	-	191	-	3
Total weighted exposure at 1250% 30.06.2013	**369**	**3,195**	**-**	**712**
Total weighted exposure at 1250% 31.12.2012	**377**	**2,976**	**-**	**1,287**

Securitisations carried out during the period

An initial transaction of 50 million euro involving securitisation of commercial loans in the electrical sector (Light 2) was completed at the beginning of 2013. This was followed by an additional transaction of 35 million euro in April, involving loans in the gas sector (Gas 2). Furthermore, the securitisation of commercial loans in the Food & Beverages sector was expanded during the half year, bringing the nominal value of securitised loans from 245 to 300 million euro. The vehicles used for the three transactions were Hermes Trade Receivables S.a.r.l. and Duomo Funding Plc.

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

Quantitative disclosure

The quantification of trading risks is based on daily and periodic VaR of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:

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

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 3% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading portfolios are interest rates and foreign exchange rates, both relating to linear pay-offs.

Internal model validation

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are:

(i) generic/specific risk on debt securities and equities;
(ii) position risk on quotas of UCI underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI;
(iii) position risk on dividend derivatives;
(iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

Breakdown of capital requirements by Calculation approach

(millions of euro)

Information	Approach		
	Standardised approach	Internal models	Concentration risk
Assets included in the regulatory trading book	**367**	**1,033**	**-**
Position risk	367	1,033	-
Concentration risk	-	-	-
Other assets	**81**	**32**	**-**
Foreign exchange risk	81	-	-
Settlement risk for DVP transactions (Delivery Versus Payment)			
Commodity risk	-	32	-
Total capital requirement for market risk as at 30.06.2013	**448**	**1,065**	**-**
Total capital requirement for market risk as at 31.12.2012	**504**	**954**	**16**

Under position risk, the requirements relating to exposures to securitisations in the trading book are presented separately, amounting to 96 million euro, including 25 million euro referring to Credit Default Swaps with underlying exposures to securitisations included in the correlation portfolio.

Stressed VaR

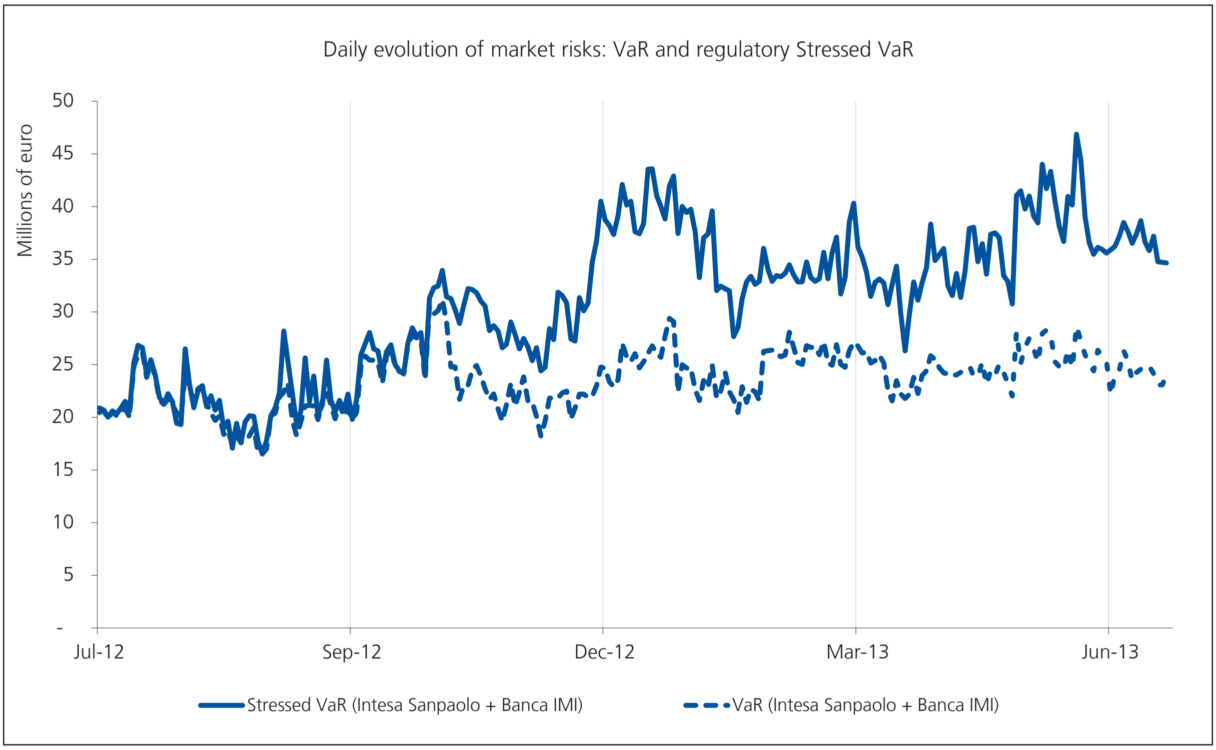
The requirement for stressed VaR is included when determining capital absorption effective from 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":

– the period must represent a stress scenario for the portfolio;
– the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
– the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.

As at the date of preparation of the document, the period relevant to the measurement of stressed VaR is considered set as 1 January to 30 December 2011 for both Banca IMI and Intesa Sanpaolo.

The graph below shows the trend of the measures.



VaR

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

Incremental Risk Charge (IRC)

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

Stress tests

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

Sensitivity and greeks

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

Level measures

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

Daily VaR evolution

In the second quarter of 2013, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the first quarter of 2013. The average VaR for the period totalled 62.5 million euro.

Daily VaR of the trading book for Intesa Sanpaolo and Banca IMI [a]

(millions of euro)

	2013				2012			
	average 2nd quarter	minimum 2nd quarter	maximum 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	11,7	8,9	15,0	14,1	16,8	19,6	24,6	24,1
Banca IMI	50,8	41,0	58,8	59,0	65,7	49,5	55,3	72,9
Total	**62,5**	**52,3**	**71,1**	**73,2**	**82,5**	**69,1**	**79,9**	**97,0**

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

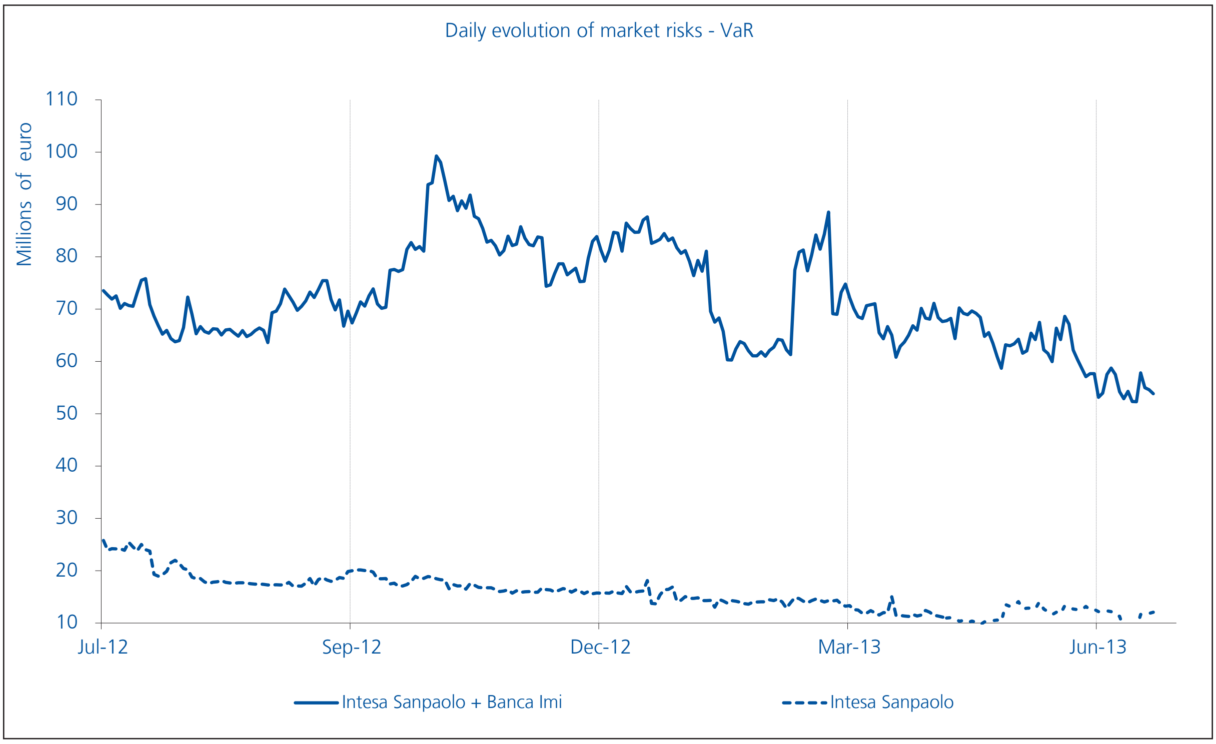
Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 1st half of 2013 and 2012 [a]

(in millions of euro)

	2013			2012		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Intesa Sanpaolo	13.0	8,8	18,1	24,4	23,1	27,5
Banca IMI	54,9	40,9	74,2	64,1	47,2	92,1
Total	**67,9**	**52,3**	**88,5**	**88,5**	**71,0**	**115,4**

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

The trend in the Group's operational VaR, shown in the following chart, was mainly determined by Banca IMI. In the first half of 2013 the trend was due to two events concerning the Italian government spread scenarios. In particular, at the end of February the VaR peaked as a result of the volatility recorded in the post-elections scenario, whilst from March to the end of June the scenarios for the period April-June 2012 exited from the reference causing the VaR to drop.



For Intesa Sanpaolo, the breakdown of risk profile in the second quarter of 2013 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 35% of total VaR; for Banca IMI, spread risk was the most significant, representing 72% of total VaR.

Contribution of risk factors to total VaR (a)

2nd quarter 2012	Shares	Hedge fund	Rates	Credit spread	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	11%	35%	12%	35%	6%	1%	0%
Banca IMI	6%	0%	10%	72%	1%	7%	4%
Total	**8%**	**8%**	**10%**	**64%**	**2%**	**5%**	**3%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the second quarter of 2013, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

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

Contribution of strategies to portfolio breakdown (a)

	30.06.2013	31.12.2012
- Credit	61%	69%
- Directional trading	14%	13%
- Equity hedged	19%	18%
- Catalyst driven	6%	0%
Total hedge funds	**100%**	**100%**

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

In the first half of 2013 the hedge fund portfolio maintained an asset allocation with a focus on strategies relating to distressed credit (61% of the total in terms of portfolio value). There was an increase in the contribution of catalyst strategies due to switch of funds the portfolio.

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

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-9	9	-65	116	87	-88	10	-2	26	-9
of which SCP					*4*	*-3*				

Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of June is summarised as follows:

– on stock market positions, a bullish scenario, that is a 5% increase in stock prices with a simultaneous 10% decrease in volatility would have led to a 9 million euro gain; the opposite scenario would have led to a 9 million euro loss;
– on interest rate exposures, a parallel +70 basis point shift (average) would have led to a 65 million euro loss, whereas a parallel shift in the euro curve with near zero rates would have led to potential gains (the interest rate scenarios were reviewed in the light of the Risk Appetite Framework 2013);
– on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 88 million euro loss, 3.4 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to a 87 million euro gain;
– on foreign exchange exposures, the portfolio would have recorded a 2 million euro loss if the Euro were to appreciate against the US dollar;
– lastly, on commodity exposures a 9 million euro loss would have been recorded in the event of a 50% increase in prices.

Backtesting

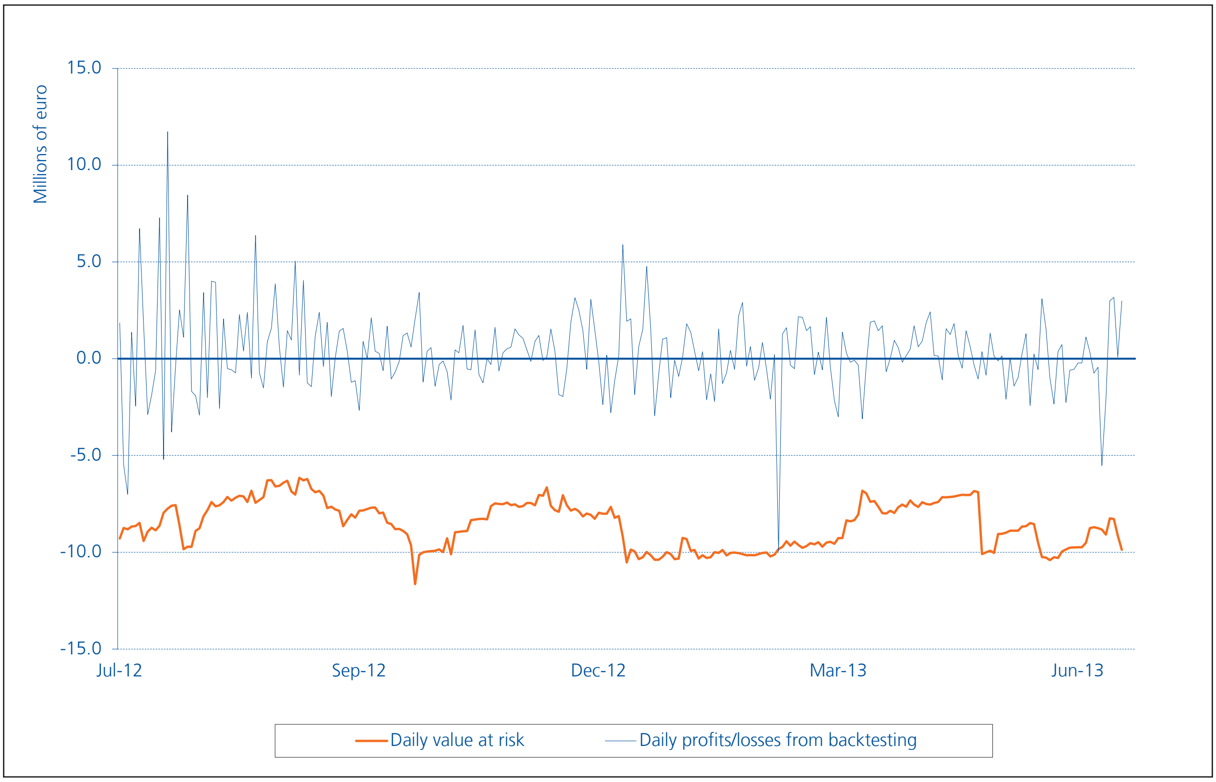
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

– the daily estimates of value at risk;
– the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual P&L series recorded and the theoretical series. The latter is based on revaluation of the portfolio value through the use of pricing models adopted for the VaR measurement calculation. The number of significant backtesting exceptions is determined as the maximum between those for actual P&L and theoretical P&L.

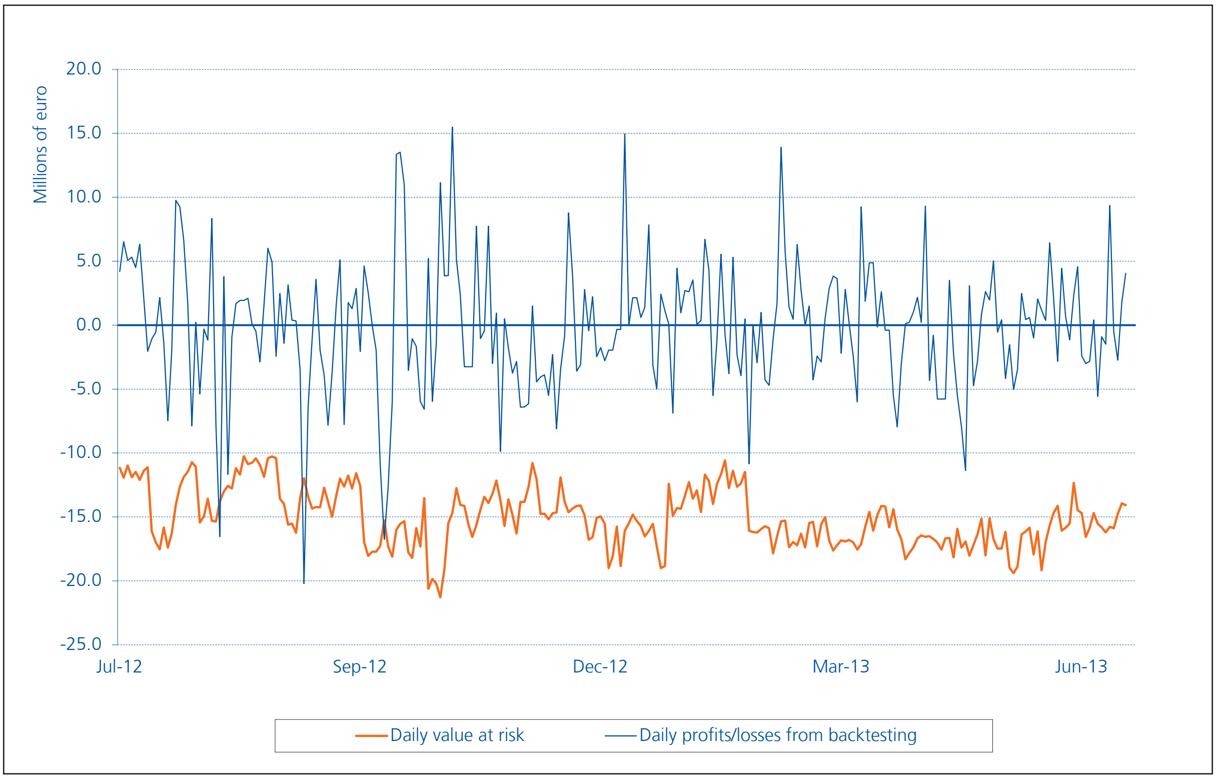
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo's regulatory backtesting, shown in the following graph, highlights the only exception linked to the volatility of Italian sovereign debt.



Backtesting in Banca IMI

Banca IMI's three backtesting exceptions refer to the actual P&L data and are related to the period of high volatility that characterised credit spreads during the summer of 2012.



Issuer risk

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

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

	Total	of which				
		Corporate	Financial	Emerging	Covered	Securitis.
Intesa Sanpaolo	41%	16%	2%	6%	76%	0%
Banca IMI	59%	25%	7%	0%	10%	58%
Total	**100%**	**22%**	**5%**	**3%**	**36%**	**34%**

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

(b) Period-end percentage on area total, excluding Government bonds, own bonds and including CDS.

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities of the covered bond segment for Intesa Sanpaolo and the securitisation segment for Banca IMI.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The use of the system of limits and the delegation of powers are based on the following concepts:

- Hierarchy;
- Interaction between limits.

The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

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

As at 30 June 2013, the Group's limit for the HFT portfolio was 130 million euro, stable compared to the end of 2012. The reduction of said limit from 130 to 110 million euro was approved in August 2013.
With respect to the component sub-allocated to the organisational units, it may be noted that the use of the VaR limit (held for trading component) for Intesa Sanpaolo (limit of 29.5 million euro) averaged 44% during the first half of 2013, with a maximum use of 62%. The average VaR limit for Banca IMI (95 million euro) came to 58%, with a maximum use of 78%. It should be specified that for Banca IMI the VaR limit also includes the AFS component, inasmuch as these assets are managed in close synergy with HFT assets.

The use of the IRC (Incremental Risk Charge) limits at the end of June amounted to 58.4% for Intesa Sanpaolo (limit of 220 million euro) and 49.6% for Banca IMI (limit of 330 million euro).
As at 30 June 2013, the Group's limit for the AFS portfolio was 200 million euro, stable compared to the end of 2012. The reduction of said limit from 200 to 150 million euro was approved in August.
The use of VaR operating limits on the AFS component (excluding Banca IMI) at the end of June was 32%.

The Fair Value Policy

The main changes to the Fair Value Policy during the first half of 2013 are summarised below. In fact, application of IFRS 13 governing fair value measurement and related disclosure became mandatory from 1 January 2013.

The new standard does not extend the scope of application of fair value measurement. The aim, in fact, was to “concentrate” into a single standard the rules for measurement at fair value previously contained in various standards, in some cases with prescriptions in conflict with one another.
As already noted, the fair value is the price receivable for the sale of an asset or which would be paid to transfer a liability in a normal transaction between market operators (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion that is not entity-specific.
An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market operators to determine the price of an asset or liability, presuming that the market operators act with a view to satisfying their own economic interest in the best way possible.

In determining the fair value of a financial instrument, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of the information used in the calculation. The aim of this classification is to establish a hierarchy in terms of reliability of the fair value based on the level of discretion applied by companies, giving precedence to the use of market-observable parameters that reflect the assumptions that market operators would make in pricing the asset or liability. The hierarchy also aims to increase coherence and comparability in fair value measurements.
Three different levels of input are identified:

- Level 1: input represented by prices quoted (and unchanged) on active markets for identical assets or liabilities accessible as at the measurement date;
- Level 2: Input, other than quoted prices included in Level 1, that are directly or indirectly observable for the assets or liabilities to be measured;
- Level 3: input that is not observable for the asset or liability.

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (level 3).
The availability of relevant inputs and their subjectivity could impact the choice of the most appropriate valuation techniques. The fair value hierarchy gives priority to the inputs used by said techniques. If an observable input requires an adjustment due to use of a non-observable input and this adjustment leads to a significantly higher or lower fair value, the valuation is classified under Level 3 of the fair value hierarchy.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

The valuation process of financial instruments ("Fair Value Policy") entails the following phases:

- identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement;
- monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

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

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

With regard to the above, note that IFRS 13 has not introduced concepts that are inconsistent with current practices. The main new development is represented by the clarification introduced in reference to non-performance risk in determining the fair value of OTC derivatives. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.
In order to comply with the new standard, a new calculation model was developed – the Bilateral Credit Value Adjustment (bCVA) – which in addition to the effects of changes in the counterparty credit rating (the first subject of the credit risk adjustment methodology) also takes fully into account the changes in own credit rating (Debt Value Adjustment - DVA) and identifies a series of refinements to the previous methodology. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA):

- the CVA (negative) takes into account scenarios whereby the Counterparty fails before the Bank and the Bank has a positive exposure to the Counterparty. In these scenarios the Bank suffers a loss equal to the cost of replacing the derivative;
- the DVA (positive) takes into account scenarios whereby the Bank fails before the Counterparty and has a negative exposure to the Counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing the derivative.

The bCVA depends on the exposure, probability of default and the Loss Given Default of the counterparties.

For bond products, this risk component is already incorporated into the price (level 1 for contributed securities) or valuation technique (level 2 or 3 for non-contributed securities).

Table 12 – Operational risk

Qualitative disclosure

Pursuant to the reference regulations issued by the Bank of Italy, the half-yearly "Basel 2 Pillar 3" report does not include qualitative disclosure (the only disclosure provided for this Table). As stated in the Introduction, please refer to the document as at 31 December 2012 for a more comprehensive examination of the qualitative aspects of operational risks. A summary of the Group's approach to operational risk exposure, management and control is also provided in the Half-yearly Report as at 30 June 2013, in the chapter entitled "Risk management".

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

For the sake of completeness, as at 30 June 2013 it is noted as follows:

- the subsidiary Banca Monte Parma migrated from the BIA Approach to the Standardised Approach (TSA);
- a fourth Roll Out scope (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland, Sanpaolo Invest, VUB Leasing and Consumer Finance Holding) migrated from the TSA Approach to the Advanced Measurement Approaches (AMA).

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the AMA starting from the end of 2014, based on the roll-out plan presented to the Management and Supervisory Authorities.

In addition, some time ago the Group activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk. As already noted, at the end of June, in order to allow optimum use of the available operational risk transfer tools, pursuant to applicable regulations, the Group stipulated an innovative insurance coverage (a second layer policy) known as Operational Risk Insurance Programme, which offers coverage greater than that of traditional (first layer) policies, and that significantly increases the limit of liability too, actually transferring the risk of significant operational losses to the insurance market. The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

Table 13 – Equity exposures: disclosures for banking book positions

Quantitative disclosure

The tables below show the breakdown of the equity exposures according to their book classification. The figures represent the exposures shown in the Group consolidated financial statements and exclude the values of all investments in fully consolidated companies. The value of investments in insurance companies deducted from the regulatory capital is shown in Table 3.

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

(millions of euro)

Exposure type/values	30.06.2013								
	Book value		Fair value		Market value	Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Level 1	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	159	2,506	212	X	212	77	-150	X	X
B. Financial assets vailable for sale (AFS)	440	1,328	440	1,328	440	128	-143	229	-6
C. Financial assets designated at fair value through profit and loss (DAAFV)	-	-	-	-	-	-	-	X	X

Exposure type/values	31.12.2012								
	Book value		Fair value		Market value	Realised gains/losses and impairments		Unrealised gains/losses recognised in the balance sheet	
	Level 1	Level 2/3	Level 1	Level 2/3	Level 1	Gains	Losses	Plus (+)	Minus (-)
A. Investments in associates and companies subject to joint control (**)	205	2,487	215	X	215	79	-209	X	X
B. Financial assets vailable for sale (AFS)	539	1,489	539	1,489	539	177	-91	329	-57
C. Financial assets designated at fair value through profit and loss (DAAFV)	-	-	-	-	-	-	-	X	X

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

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

As at 30 June 2013 there were no net capital losses on equity investments to be included under the negative elements of the Tier 2 capital (similarly to the situation at as at 31 December 2012).

Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level of 77 million euro in the first six months of 2013 (81 million euro at the end of 2012), with a maximum value of 80 million euro and a minimum value of 70 million euro, confirmed in the final figures at the end of June.
Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows a sensitivity to a 10% negative shock equal to 44 million euro at the end of June 2013.

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

(millions of euro)

	Weighted exposure	
	30.06.2013	**31.12.2012**
IRB approach	**1,103**	**1,082**
Private equity exposures in sufficiently diversified portfolios	184	265
Exchange-traded equity exposures	24	36
Other equity exposures	895	781
Other assets - Instrumental investments	-	-
Standardised approach	**2,419**	**2,753**

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

Quantitative disclosure

Interest rate risk

Interest margin sensitivity – assuming a 100 basis point change in interest rates – amounted to 324 million euro at the end of June 2013 (270 million euro at the end of 2012).

In the case of invariance of the other income components, the aforesaid potential impact would be reflected also in the Group's year-end net income and taking into account the abovementioned assumptions concerning the measurement procedures.

In the first half of 2013, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 50 million euro, with a half-year end figure of 161 million euro compared to the 386 million euro at the end of 2012. The change was mainly attributable to the update to the methodology, introduced as of January 2013 and aimed at sterilizing the credit spread impact, significantly increased during the recent financial crisis.

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

(millions of euro)

		30.06.2013
EUR	Euro	90
USD	US dollar	29
HRK	Croatian kuna	12
EGP	Egyptian pound	8
RSD	Serbian Dinar	5
JPY	Japanese Yen	4
	Other currencies	13
TOTAL		**161**

Interest rate risk, measured in terms of VaR, averaged 34 million euro during the first six months of 2013 (17 million euro at the end of 2012, net of the aforementioned methodology updates), with a minimum value of 27 million euro and a maximum value of 50 million euro, confirmed in the final figures at the end of June.

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

Table 15 - Remuneration and incentive systems and practices

Qualitative and quantitative disclosure

Pursuant to the reference regulations issued by the Bank of Italy, the half-yearly "Basel 2 Pillar 3" report does not include a disclosure on "Remuneration and incentive systems and practices".

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

The Manager responsible for preparing the Company’s financial reports, Ernesto Riva, declares, pursuant to par. 2 of art. 154-bis of the Consolidated Law on Finance, that the accounting information contained in this document “Basel 2 - Pillar 3 as at 30 June 2013” corresponds to the corporate records, books and accounts.

2 August 2013

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

Glossary

GLOSSARY

The definition of certain technical terms is provided below, in the meaning adopted in the "Pillar 3 Basel 2 disclosure" and excluding the terms today widely used in the Italian language or which are used in a context that already clarifies their meaning

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CRM
Credit Risk Mitigation.

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

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

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

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

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

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

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

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

FiRB
See "*IRB*"

Floor
The "New regulations for the prudential supervision of banks" of the Bank of Italy, consistent with international guidelines, required that parties which used internal models in 2007, 2008 and 2009 (deadline extended also to the following years) - to maintain capital levels of no less than 95%, 90% 80%, respectively ("floors") of the total requirement calculated based on the supervisory provisions in force at the end of 2006 ("Basel 1"). Similarly, the term floor is used to define the additional prudent penalty which may be introduced by the supervisory authority on authorising the use of Internal Approaches for the calculation of capital requirements in relation to aspects deemed worthy of implementing. The penalty consists in a restriction on capital requirements, which may not be less than a floor set as a percentage of the sum of requirements for various risks calculated based on the Basel 1 rules.

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

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

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

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

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

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

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

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

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

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss."

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

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

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

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

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

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

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

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

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

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

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

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

Operational risk
The risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual or non-contractual liability or other disputes; it does not include strategic risk (losses due to wrong management strategies) or reputational risk (loss of market shares as a consequence of negative publicity regarding the bank).

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

Performing
Term generally referring to loans characterised by regular performance.

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

Preferred shares
See "*Core Tier 1*".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Contacts

Intesa Sanpaolo S.p.A.

Registered office
Piazza San Carlo, 156
10121 Torino
Telephone: +39 011 555 1

Secondary registered office
Via Monte di Pietà, 8
20121 Milano
Telephone: +39 02 879 11

Investor Relations
Telephone: +39 02 8794 3180
Fax: +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Telephone: +39 02 8796 3845
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

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GALLERIE D'ITALIA.
THREE MUSEUM CENTRES, A CULTURAL NETWORK FOR THE COUNTRY.

With the Gallerie d'Italia project, Intesa Sanpaolo shares its artistic and architectural assets with the community: 1,000 works of art, selected from the 10,000 owned by the Group, exhibited in three cities, to form a museum network unique in nature.

In Milano, the Piazza Scala Galleries, in an extremely valuable architectural setting, host a selection of two hundred works by nineteenth century artists from Lombardy and an exhibition covering the major artists and trends in Italian art in the second half of the twentieth century.
In Vicenza, the Palazzo Leoni Montanari Galleries exhibit the greatest collection of Russian icons in the Western world and works from Venetian eighteenth century painters.
In Napoli, the Palazzo Zevallos Stigliano Galleries present the *Martyrdom of saint Ursula*, a work from Caravaggio's last season, along with eighteenth and nineteenth-century vedutas of the countryside of Campania.

On the cover:
Umberto Boccioni
(Reggio Calabria, 1882 - Verona, 1916)
Officine a Porta Romana (Porta Romana Worksites), 1910
oil on canvass, 75 x 145 cm
Intesa Sanpaolo's Collection
Gallerie d'Italia-Piazza Scala, Milano