INTESA SANPAOLO

Half-yearly report as at 30 June 2010

This is an English translation of the Italian original "Relazione semestrale al 30 giugno 2010" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A.

This document contains certain forward-looking statements and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate. The Intesa Sanpaolo Group's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. The following important factors could cause the Group's actual results to differ materially from those projected or implied in any forward-looking statements:

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

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

Half-yearly report as at 30 June 2010

Intesa Sanpaolo S.p.A.
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 6,646,547,922.56 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

Contents

Intesa Sanpaolo Group network

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,766	Banca CR Firenze	67
	Intesa Sanpaolo Private Banking	64
	Banca Fideuram	38
	Banca Prossima	17
	BIIS	5
	Mediocredito Italiano	2
	Banca IMI	1
	Cassa di Risparmio del Veneto	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
17	Cassa di Risparmio del Veneto	498
	CR in Bologna	218
	CR del Friuli Venezia Giulia	162
	CR Venezia	127
	CR di Forlì e della Romagna	118
	Banca di Trento e Bolzano	87
	Banca CR Firenze	53
	Intesa Sanpaolo Private Banking	42
	Banca Fideuram	22
	Banca Prossima	10
	BIIS	3
	Mediocredito Italiano	2

CENTRE

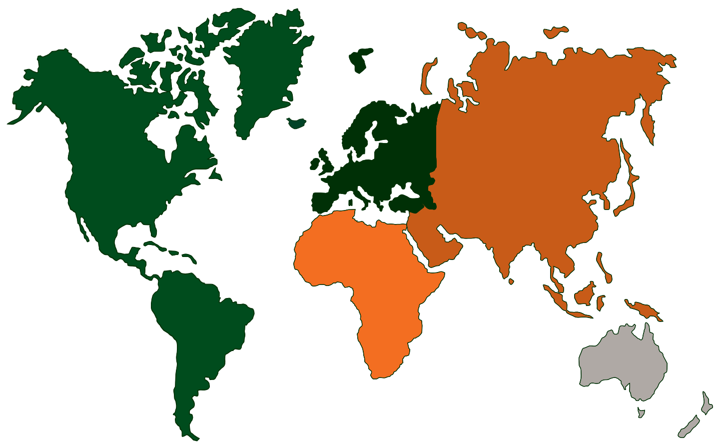
INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
423	Banca CR Firenze	485
	Casse del Centro	280
	Banca dell'Adriatico	85
	Banca Fideuram	22
	Intesa Sanpaolo Private Banking	16
	Banca Prossima	8
	BIIS	4
	Banco di Napoli	4
	Mediocredito Italiano	3

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
6	Banco di Napoli	769
	Banca dell'Adriatico	126
	Intesa Sanpaolo Private Banking	22
	Banca Prossima	13
	Banca Fideuram	10
	Casse del Centro	10
	BIIS	4
	Mediocredito Italiano	2
	Banca CR Firenze	1

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
196	Banca di Credito Sardo	95
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Banca Prossima	4
	BIIS	2
	Mediocredito Italiano	1



EUROPE

Direct Branches	Representative Offices
Amsterdam	Brussels[1]
Athens	Istanbul
Dornbirn[2]	Moscow
Frankfurt	Stockholm
Innsbruck[2]	Warsaw
London	
Madrid	
Munich	
Paris	
Vienna	

Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	218
Czech Republic	VUB Banka	1
Greece	Intesa Sanpaolo Bank Albania	1
Hungary	CIB Bank	152
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Principality of Monaco	Banca Fideuram	1
Romania	Intesa Sanpaolo Bank Romania	92
	Banca CR Firenze Romania	17
Russian Federation	Banca Intesa	79
Serbia	Banca Intesa Beograd	206
Slovakia	VUB Banka	245
Slovenia	Banka Koper	54
Switzerland	Banca Fideuram	2
	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	449
United Kingdom	Banca IMI	1
	BIIS	1

AMERICA

Direct Branches	Representative Offices
George Town	Santiago
Nassau	São Paulo
New York	

ASIA

Direct Branches	Rapresentative Offices
Dubai	Beijing
Hong Kong	Beirut
Shanghai	Ho Chi Minh City
Singapore	Mumbai
Tokyo	Seoul
	Tehran

AFRICA

Rapresentative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	200
Casablanca			
Tunis			

Figures as at 30 June 2010.
(1) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk.
(2) Branches of Italian subsidiary Banca di Trento e Bolzano.

Supervisory Board, Management Board, General Management, Manager responsible for preparing the Company's financial reports and Independent Auditors

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy Chairpersons	Mario BERTOLISSI Elsa FORNERO
Members	Luigi Arturo BIANCHI Rosalba CASIRAGHI Franco DALLA SEGA Gianluca FERRERO Jean-Paul FITOUSSI Pietro GARIBALDI Giulio Stefano LUBATTI Marco MANGIAGALLI Gianni MARCHESINI Fabio PASQUINI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Marco SPADACINI Ferdinando TARGETTI Livio TORIO Riccardo VARALDO

Management Board

Chairman	Andrea BELTRATTI
Senior Deputy Chairman	Marcello SALA
Deputy Chairman	Giovanni COSTA
Managing Director and Chief Executive Officer	Corrado PASSERA
Members	Aureliano BENEDETTI Paolo CAMPAIOLI Elio CATANIA Roberto FIRPO Emilio OTTOLENGHI

General Managers

Corrado PASSERA
Gaetano MICCICHÈ
Marco MORELLI (*)

Manager responsible for preparing the Company's financial reports

Ernesto RIVA

Independent Auditors

RECONTA ERNST & YOUNG S.p.A.

(*) Deputy to the CEO

Interim report on operations

Introduction

The "Half-yearly Report as at 30 June 2010" has been prepared, in consolidated form in compliance with art. 154-ter of Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission in EC Regulation 1606 of 19 July 2002. In particular, the Report is drawn up in compliance with IAS 34 requirements on interim reports.
The Half-yearly Report is made up of the Half-yearly report on operations and the Condensed half-yearly report including the financial statements and related explanatory notes.
To support the comments on results for the period, the Condensed half-yearly report also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the relevant financial statements as required by Consob in its communication 6064293 of 28 July 2006 is included among the Attachments. The Half-yearly report on operations and the Condensed half-yearly report contain financial information – for example, figures on quarterly development, and other alternative performance indicators – not directly attributable to the financial statements.

The website of Intesa Sanpaolo, at group.intesasanpaolo.com, contains the press releases issued during the year together with other financial documents.

Intesa Sanpaolo Group - Financial highlights and alternative performance measures

Income statement (millions of euro)	**30.06.2010**	**30.06.2009**	**Changes**	
			amount	**%**
Net interest income	4,863	5,417	-554	-10.2
Net fee and commission income	2,807	2,517	290	11.5
Profits (losses) on trading	215	546	-331	-60.6
Income from insurance business	294	188	106	56.4
Operating income	8,235	8,724	-489	-5.6
Operating costs	-4,541	-4,614	-73	-1.6
Operating margin	3,694	4,110	-416	-10.1
Net adjustments to loans	-1,552	-1,814	-262	-14.4
Income after tax from discontinued operations	691	121	570	
Net income	1,690	1,588	102	6.4
Balance sheet (millions of euro)	**30.06.2010**	**31.12.2009**	**Changes**	
			amount	**%**
Loans to customers	374,801	375,437	-636	-0.2
Direct customer deposits	436,535	422,678	13,857	3.3
Indirect customer deposits	422,042	420,801	1,241	0.3
of which: Assets under management	*233,338*	*228,492*	*4,846*	*2.1*
Total assets	655,041	626,366	28,675	4.6
Shareholders' equity	52,534	52,681	-147	-0.3
Operating structure	**30.06.2010**	**31.12.2009**	**Changes**	
			amount	
Number of employees	102,659	103,455	-796	
Italy	*71,049*	*70,675*	*374*	
Abroad	*31,610*	*32,780*	*-1,170*	
of which: atypical labour contracts	*402*	*555*	*-153*	
Number of financial advisors	4,333	4,292	41	
Number of branches [(a)]	7,745	7,933	-188	
Italy	*5,919*	*6,041*	*-122*	
Abroad	*1,826*	*1,892*	*-66*	

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

(a) Including Retail Branches, Private Banking Branches, SME Branches and Corporate Branches.

	30.06.2010	30.06.2009	31.12.2009
Profitability ratios (%)			
Cost / Income	55.1	52.9	54.1
Net income / Average shareholders' equity (ROE) [(a)]	4.9	5.2	5.5
Economic Value Added (EVA) [(b)] (millions of euro)	373	351	242
Risk ratios (%)			
Net doubtful loans / Loans to customers	1.7	1.2	1.4
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	66.1	68.6	67.4
Capital ratios (%) [(c)]			
Tier 1 capital [(d)] net of preference shares / Risk-weighted assets (Core Tier 1)	7.7	6.9	7.1
Tier 1 capital [(d)] / Risk-weighted assets	8.9	7.7	8.4
Total capital [(e)] / Risk-weighted assets	12.2	11.0	11.8
Risk-weighted assets (millions of euro)	355,655	369,740	361,648
Basic earnings per share (basic EPS) [(f)] – euro	0.13	0.12	0.22
Diluted earnings per share (diluted EPS) [(g)] – euro	0.13	0.12	0.22
Shares [(h)]			
Number of ordinary shares (thousands)	11,849,332	11,849,332	11,849,332
Share price at period-end - ordinary share (euro)	2.174	2.296	3.165
Average share price for the period - ordinary share (euro)	2.604	2.263	2.569
Average market capitalisation (millions of euro)	32,767	28,343	32,228
Book value per share (euro)	4.434	4.283	4.447
Long-term rating			
Moody's	Aa2	Aa2	Aa2
Standard & Poor's	A+	AA-	AA-
Fitch	AA-	AA-	AA-

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

[(a)] Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves. The figure for the period, with the exception of non-recurring components, has been annualised.

[(b)] The indicator represents the economic value generated in the period in favour of shareholders, since it is the portion of net income for the period which remains after having remunerated shareholders' equity via the cost of capital. The latter represents the opportunity cost and is determined using the Capital Asset Pricing Model.

[(c)] Ratios are determined using the methodology set out in the Basel 2 Capital Accord.

[(d)] Paid-in share capital, share premium reserve and reserves and retained earnings minus treasury shares, goodwill, intangible assets and after the application of prudential filters set out by supervisory regulations.

[(e)] Tier 1 capital plus eligible subordinated liabilities, valuation reserves, with the application of "prudential filters", net of equity investments as set out by supervisory regulations.

[(f)] Net income attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares.

[(g)] The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

[(h)] Figures for 2009 not restated. Book value per share does not consider treasury shares.

Intesa Sanpaolo Group – Financial highlights and alternative performance measures by business area

Income statement (millions of euro)	**Banca dei Territori**		**Corporate and Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.06.2010	**30.06.2009**	**30.06.2010**	**30.06.2009**	**30.06.2010**	**30.06.2009**	**30.06.2010**	**30.06.2009**	**30.06.2010**	**30.06.2009**	**30.06.2010**	**30.06.2009**
Operating income	4,959	5,126	1,783	1,778	159	236	1,119	1,108	137	129	333	294
Operating costs	-2,885	-2,899	-430	-438	-39	-40	-570	-583	-65	-62	-161	-159
Operating margin	2,074	2,227	1,353	1,340	120	196	549	525	72	67	172	135
Net income	456	586	775	527	64	63	203	159	37	30	51	45

Balance sheet (millions of euro)	**Banca dei Territori**		**Corporate and Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.06.2010	**31.12.2009**	**30.06.2010**	**31.12.2009**	**30.06.2010**	**31.12.2009**	**30.06.2010**	**31.12.2009**	**30.06.2010**	**31.12.2009**	**30.06.2010**	**31.12.2009**
Loans to customers	177,480	178,222	109,867	107,616	42,181	41,186	30,665	29,644	109	171	2,698	1,982
Direct customer deposits	224,561	224,578	102,906	94,900	6,346	6,461	30,635	28,564	11	3	5,724	7,502

Profitability ratios (%)	**Banca dei Territori**		**Corporate and Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	30.06.2010	**30.06.2009**	**30.06.2010**	**30.06.2009**	**30.06.2010**	**30.06.2009**	**30.06.2010**	**30.06.2009**	**30.06.2010**	**30.06.2009**	**30.06.2010**	**30.06.2009**
Cost / Income	58.2	56.6	24.1	24.6	24.5	16.9	50.9	52.6	47.4	48.1	48.3	54.1
ROE [a]	10.0	12.1	19.7	13.3	12.2	12.8	19.8	16.3	130.9	78.6	37.0	30.7
Economic Value Added (EVA) (in millions of euro)	217	373	377	139	14	15	70	25	53	45	79	71

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

[a] Ratio between Net income and Allocated capital. Figure for the period is annualised.

The first half of 2010

The macroeconomic context and the banking system

The first six months of 2010 saw a considerable strengthening of the upturn in world production, which was offset, however, by severe pressure on the credit rating of certain eurozone sovereign issuers.
Industrial production was up sharply in Asia, the eurozone and the United States. The recovery in international trade flows that began early in the year was consolidated in the spring.
The Italian economy followed the same trends exhibited as international ones. GDP growth came to 1.1% in the second quarter. Industrial production grew constantly from January to June: the trend growth rate rose to above 7% from the -5.5% recorded in December. However, the job market remains weak, while the resumption of production appears primarily related to the improvement in foreign demand.
In the eurozone, the signs of an economic recovery were accompanied by the growing difficulties experienced by Greece in refinancing its debt on the market. As a result of the increase in the risk premium and the growing difficulty in locating foreign buyers for long-term debt issues of Greece, the European Council was compelled to implement a support mechanism based on bilateral loans from Member States and an independent contribution from the International Monetary Fund (IMF). Greece formally requested the activation of the mechanism in April. The first tranche of the loan was released in May.
The signs of possible contagion of other peripheral eurozone sovereign issuers remained moderate through March and then intensified in the first week of May, placing strain on the European government bond market. Faced with this threat to the entire area's financial stability, the European Central Bank (ECB) and European Council made a series of important decisions on 9 May. The ECB launched a programme to purchase government bonds on the secondary market aimed at supporting liquidity and depth. For its part, the European Union introduced the "European Stabilisation Mechanism", which is based on the use of Community resources and funds raised through the European Financial Stability Facility in order to increase the timeliness and efficacy of any new support measures. In the following weeks, various European Union Member States expressed their intention of anticipating or intensifying budget deficit corrective measures. Thanks to the measures taken at the Community level and the banking system's willingness to facilitate the uptake of the government bonds, the most severe phase of the crisis has passed.
The level of official ECB rates remained unchanged. In March, the Central Bank started to remove unconventional monetary policy measures, discontinuing some of the extraordinary transactions introduced during the crisis and extending the full allocation regime until October for both the main refinancing auction and the monthly auction. However, the crisis in early May forced the ECB to put a temporary halt to the normalisation process.
The large excess reserves kept the Eonia (Euro OverNight Index Average) rate close to the official rate on deposits (0.25%), prompting a further slight fall in the Euribor rates. The prospect of a period of prolonged stability for monetary policy rates, along with the repercussions of the Greek crisis, triggered a decrease in interbank interest rates of 50 basis points for two-year maturities and 72 basis points for ten-year maturities.
The Greek crisis also contributed to weakening the euro on currency markets: owing in part to the brighter US macroeconomic figures, the exchange rate with the dollar fell from 1.43 to 1.22 to then return above 1.30 in July.

There was high price volatility on stock markets in the first half of 2010 with highly uneven performances in international indices. Markets gave ground early in the year, pricing in uncertainties as to the actual extent of the economic recovery as well as – in reference to European markets in particular – the first signs of the Greek crisis and the ensuing weakness of the euro.
Equity indices began an upturn from mid-February to early April, buoyed by favourable liquidity conditions and 2009 results that exceeded consensus expectations as a whole. However, considerable losses were reported in the second quarter, when the markets - and peripheral European markets in particular – began to feel the effect of the sovereign debt crisis. Fears of potential new losses for the European financial system and renewed concerns regarding the extent of the economic recovery resulted in a marked increase in investors' aversion to risk, which was only partly stabilised at the end of the half-year.
The S&P 500 ended the period with a decline of 7.6%, slightly greater than that reported by the DJIA - Dow Jones Industrial Average (- 5.8%). The major European stock exchanges gave highly differentiated performances: while the DAX remained substantially unchanged at the end of the half-year (+0.1%), the English market (FTSE: -9.1%) and French market (CAC: -12.5%) recorded significant losses. The DJ EuroStoxx index was also down 10.1% compared to the beginning of the year, following on the +1% reported at the end of the first quarter. The Chinese stock market showed a highly severe decline, with the SSE Composite index down by 26.8%, while the Japanese market suffered more moderate losses (-11.0%).
The Italian stock market was penalised by the European scenario, reflecting investors' greater aversion to risk in relation to peripheral markets: the FTSE All Shares index lost 16% and the FTSE Mib decreased by 16.9%. As in the first quarter of the year, mid-cap stocks continued to outperform blue chips: the Mid Cap index was down 10% at the end of June, whereas the STAR index limited its losses to 7.3%.

In the first half of the 2010, the European corporate bond market's performance was negative on the whole: in recent months, spreads have widened generally on both the cash and derivatives segment, interrupting the marked recovery shown in 2009.
Tensions surrounding the Greek crisis and the possible contagion effects on other peripheral eurozone countries triggered far-reaching repercussions, especially on derivatives and financial-sector bonds. The bear market affected not only the investment grade segment, but also junk bonds, which have felt the effects of the increased aversion to risk. Operators remain focused on the current and prospective performance of the economic cycle and on exit strategies for the exceptional monetary and fiscal policies implemented in order to deal with last year's intense recession.

The major emerging economies reported sustained growth rates for the half-year. GDP growth was strong in the first quarter in Asia, with China (+11.9% year-on-year) and India (+8.6% year-on-year) topping the rankings, but also in various Latin American countries (especially Brazil, +9% year-on-year) and the MENA area (Middle East and North Africa). Conversely, economic growth was modest in Eastern Europe, while Russia nonetheless grew by 2.9%. Although the entire area has embarked upon a recovery process, some countries (such as Bulgaria, Romania and Croatia) have yet to emerge from the recession.
Economic indicators suggest that the real economy will continue to perform briskly in various emerging countries in the second half of the year, albeit at a rate that may prove more moderate. For example, the SME index, while remaining positive, has recently shown a decline in China and Brazil.
Growth expectations for all of 2010 referring to the emerging economies as a whole are positive and have recently been revised upwards. In its update to its July projections, the IMF is now calling for an increase in GDP of 6.8% in emerging countries, up by 0.5 percentage points compared to the forecast formulated in the spring.
Economic prospects for the MENA area and Eastern Europe appear quite complex. The IMF expects the MENA group to grow by 4.5% in 2010. Egypt is now expected to achieve higher growth than previously expected (5.8% increase in GDP from January to March), whereas economies with a broader manufacturing base tied to the European economic cycle (such as Tunisia) are projected to post relatively weaker growth.
The positive performance of commodity prices, the stabilisation of the currency and financial situation and, in the case of the Ukraine, the political scenario as well, are favouring an improvement in the economic prospects of CIS (Community of Independent States) countries.
Cyclical dynamics in other economies in Central and South Eastern Europe are proving more robust than expected for Central and Eastern Europe (CEE), yet weaker than expected overall South Eastern Europe (SEE).
Although the economic recovery has stimulated price increases in some emerging countries, inflation trends remain moderate on the whole. In June, the inflation trend rate for a sample that includes the major emerging economies was 5.8%, unchanged compared to December. The acceleration shown in Asia (and in China and India in particular) and Latin America (Brazil) was offset by the slowing of price trend rates in other countries, such as those of Eastern Europe (owing in part to the appreciation of its currency, in June the trend rate fell to 5.8% in Russia and below 10% in the Ukraine) and MENA (in June the inflation trend rate fell to 10.7% in Egypt).
Measures aimed at discontinuing the exceptional monetary support provided during the crisis have begun to be implemented in various emerging countries, albeit in a highly gradual manner. In China, monetary authorities have increased their reserve ratios and in India they raised interest rates on several occasions beginning in April. Rising inflation and the narrowing of the gap between actual and potential output have also stimulated various Latin American countries (Brazil, Chile and Peru) to embark upon a restrictive phase in their monetary policies.
In the MENA group, where most countries keep their currencies pegged to the dollar on a de jure or de facto basis, rates have remained essentially stable. In Egypt, the recent macroeconomic data (slowing inflation and accelerating GDP growth) support the stance taken by the country's central bank, which judges the current level of rates to be adequate to limit inflationary pressures and to support the economy. Conversely, falling inflation and, in some cases, the weakness of the economic cycle, have fostered further rate cuts in Eastern European countries such as Russia, the Ukraine, Hungary, Romania and Serbia.
On currency markets, the weighted OITP (Other Important Trading Partners) index of the dollar against the currencies of emerging countries appreciated by 0.6% in the second quarter of 2010 after depreciating by 1.2% in the first three months of the year. In detail, the U.S. currency appreciated significantly from April to June against Eastern European currencies, which are more closely tied to the euro's performance, while depreciating against several currencies from Asia (Indonesia and Malaysia) and Latin America (Colombia and Peru). In late June, China announced that it intended to resume the process of reforming the exchange rate and increasing the flexibility of the yuan, sending a sign of its willingness to accept a gradual appreciation of the currency.

The currencies of CEE and SEE countries with flexible exchange rates and relatively fragile fiscal positions (as in the case of Romania and Hungary) resumed their depreciation against the euro in the second quarter of 2010 following a phase of appreciation in the first quarter of the year. The most stable currencies in Eastern European countries were those of the Ukraine and Russia. Egypt limited its depreciation against the dollar (-4% in the first half of the year) and appreciated against the euro (approximately 13% in the first half of the year).
After contracting in the first quarter of 2010, spreads on the sovereign debt of emerging countries resumed expansion, in most cases reaching levels at June 2010 in excess of those reported at the beginning of the year. The EMBI+ (Emerging Markets Bond Index) composite rose from 274 basis points at the end of December 2009 to 337 basis points at the end of June 2010. The EMBI+ Europe climbed from 210 basis points to 290 basis points over the same period. The rise was due to concerns regarding the sustainability of local public finances and the possible contagion effects of the financial strains that affected the Euro Area. On the whole, the widening of spreads was more limited in Latin America (with the exception of Venezuela), owing to good macroeconomic fundamentals, and more marked in Central and Eastern Europe (especially

Romania and Hungary). Spreads performed well both in the Ukraine, owing to renewed political stability, and in Egypt, which was rewarded for its economic performance and declining inflation.
The decline in stock prices in the second quarter (-6.4%) tied to concerns regarding the sustainability of growth and the expected earnings of various countries brought the MSCI (Morgan Stanley Capital International) composite index of country stock markets into the negative (-5.4%). Although not negligible, the decline was less marked than that shown by the equity indices of advanced countries (USA -7.5%, Japan -11.4%, eurozone -10.3%). The correction in emerging country stock markets was most severe in China (-27% from January to June 2010), followed by several Gulf markets (Dubai -19%). Equity indices in the Ukraine, the Baltic States (Latvia and Lithuania) and certain Asian markets such as Indonesia ran counter to this trend, showing significant gains during the same period.
On the whole, upgrades and improved outlooks clearly prevailed among rating agencies from January to June. The countries that received upgrades include Chile (Moody's A1 to Aa3), the Ukraine (with two upgrades by Fitch from CCC+ to B), Indonesia (upgraded to BB+ by Fitch), Turkey (raised to Ba2 by Moody’s), Morocco (raised to investment grade by S&P) and Saudi Arabia (upgraded to Aa3 by Moody’s). Countries for which the outlook improved include India and Estonia.

The Italian banking system

Bank rates underwent very moderate changes in the first half of 2010, with further slight downward adjustments that decreased in scale in the second quarter compared to the previous months. Accordingly, rates essentially remained at low levels following the marked period of decline that began in late 2008.
The rate for the overall amounts of loans to households and businesses reached new lows. With regard to rates for new transactions, rates on new loans financing home purchases by households underwent constant downward adjustments, whereas rates on new loans to businesses fluctuated in the second quarter, punctuating the decline with several upward adjustments, especially for the highest value transactions. The average rate on deposits also underwent slight downward adjustments to reach a level below the average for the second half of 2009. The essential stability of the interest rate on current accounts may be attributed to the low level reached.
Very similar rate adjustments were applied to both the average lending and borrowing rates, resulting in an essentially stable spread between the return on loans and the cost of funding in the half-year (at an average of 2.15%), only slightly below the average for the second half of 2009 (-5 hundredths) and at historically low levels (nearly half a point lower than in the first half of 2009).
During the half-year, the spread on funding, measured on short-term interest rates (mark-down on the 1-month Euribor), remained very low at 0.15%, unchanged compared to the second half of 2009 and at levels considerably lower than the average for the first half of 2009 (-43 basis points). The downward adjustment in the rate on short-term loans brought the mark-up on the 1-month Euribor to close moderately compared to the peaks in this phase of the cycle reached in 2009. However, the average for the period remained relatively high (at 3.66% in the first six months of 2010 compared to 3.87% in the first half of 2009), yet consistent with the greater credit risk assumed by the banking system. The short-term spread reached new lows, coming to an average of 3.81% in the first six months of 2010.

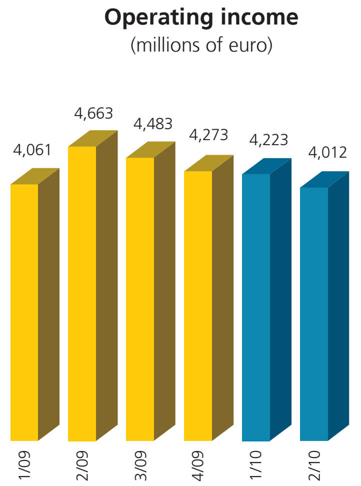
With regard to lending, the signs of an improvement in the performance of bank loans increased in the first half of the year. In more detail, loans to the private sector accelerated slightly in the second quarter compared to the second half of 2009. This performance reflected the reduction in the fall in the short-term component, after the minimum low reached between the end of 2009 and the beginning of 2010. At the same time, medium-/long-term loans continued to show constant, albeit moderate, growth compared to the corresponding six months, driven by the strong performance of household mortgages, which more than offset the weakness in medium-/long-term loans to businesses.
In greater detail, the gradual recovery of bank lending reflected the first signs of an improvement in loans to non-financial companies, along with the continuation of the uptrend in loans to households. The recovery in loans to households, already clear in 2009, continued.
Household lending performance, which in Italy was stronger than the average for the euro area, was driven by home purchase loans, favoured by the low levels of rates on new mortgages. At the same time, loans to businesses, while remaining weak, showed a steady easing of the downtrend and clearer signs of a recovery in the second quarter. This aggregate continued to decline in the eurozone, whilst the figure for the Italian system was better than the average for the eurozone. Breaking loans down by the size of the borrower, the decline in loans to medium/large enterprises was milder than in the two previous quarters, whereas the change in loans to smaller companies, while nil, represented an improvement on the end of 2009.

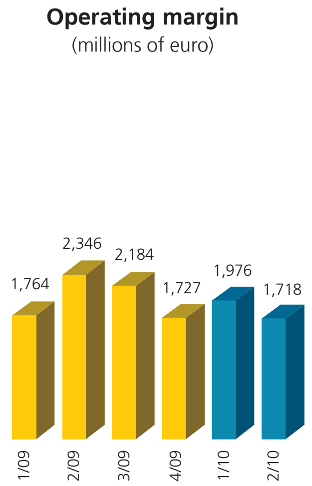
In the first half of 2010, the domestic funding of Italian banks remained robust overall, continuing to achieve sustained growth that reflects investors’ preferences for safe, liquid investments. However, the aggregate’s performance slowed compared to the previous half-year, reflecting the considerable flattening of the bond trend, which in a mere four months declined to zero growth after three years of constant double-digit rises. Conversely, deposits continued to show robust increases. Of these, there was a continuing, but slower, growth in current accounts, while repurchase agreements accelerated, rising rapidly to double-digit growth rates after having gradually slowed their decline. Time deposits and returnable deposits upon prior notice also continued to grow. In comparison with the rest of Europe, the customer funding of Italian banks outperformed the eurozone average, especially in deposits, while the gap in bonds gradually narrowed.
For assets under management, despite the negative performance of net inflows reported in May and June, open-ended mutual funds achieved net inflows slightly less than 2.5 billion euro in the first half of 2010 compared to outflows of over 13 billion euro in the same period of 2009. A breakdown of investment flows by product category confirms investors’ preference for bond funds. Conversely, money-market funds showed very considerable net outflows. At the end of June,

the assets managed by the industry amounted to 441 billion euro, down slightly compared to the figure at the end of March. The data available for the life-insurance business confirm that policy-writing remains strong: insurers underwrote 42 billion euro in new business from January to June compared to 30 billion euro in the same period of 2009[1].

Intesa Sanpaolo in the first half of 2010

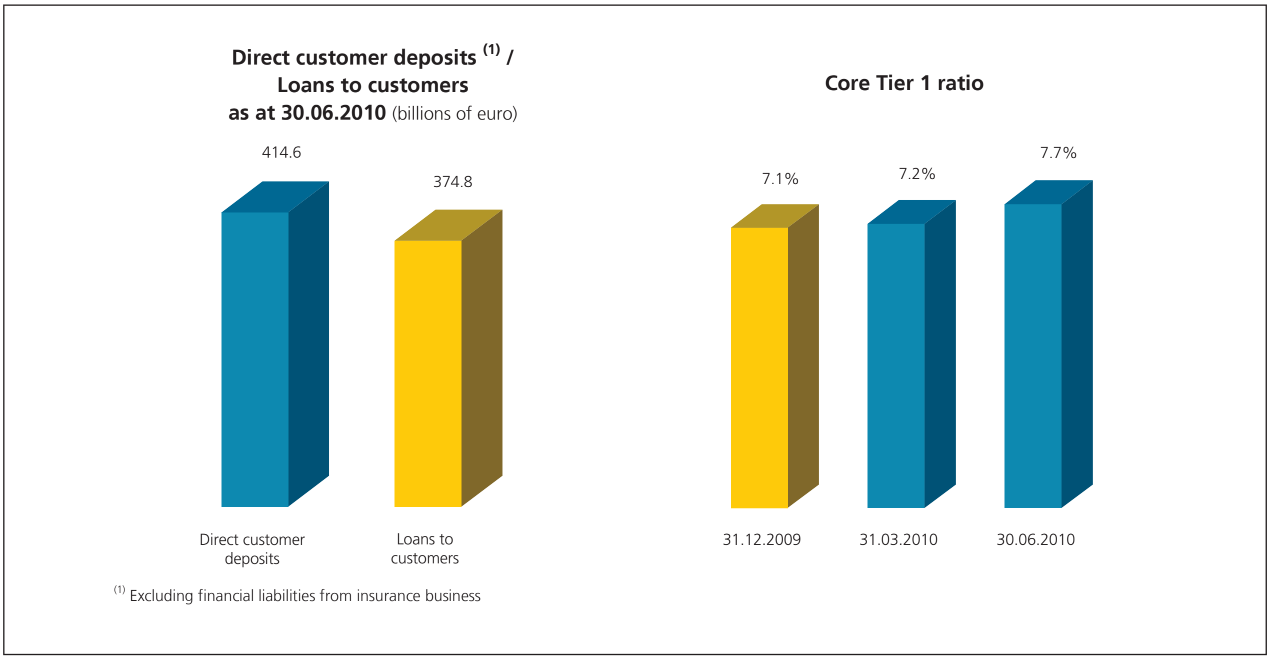
The first half of 2010 closed with a net income of 1,690 million euro, up 6.4% on the same period of 2009.
After the 688 million euro in net income earned in the first three months of the year, the second quarter of 2010 saw a net income of 1,002 million euro, which, however, includes 648 million euro capital gain on the sale of the securities services business.
The first half of the year was characterised by an economic scenario that remains weak due to the intensification of the Greek crisis, accompanied in April by financial market tension following the downgrading of the debt of several Member States. In the second quarter, this crisis drove trading profits to a nil balance, and thus had a negative effect on operating margin and income before tax from continuing operations as well.



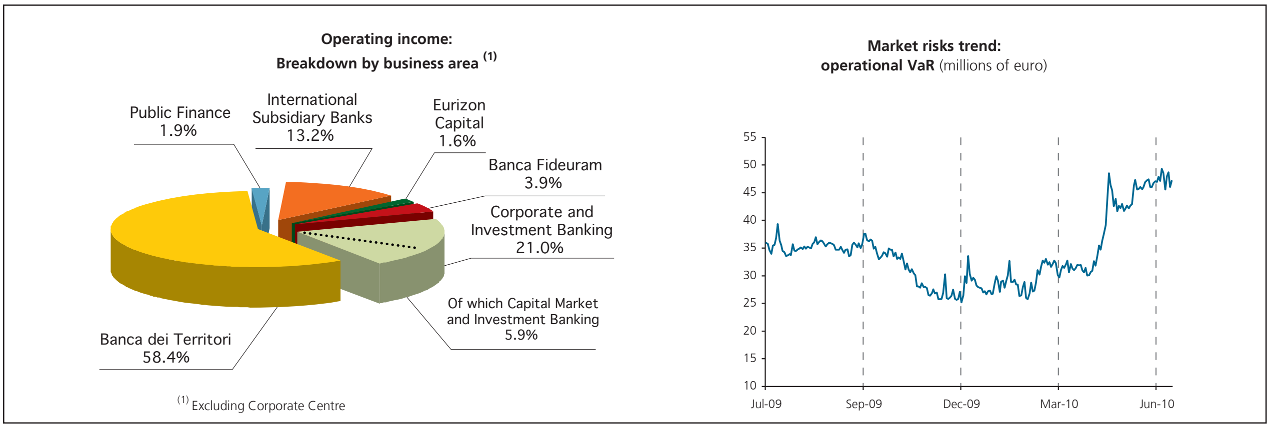


This tension and the resulting instability of the markets have shown that attentive management of liquidity, capital adequacy and risk profile is expedient and remains necessary.
The Group continues to maintain customer funding capacity that is more than sufficient to cover the corresponding lending, as well as an essentially balanced net interbank position, with 65 billion euro in eligible assets with central banks.
Capital ratios remained high as at 30 June 2010 with a core Tier 1 ratio at 7.7%.

[1]The figures include EU enterprises operating in Italy under the freedom of establishment and free movement of services.



The risk profile has also remained at very modest levels, although portfolio VaR has risen slightly due to the increased volatility of government bond spreads, inasmuch as the Group has continued to privilege retail banking operations and to maintain a limited, diversified presence on international markets.



At the level of individual aggregates, the half-yearly income statement registered 4,863 million euro in net interest income, down 10.2% compared to the first half of 2009, but with an improvement in the second quarter (2,456 million euro) compared to the first (2,407 million euro). In addition, the comparison of the two half-years is affected by the decrease in Euribor rates to all-time lows as well as the elimination of overdraft charges from last July 2009.

The services segment generated net fee and commission income of 2,807 million euro, up considerably (+11.5%) compared to the first six months of the previous year with a constant performance in 2010. Increases were reported in both fees and commissions on banking activities (+8.9%) and fees and commissions on asset management and financial instruments dealing (+18.4%).

As mentioned above, trading results were affected by the financial market crisis. Following a positive performance in the first three months of the year, concerns regarding the finances of several European States created tension on government bond and equity markets in the second quarter, leading to write-downs that effectively eliminated the profits for the quarter. This situation of uncertainty also affected income from the insurance business (294 million euro), which, while up sharply compared to 2009, decreased by 22.9% in the second quarter compared to the first three months of the year despite the uptrend in business.

Operating income came to 8,235 million euro as at 30 June 2010, down slightly (-5.6%) compared to 2009 despite the difference in financial market conditions between the two periods. The downtrend in the second quarter (4,012 million euro compared to 4,223 million euro) is almost entirely attributable to the poor trading performance.

Considerable attention continues to be devoted to operating costs through constant cost-containment. Operating costs came to 4,541 million euro for the half-year and were down 1.6% compared to the first six months of 2009. Personnel expenses remained at the previous year's levels despite the contractual adjustments effective the second half of 2009, whereas administrative expenses were down 3.1% and adjustments 6.7%.

Operating margin stood at 3,694 million euro, down 10.1% compared to the first half of 2009 and lower in the second quarter than in the first, in both cases essentially due to the difference in trading performance owing to the factors discussed above.
Adjustments and net provisions for risks (1,779 million euro for the half-year) were down by 246 million euro overall compared to the first half of 2009. In further detail, adjustments to loans amounted to 1,552 million euro, marking a decrease of 14.4% compared to the first half of the previous year, although coverage ratios for non-performing loans remain essentially unchanged at the high levels of the end of 2009. The quarterly trend in adjustments and provisions shows growth of 89 million euro in the second quarter compared to the first, owing in part to impairment of non-trading securities as a result of financial market performance.
Income before tax from continuing operations was 1,926 million euro, down 8.3% compared to 2009. Most of the decrease in the result for the second quarter (785 million euro) compared to the first (1,141 million euro) was due to financial market performance and its impact on trading results, income from the insurance business and impairment losses on financial assets.
Net income for the half-year amounted to 1,690 million euro, up 6.4% against the 1,588 million euro of the same period last year. However, both aggregates were affected by two non-recurring factors: the first half of 2010 reflects the capital gain, after tax, of 648 million euro realised on the sale of the securities services business, whereas the previous year enjoyed much lower taxes as a result of the payment of a substitute tax for intangible assets and employee termination indemnities, which yielded a net benefit of 537 million euro.
On the quarterly level, the rise in net income in the second quarter (1,002 million euro) compared to the first (688 million euro) was essentially due to the aforementioned capital gain.

The performance of the balance sheet aggregates confirms the Group's sound financial position. The Group’s liquidity position remained well in excess of its current needs for the entire half-year. This position reflects the growth in deposits (approximately +14 billion euro compared to the end of 2009) and the corresponding increase in financial assets, concentrated in highly liquid assets. At the end of the half-year, the interbank balance came to levels similar to those of the end of 2009 in accordance with the aforementioned policy of privileging the liquidity profile.
Loans to customers remained essentially in line with the end of 2009, continuing to feel the effects of the challenging macroeconomic scenario, while showing a slowing of the downturn compared to the previous quarter.
Indirect deposits (net of the dealings attributable to the securities services business, which was sold in the second quarter) increased by 1.2 billion euro, attributable to the rise in assets under management (+9.9%) and life-insurance policies (+3.7%).

The various business units showed differentiated performances compared to the first six months of 2009.
Banca dei Territori reported a net income of 456 million euro (-22.2% compared to the first six months of 2009), owing in particular to the decrease in market rates, which translated into a considerable lower mark-down, as well as to the elimination of the overdraft charge. Higher adjustments to loans, which continued to feel the effects of the challenging market scenario, also had an impact.
Conversely, net fee and commission income performed well.
The Corporate and Investment Banking Division reported a significant increase in its profitability (775 million euro, +47.1%) owing to the sustained growth of fees and commissions and higher trading profits, chiefly as a result of effective management of the proprietary portfolio and greater dividends associated with private-equity operations.
Public Finance closed the first half of the year with a net income of 64 million euro, slightly up (+1.6%) compared to the first six months of 2009. The decrease in net operating income was offset by the lower adjustments to loans required.
The International Subsidiary Banks Division showed considerable growth in net income (203 million euro, +27.7% on 30 June 2009) due to the increase in the operating margin and lower adjustments to the loan portfolio.
On the strength of the growth in operating income and in net fee and commission income and trading profits in particular, Banca Fideuram closed the half-year with a net income of 51 million euro, up 13.3% compared to 30 June 2009.
Eurizon Capital also closed the half-year with a considerably higher net income (+23.3% to 37 million euro), largely attributable to the recovery of fee and commission margins.

Significant events

Operations in the first half of 2010 continued to be shaped by a focus on those factors that the market considers important in the current scenario of instability: solidity, liquidity and risk profile.
In terms of ***solidity***, Intesa Sanpaolo – which has not turned to the market or government aid – is among those banking groups that best weathered the crisis of 2008 at the international level. Even in the current difficult scenario, the Group has an adequate capital base, and one of the lowest leverages when compared with the main international competitors: the ratio of total tangible shareholders’ equity to total tangible assets was 4.4% at the end of June.
Considering the use, effective as of 30 June 2010, of the internal approach for determining the credit risk requirement relating to the regulatory segment of residential mortgages for private individuals, at the end of the first half of the year the Core Tier 1 ratio came to 7.7%, the Tier 1 ratio to 8.9% and the total capital ratio to 12.2%. Pursuant to the requirements of Pillar 2 of the Basel II Accord, capital adequacy has also been measured from the management perspective. The results of the ICAAP process confirm the Group’s sound capital base: the financial resources available ensure, with adequate margins, coverage of all current and prospective risks, also in stress conditions.
The business model adopted by Intesa Sanpaolo also continues to ensure strong control of ***liquidity*** risk, largely thanks to the high contribution of retail funding to total funding sources. The stability of this source of funding, especially in the

form of demand deposits and bonds, continues to represent one of the Group's main strengths. Intesa Sanpaolo has adequate liquidity reserves, consisting of a high amount of eligible assets – a large proportion also being highly liquid – and overnight loans through repurchase agreements renewed continously, financed through short-term liabilities in the money market. The amount of these funds is established to cover the Bank's full operational requirements for a long period, also in the event of a sudden crisis in the wholesale market (money market and bond market).
With regard to ***risk profile***, Intesa Sanpaolo continues to act as a "Bank for the Country" focused on the commercial bank business model, in which domestic retail operations remain one key strength. The concentration of volumes and margins in Italy reflects extensive geographical coverage and a high, well-distributed market share. Overall, the International Subsidiary Banks Division accounts for approximately 13% of operating income and 8% of loans. With regard to operating income, the main contribution continues to come from net interest income and net fee and commission income, confirming the Group's orientation to commercial activity.
Credit quality is constantly monitored and optimisation of the risk/return profile is pursued by aligning loan disbursements to credit policies, which take into account the customer's specific risk profile, the customer's characteristics (size, industry, etc.), type of contract and any mitigating factors.
The incidence of non-performing loans, while increasing as a consequence of the spillover of the financial crisis into the real economy, remains at the expected levels. Doubtful loans have an adequate coverage ratio (more than 66%) and, net of adjustments, account for 1.7% of total net loans.
The financial instruments in the trading portfolio continue to show limited risk: the average VaR for the second quarter was 41 million euro.

With regard to the significant events during the period, in May, after obtaining the necessary authorisations, Intesa Sanpaolo finalised the sale of its securities services business to State Street Corp. for a consideration of about 1,750 million euro, of which about 1,280 million euro corresponds to the goodwill value, resulting in a net capital gain of 648 million euro and a goodwill release of around 540 million euro for the Intesa Sanpaolo Group, with a positive effect of 37 basis points on its Core Tier 1 ratio.
In addition, in June Intesa Sanpaolo and Crédit Agricole finalised terms and conditions of the agreement governing the sale to the Crédit Agricole Group of the entire stake held through the subsidiary Banca CR Firenze in Cassa di Risparmio della Spezia (80% of the capital), and 96 branches of the Group in Italy. The transaction is described in further detail in the chapter concerning information on relations with related parties.
Last, in June Intesa Sanpaolo and Banca Monte dei Paschi di Siena finalised the sale of 50 branches of Banca Monte dei Paschi di Siena to Banca CR Firenze for a consideration of 200 million euro.

The performance of stress tests by European financial institutions

In 2009, supervisory authorities and central banks launched prudential macro-supervision stress tests to assess the risks to which the banking industry and individual financial institutions are exposed.
In continuation of the experience in 2009, in March 2010 ECOFIN authorised the CEBS (Committee of European Banking Supervisors) to conduct a systemic stress test in coordination with the European Commission and the European Central Bank.
Following the tension on capital markets as a result of the Greek crisis, European supervisory authorities then decided to conduct a new stress test that would take account of the financial scenario and heightened sovereign risks and required the results to be published with the aim of providing the markets with information regarding the state of health of the European banking system.
Intesa Sanpaolo participated in both tests, which complement the risk management and control procedures and regular stress testing programmes set up in the Group under the Pillar 2 framework of the Basel II and CRD Directive (EC/2006/4 – Capital Requirements Directive) requirements and the national prudential rules of the Bank of Italy.
The exercises were conducted using the scenarios, methodology and key assumptions provided by CEBS.
In the latter test, under a what-if adverse scenario with an additional sovereign shock, the Intesa Sanpaolo Group estimated a Tier 1 ratio of 8.2% at year-end 2011 compared to the 8.3% ratio of year-end 2009 and the minimum level of 6% required for the purposes of this stress test, with a buffer of approximately 8.5 billion euro of Tier 1 capital against the threshold of the minimum capital adequacy ratio required for the purposes of this exercise.
Under a what-if adverse scenario with an additional sovereign shock, the Core Tier 1 ratio would stand at 7.1% at year-end 2011, the same levels as at year-end 2009.
This result does not imply any implementation of contingency actions on costs (in particular, a level of capital budget investment exceeding 1.5 billion euro is being maintained) nor does it take into account the expected benefit of more than 150 basis points from possible capital management actions on non-core assets (e.g. partial or full disposals, partnerships, listings) just reckoning the net benefit of about 40 basis points from the Group's capital management actions and acquisitions either finalised or being finalised after 31 December 2009.
Furthermore, that result has been achieved in spite of a write-down of sovereign bonds held for trading based on assumptions (haircut provided by supervisory authorities) of losses on securities with a residual life of 5 years, whereas the Group's portfolio of government bonds held for trading has an average residual life of just around one year.
That result stems from the course of action that the Intesa Sanpaolo Group has continued to implement since its foundation aimed at achieving sustainable profitability driven by strategic decisions concerning not only revenues and costs but also liquidity, capital solidity and a low risk profile.
The what-if stress exercise (under the adverse scenario with an additional sovereign shock) showed, in fact, that the Intesa Sanpaolo Group should be able to preserve its sustainable profitability generating resources of 17.8 billion euro for the

2010-2011 period thus broadly absorbing losses of overall 14.3 billion euro envisaged in the stress test due to loan adjustments, impairment on AFS equity instruments and trading losses.
Self-financing under the stress scenario (adverse scenario with an additional sovereign shock) assumes a dividend pay-out of a total amount of approximately 1.3 billion euro for the years 2010 and 2011, consistent with capital ratios exceeding 7% for the Core Tier 1 ratio and 8% for the Tier 1 ratio within a stress scenario.
Under the benchmark scenario, which brings the Core Tier 1 ratio to 8.5% and the Tier 1 ratio to 9.8% at year-end 2011, self-financing assumes a dividend pay-out of a total amount of approximately 2 billion euro for the years 2010 and 2011, in line with both the approximately one billion euro pay-out in 2010 for year 2009 and the calculation of capital ratios as at 30 June 2010 which had taken into account the dividend accrued in the first half of the year assuming the half-yearly quota of the amount paid for year 2009.
Under the what-if stress scenario (adverse scenario with an additional sovereign shock) the Core Tier 1 ratio stands at 7.1% at year-end 2011, the same level as at year-end 2009 as a result of on one hand a net negative impact of about 40 basis points following the what-if stress scenario and on the other of a net positive impact of equal size generated by the Group's capital management actions and acquisitions either finalised or in their finalisation stage after 31 December 2009:

- sale of the securities services business to State Street Corporation, finalised in May 2010 (positive impact of 37 basis points on the Core Tier 1 ratio);
- purchase of 50 branches from Banca Monte dei Paschi di Siena, finalised in June 2010 (negative impact of 9 basis points on the Core Tier 1 ratio);
- sale of Cassa di Risparmio della Spezia and 96 branches to the Crédit Agricole group, being finalised (expected positive impact of about 20 basis points on the Core Tier 1 ratio);
- purchase of 50% of Intesa Vita from the Generali group, in the finalisation stage (expected negative impact of 7 basis points on the Core Tier 1 ratio).

It should be noted that the foregoing figures, which have been obtained in various hypothetical macroeconomic scenarios, should be interpreted as the result of a theoretical exercise conducted solely for the purposes indicated by the supervisory authorities.
Accordingly, the results calculated in the benchmark and stress scenarios should not be construed as indicative of the Group's prospects for 2010 and 2011, especially as regards earnings, dividends and capital ratios.

Information on relations with related parties

Relations with related parties continued to be monitored attentively in the first half of 2010.
In this regard, in June Intesa Sanpaolo and Crédit Agricole finalised the terms and conditions of the agreement disclosed on 18 February 2010 governing the sale by Intesa Sanpaolo of the entire equity investment in Cassa di Risparmio della Spezia held through the subsidiary Banca CR Firenze (80% interest) and 96 Group branches in Italy to Crédit Agricole for a total cash consideration of approximately 740 million euro. The congruity of this consideration with marked conditions was confirmed by the fairness opinion issued by Deutsche Bank AG, acting as independent expert. The deal qualifies as a related-party transaction inasmuch as Crédit Agricole held a 5.163% of Intesa Sanpaolo's ordinary capital on 30 April 2010 (4.996% on 30 July 2010) and the corporate Group's rules have extended the preliminary and decision-making process for related-party transactions, on a self-regulation basis, to shareholders holding more than 2% of the Bank's capital with voting rights.
Except for the foregoing, no situations emerged other than those typical of standard bank relations with individual and corporate customers. The transactions fell within the scope of the ordinary activities and were as usual entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures defined for this purpose.
In particular, no transactions of an "atypical or unusual nature" were carried out, the relevance/importance of which might give rise to doubts with regard to the safety of the net shareholders' equity and the protection of minority shareholders.
For further details relative to the foregoing transaction and other transactions with related parties, see the specific chapter in the explanatory notes.

Forecast for the year

2010 seems set to be a year of economic recovery, supported by expansionary fiscal and monetary policies, but accompanied by rising unemployment, persistent production overcapacity and prevailing disinflationary pressures. Gross domestic product is expected to grow strongly only in emerging non-European countries, commodities exporters and the United States. However, a slowdown of global economic activity is expected in the second half of the year. The recovery in the eurozone, which enjoys less support from fiscal stimuli and intrinsically robust domestic demand, will be minimal and highly diversified.
In Italy GDP is expected to grow by approximately 1%. The resumption of growth will be stimulated first by the positive performance of foreign demand and the inventory cycle and then by the consolidation of domestic demand. Following the good performance in the first half of the year, the pace of growth should also slow in Italy in the second half of 2010.
Euromarket liquidity conditions will be kept extremely loose for the whole of 2010. At this time, it appears unlikely that the ECB will raise official rates. The scenario of abundant liquidity, slow growth and low inflation will favour the stability of medium and long-term rates, but will not rule out new pressures on credit spreads. Expectations regarding the tone of monetary policy and the performance of interbank interest rates mean that the scenario of rock-bottom bank rates and margins may continue throughout most of 2010.
Lending will gradually benefit from the improvement of the production cycle, while continuing to be affected by the sluggish growth of the economy, high unemployment and credit risk.
The reshaping of financial regulations should have important implications for intermediaries. In particular, ongoing changes to prudential rules on banks' capital and liquidity requirements make the context uncertain.
A gradual recovery in lending is foreseeable in the rest of the year, in line with the expectation of a resumption in economic activity. Due to the usual delay in the emergence of non-performing loans, adjustments to loans will continue to have a significant impact on banks' profitability throughout 2010.
Direct funding is expected to slow, following the brisk performance shown in 2009 against the backdrop of severe uncertainty for investors and in line with the gradual return to normality in money and capital market conditions, which should promote a shift in investments towards instruments that offer higher risk/return. The prospects for the asset management industry seem to be tied to market trends, especially regarding mutual funds. Life insurance is expected to continue the good performance of the first part of the year, with the exception of the possible effects of the new tax on technical reserves.

During the year, the Group will continue to prioritise sustainable profitability in the medium term by developing long-lasting client relationships, fine-tuning cost control and investments while at the same time monitoring asset quality, liquidity and its capital base.
Also in light of the results generated over the first six months of 2010, the Group is expected to register an improvement in net income for the year compared to 2009 due in particular to a reduction in operating costs, cost of credit and integration charges and to capital gains on capital management actions either finalised or in the finalisation stage.

The Intesa Sanpaolo Group

Intesa Sanpaolo

- Head Office Departments

Public Finance
- Banca Infrastrutture Innovazione e Sviluppo

Corporate and Investment Banking Division
- Banca IMI
- IMI Investimenti
- Intesa Sanpaolo Bank Ireland
- Leasint
- Mediofactoring
- Société Européenne de Banque

Banca dei Territori Division
- Intesa Sanpaolo
- Banca CR Firenze
- Banca dell'Adriatico
- Banca di Credito Sardo
- Banca di Trento e Bolzano
- Banco di Napoli
- Cassa dei Risparmi di Forlì e della Romagna
- Cassa di Risparmio del Friuli Venezia Giulia
- Cassa di Risparmio del Veneto
- Cassa di Risparmio di Venezia
- Cassa di Risparmio in Bologna
- Casse del Centro
- Banca Prossima
- Centrovita Assicurazioni
- EurizonTutela
- EurizonVita
- Intesa Previdenza
- Intesa Sanpaolo Private Banking
- Mediocredito Italiano
- Moneta
- Sirefid
- Sud Polo Vita

International Subsidiary Banks Division
- Banca Intesa
- Banca Intesa Beograd
- Bank of Alexandria
- Banka Koper
- CIB Bank
- Intesa Sanpaolo Bank Albania
- Intesa Sanpaolo Bank Romania
- Intesa Sanpaolo Banka Bosna i Hercegovina
- Pravex-Bank
- Privredna Banka Zagreb
- VUB Banka

Other Group Subsidiaries
- Banca Fideuram
- Eurizon Capital

Condensed Consolidated Half-yearly Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets		30.06.2010	31.12.2009	Changes	
				amount	%
10.	Cash and cash equivalents	4,749	8,412	-3,663	-43.5
20.	Financial assets held for trading	97,238	69,825	27,413	39.3
30.	Financial assets designated at fair value through profit and loss	23,317	21,965	1,352	6.2
40.	Financial assets available for sale	38,767	35,895	2,872	8.0
50.	Investments held to maturity	4,307	4,561	-254	-5.6
60.	Due from banks	48,480	43,242	5,238	12.1
70.	Loans to customers	374,801	374,033	768	0.2
80.	Hedging derivatives	9,321	7,008	2,313	33.0
90.	Fair value change of financial assets in hedged portfolios (+/-)	82	69	13	18.8
100.	Investments in associates and companies subject to joint control	3,085	3,059	26	0.8
110.	Technical insurance reserves reassured with third parties	34	38	-4	-10.5
120.	Property and equipment	5,182	5,291	-109	-2.1
130.	Intangible assets	25,856	25,789	67	0.3
	of which				
	- goodwill	*19,149*	*18,838*	*311*	*1.7*
140.	Tax assets	8,043	7,320	723	9.9
	a) current	*2,228*	*2,072*	*156*	*7.5*
	b) deferred	*5,815*	*5,248*	*567*	*10.8*
150.	Non-current assets held for sale and discontinued operations	35	6,552	-6,517	-99.5
160.	Other assets	11,744	11,785	-41	-0.3
Total Assets		**655,041**	**624,844**	**30,197**	**4.8**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2010	31.12.2009	Changes	
				amount	%
10.	Due to banks	49,510	43,369	6,141	14.2
20.	Due to customers	232,406	210,814	21,592	10.2
30.	Securities issued	180,373	185,243	-4,870	-2.6
40.	Financial liabilities held for trading	56,413	42,249	14,164	33.5
50.	Financial liabilities designated at fair value through profit and loss	23,756	25,887	-2,131	-8.2
60.	Hedging derivatives	6,994	5,179	1,815	35.0
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	2,111	1,513	598	39.5
80.	Tax liabilities	2,604	2,965	-361	-12.2
	a) current	*514*	*841*	*-327*	*-38.9*
	b) deferred	*2,090*	*2,124*	*-34*	*-1.6*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	9,723	-9,723	
100.	Other liabilities	17,207	15,755	1,452	9.2
110.	Employee termination indemnities	1,367	1,374	-7	-0.5
120.	Allowances for risks and charges	3,251	3,420	-169	-4.9
	a) post employment benefits	*367*	*512*	*-145*	*-28.3*
	b) other allowances	*2,884*	*2,908*	*-24*	*-0.8*
130.	Technical reserves	25,495	23,582	1,913	8.1
140.	Valuation reserves	-1,120	-430	690	
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	12,219	10,565	1,654	15.7
180.	Share premium reserve	33,102	33,102	-	-
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-4	-8	-4	-50.0
210.	Minority interests (+/-)	1,020	1,090	-70	-6.4
220.	Net income (loss)	1,690	2,805	-1,115	-39.8
Total Liabilities and Shareholders' Equity		**655,041**	**624,844**	**30,197**	**4.8**

Consolidated income statement

(millions of euro)

	1st half of 2010	1st half of 2009	Changes amount	Changes %
10. Interest and similar income	8,572	10,467	-1,895	-18.1
20. Interest and similar expense	-3,389	-4,714	-1,325	-28.1
30. Interest margin	**5,183**	**5,753**	**-570**	**-9.9**
40. Fee and commission income	3,212	2,882	330	11.5
50. Fee and commission expense	-617	-550	67	12.2
60. Net fee and commission income	**2,595**	**2,332**	**263**	**11.3**
70. Dividend and similar income	285	313	-28	-8.9
80. Profits (Losses) on trading	95	482	-387	-80.3
90. Fair value adjustments in hedge accounting	-84	29	-113	
100. Profits (Losses) on disposal or repurchase of	152	47	105	
a) loans	*-2*	*-7*	*-5*	*-71.4*
b) financial assets available for sale	*153*	*47*	*106*	
c) investments held to maturity	-	-	-	
d) financial liabilities	*1*	*7*	*-6*	*-85.7*
110. Profits (Losses) on financial assets and liabilities designated at fair value	53	-168	221	
120. Net interest and other banking income	**8,279**	**8,788**	**-509**	**-5.8**
130. Net losses / recoveries on impairment	-1,467	-1,786	-319	-17.9
a) loans	*-1,419*	*-1,647*	*-228*	*-13.8*
b) financial assets available for sale	*-47*	*-100*	*-53*	*-53.0*
c) investments held to maturity	-	-	-	
d) other financial activities	*-1*	*-39*	*-38*	*-97.4*
140. Net income from banking activities	**6,812**	**7,002**	**-190**	**-2.7**
150. Net insurance premiums	3,832	2,538	1,294	51.0
160. Other net insurance income (expense)	-4,009	-2,744	1,265	46.1
170. Net income from banking and insurance activities	**6,635**	**6,796**	**-161**	**-2.4**
180. Administrative expenses	-4,594	-4,692	-98	-2.1
a) personnel expenses	*-2,802*	*-2,827*	*-25*	*-0.9*
b) other administrative expenses	*-1,792*	*-1,865*	*-73*	*-3.9*
190. Net provisions for risks and charges	-197	-149	48	32.2
200. Net adjustments to / recoveries on property and equipment	-194	-194	-	-
210. Net adjustments to / recoveries on intangible assets	-357	-355	2	0.6
220. Other operating expenses (income)	252	261	-9	-3.4
230. Operating expenses	**-5,090**	**-5,129**	**-39**	**-0.8**
240. Profits (Losses) on investments in associates and companies subject to joint control	11	22	-11	-50.0
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	9	-1	10	
280. Income (Loss) before tax from continuing operations	**1,565**	**1,688**	**-123**	**-7.3**
290. Taxes on income from continuing operations	-533	-164	369	
300. Income (Loss) after tax from continuing operations	**1,032**	**1,524**	**-492**	**-32.3**
310. Income (Loss) after tax from discontinued operations	691	121	570	
320. Net income (loss)	**1,723**	**1,645**	**78**	**4.7**
330. Minority interests	-33	-57	-24	-42.1
340. Parent Company's net income (loss)	**1,690**	**1,588**	**102**	**6.4**
Basic EPS - Euro	**0.13**	**0.12**		
Diluted EPS - Euro	**0.13**	**0.12**		

Statement of consolidated comprehensive income

(millions of euro)

		1st half of 2010	1st half of 2009	Changes amount	Changes %
10.	**NET INCOME (LOSS)**	**1,723**	**1,645**	**78**	**4.7**
	Other comprehensive income (net of tax)				
20.	Financial assets available for sale	-529	516	-1,045	
30.	Property and equipment	-	-	-	
40.	Intangible assets	-	-	-	
50.	Hedges of foreign investments	-	-	-	
60.	Cash flow hedges	-318	-32	286	
70.	Foreign exchange differences	136	-118	254	
80.	Non-current assets held for sale	-	-	-	
90.	Actuarial gains (losses) on defined benefit plans	-	-	-	
100.	Share of valuation reserves connected with investments carried at equity	35	10	25	
110.	**Total other comprehensive income (net of tax)**	**-676**	**376**	**-1,052**	
120.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**1,047**	**2,021**	**-974**	**-48**
130.	**Total consolidated comprehensive income pertaining to minority interests**	**48**	**62**	**-14**	
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**999**	**1,959**	**-960**	

Changes in consolidated shareholders' equity as at 30 June 2010

(millions of euro)

	30.06.2010											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2010	**6,574**	**488**	**33,235**	**10,863**	**100**	**-419**	**-**	**-8**	**2,938**	**53,771**	*52,681*	*1,090*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR												
Reserves	**-**	**-**	**-**	**1,814**	**-**				**-1,814**	**-**	*-*	*-*
Dividends and other allocations [(a)]									**-1,124**	**-1,124**	*-1,043*	*-81*
CHANGES IN THE PERIOD												
Changes in reserves				**-97**	**-11**	**-**				**-108**	*-108*	*-*
Operations on shareholders' equity												
Issue of new shares	-	-	-	-	-			-		**-**	-	-
Purchase of treasury shares	-	-		-				4		**4**	*4*	-
Extraordinary dividends				-	-					**-**	-	-
Changes in equity instruments							-			**-**	-	-
Derivatives on treasury shares					-					**-**	-	-
Stock options					-					**-**	-	-
Other	-62	-	-11	37	-					**-36**	-	*-36*
Total comprehensive income for the period						**-676**			**1,723**	**1,047**	*1,000*	*47*
SHAREHOLDERS' EQUITY AS AT 30.06.2010	**6,512**	**488**	**33,224**	**12,617**	**89**	**-1,095**	**-**	**-4**	**1,723**	**53,554**	*52,534*	*1,020*
- Group	**6,162**	**485**	**33,102**	**12,130**	**89**	**-1,120**	**-**	**-4**	**1,690**	**52,534**		
- minority interests	**350**	**3**	**122**	**487**	**-**	**25**	**-**	**-**	**33**	**1,020**		

[(a)] The caption includes dividends and the amounts attributable to the Allowances for charitable contributions, as well as the dividends of consolidated companies attributable to minority interests.

Changes in consolidated shareholders' equity as at 30 June 2009

(millions of euro)

	30.06.2009											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2009	**6,622**	**488**	**33,230**	**8,360**	**101**	**-1,418**	**-**	**-11**	**2,682**	**50,054**	*48,954*	*1,100*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR												
Reserves	**-**	**-**	**-**	**2,596**	**-**				**-2,596**	**-**	-	-
Dividends and other allocations [(a)]									**-86**	**-86**	*-24*	*-62*
CHANGES IN THE PERIOD												
Changes in reserves				**-157**	**-**	**-**				**-157**	*-153*	*-4*
Operations on shareholders' equity												
Issue of new shares	-	-	-	-	-			-		**-**	-	-
Purchase of treasury shares			-	-				6		**6**	*6*	-
Extraordinary dividends				-	-					**-**	-	-
Changes in equity instruments							-			**-**	-	-
Derivatives on treasury shares					-					**-**	-	-
Stock options				-	-					**-**	-	-
Other	1		5		-					**6**	-	*6*
Total comprehensive income for the period						**376**			**1,645**	**2,021**	*1,959*	*62*
SHAREHOLDERS' EQUITY AS AT 30.06.2009	**6,623**	**488**	**33,235**	**10,799**	**101**	**-1,042**	**-**	**-5**	**1,645**	**51,844**	*50,742*	*1,102*
- Group	**6,162**	**485**	**33,102**	**10,350**	**101**	**-1,041**	**-**	**-5**	**1,588**	**50,742**		
- minority interests	**461**	**3**	**133**	**449**	**-**	**-1**	**-**	**-**	**57**	**1,102**		

[(a)] The caption includes dividends and the amounts attributable to the Allowances for charitable contributions, as well as the dividends of consolidated companies attributable to minority interests.

Consolidated statement of cash flows

(millions of euro)

	30.06.2010	30.06.2009
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**4,386**	**3,293**
- net income (+/-)	1,723	1,645
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	-383	-215
- gains/losses on hedging activities (-/+)	84	-29
- net losses/recoveries on impairment (+/-)	1,905	1,985
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	551	551
- net provisions for risks and charges and other costs/revenues (+/-)	267	242
- net insurance premiums to be collected (-)	-96	-3
- other insurance revenues/charges to be collected (-/+)	2,039	643
- taxes and duties to be settled (+)	-38	-1,213
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-1,666	-313
2. Cash flow from / used in financial assets	**-40,655**	**-6,772**
- financial assets held for trading	-27,200	-14,476
- financial assets designated at fair value through profit and loss	-940	-1,399
- financial assets available for sale	-3,497	-5,259
- due from banks: repayable on demand	-931	1,094
- due from banks: other	-4,305	5,052
- loans to customers	-1,186	9,427
- other assets	-2,596	-1,211
3. Cash flow from / used in financial liabilities	**32,234**	**1,781**
- due to banks: repayable on demand	828	-599
- due to banks: other	520	-3,845
- due to customers	20,868	5,039
- securities issued	-4,881	5,720
- financial liabilities held for trading	14,253	-4,543
- financial liabilities designated at fair value through profit and loss	-1,772	803
- other liabilities	2,418	-794
Net cash flow from (used in) operating activities	**-4,035**	**-1,698**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,888**	**537**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	25	25
- sales/reimbursements of investments held to maturity	254	331
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	1,609	181
2. Cash flow used in	**-425**	**-647**
- purchases of investments in associates and companies subject to joint control	-38	-397
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-75	-178
- purchases of intangible assets	-108	-72
- purchases of subsidiaries and business branches	-204	-
Net cash flow from (used in) investing activities	**1,463**	**-110**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	4	6
- share capital increases	-	-
- dividend distribution and other	-1,124	-24
Net cash flow from (used in) financing activities	**-1,120**	**-18**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-3,692**	**-1,826**
RECONCILIATION		
Cash and cash equivalents at beginning of period	8,412	7,835
Net increase (decrease) in cash and cash equivalents	-3,692	-1,826
Cash and cash equivalents: foreign exchange effect	29	-27
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,749**	**5,982**

LEGEND: (+) from (–) used in

EXPLANATORY NOTES

Accounting policies

General preparation principles

The "Half-yearly Report as at 30 June 2010" has been prepared, in consolidated form, in compliance with Art. 154-ter of Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission in EC Regulation 1606 of 19 July 2002. In particular, this Report is drawn up in compliance with IAS 34 requirements on interim reports.

Please note that the following Regulations were endorsed by the European Commission in 2009 and in the first half of 2010 for application effective in 2010:

– EC Regulation 460/2009 – International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 16: Hedges of a Net Investment in a Foreign Operation;
– EC Regulation 494/2009 – Amendments to the International Accounting Standard (IAS) 27: Consolidated and Separate Financial Statements;
– EC Regulation 495/2009 – Amendments to the International Financial Reporting Standard (IFRS) 3: Business Combinations;
– EC Regulation 839/2009 – Exposures Qualifying for Hedge Accounting (amendments to International Accounting Standard 39);
– EC Regulation 1136/2009 – Amendments to the International Financial Reporting Standard (IFRS) 1: First-time Adoption of International Financial Reporting Standards;
– EC Regulation 1142/2009 – International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 17: Distributions of Non-cash Assets to Owners;
– EC Regulation 1293/2009 – Amendments to the International Accounting Standard (IAS) 32: Financial Instruments – Presentation (application compulsory in 2011);
– Regulation 243/2010 – Amendments to International Financial Reporting Standards;
– Regulation 244/2010 – Amendments to International Financial Reporting Standard (IFRS) 2: Share-based payments;
– Regulation 550/2010 – Amendments to International Financial Reporting Standard (IFRS) 1: Additional Exemptions for First-time Adopters.

In further detail, Regulations 494 and 495 amending IAS 27 (and also IAS 28: Investments in Associates and IAS 31: Interests in Joint Ventures) and IFRS 3 make important changes to the European rules for business combinations and transactions involving equity interests.

In its 2009 Annual Report, the Group elected for early application of IAS 27 revised with respect to the sale of Findomestic and Esaote. Conversely, the application of the foregoing new Regulations did not have an effect on the preparation of the Half-yearly report as at 30 June 2010.

The accounting policies adopted in the preparation of the Report, for classification, recognition, measurement and derecognition of asset and liability captions, and the means of recognition of revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group's Annual report 2009, to which, therefore, reference must be made.

The preparation of the Half-yearly report requires the use of estimates and assumptions in the determination of certain cost and income components and for the measurement of assets and liabilities. Again reference must be made to the Annual report 2009 for the related description. Moreover, please note that in certain valuation processes, in particular the more complex ones, such as the asset impairment tests, these are generally performed completely at the time of preparation of the annual report, when all the necessary information is available, with the exception of the cases in which there are significant impairment indications which require the immediate valuation of losses.

Reconta Ernst & Young reviewed the condensed consolidated half-yearly financial statements. These financial statements are also complemented by the certification of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-*bis* of the Consolidated Law on Finance.

The Report, prepared in euro as the operating currency, is made up of the condensed consolidated financial statements, prepared in simplified form as permitted by IAS 34, and contains the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, the Statement of cash flows and the Explanatory notes to the report on operations. It is also complemented by information on significant events which occurred in the period, on the main risks and uncertainties faced in the remaining six months of the year, as well as information on significant related party transactions.

The amounts indicated in the Financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.

The Balance sheet as at 30 June 2010 includes solely real-estate units due for imminent disposal under non-current assets held for sale and discontinued operations.

The Income statement as at 30 June 2010 presents the net capital gains realised during the half-year on the sale of the securities services business to State Street Corp. on 17 May 2010 as well as the transferred business unit's economic effects among profits and losses of discontinued operations. Conversely, it was decided not to apply IFRS 5 to the sale of assets to Crédit Agricole under recent agreements (the equity investment in Cassa di Risparmio della Spezia and 96 branches), inasmuch as the transaction does not constitute the sale of a business or a relevant component of a business.
The comparative income statement figures for the period ended 30 June 2009 have been restated from those previously reported in compliance with IFRS 5, to account for the aforesaid transactions classified in Non-current assets held for sale and discontinued operations. As was already the case in the Annual Report 2009, tax recoveries have also been restated in the income statement from "other administrative expenses" (as a reduction thereof) to "other operating income" in accordance with the provisions of the update to the Bank of Italy's instructions for financial statements (Circular 262) of November 2009.
The effects of the restatements discussed above are shown in the reconciliations included among the attachments.
The Statement of cash flows presents the effects on the 2010 cash flows generated by the sale of the securities services business among cash provided by the sale of subsidiaries of business units. If the figures as at 30 June 2009 are restated to account for the effects of the foregoing transaction, the cash used in operating activity would have come to 2,597 million euro and the cash provided by investing activity to 789 million euro.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated Half-yearly report includes Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, comprising – as specifically set out by IAS/IFRS – also the companies operating in sectors dissimilar to the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
No significant changes have occurred with respect to the position as at 31 December 2009, with the exception of the aforementioned sale of the securities services business, which was completed in May.
In addition, balance sheet aggregates as at 30 June 2010 reflect the acquisition by Cassa di Risparmio di Firenze of 50 branches (primarily located in the provinces of Siena, Grosseto, Arezzo and Lucca) from Banca Monte dei Paschi di Siena, completed on 11 June 2010. The price paid was 200 million euro and is subject to adjustment on the basis of the performance of funding and lending between the date of execution of the contract and 30 September 2010.
When preparing the 2010 Half-yearly report, the difference between the price and book value (equal to the price inasmuch as shareholders' equity is nil in the balance-sheet situation for the branches subject to disposal) was temporarily allocated to goodwill, under IFRS 3, pending the final allocation by year-end.
At the effective date of the transaction, the business line had 0.7 billion euro in direct customer deposits, 1.4 billion euro in indirect customer deposits and approximately 1.4 billion euro in loans to customers.
Certain extraordinary intragroup transactions carried out in the first half of 2010, which as such had no effects on the consolidated income statement, are also reported; they consisted in transfers of businesses or shareholdings between Intesa Sanpaolo Group companies (under common control). Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply transferred line-by-line in the individual statements of the companies involved, without recognition of any economic effect. In particular:

- the merger by incorporation of ZAO Banca Intesa Closed Joint Stock Company into KMB Bank, which changed its name to Banca Intesa Closed Joint Stock Company, was completed;
- Eurizon Vita contributed the business line serving the financial advisors' networks of Banca Fideuram and Sanpaolo Invest to Fideuram Vita;
- a business line was sold by the consortium Intesa Sanpaolo Group Services to Intesa Sanpaolo, with the aim of subsequently transferring the securities services business to State Street;
- Banca di Trento e Bolzano undertook several transactions involving sales and contributions of business units aimed at completing the geographical reorganisation process initiated in September 2009. In further detail, these transactions consisted of the contribution of two private-banking branches to Intesa Sanpaolo Private Banking, the sale of three branches based in the provinces of Brescia to the Parent Company and, lastly, the contribution of ten branches based in the provinces of Belluno, Treviso and Verona to Cassa di Risparmio del Veneto.

The equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds 42.5%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group 2009 Annual Report to which reference should therefore be made.

The financial statements of the Parent Company and of other companies used to prepare the Report as at 30 June 2010 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and always in cases of marginal relevance – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.
The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the condensed consolidated Half-yearly Report as at 30 June 2010.

Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
A. CONSOLIDATED COMPANIES					
Parent Company					
Intesa Sanpaolo S.p.A. Capital Euro 6,646,547,922.56 in shares of Euro 0.52	Torino				
A. 1 Companies subject to full consolidation					
1 Adriano Finance S.r.l. (c) Capital Euro 15.000	Roma	4	Intesa Sanpaolo	5.00	
2 Adriano Finance 2 S.r.l. (c) Capital Euro 10.000	Milano	4	Intesa Sanpaolo	5.00	
3 Arten Sicav (d)	Luxembourg	4	EurizonLife	87.45	
4 B.I. Private Equity Ltd Capital Euro 100.000	Dublin	1	Private Equity International	100.00	
5 Banca C.R. Firenze Romania S.A. Capital RON 143.624.550	Bucharest	1	Cassa di Risparmio di Firenze	88.47	
6 Banca dell'Adriatico S.p.A. Capital Euro 272.652.000	Pesaro	1	Intesa Sanpaolo	100.00	
7 Banca di Credito Sardo S.p.A. Capital Euro 258.276.569,35	Cagliari	1	Intesa Sanpaolo	100.00	
8 Banca di Trento e Bolzano S.p.A. (e) Capital Euro 63.315.704,40	Trento	1	Intesa Sanpaolo Finanziaria B.T.B.	20.18 55.79	
				75.97	
9 Banca Fideuram S.p.A. Capital Euro 186.255.207,16	Roma	1	Intesa Sanpaolo	100.00	
10 Banca IMI S.p.A. Capital Euro 962.464.000	Milano	1	Intesa Sanpaolo	100.00	
11 Banca Imi Securities Corp Capital Usd 44.500.000	New York	1	Imi Capital Markets USA Corp.	100.00	
12 Banca Infrastrutture Innovazione e Sviluppo S.p.A. Capital Euro 346.300.000	Roma	1	Intesa Sanpaolo	100.00	
13 Banca Intesa (Closed Joint-Stock Company) (formerly KMB Bank) (q) Capital RUB 10.820.180.800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	39.76 46.98	
				86.74	
14 Banca Intesa a.d., Beograd (f) Capital RSD 18.477.400.000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21	
				93.00	
15 Banca Prossima S.p.A. Capital Euro 80.000.000	Milano	1	Intesa Sanpaolo	100.00	
16 Banco di Napoli S.p.A. Capital Euro 1.000.000.000	Napoli	1	Intesa Sanpaolo	100.00	
17 Bank of Alexandria S.A.E. (g) Capital EGP 800.000.000	Cairo	1	Intesa Sanpaolo	80.00	70.25
18 Banka Koper d.d. (h) Capital Euro 22.173.218,16	Koper	1	Intesa Sanpaolo	97.44	
19 Brivon Hungary Zrt Capital HUF 5.000.000	Budapest	1	Recovery Real Estate Management	100.00	
20 Canova Sicav (d)	Luxembourg	4	EurizonLife	99.35	
21 Cassa dei Risparmi di Forlì e della Romagna S.p.A. Capital Euro 214.428.465	Forlì	1	Intesa Sanpaolo	76.43	
22 Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital Euro 210.263.000	Gorizia	1	Intesa Sanpaolo	100.00	
23 Cassa di Risparmio del Veneto S.p.A. Capital Euro 787.869.000	Padova	1	Intesa Sanpaolo	100.00	
24 Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49.407.056,31	Viterbo	1	Casse del Centro	75.81	82.02
25 Cassa di Risparmio della Spezia S.p.A. Capital Euro 98.155.000	La Spezia	1	Cassa di Risparmio di Firenze	80.00	
26 Cassa di Risparmio di Ascoli Piceno S.p.A. Capital Euro 70.755.020	Ascoli Piceno	1	Casse del Centro	66.00	
27 Cassa di Risparmio di Città di Castello S.p.A. Capital Euro 23.750.000	Città di Castello	1	Casse del Centro	82.19	
28 Cassa di Risparmio di Civitavecchia S.p.A. Capital Euro 34.505.380	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
29 Cassa di Risparmio di Firenze S.p.A. (i) Capital Euro 828.836.017	Firenze	1	Intesa Sanpaolo	89.71	
30 Cassa di Risparmio di Foligno S.p.A. Capital Euro 17.720.820	Foligno	1	Casse del Centro	70.47	

Name	Registered office	Type of relationship (a)	Investment: direct ownership	Investment: % held	Votes available % (b)
31 Cassa di Risparmio di Pistoia e Pescia S.p.A. (j) Capital Euro 141.987.825	Pistoia	1	Cassa di Risparmio di Firenze	58.83	60.00
32 Cassa di Risparmio di Rieti S.p.A. Capital Euro 47.339.291	Rieti	1	Casse del Centro	85.00	
33 Cassa di Risparmio di Spoleto S.p.A. Capital Euro 42.489.053	Spoleto	1	Casse del Centro	60.13	
34 Cassa di Risparmio di Terni e Narni S.p.A. Capital Euro 21.000.000	Terni	1	Casse del Centro	75.00	
35 Cassa di Risparmio di Venezia S.p.A. Capital Euro 284.536.000	Venezia	1	Intesa Sanpaolo	100.00	
36 Cassa di Risparmio in Bologna S.p.A. Capital Euro 696.692.000	Bologna	1	Intesa Sanpaolo	100.00	
37 Casse del Centro S.p.A. Capital Euro 774.240.078	Spoleto	1	Cassa di Risparmio di Firenze	100.00	
38 Centro Factoring S.p.A. Capital Euro 25.200.000	Firenze	1	Cassa di Risparmio di Firenze	41.77	
			Centro Leasing	14.95	
			Intesa Sanpaolo	10.81	
			Cassa di Risparmio di Pistoia e Pescia	5.73	
			Cassa di Risparmio della Spezia	0.16	
			Cassa dei Risparmi di Forlì e della Romagna	0.11	
				73.53	
39 Centro Leasing Rete S.p.A. Capital Euro 1.500.000	Firenze	1	Centro Leasing	100.00	
40 Centro Leasing S.p.A. Capital Euro 155.020.051,50	Firenze	1	Cassa di Risparmio di Firenze	30.10	
			Cassa di Risparmio di Pistoia e Pescia	7.09	
			Leasint	51.00	
				88.19	
41 Centrovita Assicurazioni S.p.A. Capital Euro 52.000.000	Firenze	1	Intesa Sanpaolo	51.00	
42 Centurion Financial Services Ltd Capital BAM 1.049.126,50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
43 Cib Bank Ltd Capital HUF 105.000.000.000	Budapest	1	Intesa Sanpaolo Holding International	93.48	
			Intesa Sanpaolo	6.52	
				100.00	
44 CIB Car Trading LTD Capital HUF 10.000.000	Budapest	1	Recovery Real Estate Management	100.00	
45 CIB Credit Ltd Capital HUF 50.000.000	Budapest	1	CIB Leasing	98.00	
			CIB Real Estate	2.00	
				100.00	
46 CIB Factor Financial Service Ltd Capital HUF 103.500.000	Budapest	1	CIB Real Property Utilisation and Services	50.00	
			CIB Support	50.00	
				100.00	
47 CIB Insurance Broker Ltd Capital HUF 10.000.000	Budapest	1	CIB Leasing	100.00	
48 CIB Investment Fund Management Ltd Capital HUF 600.000.000	Budapest	1	Cib Bank	94.98	
			CIB REAL Property Utilisation and Services	5.02	
				100.00	
49 CIB Leasing Ltd Capital HUF 50.000.000	Budapest	1	CIB Rent Operative Leasing	100.00	
50 CIB New York Broker Zrt Capital HUF 20.025.000	Budapest	1	Cib Bank	100.00	
51 CIB Property Ltd Capital HUF 52.000.000	Budapest	1	CIB Leasing	100.00	
52 CIB Real Estate Ltd Capital HUF 51.000.000	Budapest	1	Cib Bank	100.00	
53 CIB REAL Property Utilisation and Services Ltd Capital HUF 50.000.000	Budapest	1	Cib Bank	51.68	
			CIB Support	48.32	
				100.00	
54 CIB Rent Operative Leasing Ltd Capital HUF 800.000.000	Budapest	1	Cib Bank	100.00	
55 CIB Residential Property Leasing Ltd Capital HUF 50.020.000	Budapest	1	CIB Leasing	100.00	
56 CIB Support LTD Capital HUF 50.000.000	Budapest	1	Cib Bank	100.00	
57 CIL Buda Square Ltd Capital HUF 500.000	Budapest	1	Recovery Real Estate Management	100.00	

	Name	Registered office	Type of relationship (a)	Investment: direct ownership	Investment: % held	Votes available % (b)
58	CIL - FOOD 2006 Ltd Capital HUF 3.000.000	Budapest	1	Recovery Real Estate Management	100.00	
59	Cimabue Sicav (d)	Luxembourg	4	EurizonLife	100.00	
60	Consumer Finance Holding a.s. Capital Euro 53.110.277	Kezmarok	1	Vseobecna Uverova Banka	100.00	
61	CSB Plaza Ingatlanhasznosito Kft Capital HUF 500.000	Budapest	1	Recovery Real Estate Management	100.00	
62	Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo	-	
63	Epsilon Associati SGR S.p.A. Capital Euro 5.200.000	Milano	1	Eurizon Capital SGR	100.00	
64	Equiter S.p.A. Capital Euro 150.000.000	Torino	1	Intesa Sanpaolo	100.00	
65	Eurizon A.I. SGR S.p.A. Capital Euro 4.420.000	Milano	1	Eurizon Capital SGR Intesa Sanpaolo	90.00 10.00 100.00	
66	Eurizon Capital S.A. Capital Euro 7.557.200	Luxembourg	1	Eurizon Capital SGR	100.00	
67	Eurizon Capital S.G.R. S.p.A. Capital Euro 95.010.000	Milano	1	Intesa Sanpaolo	100.00	
68	Eurizon Vita S.p.A. Capital Euro 295.322.508	Torino	1	Intesa Sanpaolo	99.96	
69	EurizonLife Ltd Capital Euro 625.000	Dublin	1	Eurizon Vita	100.00	
70	EurizonTutela S.p.A. Capital Euro 27.912.258	Torino	1	Eurizon Vita	100.00	
71	Euro-Tresorerie S.A. Capital Euro 250.038.322,20	Paris	1	Financière Fideuram	100.00	
72	Fideuram Asset Management (Ireland) Ltd Capital Euro 1.000.000	Dublin	1	Banca Fideuram	100.00	
73	Fideuram Bank (Monaco) S.A.M. Capital Euro 5.000.000	Monaco	1	Fideuram Bank Luxembourg	99.96	
74	Fideuram Bank (Suisse) S.A. Capital CHF 15.000.000	Lugano	1	Fideuram Bank Luxembourg	100.00	
75	Fideuram Bank Luxembourg S.A. Capital Euro 30.000.000	Luxembourg	1	Banca Fideuram	100.00	
76	Fideuram Fiduciaria S.p.A. Capital Euro 1.551.000	Roma	1	Banca Fideuram	100.00	
77	Fideuram Fund Bond Euro High Yield (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	82.31 3.10 85.41	
78	Fideuram Fund Bond Usa (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	84.31 0.14 84.45	
79	Fideuram Fund Bond Yen (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	92.90 0.22 93.12	
80	Fideuram Fund Equity Europe Growth (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	95.66 3.60 99.26	
81	Fideuram Fund Equity Europe Value (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	96.05 3.50 99.55	
82	Fideuram Fund Equity Euro (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	80.92 1.39 82.31	
83	Fideuram Fund Equity Euro Corporate Bond (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	51.79 2.87 54.66	
84	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita Eurizon Vita	76.59 1.69 78.28	

Name		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
85	Fideuram Fund Equity Italy (d)	Luxembourg	4	Fideuram Vita	86.84	
				Eurizon Vita	1.84	
					88.68	
86	Fideuram Fund Equity Japan (d)	Luxembourg	4	Fideuram Vita	78.19	
				Eurizon Vita	1.74	
					79.93	
87	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Fideuram Vita	59.47	
				Eurizon Vita	1.27	
					60.74	
88	Fideuram Fund Equity Usa (d)	Luxembourg	4	Fideuram Vita	77.26	
				Eurizon Vita	1.32	
					78.58	
89	Fideuram Fund Equity Usa Growth (d)	Luxembourg	4	Fideuram Vita	95.82	
				Eurizon Vita	3.38	
					99.20	
90	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Fideuram Vita	95.84	
				Eurizon Vita	3.38	
					99.22	
91	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Fideuram Vita	91.33	
				Eurizon Vita	1.29	
					92.62	
92	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Fideuram Vita	68.25	
				Eurizon Vita	3.41	
					71.66	
93	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Fideuram Vita	75.26	
				Eurizon Vita	3.82	
					79.08	
94	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Fideuram Vita	73.05	
				Eurizon Vita	3.74	
					76.79	
95	Fideuram Fund Euro Short Term (d)	Luxembourg	4	Fideuram Vita	53.29	
				Eurizon Vita	1.83	
					55.12	
96	Fideuram Fund Zero Coupon 2010 (d)	Luxembourg	4	Fideuram Vita	99.80	
				Eurizon Vita	0.02	
					99.82	
97	Fideuram Fund Zero Coupon 2011 (d)	Luxembourg	4	Fideuram Vita	96.99	
				Eurizon Vita	0.01	
					97.00	
98	Fideuram Fund Zero Coupon 2012 (d)	Luxembourg	4	Fideuram Vita	98.44	
99	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Fideuram Vita	99.71	
100	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Fideuram Vita	99.30	
101	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Fideuram Vita	99.54	
102	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Fideuram Vita	100.00	
103	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Fideuram Vita	100.00	
104	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Fideuram Vita	100.00	
105	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Fideuram Vita	100.00	
106	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Fideuram Vita	100.00	
107	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Fideuram Vita	100.00	
108	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Fideuram Vita	100.00	
109	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Fideuram Vita	100.00	
110	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Fideuram Vita	100.00	
111	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Fideuram Vita	100.00	
112	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Fideuram Vita	100.00	
113	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Fideuram Vita	100.00	
114	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Fideuram Vita	100.00	
115	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Fideuram Vita	100.00	
116	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Fideuram Vita	100.00	
117	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Fideuram Vita	100.00	
118	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Fideuram Vita	100.00	
119	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Fideuram Vita	100.00	
120	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Fideuram Vita	100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
121	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Fideuram Vita	100.00	
122	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Fideuram Vita	100.00	
123	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Fideuram Vita	100.00	
124	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Fideuram Vita	100.00	
125	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Fideuram Vita	100.00	
126	Fideuram Fund Zero Coupon 2040 (d)	Luxembourg	4	Fideuram Vita	99.25	
127	Fideuram Gestions S.A. Capital Euro 10.000.000	Luxembourg	1	Banca Fideuram Fideuram Vita	99.94 0.06 100.00	
128	Fideuram Investimenti S.G.R. S.p.A. Capital Euro 25.850.000	Roma	1	Banca Fideuram	99.50	
129	Fideuram Vita S.p.A. Capital Euro 356.946.836	Roma	1	Eurizon Vita	100.00	
130	Financière Fideuram S.A. Capital Euro 346.761.600	Paris	1	Banca Fideuram	100.00	
131	Finanziaria B.T.B. S.p.A. Capital Euro 56.832.921,60	Trento	1	Intesa Sanpaolo	99.29	
132	Finor Leasing d.o.o. Capital Euro 2.044.700	Koper	1	Banka Koper	100.00	
133	Focus Rendimento Assoluto 5 Anni (d)	Milano	4	Eurizon Capital SGR	64.01	
134	Fondo Caravaggio Sicav (d)	Luxembourg	4	EurizonLife	99.41	
135	Fondo Bond GBP (d)	Luxembourg	4	EurizonLife Centrovita Assicurazioni Sud Polo Vita Eurizon Vita	29.21 16.21 9.57 3.32 58.31	
136	Fondo Bond JPY (d)	Luxembourg	4	EurizonLife Centrovita Assicurazioni Sud Polo Vita Eurizon Vita	40.71 3.90 13.28 0.55 58.44	
137	Fondo Flexible Strategy (d)	Luxembourg	4	Eurizon Vita Fideuram Vita	66.56 33.42 99.98	
138	Fondo Total Return Alpha Strategy (d)	Luxembourg	4	Eurizon Vita Fideuram Vita	54.55 26.12 80.67	
139	Hotel Wien Kereskedelmi SFT Capital HUF 500.000	Budapest	1	Recovery Real Estate Management	100.00	
140	IMI Capital Markets USA Corp. Capital USD 5.000	New York	1	IMI Investments	100.00	
141	IMI Finance Luxembourg S.A. Capital Euro 100.000	Luxembourg	1	IMI Investments	100.00	
142	IMI Fondi Chiusi S.G.R. S.p.A. Capital Euro 2.000.000	Bologna	1	IMI Investimenti	100.00	
143	IMI Investimenti S.p.A. Capital Euro 579.184.200	Bologna	1	Intesa Sanpaolo	100.00	
144	IMI Investments S.A. Capital USD 30.000.000	Luxembourg	1	Banca IMI	100.00	
145	Immobiliare Nuova Sede S.r.L. Capital Euro 51.480	Firenze	1	Cassa di Risparmio di Firenze	100.00	
146	Infogroup S.c.p.A. Capital Euro 4.352.000	Firenze	1	Cassa di Risparmio di Firenze Intesa Sanpaolo Cassa di Risparmio di Pistoia e Pescia Cassa di Risparmio di Civitavecchia Intesa Sanpaolo Group Services altre quote minori	65.45 31.07 2.76 0.69 0.01 0.02 100.00	
147	Intesa Funding LLC Capital USD 10.000	Wilmington	1	Intesa Sanpaolo	100.00	
148	Intesa Global Finance Company Ltd Capital Euro 100.000	Dublin	1	Intesa Sanpaolo Holding International	100.00	
149	Intesa Investimenti S.p.A. Capital Euro 1.000.000.000	Milano	1	Intesa Sanpaolo	100.00	
150	Intesa Lease Sec S.r.l. Capital Euro 60.000	Milano	1	Intesa Sanpaolo	60.00	

Name		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
151	Intesa Leasing d.o.o. Beograd Capital RSD 960.374.301	Belgrade	1	Banca Intesa Beograd CIB Leasing	98.70 1.30 100.00	
152	Intesa Preferred Capital Company L.L.C. Capital Euro 46.000.000	Dover	1	Intesa Sanpaolo	100.00	
153	Intesa Previdenza - Società di Intermediazione Mobiliare S.p.A. Capital 15.300.000	Milano	1	Intesa Sanpaolo	78.53	
154	Intesa Real Estate S.r.l. Capital Euro 4.625.000	Milano	1	Intesa Sanpaolo	100.00	
155	Intesa Sanpaolo Bank Albania Sh.A. (l) Capital ALL 5.562.517.674	Tirana	1	Intesa Sanpaolo	92.22	100.00
156	Intesa Sanpaolo Bank Ireland Plc Capital Euro 400.500.000	Dublin	1	Intesa Sanpaolo	100.00	
157	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital BAM 44.782.000	Sarajevo	1	Intesa Sanpaolo Holding International	87.46	
158	Intesa Sanpaolo Card d.o.o. - Ljubljana (formerly Centurion Financne Storitve) Capital Euro 5.618.761	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
159	Intesa Sanpaolo Card d.o.o. - Zagreb Capital HRK 30.863.400	Zagreb	1	Banka Koper Privredna Banka Zagreb Intesa Sanpaolo Holding International	15.34 33.34 51.32 100.00	
160	Intesa Sanpaolo Group Services S.c.p.A. Capital Euro 272.057.000	Torino	1	Intesa Sanpaolo Banca Fideuram Cassa di Risparmio del Veneto Cassa di Risparmio di Firenze Banco di Napoli Banca Imi altre quote minori	99.87 0.01 0.01 0.01 0.01 0.01 0.08 100.00	
161	Intesa Sanpaolo Holding International S.A. Capital Euro 4.911.412.142	Luxembourg	1	Intesa Sanpaolo	100.00	
162	Intesa Sanpaolo Immobilière S.A. Capital Euro 250.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
163	Intesa Sanpaolo Private Bank (Suisse) S.A. Capital CHF 20.000.000	Lugano	1	Société Européenne de Banque	99.98	
164	Intesa Sanpaolo Private Banking S.p.A. Capital Euro 104.245.200	Milano	1	Intesa Sanpaolo	100.00	
165	Intesa Sanpaolo Real Estate S.A. Capital Euro 2.940.476	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
166	Intesa Sanpaolo Romania S.A. Commercial Bank (m) Capital Ron 376.111.110	Arad	1	Intesa Sanpaolo	99.50	
167	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Capital Euro 1.032.000	Milano	1	Intesa Sanpaolo	100.00	
168	Intesa Sec. 2 S.r.l. Capital Euro 15.000	Milano	1	Intesa Sanpaolo	60.00	
169	Intesa Sec. 3 S.r.l. Capital Euro 70.000	Milano	1	Intesa Sanpaolo	60.00	
170	Intesa Sec. Npl S.p.A. Capital Euro 129.000	Milano	1	Intesa Sanpaolo	60.00	
171	Intesa Sec. S.p.A. Capital Euro 100.000	Milano	1	Intesa Sanpaolo	60.00	
172	IntesaBci Preferred Capital Company L.L.C. III (n) Capital Euro 11.000.000	Wilmington	1	Intesa Sanpaolo	100.00	
173	IntesaBci Preferred Securities Investor Trust Capital Euro 1.000	Newark	1	IntesaBci Preferred Capital Company III	100.00	
174	Inversiones Mobiliarias S.A.- IMSA Capital PEN 7.941.112,83	Lima	1	Intesa Sanpaolo	99.40	
175	ISP CB Pubbico S.r.l. Capital Euro 120.000	Milano	1	Intesa Sanpaolo	60.00	
176	KMB - Leasing (Closed Joint-Stock Company) Capital RUB 3.000.000	Moscow	1	Banca Intesa (Closed Joint-Stock Company)	100.00	
177	Lanchid Palota Ingatlanfejleszto es Uzemeleteto Capital HUF 500.000	Budapest	1	Recovery Real Estate Management	100.00	
178	Leasint S.p.A. Capital Euro 172.043.500	Milano	1	Intesa Sanpaolo	100.00	
179	Lelle SPC - Real Estate investment and trading co. Capital HUF 270.100.000	Budapest	1	Recovery Real Estate Management	100.00	

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180	Levanna Sicav (d)	Luxembourg	4	EurizonLife	100.00	
181	Lima Sudameris Holding S.A. in liquidazione Capital PEN 168.190.806,15	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13	
					100.00	
182	Lunar Funding V Plc (k)	Dublin	4	Banca Infrastrutture Innovazione e Sviluppo	-	
183	Lux Gest Asset Management S.A. Capital Euro 200.000	Luxembourg	1	Société Européenne de Banque	100.00	
184	Medimurska Banka d.d. Capital HRK 127.900.000	Čakovec	1	Privredna Banka Zagreb	100.00	
185	Mediocredito Italiano S.p.A. Capital Euro 572.043.495	Milano	1	Intesa Sanpaolo	100.00	
186	Mediofactoring S.p.A. Capital Euro 220.000.000	Milano	1	Intesa Sanpaolo	100.00	
187	Moneta S.p.A. Capital Euro 109.830.000	Bologna	1	Intesa Sanpaolo	100.00	
188	Neos Finance S.p.A. Capital Euro 142.518.306	Bologna	1	Intesa Sanpaolo	100.00	
189	Obudai Dunapart Office Building Center Ltd Capital HUF 2.330.000.000	Budapest	1	Cil Buda Square	100.00	
190	PBZ Card d.o.o. Capital HRK 43.422.200	Zagreb	1	Privredna Banka Zagreb	100.00	
191	PBZ Invest d.o.o. Capital HRK 5.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
192	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
193	PBZ Nekretnine d.o.o. Capital HRK 3.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
194	PBZ Stambena Stedionica d.d. Capital HRK 115.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
195	Pravex Bank Public Joint-Stock Company Commercial Bank Capital UAH 1.561.622.589	Kiev	1	Intesa Sanpaolo	100.00	
196	Private Equity International S.A. Capital Euro 553.953.000	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10	
					100.00	
197	Privredna Banka Zagreb d.d. Capital HRK 1.907.476.900	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
198	Recovery a.s. Capital Euro 33.200	Bratislava	1	Vseobecna Uverova Banka	100.00	
199	Recovery Real Estate Management Ltd Capital HUF 3.000.000	Budapest	1	Cib Bank	100.00	
200	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
201	Sanpaolo IMI Bank (International) S.A. Capital Euro 17.500.000	Funchal	1	Intesa Sanpaolo	100.00	
202	Sanpaolo IMI Capital Company I L.l.c. (o) Capital Euro 45.001.000	Wilmington	1	Intesa Sanpaolo	100.00	
203	Sanpaolo International Formulas Fund (d)	Luxembourg	4	EurizonLife	100.00	
204	Sanpaolo Invest Ireland Ltd Capital Euro 500.000	Dublin	1	Banca Fideuram	100.00	
205	Sanpaolo Invest SIM S.p.A. Capital Euro 15.264.760	Roma	1	Banca Fideuram	100.00	
206	Servitia S.A. Capital Euro 1.500.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
207	Setefi S.p.A. Capital Euro 8.450.000	Milano	1	Moneta	100.00	
208	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital Euro 2.600.000	Milano	1	Intesa Sanpaolo	100.00	
209	Société Européenne de Banque S.A. Capital Euro 45.000.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
210	SP Lux Sicav II (d)	Luxembourg	4	EurizonLife	93.09	
211	Split 2 S.r.l. (p)	Treviso	4	Leasint	-	
212	SPQR II S.r.l. (k)	Roma	4	Banca Infrastrutture Innovazione e Sviluppo	-	
213	Sud Polo Vita S.p.A. Capital Euro 84.464.122,20	Torino	1	Intesa Sanpaolo Eurizon Vita	98.80 1.18	
					99.98	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
214	Sudameris S.A. Capital Euro 49.671.600	Paris	1	Intesa Sanpaolo Holding International	99.87	
215	Tiepolo Sicav (d)	Luxembourg	4	EurizonLife	100.00	
216	Vseobecna Uverova Banka a.s. Capital Euro 430.819.063,81	Bratislava	1	Intesa Sanpaolo Holding International	96.76	
217	VUB Asset Management Sprav. Spol a.s. Capital Euro 1.660.000	Bratislava	1	Vseobecna Uverova Banka	100.00	
218	VUB Factoring a.s. Capital Euro 2.232.334	Bratislava	1	Vseobecna Uverova Banka	100.00	
219	VUB Leasing a.s. Capital Euro 16.600.000	Bratislava	1	Vseobecna Uverova Banka	100.00	
220	VUB Poistovaci Makler s.r.o. Capital Euro 16.597	Bratislava	1	VUB Leasing	100.00	

(a) Type of relationship:
1 - majority of voting rights at Ordinary Shareholders' Meeting;
2 - dominant influence at Ordinary Shareholders' Meeting;
3 - agreements with other Shareholders;
4 - other forms of control;
5 - unitary management pursuant to Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management pursuant to Art. 26.1 of "Legislative Decree 87/92";
7 - joint control.

(b) Available voting rights at Ordinary Shareholders' Meeting. Voting rights are presented only if other than the equity stake held in the company's capital.

(c) Company for which the Group holds the majority of risks and benefits (SIC12).

(d) Collective investment entity in which the Group holds the majority of risks and benefits (SIC 12).

(e) Please note that there is a put option sold/call option purchased from minority shareholders on 10.43% of share capital.

(f) Please note that there is a put option sold/call option purchased from minority shareholders on 7% of share capital.

(g) In March 2009, 9.75% of the share capital of Bank of Alexandria (BOA) was sold to International Finance Corporation (IFC) with the concurrent signing by the parties of a Put&Call Agreement covering the portion sold by Intesa Sanpaolo. It should be noted that, based on the contractual clauses underlying the transaction and failing to meet IFRS recognition criteria, the percentage of equity investment includes the portion sold, while voting rights were transferred to the buyer.

(h) Minority shareholders are subject to a legal commitment to purchase the remaining 2.56% of share capital.

(i) Please note that there is a put option sold from minority shareholders on 10.29% of share capital.

(j) Please note that there is a put option sold/call option purchased from minority shareholders on 32.90% of ordinary shares.

(k) Company for which the Group holds the majority of risks and benefits (SIC 12); the group does not hold any equity stake in the share capital.

(l) Please note that there is a put option sold/call option purchased from minority shareholders on 7.78% of the share capital. The disposal of a 1.39% stake in favour of Società Italiana per le Imprese all'Estero (the Italian company for businesses abroad - SIMEST) finalised in July 2006 did not lead to the derecognition of the related shareholding in light of the contractual clauses which characterise the transaction.

(m) The Parent Company holds options for the acquisition of the remaining 0.50% of the stake.

(n) Considering the "preferred shares" issued for a total of 500,000,000 euro the equity stake equals 2.15%.

(o) Considering the "preferred shares" issued for a total of 1,000,000,000 euro the equity stake equals 4.31%.

(p) SDS - Società a Destinazione Specifica (special purpose entity) for the securitisation of leasing loans (pursuant to Law 130 of 30 April 1999) (SIC 12); the group does not hold any equity stake in the share capital.

(q) Please note that there is a put option sold/call option purchased from minority shareholders on 13.25% of share capital.

Main risks and uncertainties

As already indicated in the 2009 report, in Document 2 of 6 February 2008 and Document 4 of 3 March 2010, the Bank of Italy, Consob and Isvap made certain remarks on the conditions faced (at that time) by the markets and businesses, requesting the disclosure in financial reports of specific data deemed essential to provide a clearer picture of companies' performance and prospects.
On the basis of those recommendations and in reference to the going-concern assumption, it should be noted that the Half-yearly report as at 30 June 2010 has been prepared on a going-concern basis, since there were no reasons not to believe that the Company will continue to operate in the foreseeable future. Indeed, no uncertainties have been detected either in the asset and financial structure or in the performance of operations such as to cast doubt on this subject. Detailed information of the risks and uncertainties faced by the Intesa Sanpaolo Group is provided in this Report. In further detail, the chapter on the macroeconomic scenario contains a description of the risks associated with the trends in the global economy and capital markets and the actions taken by supranational authorities. Specific analyses are devoted to the performance and prospects of Italy's economy and finances. Lastly, further information is contained in the chapter on the development of operations and in the subsequent notes to the income statement and balance sheet aggregates.
Financial and operational risks are detailed in the Notes on risk management. The same chapter also provides detailed information on the fair value measurement methods applied to financial instruments and the various measurement levels, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged finance transactions, hedge fund investments and derivatives transactions with customers.

Equity investments, securities available for sale, intangible assets and goodwill were also thoroughly tested for impairment losses when preparing the Half-yearly report through analyses involving the verification of the presence of impairment indicators and the determination of any write-down.
In further detail, equity investments and securities available for sale were tested for impairment in order to assess whether there is objective evidence to consider that the carrying value of such assets may not be fully recoverable by adopting the same methods and criteria illustrated in the Annual report 2009, to which reference should be made. The tests resulted in the need to recognise a total of 47 million euro in adjustments to certain securities available for sale.
Intangible assets with finite useful lives, consisting of the asset-management and insurance portfolios and core deposits, the amounts of which (a total of 3,820 million euro as at 30 June 2010) have also been gradually amortised, were tested by analysing variables relevant to the measurement of such assets. In particular:

- the asset volume trends for the various product types were analysed, indicating an increase compared to 31 December 2009. It was also verified that the default rate for the assets was in line with the projections incorporated into the estimates of recoverable amount prepared for impairment testing in the Annual Report 2009. Since not all of the core deposits measured derive from acquisitions, the current volumes are considerably higher than the amounts measured at fair value in conjunction with business combinations;
- the performance of the various products' individual profitability levels was analysed, also focusing on any asset shifts between products with different profitability levels. This analysis indicated that the profitability levels measured in December 2009 had remained stable and, in some cases, improved slightly. Core deposits were the only product type to show lower profitability as a result of a lower mark-down. In addition, this decrease applies to a rather limited holding period when compared to the intangible measurement period (18-24 years);
- the discount rates for cash flows were analysed without detecting any material changes with respect to the rates used in impairment testing in the Annual Report 2009.

The analysis of the foregoing indicators thus did not yield any critical factors compared to the situation and estimate of recoverable amount prepared for the Annual Report 2009. Accordingly, there was no need to recognise adjustments to intangible assets. In addition, it should be noted that the recoverable amount determined at the end of 2009 exceeded the carrying amount (in some cases to a considerable extent) and that the carrying amount has since decreased by a total of 251 million euro owing to the amortisation for the half-year.

Intangible assets with indefinite useful lives, represented by the brand name (2,384 million euro as at 30 June 2010) and goodwill (19,149 million euro as at 30 June 2010), were analysed in order to verify whether there were indications that they had become impaired and thus whether the recoverable amounts of the various CGUs needed to be re-determined. In particular:

- the analyses of the macroeconomic scenario for Italy and the various other countries in which the Group operates were updated using highly regarded specialised external sources and the Group's Studies and Research Service in relation to the estimation of separate projected cash flows for the three years 2010-2012. This update did not indicate the need for any material changes to the projections employed when conducting the impairment testing for the Annual Report 2009. The only change in the macroeconomic projections deserving of mention pertains to the performance of interest rates, which are now expected to recover and rise in late 2011 rather than in early 2011. This analysis, in conjunction with the lack of other new factors that might affect the development of the businesses of the various CGUs and the confirmation of the results for the first six months of 2010, indicates that slight contractions in cash flows are only possible in the near term, without significant impacts on the medium/long term;
- the indicators of cash flow growth rates beyond the forecasting period of the analysis used in impairment tests for previous financial statements were updated in order to estimate terminal value. In further detail, the "g" rate was re-determined for each CGU by considering the expected average growth rate for each country's GDP for the period 2008-2012, in line with the 2009 impairment testing. As disclosed in the Annual Report 2009, the resulting rates are extremely prudent inasmuch as they are lower than the average projected rates for 2010-2012 and are even negative in real terms for several countries (including Italy). The "g" rates thus updated present marginally lower values than

those used in the 2009 impairment testing (from 1.44% to 1.38% in nominal terms for Italy and from 6.89% to 6.61% in nominal terms for the weighted average for other countries);
- cash-flow discounting rates have been updated on the basis of the new information available. The new figures generally present a reduction in the risk-free component, an increase in the country-risk component and a slight change (in some cases an increase and in others a decrease) in the beta factor. Compared to the rates used in the 2009 impairment testing, slight decreases (approximately 20 hundredths of a point) were shown by the CGUs Banca dei Territori and Eurizon Capital and slight increases (between 10 and 20 hundredths of a point) by the CGUs Corporate and Investment Banking, Banca Fideuram and Public Finance. The weighted average rates for international subsidiary banks decreased by approximately 50 hundredths of a point.

The foregoing analyses did not yield any critical factors that would have had a material impact on the recoverable amounts of the various CGUs as determined for impairment testing in the Annual Report 2009. In addition, in-depth sensitivity analyses of both discount rates and growth rates for terminal value and projected cash flows were also conducted for the Annual Report 2009. These analyses, to which reference should be made, indicated that there were margins for the stability of carrying amounts even in the event of the use of rates less prudent than those employed and of cash flows based on more cautious macroeconomic scenarios. The analyses only indicated lower margins for one CGU, Eurizon Capital. However, the re-determined recoverable amount of that CGU was up slightly compared to the end of 2009.
The results of the foregoing analyses thus confirm the recognised amounts. In addition, it may be remarked that market values, equal to the price of the security, and therefore to the stock market capitalisation, remain lower than net book value.
As already remarked in the Annual Report 2009, this market valuation has characteristics that differentiate it from a "basic" assessment consisting of the value in use.
The price of Intesa Sanpaolo's stock continues to be affected by capital market conditions that generally remain depressed and highly volatile. In further detail, like the rest of the banking industry, it is penalised by the sovereign debt crisis and concerns regarding the solidity and liquidity of the financial system generally, in addition to uncertainties concerning the impacts of the prospected new capital requirements.
Conversely, the value in use is based on the logic that the value of an asset is a direct expression of the cash flows it is able to generate throughout the period of its use. This value is thus also based on the internal expectations of the company and on the specific synergies the company is able to achieve, as opposed to market valuations, which are instead pegged to the short-term expectations of the market itself and only consider the so-called universal synergies.
Accordingly, it is appropriate to confirm the conclusions formulated in the Annual Report 2009 regarding the fact that the ongoing crisis affects expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group's primary sources of income and competitive edges.

Other information

Subsidiaries incorporated and subject to the laws of non-EU member states

In accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, Consob has set certain conditions for the listing of companies that control companies incorporated and subject to the laws of non-EU member states (Art. 36 Market Regulation). Pursuant to Art. 2.6.2, paragraph 12 of the Regulation of Markets managed and organised by Borsa Italiana S.p.A., Borsa Italiana (the Italian stock exchange) has also required that at the time of approval of the Parent Company's financial statements, the Management Board of a company controlling non-EU companies declares in its Report on operations whether or not the conditions set out in Art. 36, paras. a), b) and c) of the Market Regulation are met. Intesa Sanpaolo's declaration to this effect can be found in the Annual Report 2009. In this respect, no acquisitions were completed in the first half of 2010 concerning companies registered in non-EU countries which, considered independently, are of material significance to the regulations in question.

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is thus consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured into six business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, Public Finance, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition to these operating areas there are two support structures: Group Treasury and the Head office departments concentrated in the Corporate Centre.
Contrary to the situation described in the Annual Report 2009, the Banca CR Firenze Group, including the Casse del Centro banks, was assigned to divisions following the integration of their information technology systems. The eleven banks in the group based in Firenze were segmented by making the criteria for allocating customers to portfolios consistent with those of the other Group banks. Product companies were allocated according to the centre of responsibility.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the Consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a

contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions of the Parent Company.
Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product factories/service units and relationship entities/customer units. Each segment has been charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges have been calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.
Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.
Each business area is also assigned the allocated capital, represented by the capital absorption on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the instructions issued by the Bank of Italy in compliance with the Basel 2 regulations. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

Subsequent events

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

In early July, Intesa Sanpaolo launched a 1.25 billion euro subordinated Lower Tier-II Eurobond targeted at international markets. The transaction is part of the optimisation of total regulatory capital valid in the calculation of the total capital ratio and allowed the Bank to take advantage of favourable market conditions, also in light of the similar issues nearing maturity. The ten-year, fixed-rate bond was issued as part of Intesa Sanpaolo's Euro Medium Term Notes Programme. The coupon, payable annually in arrears on 16 July of each year from and including 16 July 2011 up to the maturity date, is equal to 5.15%. Considering that it was re-offered below par, the total yield to maturity for the investor is 5.19% p.a., equivalent to the 10-year midswap rate plus 230 basis points. The bond was placed to professional investors and international financial intermediaries and is listed on the Luxembourg Stock Exchange and, as usual, traded on the over-the-counter market.

Economic results

General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the period. To enable consistent comparison between the two periods, 2009 interim income statement figures and the figures for the respective quarters of 2009 are restated, where necessary, to account for components classified under non-current assets held for sale and discontinued operations and changes in the scope of consolidation.

The restated financial statements are obtained by making appropriate adjustments to historical data to retroactively reflect the significant effects of such changes. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities are not considered, as they are deemed irrelevant. Lastly, please note that no intragroup relations are netted since their amount is not significant.

Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the Consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business are recorded under a specific caption. The adjustment of the technical reserve associated with the impairment of securities available for sale in the portfolio of the Group’s insurance companies was also attributed to this caption;
- differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among net interest income effective this Report owing to the close correlation;
- Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading to reflect the close correlation generated by the market situation;
- Profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities are included in Profits (Losses) on trading;
- Profits (losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recovery of expenses, taxes and duties have been subtracted from administrative expenses instead of being included among other operating income; conversely, direct taxes, based on the entity's taxable capacity rather than calculated on the basis of parameters other than current taxable income, have been reclassified from Other administrative expenses to Taxes on income from continuing operations;
- Profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- Net impairment losses on other financial activities (caption 130d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- net impairment losses of property, equipment and intangible assets has been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express depreciation and amortisation – to Net impairment losses on other assets, which includes Net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (Losses) on investments held to maturity and on other investments, after the deduction of net income from investments carried at equity which is posted in a specific caption in Operating income;
- merger and restructuring-related charges are reclassified, net of the tax effect, from Personnel expenses, Administrative expenses and, to a lesser extent, from other captions of the income statement to a separate caption;
- the economic effect of purchase price allocation, net of the tax effect, is indicated in a specific caption. It represents adjustments and any impairment to financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3.

Reclassified income statement

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Net interest income	4,863	5,417	-554	-10.2
Dividends and profits (losses) on investments carried at equity	34	30	4	13.3
Net fee and commission income	2,807	2,517	290	11.5
Profits (Losses) on trading	215	546	-331	-60.6
Income from insurance business	294	188	106	56.4
Other operating income (expenses)	22	26	-4	-15.4
Operating income	**8,235**	**8,724**	**-489**	**-5.6**
Personnel expenses	-2,737	-2,741	-4	-0.1
Other administrative expenses	-1,513	-1,561	-48	-3.1
Adjustments to property, equipment and intangible assets	-291	-312	-21	-6.7
Operating costs	**-4,541**	**-4,614**	**-73**	**-1.6**
Operating margin	**3,694**	**4,110**	**-416**	**-10.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-184	-132	52	39.4
Net adjustments to loans	-1,552	-1,814	-262	-14.4
Net impairment losses on other assets	-43	-79	-36	-45.6
Profits (Losses) on investments held to maturity and on other investments	11	15	-4	-26.7
Income (Loss) before tax from continuing operations	**1,926**	**2,100**	**-174**	**-8.3**
Taxes on income from continuing operations	-658	-293	365	
Merger and restructuring-related charges (net of tax)	-43	-86	-43	-50.0
Effect of purchase price allocation (net of tax)	-193	-197	-4	-2.0
Income (Loss) after tax from discontinued operations	691	121	570	
Minority interests	-33	-57	-24	-42.1
Net income	**1,690**	**1,588**	**102**	**6.4**

Figures restated, where necessary, considering the changes in the scope of consolidation.

Quarterly development of the reclassified income statement

(millions of euro)

	2010		2009			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,456	2,407	2,487	2,582	2,758	2,659
Dividends and profits (losses) on investments carried at equity	27	7	-2	18	36	-6
Net fee and commission income	1,404	1,403	1,497	1,327	1,301	1,216
Profits (Losses) on trading	-3	218	129	447	439	107
Income from insurance business	128	166	133	116	124	64
Other operating income (expenses)	-	22	29	-7	5	21
Operating income	**4,012**	**4,223**	**4,273**	**4,483**	**4,663**	**4,061**
Personnel expenses	-1,367	-1,370	-1,456	-1,390	-1,351	-1,390
Other administrative expenses	-779	-734	-888	-743	-810	-751
Adjustments to property, equipment and intangible assets	-148	-143	-202	-166	-156	-156
Operating costs	**-2,294**	**-2,247**	**-2,546**	**-2,299**	**-2,317**	**-2,297**
Operating margin	**1,718**	**1,976**	**1,727**	**2,184**	**2,346**	**1,764**
Goodwill impairment	-	-	-	-	-	-
Net provisions for risks and charges	-98	-86	-99	-66	-63	-69
Net adjustments to loans	-798	-754	-1,069	-823	-1,081	-733
Net impairment losses on other assets	-38	-5	-160	4	-72	-7
Profits (Losses) on investments held to maturity and on other investments	1	10	517	13	15	-
Income (Loss) before tax from continuing operations	**785**	**1,141**	**916**	**1,312**	**1,145**	**955**
Taxes on income from continuing operations	-307	-351	-169	-498	-476	183
Merger and restructuring-related charges (net of tax)	-27	-16	-84	-44	-38	-48
Effect of purchase price allocation (net of tax)	-101	-92	-90	-98	-102	-95
Income (Loss) after tax from discontinued operations	663	28	27	21	16	105
Minority interests	-11	-22	-57	-19	-32	-25
Net income	**1,002**	**688**	**543**	**674**	**513**	**1,075**

Figures restated, where necessary, considering the changes in the scope of consolidation.

In a scenario that continues to be thoroughly dominated by uncertainty regarding the strength and continuity of the economic recovery and to show tension concerning the creditworthiness and financial condition of several European countries, resulting in bear capital market performances, the Intesa Sanpaolo Group achieved a 6.4% increase in net income in the first six months of 2010 compared to the first half of 2009.

Operating income

The Group reported an operating income of 8,235 million euro in the first half of 2010, down 5.6% compared to the same period of the previous year.

The trend that emerges from a comparison of the two periods was essentially the consequence of the decline in net interest income (-10.2%), attributable to lower market rates, and of the profits (losses) on trading (-60.6%). Conversely, there were increases in fee and commission income (+11.5%) owing to the positive performance of management and dealing and in income from the insurance business (+56.4%).

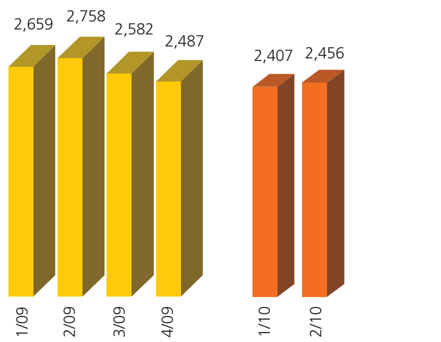
Operating income came to 4,012 million euro in the second quarter of 2010, 211 million euro less than in the first quarter (4,223 million euro). This decrease is primarily attributable to the fall in profits on trading (a loss of 3 million euro compared to a profit of 218 million euro in the first quarter), penalised by capital market turbulence, whereas the core business showed an increase in interests and stable fees and commissions compared to the first three months of the year.

Net interest income

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Relations with customers	5,202	7,112	-1,910	-26.9
Securities issued	-2,614	-3,174	-560	-17.6
Differentials on hedging derivatives	1,233	474	759	
Customer dealing	**3,821**	**4,412**	**-591**	**-13.4**
Financial assets held for trading	339	439	-100	-22.8
Investments held to maturity	63	94	-31	-33.0
Financial assets available for sale	220	266	-46	-17.3
Financial assets	**622**	**799**	**-177**	**-22.2**
Relations with banks	**110**	**-92**	**202**	
Non-performing assets	**357**	**348**	**9**	**2.6**
Other net interest income	**-47**	**-50**	**-3**	**-6.0**
Net interest income	**4,863**	**5,417**	**-554**	**-10.2**

Quarterly development of net interest income



Figures restated, where necessary, considering the changes in the scope of consolidation.

The downturn in net interest already seen in 2009 continued. Net interest income, which is the main revenue caption, came to 4,863 million euro, down 10.2% compared to the first half of 2009. The rate decrease that continued in the first half of the year yielded spreads at minimum levels, resulting particularly in a sharp decline in the mark-down on deposits.
This factor was exacerbated by the impact of the elimination of overdraft charges effective June 2009 and the effect of the disintermediation of volumes on the asset side.
Net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, came to 3,821 million euro, down 591 million euro compared to the first half of 2009, despite the broadly positive contribution of hedging differentials used to achieve partial protection against the decline in interest rates. In addition, the stability of that component (which represents the core business) in the second quarter of the year compared to the two previous quarters may be viewed as a positive factor.
Net interest on the interbank market came to a positive 110 million euro in the first half of the year compared to a negative 92 million euro as at 30 June 2009 owing to the average borrowings from banks reported in the first half of 2009 and the higher cost of funding.
Net interest income on financial assets was down 22.2% owing primarily to the decrease in returns on trading.

	2010		Changes	
	Second quarter	First quarter	amount	%
Relations with customers	2,562	2,640	-78	-3.0
Securities issued	-1,298	-1,316	-18	-1.4
Differentials on hedging derivatives	637	596	41	6.9
Dealing with customers	**1,901**	**1,920**	**-19**	**-1.0**
Financial assets held for trading	178	161	17	10.6
Investments held to maturity	32	31	1	3.2
Financial assets available for sale	114	106	8	7.5
Financial assets	**324**	**298**	**26**	**8.7**
Relations with banks	**60**	**50**	**10**	**20.0**
Non-performing assets	**186**	**171**	**15**	**8.8**
Other net interest income	**-15**	**-32**	**-17**	**-53.1**
Net interest income	**2,456**	**2,407**	**49**	**2.0**

Figures restated, where necessary, considering the changes in the scope of consolidation.

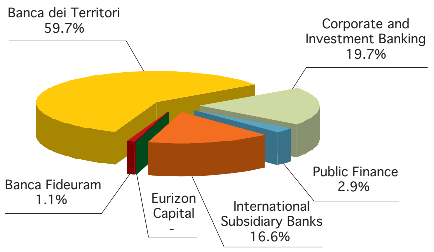
However, there was a 2% increase in net interest income in the second quarter compared to the first quarter primarily due to the rise in margins on financial assets.

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Banca dei Territori	2,914	3,233	-319	-9.9
Corporate and Investment Banking	964	1,027	-63	-6.1
Public Finance	142	222	-80	-36.0
International Subsidiary Banks	809	717	92	12.8
Eurizon Capital	-	1	-1	
Banca Fideuram	56	85	-29	-34.1
Total business areas	**4,885**	**5,285**	**-400**	**-7.6**
Corporate Centre	-22	132	-154	
Intesa Sanpaolo Group	**4,863**	**5,417**	**-554**	**-10.2**

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



Banca dei Territori, which accounts for 60% of business area results, recorded a 9.9% decrease in net interest income, mainly because of the reduced mark-down on deposits and the elimination of overdraft charges. A more limited decline by amount was also reported by Public Finance (-80 million euro) due to the reduction in spreads, which in the first half of 2009 had benefited from the liquidity characteristics of assets in a scenario of sharply falling market rates, by Corporate and Investment Banking (-63 million euro), in connection with the decrease in average loan volumes, and by Banca Fideuram (-29 million euro), primarily due to the reduction in the spread on deposits. Conversely, the International Subsidiary Banks showed an increase in net interest income (+92 million euro), benefiting from the positive effects of the measurement of the hedging derivatives transactions undertaken by the subsidiary CIB Bank, which was also favoured by an appreciation in exchange rates.

Dividends and profits on investments carried at equity

Dividends and profits on investments carried at equity came to 34 million euro in the first six months of 2010, of which 25 million euro was represented by the dividend collected on the investment in the Bank of Italy and 9 million euro in investments carried at equity attributable to Intesa Vita, Penghua Fund Management, Bank of Quingdao and Telco. The caption was essentially stable compared to the 30 million euro in profits reported in the same period of the previous year. Please note that the dividends relate to non-consolidated companies, excluding those on shares held for trading and securities available for sale recorded under Profits (Losses) on trading.

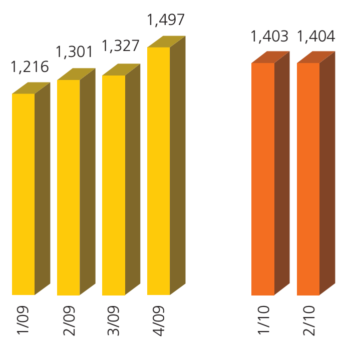
Net fee and commission income

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Guarantees given	167	147	20	13.6
Collection and payment services	165	169	-4	-2.4
Current accounts	453	407	46	11.3
Credit and debit cards	220	200	20	10.0
Commercial banking activities	**1,005**	**923**	**82**	**8.9**
Dealing and placement of securities	260	205	55	26.8
Currency dealing	27	27	-	-
Portfolio management	596	493	103	20.9
Distribution of insurance products	374	331	43	13.0
Other	65	61	4	6.6
Management, dealing and consultancy activities	**1,322**	**1,117**	**205**	**18.4**
Other net fee and commission income	**480**	**477**	**3**	**0.6**
Net fee and commission income	**2,807**	**2,517**	**290**	**11.5**

Figures restated, where necessary, considering the changes in the scope of consolidation.

Quarterly development of net fee and commission income



Net fee and commission income, which represents over 30% of operating income, amounted to 2,807 million euro, up 11.5% compared to the first half of 2009, due largely to the positive performances of the dealing and management of financial products.

Fees and commissions on commercial banking activities rose to 1,005 million euro in the period (+8.9% compared to the first six months of 2009). The upturn was the result of the contribution of commissions on current accounts (+46 million euro), which benefited from the commitment fee introduced in the second half of 2009, credit and debit card services and guarantees given (+20 million euro for both captions). Conversely, commissions on collection and payment services fell slightly (-4 million euro), owing in part to the unfavourable economic climate and the consequent contraction of consumption.

Management, dealing and consultancy activities overall generated net fee and commission income of 1,322 million euro,

up 18.4% with respect to the first half of 2009, chiefly due to portfolio management (+103 million euro), most markedly collective schemes, which benefited from net inflows and the appreciation of assets under management, financial product placement (+55 million euro) and commissions on distribution of insurance products (+43 million euro).
Other net fee and commission income amounted to 480 million euro, substantially in line with the first half of 2009. The main component of this caption refers to fees and commissions on loans, followed by fees and commissions on factoring and other banking services.

(millions of euro)

	2010		Changes	
	Second quarter	First quarter	amount	%
Guarantees given	82	85	-3	-3.5
Collection and payment services	84	81	3	3.7
Current accounts	226	227	-1	-0.4
Credit and debit cards	111	109	2	1.8
Commercial banking activities	**503**	**502**	**1**	**0.2**
Dealing and placement of securities	117	143	-26	-18.2
Currency dealing	14	13	1	7.7
Portfolio management	303	293	10	3.4
Distribution of insurance products	188	186	2	1.1
Other	27	38	-11	-28.9
Management, dealing and consultancy activities	**649**	**673**	**-24**	**-3.6**
Other net fee and commission income	**252**	**228**	**24**	**10.5**
Net fee and commission income	**1,404**	**1,403**	**1**	**0.1**

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation.

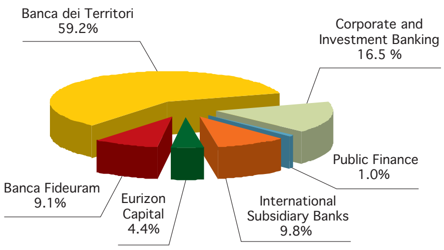
On a quarterly level, net fee and commission income for the second quarter was essentially stable compared to the first quarter, while still in excess of the average achieved in 2009 and, in particular, of the results for the first three quarters. It was only in the fourth quarter of last year that higher results were reported owing to the effect of the overperformance commissions recorded by Eurizon Capital and Banca Fideuram at year-end.

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Banca dei Territori	1,687	1,549	138	8.9
Corporate and Investment Banking	471	432	39	9.0
Public Finance	29	18	11	61.1
International Subsidiary Banks	278	264	14	5.3
Eurizon Capital	125	118	7	5.9
Banca Fideuram	258	198	60	30.3
Total business areas	**2,848**	**2,579**	**269**	**10.4**
Corporate Centre	-41	-62	-21	-33.9
Intesa Sanpaolo Group	**2,807**	**2,517**	**290**	**11.5**

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



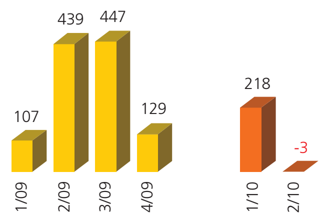
All business units contributed to the increase in the Group's net fee and commission income compared to the first half of 2009 (+11.5%). In detail, the greatest contribution was made by Banca dei Territori (+8.9%), which represents 59% of the total fee and commission income earned by all business units, driven by the strong performance of asset management, the greater placement of bankassurance products, along with the introduction of the commitment fee. Increases in net fee and commission income were also reported by Banca Fideuram (+30.3%), driven by the rise in average assets under management and the repositioning of the product mix to favour management products with a less conservative risk profile, as well as by Corporate and Investment Banking (+9%), thanks to the development of collection, payment, credit facility and guarantee services to Italian and international corporates. More moderate increases by amount were reported by the International Subsidiary Banks (+14 million euro), Public Finance (+11 million euro), owing to revenue growth on services and the structuring of project finance transactions, and Eurizon Capital (+7 million euro), driven by the rise in average assets under management.

Profits (Losses) on trading

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Interest rates	-56	396	-452	
Equity instruments	-39	102	-141	
Currencies	178	124	54	43.5
Structured credit products	37	-75	112	
Credit derivatives	36	-2	38	
Commodity derivatives	-1	6	-7	
Trading result	**155**	**551**	**-396**	**-71.9**
Trading on AFS securities and financial liabilities	**60**	**-5**	**65**	
Profits (Losses) on trading	**215**	**546**	**-331**	**-60.6**

Quarterly development of profits (losses) on trading



Figures restated, where necessary, considering the changes in the scope of consolidation.

Trading activities, which are the component of operations most exposed to market volatility, yielded a profit of 215 million euro in the first half of 2010 compared to the 546 million euro reported in the first half of the previous year.
The downward trend was largely caused by the decrease in transactions involving interest rates and equity instruments: the former caption (involving debt securities and interest rate derivatives) showed a negative balance of -56 million euro, whereas trading of equity instruments yielded a loss of -39 million euro.
Conversely, structured credit products recorded a positive balance of 37 million euro, representing a considerable improvement over the negative figure (-75 million euro) reported in the first half of 2009. For a more detailed illustration of such products, reference should be made to the chapter regarding risk management.
Positive results were also achieved by currency and currency derivatives transactions, which generated a profit of 178 million euro, up by over 40% compared to the first half of 2009.
It should be noted that this caption also incorporates dividends and proceeds on the trading of securities classified as available for sale and the effects of the measurement at fair value of the component of financial liabilities issued associated with an assessment of creditworthiness related to the fair value option. Collectively, these results came to a positive 60 million euro.

(millions of euro)

	2010		Changes	
	Second quarter	First quarter	amount	%
Interest rates	-125	69	-194	
Equity instruments	-63	24	-87	
Currencies	94	84	10	11.9
Structured credit products	10	27	-17	-63.0
Credit derivatives	40	-4	44	
Commodity derivatives	-1	-	1	-
Trading result	**-45**	**200**	**-245**	
Trading on AFS securities and financial liabilities	**42**	**18**	**24**	
Profits (Losses) on trading	**-3**	**218**	**-221**	

Figures restated, where necessary, considering the changes in the scope of consolidation.

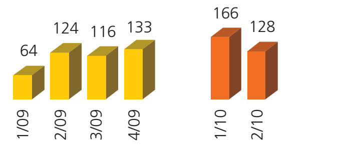
The quarterly performance of profits (losses) on trading shows considerable fluctuations, owing in part to the differing performances of financial markets in the two quarters compared: a profit of 218 million euro in the first quarter and a loss of 3 million euro in the second quarter, largely due to the negative impact of measurements.

Income from insurance business

(millions of euro)

	30.06.2010			30.06.2009			Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Premiums and payments [(a)]	-114	49	-65	-168	54	-114	-49	-43.0
net premiums	*3,753*	*79*	*3,832*	*2,465*	*72*	*2,537*	*1,295*	*51.0*
net charges for claims and surrendering of policies	*-1,941*	*-30*	*-1,971*	*-1,966*	*-18*	*-1,984*	*-13*	*-0.7*
net charges for changes in technical reserves	*-1,926*	*-*	*-1,926*	*-667*	*-*	*-667*	*1,259*	
Net income from financial instruments designated at fair value through profit and loss [(b)]	200	-	200	280	-	280	-80	-28.6
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [(c)]	445	7	452	307	5	312	140	44.9
Other income/charges from insurance business[(d)]	-254	-39	-293	-249	-41	-290	3	1.0
Income from insurance business	**277**	**17**	**294**	**170**	**18**	**188**	**106**	**56.4**

Quarterly development of income from insurance business



Figures restated, where necessary, considering the changes in the scope of consolidation.

[(a)] The caption includes collections, payments and provisions for the integration of reserves referred solely to products considered insurance products for IAS/IFRS purposes. The corresponding items regarding products which do not present these characteristics are, instead, accounted for using the same method as for financial movements. The related economic components are included in the caption Net income from financial instruments designated at fair value through profit and loss.

[(b)] The caption includes net income from the measurement of assets and liabilities connected to products considered financial products for IAS/IFRS purposes and those deriving from the measurement of assets accounted for applying the Fair Value Option.

[(c)] The caption registers realised profits and interest / dividends collected on financial assets covering products considered insurance products for IAS/IFRS purposes and on the trading portfolio of the insurance company.

[(d)] The caption includes all other income / charges connected to products considered insurance products for IAS/IFRS purposes, including commission expense.

During the first half of 2010, income from the insurance business, which includes the revenue captions of the Group's life and non-life companies, was 294 million euro, up sharply compared to the 188 million euro earned in the same period of the previous year.
This improvement may be attributed in particular to the positive performance of financial management, which gave rise to capital gains, and of traditional policies placed by bank branch networks. The insurance companies benefited from dynamic portfolio management aimed at seeking the best investment opportunities by favouring those offering high coupon yields. Technical management benefited from the release of supplementary reserves.
The non-life business's result remained essentially stable.

(millions of euro)

	2010		Changes	
	Second quarter	First quarter	amount	%
Premiums and payments [(a)]	-40	-25	15	60.0
net premiums	*1,649*	*2,183*	*-534*	*-24.5*
net charges for claims and surrendering of policies	*-980*	*-991*	*-11*	*-1.1*
net charges for changes in technical reserves	*-709*	*-1,217*	*-508*	*-41.7*
Net income from financial instruments designated at fair value through profit and loss [(b)]	57	143	-86	-60.1
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [(c)]	246	206	40	19.4
Other income/charges from insurance business[(d)]	-135	-158	-23	-14.6
Income from insurance business	**128**	**166**	**-38**	**-22.9**

Figures restated, where necessary, considering the changes in the scope of consolidation.

[(a)] The caption includes collections, payments and provisions for the integration of reserves referred solely to products considered insurance products for IAS/IFRS purposes. The corresponding items regarding products which do not present these characteristics are, instead, accounted for using the same method as for financial movements. The related economic components are included in the caption Net income from financial instruments designated at fair value through profit and loss.

[(b)] The caption includes net income from the measurement of assets and liabilities connected to products considered financial products for IAS/IFRS purposes and those deriving from the measurement of assets accounted for applying the Fair Value Option.

[(c)] The caption registers realised profits and interest / dividends collected on financial assets covering products considered insurance products for IAS/IFRS purposes and on the trading portfolio of the insurance company.

[(d)] The caption includes all other income / charges connected to products considered insurance products for IAS/IFRS purposes, including commission expense.

Income from the insurance business stood at 128 million euro in the second quarter of 2010, down by 38 million euro compared to the first quarter due to the negative impact of measurements and capital losses on sales. Nonetheless, this result exceeded the average values reported in the quarters of 2009.

Other operating income (expenses)

Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense and tax recoveries that have led to a reduction in administrative expenses. This caption recorded a positive balance of 22 million euro for the period compared to the 26 million euro of the first half of 2009.

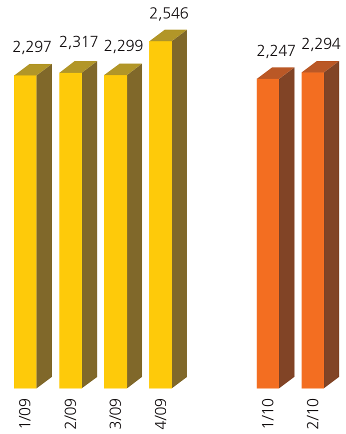
Operating costs

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Wages and salaries	1,956	1,964	-8	-0.4
Social security charges	502	506	-4	-0.8
Other	279	271	8	3.0
Personnel expenses	**2,737**	**2,741**	**-4**	**-0.1**
Information technology expenses	366	359	7	1.9
Management of real estate assets	375	379	-4	-1.1
General structure costs	231	237	-6	-2.5
Professional and legal expenses	228	236	-8	-3.4
Advertising and promotional expenses	75	76	-1	-1.3
Indirect personnel costs	66	61	5	8.2
Other costs	140	168	-28	-16.7
Indirect taxes and duties	314	329	-15	-4.6
Recovery of expenses and charges	-282	-284	-2	-0.7
Administrative expenses	**1,513**	**1,561**	**-48**	**-3.1**
Property and equipment	188	196	-8	-4.1
Intangible assets	103	116	-13	-11.2
Adjustments	**291**	**312**	**-21**	**-6.7**
Operating costs	**4,541**	**4,614**	**-73**	**-1.6**

Figures restated, where necessary, considering the changes in the scope of consolidation.

Quarterly development of operating costs



In the first half of 2010, operating costs came to 4,541 million euro, down 1.6% compared to the same period of the previous year, confirming the general decrease in the cost structure initiated by the integration of the Intesa and Sanpaolo IMI Groups.
Personnel expenses decreased marginally by 0.1% to 2,737 million euro, essentially attributable to human resource optimisation policies leading to staff downsizing in both period-end and average figures, offset by a rise in average cost tied to the impact of contractual tranches.
Administrative expenses were 1,513 million euro, down 3.1%: this result was shaped by nearly all cost captions. In addition, the slight increase in information technology expenses should be viewed in light of the considerable decrease in services rendered by third parties among other administrative expenses enabled by the completion of the integration processes for the Banca CR Firenze Group.
Adjustments came to 291 million euro, down 6.7% compared to the first six months of 2009 owing in large part to the completion of the amortisation of software.
The cost/income ratio for the period was 55.1%, up from 52.9% in the first half of 2009 due to the fact that the fall in revenues was greater than the reduction in costs.

(millions of euro)

	2010		Changes	
	Second quarter	First quarter	amount	%
Wages and salaries	970	986	-16	-1.6
Social security charges	249	253	-4	-1.6
Other	148	131	17	13.0
Personnel expenses	**1,367**	**1,370**	**-3**	**-0.2**
Information technology expenses	182	184	-2	-1.1
Management of real estate assets	186	189	-3	-1.6
General structure costs	119	112	7	6.3
Professional and legal expenses	126	102	24	23.5
Advertising and promotional expenses	36	39	-3	-7.7
Indirect personnel costs	36	30	6	20.0
Other costs	77	63	14	22.2
Indirect taxes and duties	163	151	12	7.9
Recovery of expenses and charges	-146	-136	10	7.4
Administrative expenses	**779**	**734**	**45**	**6.1**
Property and equipment	94	94	-	-
Intangible assets	54	49	5	10.2
Adjustments	**148**	**143**	**5**	**3.5**
Operating costs	**2,294**	**2,247**	**47**	**2.1**

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation.

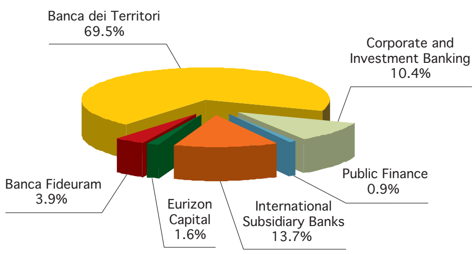
Operating costs increased by 2.1% in the second quarter compared to the first quarter of 2010 and amounted to 2,294 million euro. This trend is essentially attributable to administrative expenses, most markedly professional and legal expenses.

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Banca dei Territori	2,885	2,899	-14	-0.5
Corporate and Investment Banking	430	438	-8	-1.8
Public Finance	39	40	-1	-2.5
International Subsidiary Banks	570	583	-13	-2.2
Eurizon Capital	65	62	3	4.8
Banca Fideuram	161	159	2	1.3
Total business areas	**4,150**	**4,181**	**-31**	**-0.7**
Corporate Centre	391	433	-42	-9.7
Intesa Sanpaolo Group	**4,541**	**4,614**	**-73**	**-1.6**

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



The reduction in Group operating costs (-1.6%) was driven by all business units with the exception of Eurizon Capital and Banca Fideuram. The greatest cost reductions by amount were made by Banca dei Territori (-14 million euro), which accounts for 69.5% of business area costs, and the International Subsidiary Banks (-13 million euro). Corporate and Investment Banking (-8 million euro) and Public Finance (-1 million euro) showed more moderate declines. The Corporate Centre's costs were also down (-9.7%). Conversely, Eurizon Capital reported an increase (+4.8%) relating to the rise in the costs of planning the unification of Intesa Sanpaolo's fund administration operational platforms and outsourcing and consulting costs. Banca Fideuram's operating costs were essentially stable (+1.3%).

Operating margin

Operating margin in the first half of 2010 was 3,694 million euro, down 10.1% on the corresponding period of the previous year. This trend was generated by a decline in operating income (-5.6%), only partially offset by the decrease in operating costs (-1.6%). At the quarterly level, operating margin also decreased in the second quarter (1,718 million euro) compared to the first quarter (1,976 million euro) mainly as a result of the deterioration of profit (loss) on trading.

Adjustments to/write-backs on assets

Net provisions for risks and charges

Net provisions for risks and charges totalled 184 million euro, 52 million higher than the first six months of 2009, due to the increased provisions of an extraordinary nature attributable to the ongoing revision of outstanding consumer credit products and tax litigation.

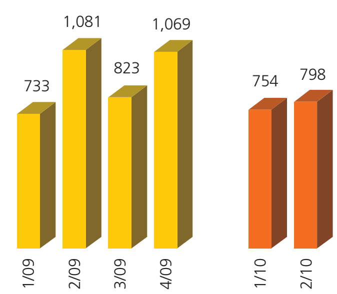
Net adjustments to loans

(millions of euro)

	30.06.2010	30.06.2009	Changes	
			amount	%
Doubtful loans	-771	-712	59	8.3
Substandard loans	-606	-943	-337	-35.7
Restructured loans	-24	-12	12	
Past due loans	-101	-93	8	8.6
Performing loans	-51	-29	22	75.9
Net impairment losses on loans	**-1,553**	**-1,789**	**-236**	**-13.2**
Net adjustments to guarantees and commitments	**1**	**-25**	**26**	
Net adjustments to loans	**-1,552**	**-1,814**	**-262**	**-14.4**

Figures restated, where necessary, considering the changes in the scope of consolidation.

Quarterly development of net adjustments to loans



The gradual deterioration of the economic situation resulted in a sharp rise in non-performing loans beginning in autumn 2008, as discussed in the 2009 financial statements.
However, in the first half of 2010, net adjustments to loans, while remaining at a high level, declined by 14.4% to 1,552 million euro compared to 1,814 million euro in the first half of 2009.
Net adjustments to loans remain at significant levels as a consequence of the deterioration of the quality of the loan portfolio as a result of the crisis affecting the economies of Italy and the other main countries in which the Group operates.
In the first half of 2010, doubtful positions required total net adjustments of 771 million euro, an increase of 59 million euro compared to the first six months of 2009.
Net adjustments to substandard positions decreased by 35.7%, whereas net adjustments to restructured loans rose from 12 to 24 million euro.
A total of 1 million euro in write-backs were recognised on guarantees given, compared to 25 million euro in adjustments in the first half of 2009.

(millions of euro)

	2010		Changes %	
	Second quarter	First quarter	amount	%
Doubtful loans	-375	-396	-21	-5.3
Substandard loans	-338	-268	70	26.1
Restructured loans	-22	-2	20	
Past due loans	-43	-58	-15	-25.9
Performing loans	-23	-28	-5	-17.9
Net impairment losses on loans	**-801**	**-752**	**49**	**6.5**
Net adjustments to guarantees and commitments	**3**	**-2**	**5**	
Net adjustments to loans	**-798**	**-754**	**44**	**5.8**

Figures restated, where necessary, considering the changes in the scope of consolidation.

Setting aside the half-yearly analysis, the second quarter of 2010 showed an increase in net adjustments to loans (of 44 million euro), while remaining significantly below the maximum levels reached in the quarters of 2009.

Net impairment losses on other assets

Net impairment losses on assets other than loans amounted to 43 million euro in the first half of 2010. Such losses are essentially attributable to write-downs to listed securities available for sale following the recent price decline. The figure decreased compared to the 79 million euro reported in the first half of 2009.
The caption came to 38 million euro in the second quarter of 2010, primarily owing to the securities mentioned above.

Profits (Losses) on investments held to maturity and on other investments

Profits on investments held to maturity and on other investments amounted to 11 million euro and include capital gains on the disposal of property and profits on the disposal of other investments. The figure for the first half of the year is compared to the 15 million euro in profits reported in the first six months of 2009, essentially attributable to the capital gain from the disposal of SI Holding (13 million euro).

Income before tax from continuing operations
Income before tax from continuing operations came to 1,926 million euro, down 8.3% compared to the first six months of 2009. This performance was primarily the result of the decrease in net interest income and in profits on trading, which were not sufficiently offset by the decline in operating costs and lower net adjustments to loans. The figure for the second quarter came to 785 million euro, down 31.2% from the first quarter primarily owing to the deterioration of the trading performance.

Other income and expense captions

Taxes on income from continuing operations
Current and deferred income taxes accrued during the period resulted in provisions of 658 million euro, compared to 293 million euro in the first half of 2009, which had benefited from the favourable effects of the detaxation of intangibles and employee termination indemnities (537 million euro). The first half of 2010 also benefited from the positive effect of the redemption pursuant to Law Decree 185/08 of the goodwill associated with several Group banks to which the Parent Company had contributed business lines, although this benefit was limited to 86 million euro. The charge for the period also includes the effects of an extraordinary tax enacted in Hungary (19 million euro) and the recovery (32 million euro) of higher taxes paid internationally in 2008 in relation to the capital gain on the sale of an equity investment.
The tax rate for the period, calculated as the simple ratio of taxes on income from continuing operations and income before tax from continuing operations, came to 34.2%.

Merger and restructuring-related charges (net of tax)
Merger and restructuring-related charges, net of tax, came to 43 million euro, down from the 86 million euro reported in the first half of the previous year, bearing witness to the completion of the main integration processes for Group banks.

Effect of purchase price allocation (net of tax)
This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. These charges amounted to 193 million euro, down 4 million euro compared to the first half of 2009. No impairment indicators regarding the set of intangible assets and goodwill recognised in conjunction with acquisitions were detected in the first half of the year.

Income (Loss) from discontinued operations (net of tax)
Income from discontinued operations came to 691 million euro and is attributable to the net capital gain of 648 million euro on the sale of the securities services business to State Street Co. and the profits earned by this business until the transaction closing date.
The capital gain on the transaction was calculated net of directly attributable expenses, including those that have already been incurred (advisory, the write-off of dedicated systems and so forth) and those that may reasonably be estimated in connection with the customary guarantees given.
This figure is compared to the 121 million euro in the first half of 2009, which included not only the income reported by the abovementioned securities services business, but also the capital gains on the sale of Cassa di Risparmio di Orvieto and several branches sold in March 2009.

Net income
The Group closed the first half of 2010 with a net income of 1,690 million euro, up 6.4% on the 1,588 million euro reported in the same period of the previous year.
An analysis of the first two quarters of 2010 shows that the second quarter showed a net income of 1,002 million euro, up by 314 million euro (+45.6%) compared to the first quarter, chiefly due to the effect of the contribution of profits of discontinued operations.

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of results for the period. Where necessary, comparative figures are restated to account for non-current assets held for sale and discontinued operations and changes in the scope of consolidation. As usual, certain captions have been aggregated with respect to the model provided in Circular 262/05 of the Bank of Italy.

The restated financial statements are obtained by making appropriate adjustments to historical data to retroactively reflect the significant effects of such changes. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities are not considered, as they are deemed irrelevant. Lastly, please note that no intragroup relations are been netted if their amount is not significant.

Breakdowns of restatements and aggregations of captions performed are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Aggregations of captions referred to:

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the inclusion of technical insurance reserves reassured with third parties in Other assets;
- the aggregation in one single caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued in just one caption;
- the aggregation into one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as an aggregate and net of any treasury shares.

Again, to provide a more effective presentation of the composition of aggregates, in the detailed tables and/or in the relative comments, derivatives recorded in Financial assets/liabilities held for trading and Due from/Due to banks are presented on a net basis.

Reclassified balance sheet

(millions of euro)

Assets	30.06.2010	31.12.2009	Changes	
			amount	%
Financial assets held for trading	97,238	69,840	27,398	39.2
Financial assets designated at fair value through profit and loss	23,317	21,965	1,352	6.2
Financial assets available for sale	38,767	35,895	2,872	8.0
Investments held to maturity	4,307	4,561	-254	-5.6
Due from banks	48,480	43,242	5,238	12.1
Loans to customers	374,801	375,437	-636	-0.2
Investments in associates and companies subject to joint control	3,085	3,059	26	0.8
Property, equipment and intangible assets	31,038	31,081	-43	-0.1
Tax assets	8,043	7,320	723	9.9
Non-current assets held for sale and discontinued operations	35	6,552	-6,517	-99.5
Other assets	25,930	27,414	-1,484	-5.4
Total Assets	**655,041**	**626,366**	**28,675**	**4.6**

Liabilities and Shareholders' Equity	30.06.2010	31.12.2009	Changes	
			amount	%
Due to banks	49,510	44,011	5,499	12.5
Due to customers and securities issued	412,779	396,791	15,988	4.0
Financial liabilities held for trading	56,413	42,264	14,149	33.5
Financial liabilities designated at fair value through profit and loss	23,756	25,887	-2,131	-8.2
Tax liabilities	2,604	2,965	-361	-12.2
Liabilities associated with non-current assets held for sale and discontinued operations	-	9,723	-9,723	
Other liabilities	26,312	22,575	3,737	16.6
Technical reserves	25,495	23,582	1,913	8.1
Allowances for specific purpose	4,618	4,797	-179	-3.7
Share capital	6,647	6,647	-	-
Reserves	45,317	43,659	1,658	3.8
Valuation reserves	-1,120	-430	690	
Minority interests	1,020	1,090	-70	-6.4
Net income	1,690	2,805	-1,115	-39.8
Total Liabilities and Shareholders' Equity	**655,041**	**626,366**	**28,675**	**4.6**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2010		2009			
	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	97,238	82,946	69,840	77,654	74,754	78,843
Financial assets designated at fair value through profit and loss	23,317	23,362	21,965	21,927	20,958	20,218
Financial assets available for sale	38,767	39,294	35,895	36,119	33,118	32,680
Investments held to maturity	4,307	4,341	4,561	4,772	5,241	5,461
Due from banks	48,480	47,908	43,242	42,468	45,123	41,561
Loans to customers	374,801	370,885	375,437	378,769	387,274	387,980
Investments in associates and companies subject to joint control	3,085	3,078	3,059	2,984	2,909	2,889
Property, equipment and intangible assets	31,038	30,933	31,081	31,010	31,235	31,583
Tax assets	8,043	7,507	7,320	6,819	7,233	7,414
Non-current assets held for sale and discontinued operations	35	7,741	6,552	7,247	6,643	8,101
Other assets	25,930	27,196	27,414	23,437	25,552	24,172
Total Assets	**655,041**	**645,191**	**626,366**	**633,206**	**640,040**	**640,902**

Liabilities and Shareholders' Equity	2010		2009			
	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	49,510	45,335	44,011	44,283	47,705	47,351
Due to customers and securities issued	412,779	404,905	396,791	399,464	407,892	403,121
Financial liabilities held for trading	56,413	48,350	42,264	45,329	41,320	48,707
Financial liabilities designated at fair value through profit and loss	23,756	25,209	25,887	26,424	25,922	25,151
Tax liabilities	2,604	3,513	2,965	3,076	2,900	4,531
Liabilities associated with non-current assets held for sale and discontinued operations	-	9,375	9,723	9,702	10,210	10,771
Other liabilities	26,312	24,502	22,575	24,147	26,213	25,452
Technical reserves	25,495	24,774	23,582	22,510	20,803	19,799
Allowances for specific purpose	4,618	4,797	4,797	5,213	5,231	5,441
Share capital	6,647	6,647	6,647	6,647	6,647	6,647
Reserves	45,317	46,358	43,659	43,612	43,548	43,697
Valuation reserves	-1,120	-339	-430	-589	-1,041	-1,905
Minority interests	1,020	1,077	1,090	1,126	1,102	1,064
Net income	1,690	688	2,805	2,262	1,588	1,075
Total Liabilities and Shareholders' Equity	**655,041**	**645,191**	**626,366**	**633,206**	**640,040**	**640,902**

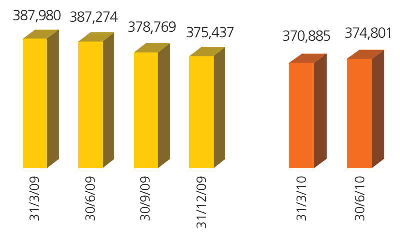
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Loans to customers

(millions of euro)

	30.06.2010	% breakdown	31.12.2009	% breakdown	Changes amount	Changes %
Current accounts	31,195	8.3	32,468	8.7	-1,273	-3.9
Mortgages	165,958	44.3	165,655	44.1	303	0.2
Advances and other loans	127,993	34.1	127,745	34.0	248	0.2
Commercial banking loans	**325,146**	**86.7**	**325,868**	**86.8**	**-722**	**-0.2**
Repurchase agreements	**8,999**	**2.4**	**10,586**	**2.8**	**-1,587**	**-15.0**
Loans represented by securities	**19,834**	**5.3**	**18,527**	**4.9**	**1,307**	**7.1**
Non-performing loans	**20,822**	**5.6**	**20,456**	**5.5**	**366**	**1.8**
Loans to customers	**374,801**	**100.0**	**375,437**	**100.0**	**-636**	**-0.2**

Quarterly development Loans to customers



Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As at 30 June 2010, the Intesa Sanpaolo Group's loans to customers were essentially stable (-0.2%) compared to the end of the previous year. The trend, conditioned by a market in which there is continuing uncertainty over the continuity of the economic recovery, showed a decline in the first quarter of the year and a recovery in the second quarter.

In further detail, commercial banking loans (-0.2%) were stable in the technical forms of advances and other loans (+0.2%), used especially by businesses, and mortgages (+0.2%), bearing witness to the propensity of households to invest in residential properties despite the impact of the recent crisis on their finances. Conversely, current accounts declined (-3.9%). Loans represented by securities rose by 7.1%, offsetting the decrease in repurchase agreements, a form typically employed by businesses. In relation to the portfolio's risk level, the uptrend in non-performing loans continued (+1.8%), yet at a significantly slower pace than in the first quarter of the year.

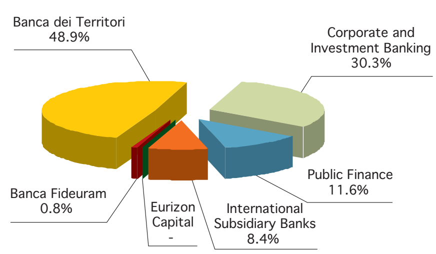
In the domestic medium-/long-term loan market, disbursements to households totalled 7.8 billion euro in the first six months of 2010 and those to businesses exceeded 5 billion euro.

As at 30 June 2010, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was 16% for total loans, representing a downturn since the beginning of the year but essentially stable compared to 31 March 2010.

(millions of euro)

	30.06.2010	31.12.2009	Changes amount	Changes %
Banca dei Territori	177,480	178,222	-742	-0.4
Corporate and Investment Banking	109,867	107,616	2,251	2.1
Public Finance	42,181	41,186	995	2.4
International Subsidiary Banks	30,665	29,644	1,021	3.4
Eurizon Capital	109	171	-62	-36.3
Banca Fideuram	2,698	1,982	716	36.1
Total business areas	**363,000**	**358,821**	**4,179**	**1.2**
Corporate Centre	11,801	16,616	-4,815	-29.0
Intesa Sanpaolo Group	**374,801**	**375,437**	**-636**	**-0.2**

Business areas



Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

Breaking down loans by business areas, Banca dei Territori, which accounts for approximately half the aggregate of the Group's business areas, reported a decrease in loans to customers (-0.4%) compared to the end of the previous year. The most significant contributions were made by Corporate and Investment Banking (+2.1%), owing to the expansion of structured finance transactions by Banca IMI and the resumption of utilisations of facilities by large Italian and international corporate counterparties, and by the International Subsidiary Banks (+3.4%). Loans to the public works and infrastructure sector handled by BIIS also increased (+2.4%) due to the new transactions completed during the period. Banca Fideuram's loans also grew (+36.1%), albeit to a lesser significant extent in absolute terms. The decrease in Corporate Centre loans (-29%) was mostly driven by the unwinding of repurchase agreements with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	30.06.2010		31.12.2009		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	6,275	1.7	5,365	1.4	910
Substandard loans	9,686	2.6	10,375	2.8	-689
Restructured loans	3,577	1.0	2,293	0.6	1,284
Past due loans	1,284	0.3	2,423	0.7	-1,139
Non-performing loans	**20,822**	**5.6**	**20,456**	**5.5**	**366**
Performing loans	334,145	89.1	336,454	89.6	-2,309
Performing loans represented by securities	19,834	5.3	18,527	4.9	1,307
Loans to customers	**374,801**	**100.0**	**375,437**	**100.0**	**-636**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

At the end of the first half of 2010, the Group recorded an increase in non-performing loans, net of adjustments (+1.8%), compared to the end of 2009. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing by approximately 0.1 percentage points. However, non-performing loans stopped growing in the second quarter: amounts as at 30 June 2010 were slightly below those as at the end of March. Coverage of non-performing loans deemed adequate to address expected losses, also considering the guarantees that secure several significant positions, was 42%, up compared to the end of 2009.
In detail, loans classified as doubtful came to 6,275 million euro as at 30 June 2010, up by 910 million euro (+17%) since the beginning of the year and representing 1.7% of total loans.
Substandard loans amounted to 9,686 million euro and were down by 6.6% compared to 31 December 2009, owing to the reaching of restructuring agreements resulting in the reclassification of several positions of significant amount. Substandard loans declined to 2.6% of total loans.
Restructured loans came to 3,577 million euro, up by 56% compared to 31 December 2009, following the agreements with debtors cited above.
Past due loans totalled 1,284 million euro, down by 47% owing in part to the reclassification to performing loans of several exposures relating to the regulatory segment of residential mortgages for private individuals following authorisation from the Bank of Italy for the use of the internal model for that technical form.

Customer financial assets

(millions of euro)

	30.06.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	436,535	52.3	422,678	51.7	13,857	3.3
Indirect customer deposits	422,042	50.5	420,801	51.4	1,241	0.3
Netting [(a)]	-23,618	-2.8	-25,701	-3.1	-2,083	-8.1
Customer financial assets	**834,959**	**100.0**	**817,778**	**100.0**	**17,181**	**2.1**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

[(a)] Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value and fund-based bonds designated at fair value issued by Group companies and placed by the networks).

Customer financial assets reached 835 billion euro as at 30 June 2010, up by 2.1% since the beginning of the year owing to the good performance of direct deposits, essentially owing to the expansion of repurchase agreements and securities lending, as well as to the development – albeit modest – of indirect deposits.
The performance of assets under management, which increased by 2.1%, offset the decline in assets under administration and in custody, which decreased by 1.9%.
The performance of assets under management is attributable in particular to portfolio management, markedly in the private market, which also benefited from the investment of capital repatriated under the tax amnesty, and to insurance products. The mutual funds segment remains weak.
The decline in assets under administration and in custody was a result of both the shift back towards assets under management and the effects of the crisis on the investments of retail and institutional customers.

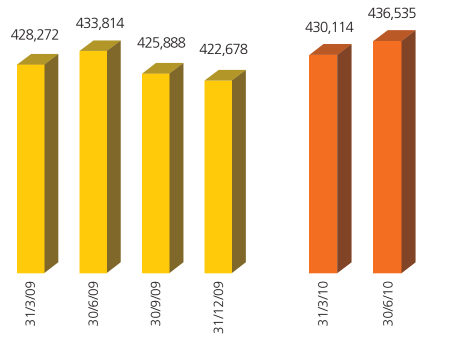
Direct customer deposits

The table below sets out amounts due to customers, securities issued, including those designated at fair value and certain insurance policies with mainly financial features.

(millions of euro)

	30.06.2010	% breakdown	31.12.2009	% breakdown	Changes amount	Changes %
Current accounts and deposits	202,431	46.4	198,356	46.9	4,075	2.1
Repurchase agreements and securities lending	19,186	4.4	7,422	1.8	11,764	
Bonds	124,812	28.6	124,955	29.6	-143	-0.1
of which designated at fair value (*)	*1,784*	*0.4*	*3,225*	*0.8*	*-1,441*	*-44.7*
Certificates of deposit	20,581	4.7	25,475	6.0	-4,894	-19.2
Subordinated liabilities	22,222	5.1	22,950	5.4	-728	-3.2
Financial liabilities of the insurance business designated at fair value (*)	21,972	5.0	22,662	5.4	-690	-3.0
Other deposits	25,331	5.8	20,858	4.9	4,473	21.4
of which designated at fair value (*)	-	-	-	-	-	-
Direct customer deposits	**436,535**	**100.0**	**422,678**	**100.0**	**13,857**	**3.3**

Quarterly development Direct deposits



Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

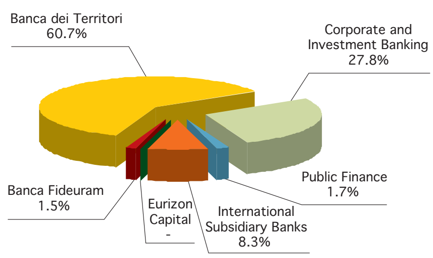
(*) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss.

Direct customer deposits amounted to nearly 437 billion euro, up (+3.3%) compared to the end of December 2009.
In detail, positive contributions were provided by current accounts and deposits (+4,075 million euro) and repurchase agreements and securities lending (+11,764 million euro). Other deposits also increased by 4,473 million euro. Bonds remained essentially stable (-0.1%), confirming their importance within the Group's overall funding. Conversely, declines were posted in certificates of deposit (-19.2%), subordinated liabilities (-3.2%) and the financial liabilities of the insurance business (-3%).
At the end of the first half of 2010, the Group's share of direct deposits on the domestic market (according to the ECB's harmonised definition) came to 16.9%, down compared to the beginning of the year due to the deposits and certificates of deposit component.

(millions of euro)

	30.06.2010	31.12.2009	Changes amount	Changes %
Banca dei Territori	224,561	224,578	-17	-
Corporate and Investment Banking	102,906	94,900	8,006	8.4
Public Finance	6,346	6,461	-115	-1.8
International Subsidiary Banks	30,635	28,564	2,071	7.3
Eurizon Capital	11	3	8	
Banca Fideuram	5,724	7,502	-1,778	-23.7
Total business areas	**370,183**	**362,008**	**8,175**	**2.3**
Corporate Centre	66,352	60,670	5,682	9.4
Intesa Sanpaolo Group	**436,535**	**422,678**	**13,857**	**3.3**

Business areas



Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The breakdown by business areas shows that Banca dei Territori, which made up 61% of the aggregate attributable to the Group's business areas, remained near the same levels as at the beginning of the year: the increase in customer deposits was offset by the decrease in securities funding and the lower financial liabilities of the insurance business. Funding increases were reported by Corporate and Investment Banking (+8.4%), which benefited from the expansion of repurchase agreements and bond placement by Banca IMI, and by the International Subsidiary Banks (+7.3%). Conversely, declines were posted by both Banca Fideuram (-23.7%) and, to a more moderate extent, Public Finance (-1.8%), essentially as a result of the lower cash balances of customer current accounts. The growth reported by the Corporate Centre (+9.4%) is chiefly due to the Parent Company's amounts due to customers in the form of repurchase agreements with Cassa di Compensazione e Garanzia and to the funds made available by Cassa Depositi e Prestiti to support credit for small and medium enterprises.

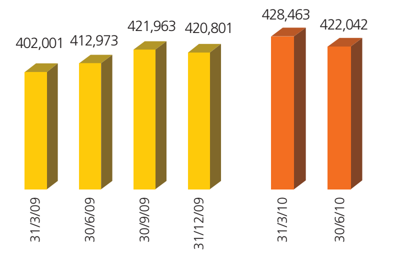
Indirect customer deposits

(millions of euro)

	30.06.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	75,448	17.9	80,140	19.0	-4,692	-5.9
Open-ended pension funds and individual pension plans	3,433	0.8	3,417	0.8	16	0.5
Portfolio management	72,346	17.2	65,820	15.6	6,526	9.9
Life technical reserves and financial liabilities	70,181	16.6	67,692	16.1	2,489	3.7
Relations with institutional customers	11,930	2.8	11,423	2.8	507	4.4
Assets under management	**233,338**	**55.3**	**228,492**	**54.3**	**4,846**	**2.1**
Assets under administration and in custody	**188,704**	**44.7**	**192,309**	**45.7**	**-3,605**	**-1.9**
Indirect customer deposits	**422,042**	**100.0**	**420,801**	**100.0**	**1,241**	**0.3**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Quarterly development Indirect deposits



Indirect customers deposits amounted to 422 billion euro as at 30 June 2010, an increase of 1.2 billion euro (+0.3%) compared to 31 December 2009. Figures are net of third-party securities on deposit in connection with the dealings of the securities services business line, which was sold in the second quarter of 2010.
Assets under management, which account for more than half of the aggregate, exceeded 233 billion euro (+2.1%). Positive contributions came from portfolio management (+9.9%) and life insurance policies (+3.7%), which more than offset the downtrend in mutual funds (-5.9%). In the insurance business, the new policies written by EurizonVita, Sud Polo Vita and Centro Vita Assicurazioni – as well as those written by Intesa Vita attributable to Group customers – came to over 7 billion for the half-year, a significantly higher level than that of the first six months of 2009, over 5 billion euro.
Assets under administration declined (-1.9%) due to the reduction in third-party securities and products of ordinary customers under administration and to securities positions attributable to institutional customers.

Financial assets and liabilities

(millions of euro)

	30.06.2010	31.12.2009	Changes	
			amount	%
Financial assets held for trading	97,238	69,840	27,398	39.2
of which derivatives at fair value	*52,084*	*37,820*	*14,264*	*37.7*
Financial assets designated at fair value through profit and loss	23,317	21,965	1,352	6.2
Financial assets available for sale	38,767	35,895	2,872	8.0
Investments held to maturity	4,307	4,561	-254	-5.6
Total financial assets	**163,629**	**132,261**	**31,368**	**23.7**
Financial liabilities held for trading	**56,413**	**42,264**	**14,149**	**33.5**
of which derivatives at fair value	*-52,540*	*-39,863*	*12,677*	*31.8*

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business and certain bond issues designated at fair value, are not represented as these are included in the direct deposits aggregate.
Total financial assets increased by 23.7%, primarily owing to the performance of financial assets held for trading, which rose from 70 billion euro to 97 billion euro. The increase is attributable to investments in debt securities, chiefly government bonds and equities, as well as to derivatives. However, derivatives yielded a substantial break-even: the increase in the fair value of derivative contract assets was offset by an equal increase in the fair value of derivative contract liabilities.
Approximately one half of financial assets available for sale are attributable to the Group's insurance companies. The increase during the period (8%) is chiefly attributable to Banca IMI.
Financial assets designated at fair value through profit and loss increased (+6.2%), whereas investments held to maturity decreased (-5.6%).

The Greek crisis, the financial difficulties currently being experienced in the country and the repercussions in terms of possible contagion effects on euro area government bonds have already been mentioned in the introductory chapter on the macroeconomic scenario.
With respect to Greece in particular the Intesa Sanpaolo Group carried on its balance sheet as at 30 June 2010, government bonds with a nominal value of 882 million euro and a carrying value of 651 million euro:

– bonds classified as held for trading and designated at fair value through profit or loss having a carrying value, after adjustments, of 192 million euro;

- bonds classified as available for sale and designated at fair value through a specific reserve in shareholders' equity or profit or loss in application of hedge accounting rules in the case of hedge risks having a carrying value, after adjustments, of 279 million euro;
- bonds classified among loans and designated at fair value in application of hedge accounting rules inasmuch as they are hedged by derivative contracts having a carrying value of 180 million euro.

The table below illustrates the stock of securities subject to reclassification included in the portfolio as at 30 June 2010, with related effects on the income statement and shareholders' equity reserves deriving from the transfer from designation at fair value to measurement at amortised cost (EC Regulation 1004/2008).
Note that:
- the columns entitled "Income components in case of no transfer (before tax)" show the profit and losses that would have been recognised as components of comprehensive income (either through profit and loss or as changes in valuation reserves) in the first half of 2010 if the transfer had not been made;
- the columns entitled "Income components in the period (before tax)" show the profit and losses actually recognised as components of comprehensive income (either through profit and loss or as changes in valuation reserves) in the first half of 2010 following the transfer.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.06.2010	Fair value at 30.06.2010	Income components in case of no transfer (before tax)		Income components in the period (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	3,790	3,530	110	24	-	43
Debt securities	Financial assets held for trading	Financial assets available for sale	78	78	-36	3	-36	3
Shares and funds	Financial assets held for trading	Financial assets available for sale	109	109	3	-	3	2
Debt securities	Financial assets available for sale	Loans	6,323	5,081	-343	92	292	92
Loans	Financial assets available for sale	Loans	191	161	-5	-	-	-
TOTAL			**10,491**	**8,959**	**-271**	**119**	**259**	**140**

If the Group had not elected to reclassify the foregoing financial assets, a total of 530 million euro in greater negative mark-to-market income components would have been recognised during the period, broken down as follows:
- write-off of the positive income components recognised during the period following the 259 million euro transfer. Of this amount, 5 million euro relates to adjustments, 308 million euro to fair value increases due to hedges and 44 million euro to the decrease in Valuation reserves;
- reversal of the negative income components which would have been recognised had no transfer taken place, totalling 271 million euro. Of this amount, 61 million euro refers to the revaluation of reclassified securities in the income statement, 308 million euro to fair value increases due to hedges and 640 million euro to the decrease in Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 21 million euro would have not been recognised. In fact, this amount is entirely related to the amortised cost of the reclassified securities.
On the whole, the reclassified assets would have been written down by 1,532 million euro as at 30 June 2010, of which 326 million euro would have been recognised through profit and loss and 1,206 million euro through Valuation reserves for financial assets available for sale under Shareholders' equity.
No portfolio transfers were made in the first half of 2010.
The total effective interest rate attributable to the reclassified portfolio securities is equal to 3.07% (3.1% as at 31 December 2009).

Net financial assets held for trading and financial assets designated at fair value through profit and loss

(millions of euro)

	30.06.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	54,306	84.6	41,749	84.3	12,557	30.1
of which designated at fair value	*12,371*	*19.3*	*11,377*	*23.0*	*994*	*8.7*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	14,121	22.0	12,201	24.6	1,920	15.7
of which designated at fair value	*10,902*	*17.0*	*10,553*	*21.3*	*349*	*3.3*
Other assets designated at fair value through profit and loss	44	0.1	35	0.1	9	25.7
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**68,471**	**106.7**	**53,985**	**109.0**	**14,486**	**26.8**
Financial liabilities held for trading	**-3,873**	**-6.0**	**-2,401**	**-4.8**	**1,472**	**61.3**
Net value of financial derivatives	-84	-0.1	-1,710	-3.5	-1,626	-95.1
Net value of credit derivatives	-372	-0.6	-333	-0.7	39	11.7
Net value of trading derivatives	**-456**	**-0.7**	**-2,043**	**-4.2**	**-1,587**	**-77.7**
Financial assets / liabilities, net	**64,142**	**100.0**	**49,541**	**100.0**	**14,601**	**29.5**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss exceeded 64 billion euro, up 29.5% compared to the end of 2009.
In further detail, the increase was due to the rise in the stock of bonds and shares, which more than offset the expansion in financial liabilities held for trading, including short-selling.

Financial assets available for sale

(millions of euro)

	30.06.2010		31.12.2009		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities	34,464	88.9	31,322	87.3	3,142	10.0
Equities and quotas of UCI	4,245	11.0	4,497	12.5	-252	-5.6
Securities available for sale	**38,709**	**99.9**	**35,819**	**99.8**	**2,890**	**8.1**
Loans available for sale	**58**	**0.1**	**76**	**0.2**	**-18**	**-23.7**
Financial assets available for sale	**38,767**	**100.0**	**35,895**	**100.0**	**2,872**	**8.0**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Financial assets available for sale amounted to 39 billion euro, exceeding the figure as at 31 December 2009 by 8%.
The caption consists primarily of bonds and other debt securities not held for trading and, to a lesser extent, of equities. Financial assets available for sale are measured at fair value with a balancing entry in the specific shareholders' equity reserve.

Net interbank position

The net interbank position came to a negative 1 billion euro at the end of the first half of 2010, a figure similar to that reported at the end of 2009 and consistent with the Group's policy of privileging its liquidity profile. The change in the imbalance during the year was less marked than in the previous year, owing in part to the positive liquidity situation in dealings with customers.

Non-current assets held for sale and discontinued operations and related liabilities

(millions of euro)

	30.06.2010	31.12.2009	Changes	
			amount	%
Investments in associates and companies subject to joint control	-	-	-	-
Property and equipment	35	4	31	
Other	-	-	-	-
Individual assets	**35**	**4**	**31**	
Discontinued operations	**-**	**6,548**	**-6,548**	
of which: loans to customers	-	*588*	*-588*	
Liabilities associated with non-current assets held for sale and discontinued operations	**-**	**-9,723**	**-9,723**	
Non-current assets held for sale and discontinued operations and related liabilities	**35**	**-3,171**	**3,206**	

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. The decrease in the caption as at 30 June 2010 compared to the end of the previous year was due to the completion of the sale of the assets associated with Cassa di Risparmio di Orvieto and several Intesa Sanpaolo Group branches in the provinces of Pistoia and La Spezia in March, as well as to the sale of the assets and liabilities associated with the securities services business in May.

Shareholders' equity

As at 30 June 2010, the Group's shareholders' equity, including net income for the period, came to 52,534 million euro compared to the 52,681 million euro at the end of the previous year. The change in shareholders' equity was primarily due to the performance of reserves and the distribution of the 2009 dividend. No changes in share capital occurred in the first half of the year.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2009	Change in the period	Valuation reserves as at 30.06.2010	
				% breakdown
Financial assets available for sale	-135	-528	-663	59.2
Property and equipment	-	-	-	-
Cash flow hedges	-451	-320	-771	68.8
Legally-required revaluations	343	-	343	-30.6
Other	-187	158	-29	2.6
Valuation reserves	**-430**	**-690**	**-1,120**	**100.0**

Valuation reserves increased their negative balance, reaching -1,120 million euro as at 30 June 2010 compared to -430 million euro at the end of 2009. The deterioration may be attributed to financial assets available for sale (change for the period of -528 million euro), most markedly debt securities, and cash flow hedges (-320 million euro). Reserves recognised in accordance with special revaluation laws remained unchanged.

Regulatory capital

Regulatory capital and related capital ratios as at 30 June 2010 have been determined by applying the Bank of Italy's instructions in accordance with Basel II provisions.
The Intesa Sanpaolo Group has been using the Foundation Internal Rating Based (FIRB) approach to calculate its credit risk capital requirements with reference to the regulatory portfolio Exposures to corporates since 31 December 2008. In addition, in early 2010 the Intesa Sanpaolo Group received authorisation to use the internal AMA to determine capital requirements for operational risks effective from reporting as at 31 December 2009.
Moreover, the Bank of Italy has authorised the Group to use the internal approach to determine the credit risk requirement relating to the regulatory segment of residential mortgages for private individuals effective 30 June 2010.

(millions of euro)

Regulatory capital and capital ratios	30.06.2010	31.12.2009
Regulatory capital		
Tier 1 capital	31,710	30,205
of which: preferred shares	*4,500*	*4,499*
Tier 2 capital	14,844	15,472
Minus items to be deducted	-3,034	-2,923
REGULATORY CAPITAL	**43,520**	**42,754**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**43,520**	**42,754**
Risk-weighted assets		
Credit and counterparty risks	310,494	316,258
Market risks	16,204	16,804
Operational risks	28,507	28,113
Other risks	450	473
RISK-WEIGHTED ASSETS	**355,655**	**361,648**
Capital ratios %		
Core Tier 1 ratio	7.7	7.1
Tier 1 ratio	8.9	8.4
Total capital ratio	12.2	11.8

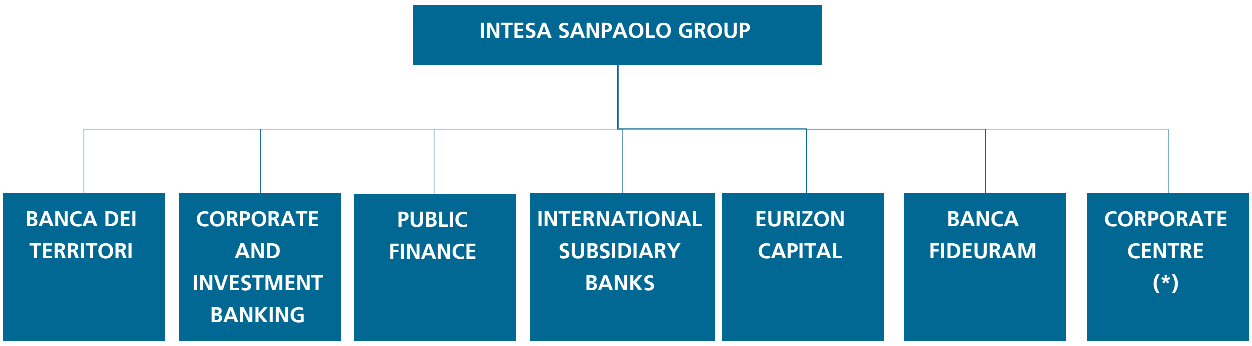
In compliance with the provisions of the Bank of Italy Circular 263/2006, in the calculation of capital ratios, elements to be deducted from total regulatory capital have been deducted separately and for an equal amount from Tier 1 and Tier 2 capital, with the exception of the contributions deriving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

At the end of the first half of 2010, total regulatory capital came to 43,520 million euro, against to risk-weighted assets of 355,655 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. Regulatory capital takes into account ordinary operations and an estimate of the dividends to be paid on 2010 net income, the amount of which has been determined on a conventional basis as one-half of the dividends distributed on the 2009 net income (516 million euro of the total 1,033 million euro).
All capital ratios improved compared to 31 December 2009. The total capital ratio stood at 12.2%, while the Group's Tier 1 ratio was 8.9%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 7.7%.
The improvement in ratios compared to 31 December 2009 was the result not only of ordinary operations, but also of the sale of the securities services business (+37 basis points on the Core Tier 1 ratio) and the application of the internal approach to determine capital requirements for residential mortgages for private individuals following authorisation from the Bank of Italy (+13 basis points on the Core Tier 1 ratio). The acquisition of the Monte dei Paschi di Siena branches had a negative impact (-7 basis points on the Core Tier 1).

Lastly, the Bank of Italy, in a Regulation issued on 18 May 2010, has provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective from 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 30 June 2010 takes into account this measure (the effect on the Core Tier 1 ratio is +8 basis points).

Breakdown of consolidated results by business area and geographical area

The organisational model of the Intesa Sanpaolo Group is based on six Business Units. In addition there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.



(*) Includes the Group Treasury Department.

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In addition to reflecting the operating responsibilities assigned according to the Group's organisational structure, the business areas are an aggregation of business lines similar in the type of products and services they sell.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first half of 2010.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the first half of the year; it also illustrates income statement figures, the main balance sheet figures as well as the most significant profitability ratios. The results of the Banca CR Firenze Group, including Casse del Centro banks, previously attributed in their entirety to the Banca dei Territori Division, have been assigned to divisions effective the beginning of 2010. The comparative figures have been restated in accordance with the new division scopes. More specifically, the eleven banks in the group based in Firenze were segmented by rendering the criteria for allocating customers to portfolios consistent with those of the other Group banks. Product companies were allocated according to the centre of responsibility.
Additionally, Zao Banca Intesa, which merged with KMB Bank on 1 January 2010 to create Banca Intesa Russia, has been included within the scope of the International Subsidiary Banks Division (previously the bank was under the responsibility of the Corporate and Investment Banking Division).
Allocated capital and, consequently, EVA® (Economic Value Added) were determined in accordance with the instructions issued by the Bank of Italy in compliance with Basel 2 regulatory provisions.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
30.06.2010	4,959	1,783	159	1,119	137	333	-255	8,235
30.06.2009	5,126	1,778	236	1,108	129	294	53	8,724
% change [(a)]	-3.3	0.3	-32.6	1.0	6.2	13.3		-5.6
Operating costs								
30.06.2010	-2,885	-430	-39	-570	-65	-161	-391	-4,541
30.06.2009	-2,899	-438	-40	-583	-62	-159	-433	-4,614
% change [(a)]	-0.5	-1.8	-2.5	-2.2	4.8	1.3	-9.7	-1.6
Operating margin								
30.06.2010	2,074	1,353	120	549	72	172	-646	3,694
30.06.2009	2,227	1,340	196	525	67	135	-380	4,110
% change [(a)]	-6.9	1.0	-38.8	4.6	7.5	27.4	70.0	-10.1
Net income								
30.06.2010	456	775	64	203	37	51	104	1,690
30.06.2009	586	527	63	159	30	45	178	1,588
% change [(a)]	-22.2	47.1	1.6	27.7	23.3	13.3	-41.6	6.4
Loans to customers								
30.06.2010	177,480	109,867	42,181	30,665	109	2,698	11,801	374,801
31.12.2009	178,222	107,616	41,186	29,644	171	1,982	16,616	375,437
% change [(b)]	-0.4	2.1	2.4	3.4	-36.3	36.1	-29.0	-0.2
Direct customer deposits								
30.06.2010	224,561	102,906	6,346	30,635	11	5,724	66,352	436,535
31.12.2009	224,578	94,900	6,461	28,564	3	7,502	60,670	422,678
% change [(b)]	-	8.4	-1.8	7.3		-23.7	9.4	3.3

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

[(a)] The change expresses the ratio between 30.06.2010 and 30.06.2009.

[(b)] The change expresses the ratio between 30.06.2010 and 31.12.2009.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement/Alternative performance indicators	30.06.2010	30.06.2009	Changes	
			amount	%
Net interest income	2,914	3,233	-319	-9.9
Dividends and profits (losses) on investments carried at equity	14	78	-64	-82.1
Net fee and commission income	1,687	1,549	138	8.9
Profits (Losses) on trading	41	70	-29	-41.4
Income from insurance business	293	189	104	55.0
Other operating income (expenses)	10	7	3	42.9
Operating income	**4,959**	**5,126**	**-167**	**-3.3**
Personnel expenses	-1,663	-1,670	-7	-0.4
Other administrative expenses	-1,218	-1,217	1	0.1
Adjustments to property, equipment and intangible assets	-4	-12	-8	-66.7
Operating costs	**-2,885**	**-2,899**	**-14**	**-0.5**
Operating margin	**2,074**	**2,227**	**-153**	**-6.9**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-38	-36	2	5.6
Net adjustments to loans	-1,011	-846	165	19.5
Net impairment losses on other assets	-12	-53	-41	-77.4
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,013**	**1,292**	**-279**	**-21.6**
Taxes on income from continuing operations	-396	-513	-117	-22.8
Merger and restructuring-related charges (net of tax)	-32	-59	-27	-45.8
Effect of purchase price allocation (net of tax)	-129	-132	-3	-2.3
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-2	-2	
Net income	**456**	**586**	**-130**	**-22.2**
Allocated capital	9,179	9,727	-548	-5.6
Profitability ratios (%)				
Cost / Income ratio	58.2	56.6	1.6	2.8
ROE annualised	10.0	12.1	-2.1	-17.5
EVA® (millions of euro)	217	373	-156	-41.8

(millions of euro)

	30.06.2010	31.12.2009	Changes	
			amount	%
Loans to customers	177,480	178,222	-742	-0.4
Direct customer deposits	224,561	224,578	-17	-
of which: due to customers	*141,431*	*139,904*	*1,527*	*1.1*
securities issued	*61,158*	*62,012*	*-854*	*-1.4*
financial liabilities designated at fair value through profit and loss	*21,972*	*22,662*	*-690*	*-3.0*

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

Banca dei Territori closed the first half of 2010 with operating income of 4,959 million euro, representing 60% of the Group’s consolidated revenues, down 3.3% on the same period in 2009. In further detail, there was a fall in net interest income (-9.9%), mainly deriving from the decrease in revenues from customer deposits following the drop in market rates, which translated into a lower mark-down. The interest margin was also negatively effected by the elimination of overdraft charges effective June 2009. On the other hand, hedging activity and the rise in average direct deposit volumes had a positive effect. Conversely, net fee and commission income increased (+8.9%), benefiting from the strong performance of asset management, the increased volume of bancassurance products placed, as well as the introduction of a commitment fee. The other income components that showed increases include income from the insurance business, which rose from 189 million euro in the first six months of 2009 to 293 million euro thanks to the attentive management of the financial

portfolios and the strong performance of the new business driven by the traditional policies in the life insurance segment.
Operating costs, amounting to 2,885 million euro, fell slightly compared to the same period of the previous year (-0.5%).
The operating margin came to 2,074 million euro, down 6.9% on the first half of 2009. After greater net adjustments to loans (+19.5%) income before tax from continuing operations was 1,013 million euro, down 21.6%. Lastly, after allocation of merger and restructuring-related charges to the Division of 32 million euro and the economic effects of purchase price allocation for 129 million euro, net income was 456 million euro, down 22.2%.
On a quarterly basis, the operating margin in the second quarter was down 9% compared to the first quarter as a result of the fall in revenues and the increase in operating costs. Income before tax from continuing operations fell 28.4% also due to higher net adjustments to loans, still affected by the difficult market situation.
The Division absorbed 41% of Group capital, down on the first six months of 2009. The capital, amounting to 9,179 million euro, also fell in absolute terms (-5.6%) mainly due to the containment of assets at risk correlated with the retail segment. As a result of the trend described for allocated capital and net income, annualised ROE came to 10%, down on the first half of 2009. Value creation came to 217 million euro, a reduction compared to the same period in the previous year.
The balance sheet figures at the end of June 2010 showed loans to customers of 177,480 million euro, down (-0.4%) on the previous year end. Direct customer deposits, amounting to 224,561 million euro, remained at the same level as the beginning of the year: the increase in customer deposits was offset by the decrease in securities funding and the lower financial liabilities of the insurance business.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve household, personal, small business, private banking and small and medium enterprise customers, creating value through: o widespread local coverage o a focus on the specifics of local markets o exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level
Organisational structure	
Retail Marketing Department	Handles the Household (individual customers with financial assets under 100,000 euro) and Personal (individual customers with financial assets of 100,000 euro - 1 million euro) segments
Small Business Marketing Department	Manages business with a turnover of less than 2.5 million euro and Group credit facility of less than 1 million euro
Business Marketing Department	Manages companies with a turnover of between 2.5 and 150 million euro
Intesa Sanpaolo Private Banking	Devoted to customers whose financial assets exceed 1 million euro
Product Companies	Specialised in medium-term credit (Mediocredito Italiano), the consumer credit and e-money segment (Moneta, which absorbed Setefi, specialised in the management of electronic payments) and trust services
Banca Prossima	Serves non-profit organisations
Insurance and Pension Companies	Specialised in offering pension and personal and asset protection services
Distribution structure	Over 5,700 branches, including retail, business and private-banking branches, distributed throughout Italy. The territorial structure is divided into 8 Regional Governance Centres that coordinate 22 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned.

Effective from the beginning of 2010, the scope of the Banca dei Territori Division changed due to the assignment to divisions of the banks belonging to the Banca CR Firenze group, including Casse del Centro banks, thereby rendering the criteria for allocating customers to portfolios consistent with those of the other network banks.
In June the purchase was completed of the 50 branches of Banca Monte dei Paschi di Siena by Banca CR Firenze.

A further stage of refinement of the organisation model of the Banca dei Territori was initiated during the half year, in view of the increasing specialisation of the marketing functions, in order to ensure a better understanding of the needs of the various customer segments, enhance the innovativeness of the products and services and achieve more effective coordination with the Group's product companies. To this end the Small Business Marketing Department was created.

Retail Marketing Department

Investment	The offering of investment products has been expanded with the launch of: – new mutual funds: "Eurizon Focus Riserva Doc – Obbligazioni Corporate 12 – 2014", a floating rate product that combines the features of a bond with the advantages of a mutual fund, aimed at customers who want to have a regular dividend and diversify their portfolio, whilst obtaining a higher return than the yield on government securities; and "Eurizon Focus Capitale Protetto – Protezione 06/2016", which enables investment in financial markets with capital protection on maturity; – a new targeted investment service called "Eurizon Meta", specifically for customers of over 35, aimed at providing an investment plan to achieve their financial targets through an innovative engine based on a Life Cycle strategy and simple simulation tools that enable the assessment of the progress of the investment; – two new portfolio management lines "GP Linea Strategia Valore" and "GP Linea Strategia Valore Più" for affluent customers, whose main objective is the protection of their wealth and who want to delegate the management of their assets whilst still maintaining high levels of information and transparency and a close relationship with their branch advisor. The new lines are designed to create value through a flexible approach in the selection of the weightings to be assigned to the components according to the market scenarios and with strict control of risk; – "Tandem", an investment solution made up of repurchase agreements at competitive rates and one or more managed/administered asset products matching the customer risk profiles. At the end of the half year the new TV, press and web campaign was launched on asset management, featuring the Personal and Household customer managers and focusing on the range of Eurizon Capital mutual funds and the Long-term Investment Plans.
Cards, internet and mobile banking	In the first half of 2010 SuperFLash, the prepaid, personal and rechargeable card launched in 2009 was enriched with new functions including the option of ordering it with the name of the cardholder printed on front of the card. Marketing also started during the period of the Superflash PayPass card, the first contactless card in the Italian market. The card enables payments to be made of up to 25 euro by passing the card in front of POSs with special card readers, without having to enter the PIN. A TV campaign was conducted in conjunction with the 2010 Word Cup aimed at illustrating the payment services available through the card. For customers with a multi-channel contract the new remote digital signature function has been available since May, which enables the online purchase of the Bank's products and services. This is the first stage of a project aimed at offering customers the possibility of having the "whole Bank" readily available on their computer. The first product available for purchase online is the SuperFlash card.
Mortgages	During the first six months of the year the repayment plans for "Domus Block", the capped floating rate property mortgage, were restyled. The new version of the product provides a more flexible and modular response to the borrowing needs of customers who prefer floating rate mortgages, but still want to protect themselves from excessive interest rates rises. The offer range has also been supplemented with the introduction of "DomusPiù Block", aimed at providing refinancing against the settlement of existing residential property mortgages, with the simultaneous disbursement of additional sums to settle personal loans and/or grant new cash facilities. The "Domus Block" line was supported by the launch of a radio, press and web campaign at the beginning of June.
Loans	To support households facing difficulties, Intesa Sanpaolo has subscribed to the "Piano Famiglie" (households plan), an initiative promoted by the Italian Bankers Association and subject of an agreement with the main Consumer Associations. Customers who qualify under the Plan can request the suspension of the payment of the mortgage instalments for their main residence, upon the occurrence of certain events that can significantly impact their ability to repay (such as loss of job position, death of the mortgage holder, temporary lay-off). The suspension, which lasts for 12 months, can involve the entire instalment (principal plus interest) or just the principal (not available for mortgages with arrears and mortgages with fixed instalments and variable rate and duration). At the end of the suspension period the repayment of the mortgage will start up again at the frequency provided for in the contract, in accordance with the established repayment plan, extended by a period equal to the suspension period. Intesa Sanpaolo has entered into the agreement with the Italian "Dipartimento per le Politiche della Famiglia" (department for family policies), which has established the "Fondo di credito per i nuovi nati" (credit fund for newborns). This Fund, by issuing guarantees to the banks participating in the initiative, facilitates access to credit for households with children born in the years 2009, 2010 and 2011, and supports households with children born or adopted in 2009 suffering from rare diseases, by making contributions to the interest on loans guaranteed by the Fund. Intesa Sanpaolo has taken part with the offer of a loan for a maximum amount of 5,000 euro and a duration of 5 years at a subsidised fixed rate. In the second part of the half year the Department promoted the "Prestito Multiplo", a simple, fast and flexible loan designed to fund personal and/or household expenses at a promotional rate.

Small Business Marketing Department	
Loans	During the first of half of 2010 Intesa Sanpaolo signed the addendum to the "Agreement concerning the suspension of debt owed by SMEs to the financial system" (signed by the Italian Banking Association, the Government and trade associations) which extended the benefits of the deferral to agricultural and subsidised loans. The Bank also independently extended the benefits of the agreement to freelance professionals. To offer a solution to meet new market demands in terms of clean energy, the product "Prestito Ecologico" was amended with the introduction of major changes in relation to the amount and also to the duration, for loans destined for photovoltaic installations. The products offered to SMEs as "crisis solutions" included the launch of the new "Finanziamento Sostituzione" (replacement loan), which enables the rescheduling to the medium/long term of two or more short and/or medium/long term loans held with the Intesa Sanpaolo Group or other banks.
Agreements	In April Intesa Sanpaolo signed a collaboration agreement the Italian trade association Confesercenti, aimed at supporting small businesses in trade, tourism and services, by guaranteeing continuity of credit to the distribution system and providing the necessary liquidity to overcome the current economic crisis. As a result of the accord and the specific agreements to be entered into at local level, the Group banks will offer member businesses up to a maximum of 1 billion euro, available through credit facilities and medium/long term loans to be granted in relation to four areas of intervention identified in the agreement: – recapitalisation; – flexibility of financing; – business development; – working capital. With the support of Agriventure and Mediocredito Italiano, Intesa Sanpaolo signed an agreement with Assoavi (fowl and rabbit breeders and producers association) aimed at supporting member businesses in the investments required to adapt their production facilities to the new EU regulations and to construct renewable energy installations powered by livestock farm waste.

Business Marketing Department

Loans

The "Crescita 60 - 2010" loan was launched in collaboration with Eurofidi, for customers who are members of Eurofidi. The loans, which have a maximum duration of 60 months, are for investments in tangible and intangible assets and for other financial requirements and shall be guaranteed up to a maximum of 80% with a CAP of 4% on the guaranteed loans portfolio in relation to a specifically signed agreement.
Also available is the "Fondo di Garanzia PMI" (SME Guarantee Fund) short term loan. The Guarantee Fund was set up by law 662/96 to facilitate access to credit by small and medium enterprises through the granting of a public guarantee with the following methods of intervention: "direct guarantee", "counter-guarantee" and "joint guarantee" (the last two are mainly used by Confidi). This new product, which adds to the catalogue of loans secured by guarantees pursuant to law 662/96 alongside the existing medium/long term loan, is aimed at customers operating in the sectors covered by the Fund for short term financial needs.
Lastly, Nova+, the loan set up by the Intesa Sanpaolo Group, through Mediocredito Italiano, for businesses that want to invest in research, development and innovation projects, has been revamped by further enhancing its key strengths:
- competitive pricing: the best financial terms and conditions from the time of subscription also thanks to the use, where possible, of specific EIB loans and the SME Guarantee Fund;
- high degree of flexibility: long prepayment periods (up to 18 months, extendable to 24 months for the Purchase solution and 30 months for the Research solution) and disbursement in advance of the investment, in a single or double payment;
- building on relations with Universities: direct collaboration with major universities to make the best use of research projects (Nova+ Research line) providing access, for the businesses interested, to the most advanced technological research and development facilities in Italy.

Internationalisation

The commercial coordination and assistance in the traditional operations of "foreign trade" and "cash management" managed by the Business Marketing Department are supported by the activities of the Business Internationalisation Unit, created within the Global Services Department of the Corporate and Investment Banking Division in order to provide a point of contact to the branches and the foreign trade specialists of the Banca dei Territori for the establishment of structured services, in support of projects for investment in production and penetration of foreign markets. The Unit will provide customers the services of: foreign market scouting, structured export, planning and/or implementation of foreign direct investment and management of foreign associates. The objective is to meet the needs of customer businesses that intend to extend their operations to new countries through their own production facilities and commercial structures, through production outsourcing agreements, through the establishment of new commercial relationships or through the enhancement of existing relationships.
The internationalisation activities also include the collaboration agreement signed between Intesa Sanpaolo and the Milanese trade association Assolombarda, aimed at supporting Italian businesses operating in China and Chinese counterparties interested in operating in Italy, with the objective of promoting exchange and economic and technological development between the two countries. The agreement accompanies two memorandums of understanding, already signed separately with the Caohejing Hi-Tech Park Enterprises Association (CPEA), one of the most important Chinese technological and industrial parks, located in one of the areas with the highest economic and technological development in China. All of these accords provide for the mutual exchange of information and services between the partners for their member businesses or customers.

Agreements

Under the national agreement "Crescere insieme alle imprese" (growing together with businesses) signed on 3 July 2009 by Intesa Sanpaolo and Confindustria, in February 2010 the Bank re-established the 5 billion euro credit limit for small and medium enterprises, following the use of around 2 billion euro.
The following agreements were signed at local level in the first six months of 2010:
- with the Unione degli Industriali e delle imprese di Roma (Rome industrialist and enterprises association) to provide measures aimed at guaranteeing the flow of credit to the production system of Rome and surrounding province, by offering new loans to SMEs of 300 million euro;
- in Lombardia, the "Con Fiducia" project, originating from an agreement between the Lombardia Region, the Sistema Camerale Lombardo and Federfidi Lombardia, which provides for extraordinary measures to facilitate access to credit for SMEs from the Lombardia Region by strengthening the guarantees of the Credit Guarantee Consortia belonging to "Federfidi";
- in Piemonte, the agreement with Finpiemonte for the management of the Guarantee Fund in support of businesses with over 250 employees, aimed at supporting the granting of credit to businesses located in the Region. The agreement provides for the issue of a guarantee by the Piemonte Region through Finpiemonte – backed by the Rotating Fund – to cover 50% of the financing granted by Intesa Sanpaolo per new loans or for the restructuring of existing loans.

Intesa Sanpaolo also continued its policy of collaboration agreements with convention groups, already initiated in 2009 with Fiera Milano, Pitti Immagine and Lingotto Fiere. In the first half of 2010 an agreement was signed with Rimini Fiera and with Bologna Fiere to promote the participation of businesses in trade fairs, in the exhibition centres in Rimini and Bologna, respectively, and in the exhibition centres of Modena and Ferrara. The agreement provides for two types of short term loan, with a maximum duration of 12 months, from a minimum of 5,000 euro up to a maximum of 250,000 euro to cover the costs of hiring exhibition spaces and the expenses for trade fair promotion.

Intesa Sanpaolo Private Banking

In the first half of 2010, private banking operations proceeded in accordance with the strategic guidelines: innovating commercial offerings, focusing commercial action on asset management and the development of synergies, and optimising the distribution structure and service model.
In terms of innovation in products and services the main features of the Private Top service have been determined and it is due to be launched in the second half of the year. In parallel, the analysis and implementation of the paid consultancy services for Top Clients continued and is also due to be implemented by the end of the year. The first equity component accumulation fund was launched, allowing customers with conservative risk profiles to be introduced to this asset class as well. The distribution of certificates focused on the search for innovative formulae or particular underlyings. Lastly, Intesa Sanpaolo Private Banking took part in the Parent Company's "Progetto Risparmio" (Savings Project), aimed at reviewing the procedures for the provision of investment services to strengthen the Group's position in the asset management sector.
The Bank is continuously focused on the development of new customer relations. The conclusion of the activities relating to the tax amnesty enabled the attraction of new customers and within this area Intesa Sanpaolo Private Banking has become one the leaders in Italy in the private segment in terms of amounts repatriated.
Marketing activity focused on managed products and the placement of new products in particular. At the same initiatives aimed at seeking potential business opportunities for the Group continued, especially in relation to the development of commercial synergies with the businesses of the Banca dei Territori Division ("Imprese – Banca Private" project) and the businesses of the Corporate and Investment Banking Division ("Modello di Business Integrato Private e Corporate" project).
In terms of optimisation of the distribution structure and service model, the first half of the year witnessed the continuation of the process of integrating the Group's private networks. In detail, the integration of the private unit of Banca di Trento e Bolzano was completed and the organisational integration of the private banking unit of CR Firenze is under way. The measures aimed at rationalising the network were also implemented, with a reduction in the number of private banking units without undermining the structure's potential.
Lastly, communication activity continued in the form of the organisation of initiatives including events, sponsoring and co-branding.

Product Companies

In the first half of 2010, Mediocredito Italiano disbursed 1,041 million euro in loans, a decrease of approximately 3% compared to the same period of the previous year. The transactions channelled by the Intesa Sanpaolo networks represented 96% of the total. With regard to the preliminary activities performed on an outsourcing basis by the Group's networks, during the first six months of the year approvals worth 543 million euro were granted compared to 740 million euro for the whole of 2009. Transactions guaranteed by the SME Guarantee Fund also increased: in the first half of 2010 around 200 loan applications were received for over 160 million euro, of which approximately 108 million euro has already been disbursed, compared to 95 transactions for a total of 91 million euro received in 2009. Work also continued on ordinary credit products supporting innovation and research. In the first six months of the year the product Nova+ generated around 165 million euro in loan applications. With regard to subsidised lending activities, the bank continued its operations as a concessionary bank for the disbursement of grants awarded by the Public Authorities.
In the first half of 2010, Mediocredito Italiano reported an operating margin of 79 million euro, down on the first six months of 2009 (-11.7%), mainly due to lower net interest income. During the first half of the previous year operating income had benefitted from the greater responsiveness of the cost of funding compared to the yield on loans in an environment of decreasing interest rates. This comparison has been made on a like for like basis, by removing the dividend received from Leasint (57 million euro), a subsidiary until 31 December 2009, from the results for the first six months of 2009.

Consumer credit activities are carried out through Moneta. In the first half of 2010, a total of 1,073 million euro in loans were disbursed, up 18.7% on the same period in 2009. The Personal Loans segment recorded an increase in volumes of 29.5%; in contrast to a fall in the Credit Card (-30.7%) and Assignment of One-Fifth of Pension/Salary (-16.3%) segments. The operating margin came to 28 million euro, up 3.7% on the first six months of the previous year.

Setefi, which specialises in managing electronic payment systems and is wholly owned by Moneta, recorded a significant increase in operating margin in the first half of 2010 compared to the same period of 2009 (from 37 to 64 million euro), linked to the increase in operations in terms of credit cards issued, transaction volumes and the number of POS installed.

Banca Prossima

Banca Prossima operates in the non-profit sector through 52 local branches and 120 specialists distributed throughout Italy. During the first half of 2010 the Bank continued to acquire new customers for the Group within the non-profit world. In order to further reinforce its role as the bank of choice for the non-profit sector, new products, services and initiatives aimed exclusively at non-profit firms were created, including savings certificates consisting of deposits on current accounts or savings accounts fixed for periods of up to 18 months that provide a greater yield for customers' surplus liquidity. The FRI lab was also launched, a consultancy service that allows customer organisations to improve the effectiveness and efficiency of their fund raising projects. The "Tutto 5x1.000 – campagna", a loan designed to fund marketing and communications campaigns for the raising of funds from "cinque per mille" (five per thousand) income tax allocations, has been available since beginning of the year. Also, through the Previmedical Card, people working within non-profit organisations can have preferential access to accredited healthcare facilities and dental practices, as well as a dedicated telephone advice service. A preview was also given of the "Terzo Valore" platform, which will provide non-profit organisations access to innovative funding instruments.

Insurance and Pension Companies

As part of a project aimed at rationalising the Group's bancassurance activities that was approved in 2009 and is to result in a single company serving the Group's banking networks and a life-insurance company serving the financial advisors of Banca Fideuram, the Supervisory Authorities approved the incorporation of Compagnia Fideuram Vita in March. Effective from 1 May, the business line dedicated to the management of the portfolio of policies distributed by the financial advisors of the Fideuram Group was transferred by EurizonVita to Fideuram Vita. On 29 July EurizonVita sold its share in Fideuram Vita to Intesa Sanpaolo. Note that the figures below include the results of Fideuram Vita.

During the first half of 2010, EurizonVita's income before tax from continuing operations totalled 187 million euro, up significantly on the 43 million euro in the same period of the previous year, primarily due to the positive performance of the financial management of traditional products and assets. The insurance policies portfolio amounted to 37,401 million euro, including 22,126 million euro from financial unit- and index-linked policies. In the first six months of 2010, EurizonVita recorded gross life and non-life premiums underwritten (for both insurance products and policies with investment content) of 3,474 million euro, up 45% on the same period in the previous year. New life business (including pension policies) amounted to 3,192 million euro, compared to 2,083 million euro in the first half of 2009.
The income before tax from continuing operations of Sud Polo Vita came to 22 million euro, compared to 3.5 million euro in the first six months of 2009, mainly due to the increase in the income from the insurance business attributable to the improvement in financial management. New business almost doubled compared to the amount generated in the first half of 2009.
Centrovita Assicurazioni reported income before tax from continuing operations of 6 million euro, down on the first half of the previous year, due to the poor performance of financial management attributable to securities valuation losses.
Intesa Vita (consolidated according to the equity method) provided a contribution to the consolidated income statement of 11 million euro, down on the same period of 2009 owing to the decrease in income from the insurance business, which was negatively impacted by items of a financial nature.
As at 30 June 2010, the assets managed by Intesa Previdenza came to 1,855 million euro, up 2.2% since the beginning of the year. Net inflows were reported in the first six months of 2010 owing to the contributions made by open-ended pension funds, which represent over half the total assets under management. At the end of the first half, Intesa Previdenza had over 243,000 pension positions under management, largely attributable to administration mandates granted by third parties.

Corporate and Investment Banking

(millions of euro)

Income statement/Alternative performance indicators	30.06.2010	30.06.2009	Changes	
			amount	%
Net interest income	964	1,027	-63	-6.1
Dividends and profits (losses) on investments carried at equity	-12	-29	-17	-58.6
Net fee and commission income	471	432	39	9.0
Profits (Losses) on trading	347	330	17	5.2
Income from insurance business	-	-	-	-
Other operating income (expenses)	13	18	-5	-27.8
Operating income	**1,783**	**1,778**	**5**	**0.3**
Personnel expenses	-190	-184	6	3.3
Other administrative expenses	-236	-249	-13	-5.2
Adjustments to property, equipment and intangible assets	-4	-5	-1	-20.0
Operating costs	**-430**	**-438**	**-8**	**-1.8**
Operating margin	**1,353**	**1,340**	**13**	**1.0**
Goodwill impairment	-	-1	-1	
Net provisions for risks and charges	-4	-4	-	-
Net adjustments to loans	-198	-576	-378	-65.6
Net impairment losses on other assets	-10	-8	2	25.0
Profits (Losses) on investments held to maturity and on other investments	-4	-	4	-
Income (Loss) before tax from continuing operations	**1,137**	**751**	**386**	**51.4**
Taxes on income from continuing operations	-358	-219	139	63.5
Merger and restructuring-related charges (net of tax)	-4	-5	-1	-20.0
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**775**	**527**	**248**	**47.1**
Allocated capital	7,945	8,004	-59	-0.7
Profitability ratios (%)				
Cost / Income ratio	24.1	24.6	-0.5	-2.0
ROE annualised	19.7	13.3	6.4	48.2
EVA® (millions of euro)	377	139	238	

(millions of euro)

	30.06.2010	31.12.2009	Changes	
			amount	%
Loans to customers	109,867	107,616	2,251	2.1
Direct customer deposits	102,906	94,900	8,006	8.4
of which: due to customers	*39,000*	*31,650*	*7,350*	*23.2*
securities issued	*62,122*	*60,025*	*2,097*	*3.5*
financial liabilities designated at fair value through profit and loss	*1,784*	*3,225*	*-1,441*	*-44.7*

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

In the first half of 2010, the Corporate and Investment Banking Division earned 1,783 million euro in operating income (representing 22% of the Group's consolidated figure), up slightly over the same period of 2009 (+0.3%). This result was achieved due to the increase in both commission income, particularly for services offered by commercial banking operations, and profits on trading. In detail, net interest income amounted to 964 million euro, down 6.1%, mainly due to the reduction in average loan volumes, only partially offset by the increase in mark-up resulting from loan repricing policies correlated with the greater risk generated in previous years. The decrease in the interest margin was also reduced, within the area of corporate finance services provided by Banca IMI, as a result of the increased interest from trading and the benefits of active management in the finance and capital management segment. Net fee and commission income amounted to 471 million euro, up 9%, attributable to activities related to collection, payment, credit line and guarantee services developed in particular on Italian and international corporate relationships. Profits on trading amounted to 347

million euro, up 5.2% on the first half of 2009, mainly due to the effective management of the proprietary portfolio, which benefited from lower write-downs, and the collection of greater dividends from trading linked to the private equity activities of the merchant banking business unit. Operating costs stood at 430 million euro, down 1.8% compared to the corresponding period of the previous year. As a result of the upturn in revenues and the containment of costs, the operating margin, amounting to 1,353 million euro, recorded a 1% increase. Income before taxes from continuing operations was 1,137 million euro (+51.4%), benefiting from a significant decrease in adjustments to loans (-378 million euro), confirming the effective management of the loan portfolio structure and the careful risk management. Last, net income, which amounted to 775 million euro, was up 47.1% on the same period of 2009.
In quarterly terms, the second quarter of 2010 showed a decrease in operating income (-12.1%) compared to the first quarter, due to the decline in profits on trading attributable to both the poorer performance of the equity and fixed income trading of Banca IMI's capital markets business unit and the slowdown in revenues from proprietary trading. Conversely, operating costs increased, mainly due to administrative expenses. This revenue and cost performance generated a decrease in the income before tax from continuing operations (-21.7%). After adjustments to loans, down slightly on the previous quarter (confirming the improvement in the quality of the loan portfolio), net income fell by 13.8% on the previous quarter.
The Division absorbed 36% of Group's capital, up slightly on the level recorded in the first half of 2009. In absolute terms, the capital, amounting to 7,945 million euro, was essentially stable: the decrease resulting from the lower credit risk associated with the decline in on-balance sheet loans to mid-corporate and international corporate borrowers was offset by the increase in market risk on Banca IMI's capital market operations. The sector's performance is reflected in the sharp increase in annualised ROE from 13.3% to 19.7%. EVA® came to 377 million euro, almost treble the figure for the corresponding period of 2009.
The cost/income ratio of 24.1% represents a improvement of five-tenths of a percentage point over the first six months of 2009.
The Division's intermediated volumes showed growth compared to the end of December 2009 (+5.1%). This increase was due to the strong performance of funding (+8.4%), which benefited from both the increase in repurchase agreements transactions and the placement of bonds by Banca IMI. Loans to customers also increased (+2.1%) due to the increase in Banca IMI's structured finance transactions and the resumption of utilisation of facilities by large Italian and international corporate customers.

Business	Corporate and investment banking, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations
Organisational structure	
Large and International Corporate	The Department is charged with managing relationships with Italian and international large corporate customers (large groups)
Mid Corporate Italy	The Department is responsible for handling companies with a turnover in excess of 150 million euro
Global Services	The Department is responsible for international branches, representation offices and corporate firms and provides specialist assistance in support of the internationalisation of Italian firms and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Financial Institutions	The Department is responsible for relations with Italian and foreign financial institutions, management of transactional services related to payment systems, custody and settlement of securities as custodian and correspondent bank for local customers
Merchant Banking	The Department operates in the private-equity segment, including through its subsidiaries
Structured Finance	It is responsible for creating structured finance products through Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Markets and Primary Markets	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring is overseen by Mediofactoring and leasing by the company Leasint and by Centro Leasing
Distribution structure	It draws on 55 domestic branches. At the international level, the Corporate and Investment Banking Division operates in 31 countries in support of the cross-border operations of its customers through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking activity

Large and International Corporate and Mid Corporate Italy

In the first half of 2010, in a scenario of a decrease in loans granted at industry level, Intesa Sanpaolo favoured medium-/long-term facilities and preferred long-term projects of greater scope. The tendency for large and international corporate customers to reduce their use of lines of credit is attributable to the signs of an economic recovery that have allowed them to draw on alternative sources of financing, such as the launch of new bond issues, thereby effectively limiting their need to use bank credit. Constant attention to risk and balanced loan development policy allowed for a stable share of wallet, with particularly strong performances in the large foreign multinationals segment. The current economic situation, which is not favourable to extraordinary transactions, has influenced the development of structured finance and investment banking transactions: 24 deals were completed in the mid-corporate segment in the first six months of 2010 compared to 28 in the same period of 2009.

The initiatives launched during the half year included: the inception of a pilot programme to assess the competitive positions of mid-corporate firms with the aim of allowing managers to use a qualitative and quantitative analysis model to identify the marketing actions most appropriate to each company; and the implementation of the "Start-Up Initiative", the first platform in Italy devoted to companies that innovate, aimed at bringing them into contact with those who provide financing, thereby fostering investments and business combinations and reducing the costs and timeframe of innovative research and development processes. With regard to the latter, four initiatives were launched during the second quarter.
The plans for the development of corporate products have been established, with the aim of rationalising and facilitating the implementation of commercial projects by formulating specific product plans and involving all the relevant units and product companies. The project for the coordination and integration of the Division's customer relationship management and customer interaction instruments also continued, with a view to improving overall commercial efficiency and the level of customer service. This project also includes a new instrument currently being launched for the management and monitoring of sales campaigns. Last, during the period, the cooperative project between the Corporate and Investment Banking Division and Banca dei Territori Division also continued with the aim of sharing offerings that foster cross-selling and up-selling towards the business segment in factoring, investment banking, leasing, trade finance and capital markets.

Global Services

The Global Services Department directly covers 31 countries through 16 wholesale branches, 16 representative offices, 2 subsidiary banks and one advisory firm. In the first half of 2010, international coverage was pursued by fostering the internationalisation of Italian firms and building relationships with major multinationals with the support of the Group's international network, based on a model for managing international network customers that is consistent throughout the Group's international network. Two projects were started up during the period: the internationalisation and the international account management strategies. The first is aimed at entry into international markets and pursues the objective of identifying, for each customer segment, the potentially most interesting countries from a commercial standpoint, the most appropriate products, the most easily reachable customers, the priority sectors and the levels of ambition for each geographical area. The second, implemented in collaboration with the International Subsidiary Banks, involves the development of a commercial model that includes both introduction of operating centres within the International Subsidiary Banks and the creation of an offer range for the subsidiaries of corporate firms competing in international markets; this project was rolled-out in the main countries of Eastern Europe in May. Also, following the success of the pilot programme for the corporate customers of Intesa Sanpaolo Bank Romania, the process of extending the client-driven relationship model to the other banks in the International Subsidiary Banks Division continued. Last, the SEPA, PSD, ISPay.Hub and Financial Value Chain projects continued as part of the Payment Systems Assessment Programme.
The Department is responsible for:

- Société Européenne de Banque, which reported net income of 43 million euro in the first half of 2010, an increase of 13.7% on the same period in 2009, benefiting from greater revenue (+7.9%) owing primarily to the rise in the interest margin, which more than offset the slight increase in operating costs;
- Intesa Sanpaolo Bank Ireland, which closed the half year with a net income of 54 million euro, up 42.8% on the first six months of the previous year, due to the increase in operating income (+30.1%), driven by net interest income, a reduction in costs and lower adjustments to loans.

Financial Institutions

During the first half of 2010, the marketing efforts of the Financial Institutions Department were focused on: safeguarding loans in countries under the greatest pressure; maintaining stable profitability on maturing transactions; selectively identifying reliable new counterparties; and optimising existing loans in both traditional form and in the form of bond investments with a view to cross-selling. Within the Transaction Services segment, the process of consolidating cash-clearing operations with the Parent Company and the acquisition of new customers through the offer of services "at value" continued. This was accompanied by actions focused on the migration of the customers transferred to State Street and the development of collection and payment services offered on an outsourcing basis to the new bank and its customers. Despite the difficult period in the financial markets and the introduction of the new European Payment Service Directive (PSD), there were no falls in fees and commissions especially in relation to bank customers. New projects are being considered for the development of the business and products in the near-banking sector, involving the rationalisation of processes and increasing the added value of the offer range, with a view to expanding the customer base. Additionally, new services are being developed for bank customers to expand the range of products on offer at Italian and international level.
With regard to local customers, the first half of 2010 was mainly characterised by the preparatory work for the transfer of the securities services to ensure the efficient handover of customers to State Street. As for the remaining securities services customers, mainly consisting of non-resident banks, central depositories handling Italian securities and certain brokers that use Intesa Sanpaolo for services for international and Italian securities, performance continued to be strong in terms of volumes, value of assets under custody and acquisition of new customers in the area of triparty clearing. For primary customers, work is being carried out on the commercial structure and coverage model and measures have been implemented aimed at strengthening the Bank's position in the area of local custody services to capitalise on the

commitment made in this sector. Last, the Bank continued to oversee the operations of the agent banks that provide services on international securities as part of the network management, also in view of the strategic transaction with State Street.

Merchant Banking

During the first six months of the year, Intesa Sanpaolo, through its Merchant Banking Division, took part in the project promoted by the Finance Ministry, to which Cassa Depositi e Prestiti, UniCredit Group, Banca Monte dei Paschi di Siena, the Italian Banking Association and Confindustria have also pledged their support, involving the launch of the "Fondo Italiano di Investimento per le Piccole e Medie Imprese" (Italian investment fund for small and medium enterprises). The initiative aims to support, at market conditions, the development of companies with growth ambitions and to generate, in the medium term, a significant nucleus of "medium national champions" with sufficient capitalisation to face the challenges of international competitiveness. The Merchant Banking Division subscribed for a 14.29% interest in the management company, incorporated in March, which will be responsible for managing the Fund, planned to have initial assets of 1 billion euro, proportionally guaranteed by the three promoting banks and Cassa Depositi e Prestiti, with the possibility of including other qualified investors until the maximum limit of 3 billion euro is reached. The Fund, which in addition to direct investment may acquire units of other closed-ended private equity funds having the same purposes, is due to be launched in the second half of the year, as soon as the required authorisations are obtained from the Bank of Italy. As at 30 June 2010, the portfolio held by the Merchant Banking Division, directly and through subsidiaries, amounted to 2.8 billion euro, of which 2.5 billion euro was invested in companies and 0.3 billion euro in private equity funds.

Structured Finance

In the first half of 2010, the leverage and acquisition finance segment witnessed the completion by Banca IMI of the structuring and disbursement of credit facilities to the Coin Group, Prime European Therapeuticals, Kiko and the private equity funds KKR and Charme 2. The Bank also contributed to the origination and structuring of credit facilities for borrowers with high financial leverage for corporate acquisitions, leveraged buyouts or medium-term refinancing that are expected to be carried out during the year.
In the project and industry specialised lending business, credit facilities were provided to Synerail, to develop a mobile telephone network dedicated to serving the French railway network, to Planta de Regasificacion de Sagunto, to expand a regasification plant, to Exeltium, to purchase electricity in France to reduce the volatility of energy prices, to Dhuruma Electricity Company, to construct a gas fired power station near Riyhad, and, to Escal UGS for a gas storage facility off the coast of Valencia. Mandates, were acquired for credit facilities intended for the construction of photovoltaic plants in Italy and in support of an acquisition of hydrocarbons in Egypt. In collaboration with the International Subsidiary Banks Division, Banca IMI contributed to the origination and structuring of credit facilities in support of strategic gas storage facilities in Hungary and motorways in France and Slovakia. In addition, mandates were acquired for a hydrocarbon drilling and extraction facility in Norway, infrastructure for collecting tolls from heavy vehicles in France, a football stadium in Nice, video surveillance infrastructure in Paris and, lastly, a loan to the leading Indian telephone operator to fund the acquisition of operations in 15 African countries. In the real-estate sector, credit facilities were provided in support of the acquisition of an area located in Casalboccone (Roma), of building areas in the Bicocca district in Milan by the Edoardo Caltagirone Group and of a building designated for hotel use in Milano by Beni Stabili. In addition, advisory services were provided to several real-estate companies with the aim of optimising their assets and, specifically, to Franza for two luxury hotels in Taormina and Redigaffi for the real-estate fund Fondo Due.
In the syndication business, the Bank acted as global coordinator and/or mandated lead arranger and/or bookrunner for companies such as Telecom Italia, Farmafactoring, Prysmian and Enel. In addition, the Bank continued to acquire mandates for international transactions for firms such as Anheuser-Busch InBev, Philips Electronics NV, Gas Natural, Schneider Electric SA, Bacardi Ltd, Groupe Auchan SA, Gas de France Suez SA and Vodafone.
In the securitisation business, the Bank worked with other financial institutions to complete a securitisation programme for receivables arising from the manufacture and marketing of steel for the ArcelorMittal Group. The Bank also originated and handled the structuring of the hedging for the inaugural issue of the Banco Popolare's covered bond programme, the securitisation of the receivables resulting from Comifin SpA leases, the public sector covered bond programme for BIIS and the hedging for the securitisation conducted by Banca di Bologna.
Last, in the loan agency sector, the first half of 2010 saw the acquisition of mandates for financing for Prime European Therapeutical (Euticals), Bonfiglioli Riduttori, Kiko, Telco, Prysmian, Enel, Premuda, Beni Stabili Exedra, Tritone, Octo Telematics SpA, Solar Life Energy, Cafima/Synergas, Pirelli RE Fondo Monteverdi, Pirelli RE Fondo Anastasia, Telesystem, Faro and Comifar.

Proprietary Trading

The first half of 2010 benefited as a whole from the market conditions. Results for structured credit products, after a positive first quarter, continued to improve in the second quarter, driven by both unfunded positions (including unfunded super senior CDOs) and funded positions. From an asset standpoint, risk exposure (taking into account write-downs and write-backs) was practically unchanged for both securities and packages reclassified under financial assets held for trading and for assets reclassified under loans.
The hedge fund portfolio showed movement in the first half through both the management of pre-existing units and new acquisitions: the hedge funds portfolio as at 30 June 2010 totalled 800 million euro, compared to the 740 million euro recorded at the end of December 2009. The strongest positive performances were attributable to investments that, in accordance with the Group's strategic asset allocation guidelines, allow the Bank to exploit the distressed credit opportunities available in the markets.

Investment Banking, Capital Markets and Primary Markets

In the first half of 2010, Banca IMI acted as joint bookrunner for the ABO (accelerated bookbuilding offer) by Prysmian, handled the placement on the alternative market of the capital of the firm Rosetti Marino, managed the capital increase of MolMed as joint global coordinator, served as guarantor for capital increases by Safilo, UniCredit and National Grid, and was appointed as placing agent in the capital increase of ErgyCapital. The Bank also acted as lead manager in the capital increase by Prudential Plc and was appointed as global coordinator for the upcoming IPOs by Banca Fideuram, Kos and Giochi Preziosi. Banca IMI confirmed its position in the takeover bid/delisting segment, in which it oversaw the takeover bids for Permasteelisa and Bouty Healthcare stock as the intermediary responsible for coordinating subscriptions and financial advisor to the bidder, and, lastly, it was appointed for the public offering of the ErgyCapital 2011 warrants. At the end of June 2010, Banca IMI was specialist or corporate broker for 32 companies quoted on the Italian market, confirming its leadership in this market segment.
During the half year the Bank confirmed its positions as the leading market operator both in terms of number and value of issues. The new corporate bond issues segment was also especially active, where the Bank acted as bookrunner for Prysmian, Italcementi, Mediaset (a company making its debut in the Euro public debt market), Eni, Edison, Acea and Telecom Italia; and, in terms of international issuers, for Deustche Bahn, AB Inbev, PPR and Vodafone. The coordination of the placement syndicate for the public bond offering in Italy, France, Germany and Belgium by Enel (3 billion euro)was also significant. In the financial institutions sector, it served as joint lead manager and bookrunner for the issue of senior unsecured notes of Nordea Bank (with a maturity of 10 years), Banque PSA Finance (4 years), RCI Banque (3 years) and the covered bonds of Société Générale, BNP Parisbas and Banque Popoulaires. As regards Italian issuers, it was bookrunner for the new issues by Banca Marche, Ubi Banca, and for Intesa Sanpaolo it handled the 10-year Eurobond issue, the issue of 12-year notes in pounds and the double tranche 5 and 2 year benchmark notes issued at the beginning of the year. For sovereign issuers it acted as the joint bookrunner in the placement of the new 5-year CCTeu (treasury bonds) by the Italian Republic, an innovative operation both in terms of the debut of a new line of FRNs tied to the Euribor and the offer of the security to institutional investors in the twin format of traditional cash and exchange with a group of CCTs (Italian treasury bonds). Banca IMI also preformed the same role for the issue of the 5-year floating rate note by the Greek Government . In the sub-sovereign segment, Banca IMI acted as joint bookrunner in the issue of the 10-year bond by Regiòn Ile de France and joint lead manager for the new 7-year note of the Cassa del Trentino guaranteed by Autonomous Provincial Authority of Trento. For the retail customers of the Intesa Sanpaolo Group's networks, Banca IMI's operations focused primarily on organising its own issues, but also those of third-party banks such as DNB Nor, Nordea Bank, Commonwealth Bank of Australia, Danske Bank, Banca Popolare di Milano, Ubi, Banco Popolare and Banca Generali.
In M&A activity, despite the decline in the segment in both Italy and Europe, Banca IMI achieved positive results owing to the closing of various transactions such as Safilo in the luxury sector, within the restructuring process that culminated in the acquisition of a stake in the company by the Dutch HAL group; in the pharmaceutical sector, a consortium of financial investors for the acquisition of Esaote; and in the Energy & Utilities sectors, Iride in connection with the merger with Enìa, Enel in the creation of a joint venture with SEL, the company Elettrica Altoatesina, for the management of hydroelectric power generation plants in the province of Bolzano and F2i in the partnership with Iride for the development of Mediterranea delle Acque hydro operations. In the engineering & construction sector, the Bank also assisted the Salini Group in the acquisition of the Todini Group, and in the real estate sector, it acted as advisor to the Framon Hotel Group in the sale of a number of hotel facilities to the Orient-Express Hotels Group. In the industrial sector, the Bank helped MetasystemGroup with the sale of a majority interest in Octotelematics, and Finaval Holding with the acquisition of Perazzoli Drilling. The Bank also continued to provide advice to Alitalia. In the financial institutions sector, Banca IMI assisted Intesa Sanpaolo in the sale of the custodian bank operations to State Street and the sale of 96 branches by Cassa di Risparmio della Spezia to Crédit Agricole, which will be completed upon receipt of the necessary authorisations. Lastly, the Bank assisted Fondazione Cassa di Risparmio di Lucca in the negotiations with Banco Popolare, which led to the signing of an agreement at the beginning of July for the disposal of the investment in CR Lucca.

Factoring and Leasing

Mediofactoring had a turnover of 14.7 billion euro as at 30 June 2010, a 16.4% increase on an annual basis, allowing it to remain the number one domestic factoring provider. This performance may be attributed to transactions with recourse (+54.2%) and, to a lesser extent, without recourse (+10.7%). Loans totalled 6.2 billion euro, a reduction of 3.6% since the beginning of the year owing to the seasonal nature of the business. Outstanding receivables, amounting to 8.5 billion euro, on the other hand, were up 1.6%. The operating margin amounted to 62 million euro, up 4.9% due to the increase in operating income (+1.8%) and the decline in operating costs (-7.2%). Net income came to 28 million euro, an increase of 11.9%, with adjustments to loans stable compared to the first half of 2009.

Through Leasint and Centro Leasing, Intesa Sanpaolo is the number-one leasing provider in the Italian market with share of 18.8%.
In the first half of 2010, Leasint entered into over 6,250 new contracts, for a total of 1,700 million euro (+29.5% over the first half of 2009) and a significant increase in the number of transactions completed (+20%). The composition of the portfolio was influenced by the considerable growth in Leasenergy, the product devoted to power generation attributable to the Instrumental and Property segments, which represent 24% of the total portfolio. In the traditional segments, an increase was recorded in the moveable property (+14%) and vehicle (+7%) segments whereas there was a decrease in the property segment (- 9,4%). Net income, as market conditions remained difficult, amounted to 21 million euro, up 6.3% on the first half of 2009 due to the improvement in revenues (+0.9%), stable costs and lower adjustments to loans (-1.1%).
Centro Leasing, the Banca CR Firenze group company, which has been included in the Corporate and Investment Banking Division since the beginning of 2010, reported a net loss of 5 million euro for the first six months of the year compared to a net income of 3 million euro for the first half of 2009, owing to greater adjustments to loans (+52.9%), which more than offset the strong performance of operating income (+1.5%) and the reduction in costs (-14.9%).

Public Finance

(millions of euro)

Income statement/Alternative performance indicators	30.06.2010	30.06.2009	Changes	
			amount	%
Net interest income	142	222	-80	-36.0
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	29	18	11	61.1
Profits (Losses) on trading	-13	-6	7	
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	2	-1	-50.0
Operating income	**159**	**236**	**-77**	**-32.6**
Personnel expenses	-19	-19	-	-
Other administrative expenses	-20	-21	-1	-4.8
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-39**	**-40**	**-1**	**-2.5**
Operating margin	**120**	**196**	**-76**	**-38.8**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	1	-1	
Net adjustments to loans	-15	-81	-66	-81.5
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**105**	**116**	**-11**	**-9.5**
Taxes on income from continuing operations	-39	-51	-12	-23.5
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-2	-2	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**64**	**63**	**1**	**1.6**
Allocated capital	1,059	993	66	6.6
Profitability ratios (%)				
Cost / Income ratio	24.5	16.9	7.6	45.0
ROE annualised	12.2	12.8	-0.6	-4.7
EVA® (millions of euro)	14	15	-1	-6.7

(millions of euro)

	30.06.2010	31.12.2009	Changes	
			amount	%
Loans to customers	42,181	41,186	995	2.4
Direct customer deposits	6,346	6,461	-115	-1.8
of which: due to customers	*4,740*	*4,846*	*-106*	*-2.2*
securities issued	*1,606*	*1,615*	*-9*	*-0.6*

Figures restated, where necessary, considering the changes in business unit constituents and discontinued operations.

The results of Public Finance for the first half of 2010 show a slight increase in net income over the same period in 2009. Operating income amounted to 159 million euro, down 32.6% on the first half of 2009, due to the following factors: net interest income of 142 million euro, a fall of 36% following the contraction in spreads that had benefited in the first half of 2009 from the liquidity characteristics of assets in a scenario of a sharp decline in market rates; net fee and commission income of 29 million euro, up 61.1% owing to the effect of growth in revenues from services and the structuring of project finance transactions; and losses on trading of 13 million euro compared to 6 million euro in the first half of 2009 due to the decreases associated with credit risk adjustment valuations. Average loans remained essentially stable (+0.5% including the securities component) on the basis of over 4 billion euro in new disbursements from June 2009 to June 2010 and a slight increase in mark-up.
Operating costs amounted to 39 million euro, down 2.5% on the same period of the previous year, reflecting effective cost containment measures. The cost/income ratio stood at 24.5% compared to 16.9% in the first six months of 2009. As a result of the above trends, the operating margin was 120 million euro, down 38.8%. After lesser adjustments to

loans, income before tax from continuing operations stood at 105 million euro, down 9.5% on the first six months of 2009. Last, net income was up slightly (+1.6%) to 64 million euro.
On a quarterly level, operating income for the second quarter of 2010 was up (+13.2%) over the previous quarter, as a result of profits on trading and the increase in net fee and commission income, which more than offset the decrease in the interest margin. Income before tax from continuing operations rose by 17.1% despite greater adjustments to loans. Net income increased by 20.7%.
Capital allocated amounted to 1,059 million euro, up from the first six months of 2009, due to the increase in credit risk associated with the increase in loans. Annualised ROE fell slightly, from 12.8% to 12.2%, due to the increase in allocated capital, which compensated for the moderate economic performance. EVA® reached 14 million euro, down slightly on the same period of the previous year.

With regard to the main balance sheet figures, loans to customers stood at 42,181 million euro, up 2.4% since the beginning of the year, owing to the new business acquired during the half year, which resulted in disbursements of over 2 billion euro, and also to the increase in the fair value of securities and loans with hedged interest rate risk. Direct customer deposits amounted to 6,346 million euro, down 1.8%, essentially as a result of the lower cash balances on customer current accounts. Public Finance contributed to developing the reserve of allocable assets in support of the Group's liquidity position and also completed the placement in the Euromarket, in the first half of 2010, of a new issue of Covered Bonds, backed by public-sector loans, originated by Public Finance, in continuation of the issue programme initiated by Intesa Sanpaolo in July 2009.

Business	Public Finance serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
Mission	To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration, also by pursuing international growth opportunities in countries of strategic interest to the Group through operations in six priority areas of action: - loans for infrastructure projects - support for the healthcare system, universities and scientific research - improvement of public utilities - support for the public administration's financial equilibrium - funding for urban and local development projects - introduction of innovative tools for effective management of the banking services used by public entities and government-owned companies
Distribution structure	18 branches in Italy and one branch abroad (London)

With the aim of supporting and promoting the development of large infrastructure projects in Italy, in the first half of 2010 Public Finance continued to advise on large motorway projects, such as the BreBeMi project (Brescia-Bergamo-Milano motorway), Pedemontana Lombarda, the Milano East outer ringroad and the Cremona-Mantova motorway. In addition, a short-term loan was granted for the construction of a segment of the Brescia-Verona-Vicenza-Padova motorway and structuring activity for financing for the road system in the regions of Umbria and Marche continued.
In support of healthcare services, universities and scientific research, for the first time in Italy a pool of banks launched a joint initiative with SACE to favour the efficiency of the healthcare system of the Campania Region, entering into an agreement to factor receivables claimed by companies that act as suppliers to the public healthcare system. Within the pool, BIIS acted as assignee of the receivables, which will be guaranteed by SACE and are to be transferred beginning in the second half of the year. Public Finance also factored without recourse the receivables claimed by contracted healthcare facilities from the Local Healthcare Authorities of the Lazio Region, continued the work on the projects aimed at renovating and revamping hospital facilities in Brescia and Sardegna under previously acquired mandates and, lastly, it disbursed loans to clinics in the Lazio and Emilia-Romagna Regions.
Public Finance's activity aimed at improving public services and utilities was especially intense in the transport sector: acting as arranger and agent bank in a pool with leading financial institutions, it granted financing to Ferrovie dello Stato (state railways) for the development of the Torino-Milano-Napoli high-speed line. An agreement was also signed with Sistemi Territoriali, a company owned by the Region of Veneto, to lease 23 railway coaches to be used in public transport for the region's commuters, in which the Bank also served as leader and agent for the pool of institutions that participated in the transaction.
A project involving the factoring of receivables claimed from the region's municipalities by companies based in Lazio that collect and dispose of urban waste was launched with the aim of improving these firms' access to credit. The transaction takes the form of an initial advance against invoices under a without recourse receivables factoring agreement and a subsequent final payment of the price once the receivables are certified by the municipality. In the same field, the department was involved in the securitisation of receivables claimed by Enel from municipalities and other public administrations.
In the water sector, a loan was granted to the Fondo Italiano per le Infrastrutture (F2i) for the purchase of a share in the company Mediterranea delle Acque, which manages the service for the Municipality of Genova and in 39 municipalities of the Ambito Territoriale Ottimale of Genova providing water to around 700,000 residents. In the energy sector, a loan was

granted and fully disbursed to the company Elettrica Altoatesina, an investee company of the Autonomous Province of Bolzano, for the purchase of hydroelectric power stations from Enel and Edison located within the province. In this transaction Public Finance acted as the leader of the pool of participating banks.
In the low environmental footprint alternative energy sector, various projects were developed in the wind and solar power segment under the project financing scheme: two wind power parks in Calabria built by the Verona Gest Group and the Falck Group, for which the Bank acted as mandated lead arranger (MLA), and, in the second case, also as agent bank and custodian for a pool of participating financial institutions; a wind power park in Molise, built by the Alerion Group and financed in a pool as MLA, agent bank, custodian bank and coordinator; and, lastly, two photovoltaic plants in Puglia, one built by the Global Solar Fund and the other by the Alerion Group in the Municipality of Castellaneta, both financed by a pool of banks in which Public Finance acted as the MLA.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local entities, including the Provinces of Pesaro and Urbino, Pavia, and Brescia and the Municipalities of Roma, Monza, Como, Venezia and Verona. Also, in order to provide smaller municipalities with access to credit at better conditions than those available on an individual basis, an agreement was entered into for the local authorities of the Emilia Romagna region enabling them to take out loans during the year with pre-established interest rates and conditions. An agreement was also signed for the factoring of the receivables for goods and services due from the Province of Torino in order to make financial resources available to firms to allow them to carry out their activities. The provision of financing to defence systems suppliers continued as part of the priority investment programmes for national defence subsidised by the government, together with the granting of a loan to the Commissioner Delegate for socio-economic and environmental emergency in the Marano and Grado lagoon to dredge and clear the lagoon in order to make it navigable.
Urban and local development projects included the granting of a loan for the construction of a parking area for the new Bergamo hospital. In support of transport infrastructure, a loan was granted to SAGAT, the company that manages Torino airport, and also to the Venezia Port Authority, to fund activities related to the dredging of the canal and other infrastructure work for the port. In addition, activity continued on mandates acquired to structure financing for various projects such as tourist ports, parking areas and the revamping of the road network.
With regard to public and infrastructure finance activities abroad, disbursements continued for road and motorway projects in several European countries, and bonds issued by the Polish bank BGK were subscribed, aimed at funding a programme of development and modernisation of motorway infrastructure in Poland.
In the water sector, a loan was granted to Abaqua (Agencia Balear del Agua y de la Calidad Ambiental), a Spanish firm that holds a government concession to provide integrated management of water service to the Autonomous Community of the Balearic Islands. Various transactions were also completed in the utilities sector in Northern Europe, including the loan to the Thüga Group, which holds shares in 90 German municipality-owned companies, to Stadtwerke Muenchen, a German multi-utility company, and to the Norwegian company Hafslund, which operates in the energy sector. Loans were also provided to a number of Spanish local authorities, including the Comunidad Foral de Navarra, the Comunidad de Aragon, the Generalitat Valenciana and the Comunidad de Madrid.

International Subsidiary Banks

(millions of euro)

Income statement/Alternative performance indicators	30.06.2010	30.06.2009	Changes	
			amount	%
Net interest income	809	717	92	12.8
Dividends and profits (losses) on investments carried at equity	2	1	1	
Net fee and commission income	278	264	14	5.3
Profits (Losses) on trading	53	137	-84	-61.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	-23	-11	12	
Operating income	**1,119**	**1,108**	**11**	**1.0**
Personnel expenses	-289	-300	-11	-3.7
Other administrative expenses	-213	-212	1	0.5
Adjustments to property, equipment and intangible assets	-68	-71	-3	-4.2
Operating costs	**-570**	**-583**	**-13**	**-2.2**
Operating margin	**549**	**525**	**24**	**4.6**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	6	8	-2	-25.0
Net adjustments to loans	-279	-327	-48	-14.7
Net impairment losses on other assets	-2	-	2	-
Profits (Losses) on investments held to maturity and on other investments	1	-1	2	
Income (Loss) before tax from continuing operations	**275**	**205**	**70**	**34.1**
Taxes on income from continuing operations	-72	-46	26	56.5
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**203**	**159**	**44**	**27.7**
Allocated capital	2,071	1,972	99	5.0
Profitability ratios (%)				
Cost / Income ratio	50.9	52.6	-1.7	-3.2
ROE annualised	19.8	16.3	3.5	21.6
EVA® (millions of euro)	70	25	45	

(millions of euro)

	30.06.2010	31.12.2009	Changes	
			amount	%
Loans to customers	30,665	29,644	1,021	3.4
Direct customer deposits	30,635	28,564	2,071	7.3
of which: due to customers	*28,352*	*26,694*	*1,658*	*6.2*
securities issued	*2,283*	*1,870*	*413*	*22.1*

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

The International Subsidiary Banks Division is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.
Effective from the beginning of the year, the Division's scope includes the Russian bank ZAO Banca Intesa, previously under the Global Services Department of the Corporate and Investment Banking Division, which merged with KMB Bank effective 1 January 2010 to create Banca Intesa Russia.
On 31 March the subsidiaries ISP Card and Centurion, which operate in the credit card business, were merged.
Last, during the half year the company of the Banca CR Firenze Group, active in Romania and previously allocated to the Banca dei Territori Division, was added to the scope of the International Subsidiary Banks Division.
The comparative figures have been restated in accordance with the new scope of the division.

In the first six months of 2010, the Division's operating income, amounted to 1,119 million euro, up 1% on the same period of the previous year. A detailed analysis shows that net interest income came to 809 million euro, marking an increase on the 717 million euro in the first half of 2009, owing chiefly to CIB Bank (+56 million euro), as a result of the positive valuation of hedging derivative transactions, and to Banca Intesa Russia (+22 million euro). Net fee and commission income showed an increase of 5.3%, largely attributable to VUB Banka (+6 million euro) and Bank of Alexandria (+5 million euro). Conversely, profits on trading, amounting to 53 million euro, fell compared to the same period of 2009 (-61.3%), primarily due to the lower contributions from CIB Bank (-68 million euro) and Privredna Banka Zagreb (-15 million euro), which more than offset the positive contributions of Banca Intesa Russia (+3 million euro) and Banka Koper (+1 million euro).
Operating costs stood at 570 million euro, down 2.2% on the first six months of the previous year. As a result of the above revenue and cost trends, the operating margin came to 549 million euro, up 4.6%. Income before tax from continuing operations of 275 million euro was up 34.1%, benefiting from the reduction in net adjustments to loans, from 327 million euro to 279 million euro. The Division closed the first half of 2010 with net income of 203 million euro, up 27.7% compared to the same period in 2009 (+39.6% excluding the effects of extraordinary taxation enacted in Hungary).
At a quarterly level, in 2010 revenues were 1.9% higher in the second quarter than in the first quarter, mainly due to the increase in net fee and commission income, from loans, current accounts and credit and debit cards, and in net interest income, which benefited from the improvement in the mark-up. The income before tax from continuing operations fell 5.5% due to higher operating costs and greater adjustments to loans.
Allocated capital, which represents 9% of the Group's capital, amounted to 2,071 million euro, up on the level recorded in the same period of the previous year. The strong earnings performance resulted in an increase in annualised ROE to 19.8% (from 16.3% in the first six months of 2009). Value creation, expressed in terms of EVA®, came to 70 million euro compared to 25 million euro in the first half of 2009.

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international Subsidiary Banks' operations and the management of the relationships between International Subsidiary Banks and the Parent Company's central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe Area	Present in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe Area	Present in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean Area	Present in Egypt, the Russian Federation and Ukraine
Distribution structure	1,799 branches in 13 countries

South-Eastern Europe Area

In the first half of 2010, the operating income of the Privredna Banka Zagreb Group, including ISP Card, amounted to 226 million euro (-4.6% compared to the same period of the previous year). This performance was attributable to the decrease in profits on trading (-57%) only partly offset by the increase in net interest income (+4.2%) and net fee and commission income (+3.4%). Operating costs increased 1.7% up to 117 million euro, as a result of the increase in personnel and administrative expenses mainly related to the work on the start-up of ISP Card. These results generated an operating margin of 109 million euro, down 10.7% on the first six months of 2009. Net income, amounting to 66 million euro, recorded a smaller fall (-2.9%) as a result of lower adjustments to loans.

Banca Intesa Beograd reported an operating margin of 69 million euro, up 3% on the first half of 2009 (net of the exchange-rate effect, the increase was over 10%). Operating income rose 1.5%, primarily due to the positive performances of net interest income (+7.1%) and net fee and commission income (+4.7%). Operating costs decreased by 0.8%, due in particular to personnel expenses (-3.4%). Net income amounted to 36 million euro, compared to 30 million euro for the same period in the previous year.

Intesa Sanpaolo Banka Bosna i Hercegovina ended the first half of 2010 with an operating margin of 4.9 million euro, up 38.1% on the first six months of 2009. The increase is due to higher revenues (+19.1%) and, in particular, to net interest income (+22.5%) due to the lower cost of funding. Operating costs increased 11.2% due to the expansion of all components attributable to the Company's development plan. Net income rose to 1.7 million euro, up on the 0.9 million euro earned in the first half of 2009, despite greater net adjustments to loans owing to the deterioration of asset quality caused by the economic crisis and the increase in loan volumes.

Intesa Sanpaolo Bank Albania reported an operating margin of 11 million euro, up 16.5% on the same period of the previous year. Revenues rose by 3.5% owing to the contributions of net interest income, which benefited from the increase in the total spread, and the profits on trading, which benefited from greater foreign exchange operations. Operating costs fell 10.1% due to the sharp decrease in administrative expenses. Despite the greater adjustments to loans, net income amounted to 7 million euro, up 17% on the first six months of 2009.

The companies operating in Romania (Intesa Sanpaolo Bank Romania and Banca CR Firenze Romania) recorded a total operating margin of 4.5 million euro, up 46.5% on the same period of the previous year. Operating income increased 7.8% owing to the rise in net interest income (+13.1%) attributable to the growth in volumes. The growth in operating costs (+2%) was attributable to the higher administrative expenses and amortisation/depreciation for the development of the branch network. The first half ended with a loss 3.3 million euro compared to a loss of 10 million euro for the first half of 2009, which had been affected by the higher level of net adjustments to loans as a result of the deterioration of the loan portfolio.

Central-Eastern Europe Area

Banka Koper, including Finor Leasing, reported operating income of 48 million euro, up 3.5% on the first half of 2009. Profits on trading (+1 million euro) attributable to proceeds from the sale of securities, contributed to this increase. Operating costs fell slightly (-0.5%) due to the decline in personnel expenses. Despite the increase in adjustments to loans, net income came to 12 million euro, an increase of 3.1% on the same period of the previous year.

The VUB Banka group achieved an operating margin of 127 million euro, up 0.4% compared to the first half of 2009, benefiting from lower operating costs (-4%), particularly administrative expenses, which more than offset the decline in operating income (-1.7%) attributable to the decrease in net interest income (-2%). Net income, amounting to 67 million euro, increased 9.2% on the first half of 2009, benefiting from the reduction in net adjustments to loans (-30.5%).

The CIB Bank Group recorded operating income of 238 million euro, down 4.5% on the first six months of 2009. This performance was attributable to the decrease in profits on trading (-68 million euro), mainly due to the losses on securities affected by the crisis, only partly offset by the increase in net interest income (+56 million euro) resulting from hedging transactions and higher spreads. Operating costs decreased by 5.3% owing to savings on personnel expenses (-11.5%). The net result for the half year, affected by the adjustments to loans and higher taxation, was a loss of 19 million euro, compared to a net income of 2 million euro for the first half of the previous year.

Commonwealth of Independent States & South Mediterranean Area

Banca Intesa Russia closed out its income statement for the first half of 2010 with a net income of 8 million euro compared to a 20 million euro loss in the same period of the previous year. In detail, net income was driven by a rise in net interest income (+48.6%), owing to the positive spread arising from the decrease in the cost of funding, and by profits on trading (+2.6 million euro), due to the greater profits from the sale and revaluation of securities held in portfolio. Operating costs increased 3.1% in relation to personnel expenses and amortisation/depreciation. Net adjustments to loans of 21 million euro were down 26.1% compared to the first half of 2009, when the loan portfolio deteriorated severely in connection with the Russian market crisis.

The operating margin of Pravex Bank for the first half of 2010 showed a loss of 2.3 million euro (compared to net income of 4.6 million euro for the same period in 2009) due to the significant fall in operating income (-32.7%) and, in particular, in net interest income (-57.3%), as a result of the reduction in the total spread and the drop in income from trading (-6.6%), due to the reduction in operations with customers caused by the change in the regulations on transaction volumes that introduced daily transaction limits from the end of 2009. Operating costs fell by 13.3% due to lower personnel expenses resulting from the distribution network rationalisation programme. Net adjustments to loans were 10 million euro, down 68.9% compared to the first six months of the previous year. Pravex Bank closed the first half with a net loss of 9 million euro, compared to the loss of 20 million euro for the same period of 2009.

Bank of Alexandria achieved an operating margin of 53 million euro, up 46.1% on the first six months of 2009. Operating income increased 18.5%, benefitting from the rise in net interest income (+17.5%), driven by the increase in average volumes with customers (+23.9% of loans) and the spread, and also from the increase in net interest income (+31.6%). Operating costs increased by 0.5%. After the release of nearly 9 million euro from allowances for risks and charges, net income came to 46 million euro compared to the 39 million euro generated in the same period of 2009.

Eurizon Capital

(millions of euro)

Income statement/Alternative performance indicators	30.06.2010	30.06.2009	Changes	
			amount	%
Net interest income	-	1	-1	
Dividends and profits (losses) on investments carried at equity	8	-	8	-
Net fee and commission income	125	118	7	5.9
Profits (Losses) on trading	-	3	-3	
Income from insurance business	-	-	-	-
Other operating income (expenses)	4	7	-3	-42.9
Operating income	**137**	**129**	**8**	**6.2**
Personnel expenses	-26	-25	1	4.0
Other administrative expenses	-39	-37	2	5.4
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-65**	**-62**	**3**	**4.8**
Operating margin	**72**	**67**	**5**	**7.5**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	1	-1	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**72**	**68**	**4**	**5.9**
Taxes on income from continuing operations	-16	-19	-3	-15.8
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-19	-19	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**37**	**30**	**7**	**23.3**
Allocated capital	57	77	-20	-26.0
Profitability ratios (%)				
Cost / Income ratio	47.4	48.1	-0.7	-1.5
ROE annualised	130.9	78.6	52.3	66.6
EVA® (millions of euro)	53	45	8	17.8

(millions of euro)

	30.06.2010	31.12.2009	Changes	
			amount	%
Assets under management	139,229	135,491	3,738	2.8

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Overall, total assets managed by Eurizon Capital as at the end of June 2010 stood at 139.2 billion euro, up 2.8% since the beginning of the year, benefiting from the strong performance of net inflows and the positive performance effect. Net inflows of 2.6 billion euro were driven by the contribution from the life insurance business arising from the placement of class I policies by the Intesa Sanpaolo networks and the acquisition of a management mandate for the unit-linked policies of Prospettiva. Inflows were also generated by retail and institutional portfolio management schemes, with the latter reversing the negative trend of the first quarter thanks to the acquisition of new mandates. On the other hand, outflows were recorded in the mutual funds and hedge funds.
Eurizon Capital's share of the mutual fund market was 17.9% as at 30 June 2010, down from 18.7% at the end of December 2009. This performance was due in part to the more defensive portfolio held by Eurizon Capital compared to the market average as equity markets generally rallied and in part to the impact of net inflows that were more penalising than those for the sector nationally.
Operating income for the first half of 2010, amounting to 137 million euro, was up 6.2% on the same period in 2009, mainly attributable to a recovery in commission income (+5.9%) due to the rise in average assets under management and the contribution of the net income from the investee Penghua Fund Management Company Limited. These positive

elements more than offset the performance of the interest margin and the income from trading, which were affected by the fall in market rates and the reduction in other operating income that included performance fees not yet settled by Caam SGR in the first half of 2009. Operating costs rose 4.8%, in relation to the increase in the costs of planning the unification of Intesa Sanpaolo's fund administration operational platforms and outsourcing and consulting services. As a result of the above revenue and cost trends, the operating margin came to 72 million euro, up 7.5%. Eurizon Capital closed the first half year with a net income of 37 million euro (56 million euro net of the effects on the income statement of the purchase price allocation) compared to 30 million euro in the same period of the previous year.
Absorbed capital amounted to 57 million euro, down significantly on the first half of 2009, owing to the reduction in market risks arising from the change in the method whereby risk is calculated for UCITS funds. Annualised ROE remained at the high levels characteristic of the business unit, attributable to its limited absorption of capital compared to the huge volumes of assets managed by the company and placed by the Group's banking networks. EVA®, which measures value creation, increased to 53 million.

Business	Asset management
Mission	To provide collective and individual asset management products to the Group's internal banking networks and develop its presence on the open market through specific distribution agreements with other networks and institutional investors
Organisational structure	
Eurizon Capital SGR	Specialised in asset management on behalf of both retail customers (mutual funds and portfolio management schemes) and institutional customers, to which it offers a wide range of specific investment products and services
Eurizon Capital SA (Lussemburgo)	Specialised in managing Luxembourg mutual funds with low tracking error
Eurizon A.I. SGR	Specialised in managing funds of hedge funds
Epsilon Associati SGR	Specialised in managing mutual funds using quantitative methods and 51% owned by Eurizon Capital and the remaining 49% by Banca IMI
Penghua Fund Management Company Limited	Chinese fund manager 49% owned by Eurizon Capital SGR

Among events of corporate relevance in the first half of 2010, Eurizon Capital SGR exercised its call option to purchase a minority interest in Epsilon Associati SGR (6.25%) from Banca Popolare di Milano and subsequently sold a 49% share of the capital of the company to Banca IMI. The aim of the joint venture with Banca IMI is to create a structured asset management platform, combining the specialist skills and expertise of the two Group companies in the development of innovative products with a long time to market period.
Eurizon Capital also completed the acquisition of the management contracts for the portfolios of the customers included in the business unit made up of the 50 branches of Banca Monte dei Paschi di Siena acquired by Intesa Sanpaolo.

With regard to the product line, from the beginning of March the Italian mutual funds were subject to the incorporation of the new Consob regulations, which entailed the production of new information prospectuses and the adjustment of the degrees of risk and time horizons in accordance with the new calculation methods. In the first half of 2010 the range of Luxembourg mutual funds was expanded with the marketing of two new sub-funds of the "Eurizon Focus Riserva DOC" fund, "Obbligazioni Corporate 12/2014" and "Obbligazioni Corporate 12/2014–2", aimed at retail customers of the Intesa Sanpaolo branch network and focused on investment in corporate bonds with a predetermined time horizon. Non-captive retail customers and customers of the branch network of Intesa Sanpaolo Private Banking, on the other hand, benefited from a new sub-fund of the "Eurizon Opportunità" fund known as the "Bond Selection 2015-1". A new range of capital protected products was also created within a dedicated umbrella fund called "Eurizon Focus Capitale Protetto" and the first sub-fund of the "Protezione 06/2016" line has been marketed since the beginning of April. The quarter also witnessed the launch of two new portfolio management schemes devoted to the personal customers of Banca dei Territori, "GP Linea Strategia Valore" and "GP Linea Strategia Valore Più", which feature a limit on exposure to the equity segment. Lastly, the "Private Solution" scheme was expanded to include a new component that invests in floating-rate bonds.

Banca Fideuram

(millions of euro)

Income statement/Alternative performance indicators	30.06.2010	30.06.2009	Changes	
			amount	%
Net interest income	56	85	-29	-34.1
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	258	198	60	30.3
Profits (Losses) on trading	22	10	12	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-3	1	-4	
Operating income	**333**	**294**	**39**	**13.3**
Personnel expenses	-63	-63	-	-
Other administrative expenses	-89	-88	1	1.1
Adjustments to property, equipment and intangible assets	-9	-8	1	12.5
Operating costs	**-161**	**-159**	**2**	**1.3**
Operating margin	**172**	**135**	**37**	**27.4**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-42	-20	22	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**130**	**115**	**15**	**13.0**
Taxes on income from continuing operations	-36	-26	10	38.5
Merger and restructuring-related charges (net of tax)	-	-1	-1	
Effect of purchase price allocation (net of tax)	-43	-43	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**51**	**45**	**6**	**13.3**
Allocated capital	278	296	-18	-6.1
Profitability ratios (%)				
Cost / Income ratio	48.3	54.1	-5.8	-10.7
ROE annualised	37.0	30.7	6.3	20.7
EVA® (millions of euro)	79	71	8	11.3

(millions of euro)

	30.06.2010	31.12.2009	Changes	
			amount	%
Assets under management	50,747	47,034	3,713	7.9

Assets under management of the Banca Fideuram Group amounted to 69.5 billion euro at the end of June 2010 (of which 50.7 billion euro in assets under management and 18.8 billion euro in assets under administration), up 2.5% since the beginning of the year owing to both the net inflows of 1.4 billion euro (611 million euro in the first six months of 2009) and the strong performance of assets. In particular, net inflows of assets under management came to 3.1 billion euro, compared to 573 million euro in the first half of 2009, benefiting from the strong performance of mutual funds. Conversely, assets under administration showed net outflows of 1.7 billion euro, compared to net inflows of 38 million euro in the same period of the previous year. The results achieved in the first half of 2010 confirm that customers' portfolios are currently being repositioned towards assets under management in order to be able to take advantage of the opportunities offered by the recovery of capital markets.
Net inflows for the period benefited from the investment, of 235 million euro, of assets repatriated or regularised in the first four months of the year (the period allowed for participation in the "third tax amnesty").
The number of private bankers rose from 4,292 at the end of 2009 to 4,333 units as at 30 June 2010.
The operating margin for the first half of 2010 was 172 million euro, up 27.4% compared to the same period of 2009, driven by the development of operating income (+13.3%) and essentially stable operating costs. In detail, the revenue performance was essentially attributable to the rise in net fee and commission income (+30.3%), particularly recurring items, associated with the growth in average assets under management and the gradual shift in the product mix towards

asset management products with a less conservative risk profile. Profits on trading, amounting to 22 million euro, also improved (+12 million euro), benefiting from the income earned on the sale of part of a portfolio classified as available for sale. Conversely, net interest income declined (-34.1%), primarily due to the reduction in the spread on the cost of funding. Quarterly performance, however, showed a positive trend in the margin in the second quarter over the first quarter (+5.8%). After additional provisions for risks and charges attributable to tax litigation, income before tax from continuing operations came to 130 million euro compared to 115 million euro for the first half of 2009. Banca Fideuram closed the first half of 2010 with a net income of 51 million euro (+13.3% compared to the same period of 2009), which rises to 94 million euro if the effects of the purchase price allocation on the income statement are excluded.
The capital absorbed by Banca Fideuram amounted to 278 million euro, down on the first half of 2009. Annualised ROE was 37%, an increase owing to the positive net income performance and lower amount of capital absorption. EVA®, which measures value creation, also increased to reach 79 million euro.

Business	Asset-gathering through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advice on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	97 branches in Italia with 4,333 private bankers

The initiatives taken by Banca Fideuram in the first half of 2010 were consistent with the objective of consolidating its market leadership through the development of its key strengths. This strategy was pursued through the development of products and services, creating value for customers by providing an increasingly discerning level of service and the offer of new strategic opportunities. The initiatives, which were aimed at all the customer segments with a focus on private customers, involved both the offer range, with solutions aimed at a market environment still under strong pressure, and the consultancy service, built on a distinctive model.

Within the area of asset management, the Bank's range of mutual investment funds was expanded with the introduction of Fonditalia Euro Yield Plus, a bond sub-fund with primarily short-term floating rate corporate bonds, created to exploit the asymmetries in the market between fixed rate and floating rate securities issued by the same issuers with similar seniority. This was accompanied by the completion of the simplification of the Irish investment vehicle Ailis Funds, through the merger by absorption of a number of sub-funds whose level of assets had become insignificant. Mutual funds of third-party investment banks included the new Aberdeen Global UCITS, which received the assets via merger of eleven sub-funds of Credit Suisse already distributed by the Group.
In the asset under administration area, short- and medium-term bond placements were held in order to meet liquidity needs.
One year from the introduction of the new Consulenza Evoluta Sei service, which offers customised solutions to meet all investment needs and evolve with them as they change over time, around 12,500 customers had subscribed to the service with around 1,400 active private bankers.
The new Private Service Line was launched at the beginning of 2010 a dedicated support service for private bankers to assist private customers with financial and non-financial issues, also through the development of ad-hoc solutions, customised offerings and auxiliary services.

Corporate Centre

The Corporate Centre is responsible for direction, coordination and control of the whole Group, as well as for treasury.

The Corporate Centre closed the first half of 2010 with an operating loss of 255 million euro, compared to 53 million euro in the corresponding period of the previous year. This performance was primarily attributable to the income from trading, affected by the decrease in interest rate and equity transactions and lower net interest income, also as a result of the gap between non-interest bearing assets and non-interest bearing liabilities. The reduction was eased by lower fee and commission income, higher dividends and income from investments carried at equity and higher operating income. Operating costs were down on the first six months of 2009. Overall, the Centre reported a net income of 104 million euro, benefitting from the gain of 648 million euro from the sale of the securities services to State Street Co. This result is compared to the 178 million euro in the first half of 2009, which benefited from higher tax credits, attributable to the redemption of intangibles, as well as the capital gains on the sale of Cassa di Risparmio di Orvieto and several branches sold in March 2009.

Treasury Operations

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. As a direct member and provider of settlement services to Group and third-party banks, Intesa Sanpaolo continued to play a key role within the euro payments system during the first half of 2010. The Group slightly increased its market shares in Target2 at Italian and European level as a result of the sale of the custodian bank business unit to State Street and its transition to the Euro settlement services. The Parent Company’s Treasury Department continued its considerable commitment towards various working groups within the ECB, Bank of Italy and Italian Banking Association, in relation to all the new development projects for the international settlement systems. In detail, the technical specifications for the new Eurosystem securities settlement platform (Target2-Securities) and the CBM2 (Correspondent Central Banking Model 2) system for centralised collateral management continued to be defined. As part of the process of moving the Italian financial community towards these market infrastructures, from 26 June the Bank of Italy amended the procedures for the management of the collateral given in guarantee for Eurosystem credit transactions using the legal instrument of the pledge and technique of pooling. The commitment continued towards eliminating settlement risk in foreign exchange transactions, where the Bank acts as a direct member of the CLS (Continuous Linked Settlement) system and continues to offer a clearing service matching the quality standards of the major European banks.

The money markets, after the economic problems in the eurozone during the first quarter, were characterised by a slow and gradual improvement in general market conditions. However, at the beginning of May, the worsening of the crisis in the peripheral eurozone countries led to renewed tension in the markets, with high volatility in certain sectors and difficulty for some counterparties in obtaining liquidity, without having to resort to the Central Bank.
The measures, under the exit strategies previously published by ECB (return to floating rate 3 and 6 months auctions, no new auctions with a 12 month duration, revision of haircuts) were partially interrupted with the introduction of new extraordinary 3 and 6 month auctions, the reopening of currency swap facilities with other Central Banks and the buying of securities under the new Securities Markets Program. These actions have again confirmed the continuous support provided to markets by the Central Bank. These measures have guaranteed the maintenance of funds in excess the system’s needs and, as a consequence, current market rates, in correlation with the above and in the absence of expectations of a rise in official rates for some time yet, remained essentially stable during the second quarter across all maturities typical of money markets (0-18 months).
Money market operations continued to be largely concentrated on short-term maturities and saw a reduction in active counterparties during the severest stages of the Greek crisis. The Collateralised Interbank Market, on the other hand, was particularly active in Italy, with exchanges also mainly concentrated on maturities of no more than 3 months. Developments are expected in this segment during the next quarter aimed at enabling the continued operation of the market, albeit with systems of guarantee and governance that will change in view of the exit by the Bank of Italy, which only stepped in temporarily for the management of the contingency phase.
Intesa Sanpaolo’s liquidity position remained well above its current needs, until the sale in mid-May of the custodian bank unit to State Street and subsequently remained continuously positive beyond the period of survival monitored by the regulators.
European and U.S. issuance programmes continued to perform well, without any particularly significant impacts following the Bank’s downgrade by the Standard and Poor’s rating agency. More evident were the repercussions of market conditions that prompted investors (also for regulatory reasons, especially in the United States) to shorten the duration of their investments, and demand higher returns and structures more easily converted into cash if required.

With regard to the securities held in portfolio, the worsening of the Greek crisis in the first quarter exacerbated the European sovereign debt crisis in the second quarter. In May and April markets had almost entirely factored in the possibility of a Greek debt default event, whilst the contagion to the other peripheral countries brought spreads against swaps and Bunds over the record levels reached during the Lehman crisis. At the end of first half, the nervousness of the markets partially subsided, also as a result of the major interventions by the European monetary and fiscal authorities:

extension of the ECB's repurchase programme to government bonds and the creation of the European Financial Stability Facility designed to support countries with funding difficulties.
The desk's strategy continued to be highly cautious. The asset allocation portfolio remained concentrated on Italian government securities with maturities of less than two years. During the most difficult times in the secondary market, purchases were made in intermediate part of the curve for tactical purposes. Positions in Covered Bonds, Government Guaranteed Securities and Financial were essentially unchanged compared to the first quarter.

Operating ACM and Structured Operations

With regard to Asset & Liability Management, operational management of the interest rate risks of the Group's banking book – in the segment over 18 months – is handled by the ALM structure under the supervision of the Risk Management Department. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve at the various maturities; moreover specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group's Financial Risks Committee, within limits established by the Management Board. The ALM structure actively supports the Committee's decision-making activity by formulating analyses and proposals. Despite the sharp drop in short-term interest rates over the last few months, the reduction in mark-down on demand deposits was significantly offset by the decisions made to protect the interest margin. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined internally at the Group level. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

Funding

With regard to funding operations, a total of approximately 5.8 billion euro in international funding transactions was closed in the first half of 2010, of which 5 billion euro took the form of the issuance of bonds and the remainder of borrowings mainly by German investors and medium-/long-term term deposits placed by international branches and subsidiaries by drawing on their local fund-raising. The public transactions completed during the half year included: 1.5 billion euro at a floating rate maturing in 2 years, 1 billion euro at a fixed rate maturing in 5 years, an issue for 350 million pounds at a fixed rate maturing in 12 years and, lastly, a 10-year issue for 1.25 billion euro placed in April this year. In May and June, the significant increase in volatility of the markets sparked by the crisis that hit the sovereign states, prompted the Bank to slow down its operations in the international capital markets.
On the Italian bond market, the total amount of Group securities placed through its own and third-party networks was 7.7 billion euro in the first half of 2010.
The placed securities showed a prevalence of structured bonds (mainly interest-rate structured securities) with an incidence of 80.7%, whereas the weight of plain vanilla securities was 19.3%.
A breakdown by average maturity shows a concentration of 3-year maturities with a weight of 53.7% followed by 6-year (21.8%) and 5-year (16.5%) maturities.
In the structured finance area, in April the first issue was placed on the Covered Bonds market for 2 billion euro, under the issuance programme backed by public sector receivables originated by the subsidiary BIIS. The transaction was launched at the end of a road-show in the major European capital markets (Milano, Frankfurt, Cologne, Düsseldorf, Munich, London and Paris). Structuring activity also continued on the Bank's second covered bond issuance programme, backed by RMBS notes and portfolios of mortgages originated by Intesa Sanpaolo, with the aim of further enhancing and diversifying the medium- and long-term funding channels available to Intesa Sanpaolo on the institutional market.
The first sale of assets of the vehicle company under this programme took place at the beginning of August and the inaugural issue is due to be launched this Autumn.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2010	6,406	1,528	301	8,235
30.06.2009	7,076	1,549	99	8,724
% change [(a)]	-9.5	-1.4		-5.6
Loans to customers				
30.06.2010	321,790	41,065	11,946	374,801
31.12.2009	325,184	40,252	10,001	375,437
% change [(b)]	-1.0	2.0	19.4	-0.2
Direct customer deposits				
30.06.2010	339,888	66,607	30,040	436,535
31.12.2009	324,698	68,921	29,059	422,678
% change [(b)]	4.7	-3.4	3.4	3.3

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

[(a)] The change expresses the ratio between 30.06.2010 and 30.06.2009.

[(b)] The change expresses the ratio between 30.06.2010 and 31.12.2009.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy accounted for 78% of revenues and customer deposits and 86% of loans to customers. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).
At the level of operating performance in the first half of 2010, Italy posted strong results in terms of deposit volumes, which more than offset the downtrends in Europe and the Rest of the world. The levels of loans to customers remained essentially stable thanks to the disbursement of loans abroad, which offset the downturn recorded in Italy.

Risk management

BASIC PRINCIPLES

Intesa Sanpaolo Group policies relating to risk acceptance are defined by the Parent Company's Management Bodies, Supervisory Board and Management Board, with support from specific Committees (particularly, the Group Risk Governance Committee), and the Chief Risk Officer, who reports directly to the Chief Executive Officer.

The Parent Company is in charge of overall direction, management and control of risks, whereas Group companies that generate credit and/or financial risks operate within the assigned autonomy limits and have their own control structures. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the subsidiary's Management Bodies.

The risk measurement and management tools together define a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum unexpected loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the Budget assumptions and projected economic situation under ordinary and stress conditions. The capital position forms the basis for the business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord.

Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 2 REGULATIONS AND THE INTERNAL PROJECT

Within the Basel 2 Project, the purpose of which is to prepare the Group for the adoption of advanced approaches, and with regard to credit risks, the Group was authorised by the Supervisory Authority to use the IRB Foundation approach for the Corporate segment, effective from the report as at 31 December 2008, on an initial scope of Group companies (comprised of the Parent Company and most of the network banks and Italian product companies).

In 2009, the Group began to expand the scope of application of internal models by securing permission for the use of the IRB Foundation approach by network banks belonging to the former Cassa di Risparmio di Firenze Group (effective from the report as at 31 December 2009) and by Intesa Sanpaolo Bank Ireland (effective from the report as at 31 March 2010) and also submitted an application to start the procedure for the international subsidiaries CIB Bank and VUB Banka and the Italian Banca IMI.

In 2008, the Group had implemented rating models and credit processes for the SME Retail and Retail segments (residential mortgages), and in 2009 it completed development of the LGD (Loss Given Default) model. The Bank of Italy authorised the Intesa Sanpaolo Group to adopt the IRB approach for the Retail Mortgage segment starting from the report as at 30 June 2010. Moreover, the application for the validation of the advanced IRB approach for the Corporate segment and the IRB approach for the SME Retail segment is set to be submitted by year end and during 2011, respectively.

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

On the subject of operational risk, it should be noted that the Group was authorised, effective from 31 December 2009, to use the Advanced AMA Approach (internal model) to determine the capital requirement on an initial scope that includes the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. The remaining companies, which currently employ the Standardised approach, will migrate progressively to the Advanced approaches starting from the end of 2010, based on the rollout plan presented to the Management and Supervisory Authorities.

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

As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 2 - Pillar 3" or simply "Pillar 3".

The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

CREDIT RISK

The Group's strategies, powers and rules for the granting and management of loans are aimed at:
- achieving the goal of sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;
- privileging lending of a commercial nature or intended for new investments in production, provided that they are sustainable, over those of a merely financial nature;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of performance deterioration in a timely manner.

The Intesa Sanpaolo Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
In particular, with respect to loans to customers, risk is measured using internal rating models which change according to the segment to which the counterparty belongs.

Credit quality

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
The overall non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a predetermined control system and periodic managerial reporting. In particular, such activities are performed using measurement methods and performance controls that allow the production of synthetic risk indicators. They allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and for credit risk control.
Positions to which the synthetic risk indicator attributes a persistent high-risk rating are intercepted (manually or automatically) and included in an operational category based on their risk profile. They are classified in the following categories: doubtful loans, exposures to borrowers in default or in similar situations; substandard loans, exposures to borrowers in temporary difficulty, deemed likely to be settled in a reasonable period of time and exposures which satisfy the conditions objectively set by the Supervisory Authority ("objective substandard loans"), although they do not meet the requirements to be classified under doubtful loans; restructured loans, positions for which, due to the deterioration of the economic and financial position of the borrower, the bank (or pool of banks) agrees to modify the original contractual terms giving rise to a loss. Lastly, non-performing loans also include past due positions that cannot be considered mere delays in reimbursements, as established by the Bank of Italy.

(millions of euro)

	30.06.2010			31.12.2009			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	18,535	-12,260	6,275	16,459	-11,094	5,365	910
Substandard loans	12,243	-2,557	9,686	12,976	-2,601	10,375	-689
Restructured loans	3,866	-289	3,577	2,402	-109	2,293	1,284
Past due loans	1,407	-123	1,284	2,583	-160	2,423	-1,139
Non-performing loans	**36,051**	**-15,229**	**20,822**	**34,420**	**-13,964**	**20,456**	**366**
Performing loans	336,603	-2,458	334,145	338,902	-2,448	336,454	-2,309
Performing loans represented by securities	20,371	-537	19,834	19,083	-556	18,527	1,307
Loans to customers	**393,025**	**-18,224**	**374,801**	**392,405**	**-16,968**	**375,437**	**-636**

Figures restated where necessary, considering the changes in the scope of consolidation and discontinued operations.

As at 30 June 2010, the Group's non-performing loans amounted to 36,051 million euro (up 4.7% on 31 December 2009) in gross terms and 20,822 million euro (+1.8%), net of adjustments.
This trend led to a slightly higher incidence of net non-performing loans on total loans to customers, increasing from 5.5% to 5.6%. The average hedging of non-performing loans increased from 40.6% in 2009 to 42.2% as at 30 June 2010.

Within the aggregates of non-performing loans, doubtful loans (of 6,275 million euro in net terms) grew by 910 million euro (+ 17%) over the period, while substandard loans are down 689 million euro (- 6.6%), mainly as a result of the transfer of some significant positions to restructured loans following the reaching of restructuring agreements. The hedging of doubtful loans as at 30 June (66.1%) is slightly down on that as at 31 December 2009 (67.4%), while that of substandard loans (20.9%) improved slightly on year-end 2009 (20%).
The 1,284 million euro increase in restructured loans is mainly due to the abovementioned transfer of some positions from substandard loans. Past due loans are down by 1,139 million euro also as a result of the change in the residential mortgages classification. Having obtained the Bank of Italy's authorisation to use the internal model for the purposes of determining the capital requirements of this customer segment, they are now classified under past due loans only when they are past due by more than 180 days (instead of over 90 days), using an approach "by customer" instead of the previous approach "by transactions").

Cumulated collective adjustments on performing loans came to 0.73% of overall gross exposure relating to loans to customers, up slightly compared to the 0.72% at the end of 2009. The risk associated with the performing loan portfolio is calculated collectively on the basis of the risk configuration of the entire portfolio analysed by means of models that consider the Probability of Default (PD) and Loss Given Default (LGD) for each loan.

MARKET RISKS

TRADING BOOK

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

- interest rates;
- equity and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

Some of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 2% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were interest rates and foreign exchange rates, both relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo, (iv) position risk on dividend derivatives.
From the second quarter of 2010 the validated risk profiles were extended to the commodity risk for Banca IMI.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.
In the second quarter of 2010, market risks generated by Intesa Sanpaolo and Banca IMI increased with respect to the averages for the first quarter of 2010. The average VaR for the period totalled 40.9 million euro.

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

(millions of euro)

	2010				2009			
	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	27,0	19,4	32,4	19,5	21,8	25,8	27,9	32,3
Banca IMI	13,9	10,4	19,5	11,7	10,1	10,6	15,7	18,0
Total	**40,9**	**30,0**	**49,2**	**31,3**	**31,9**	**36,4**	**43,6**	**50,3**

(a) Each line in the table sets out past estimates of daily 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.

For Intesa Sanpaolo and Banca IMI, the breakdown of risk profile in the second quarter of 2010 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 45% of total VaR; for Banca IMI, credit spread risk was the most significant, representing 51% of total VaR.

(millions of euro)

	2010			2009		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Intesa Sanpaolo	23,3	17,7	32,4	30,1	25,5	35,6
Banca IMI	12,8	8,9	19,5	16,9	11,7	21,7
Total	**36,0**	**27,6**	**49,3**	**47,0**	**39,1**	**55,7**

(a) Each line in the table sets out past estimates of daily VaR calculated on the half-yearly 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.

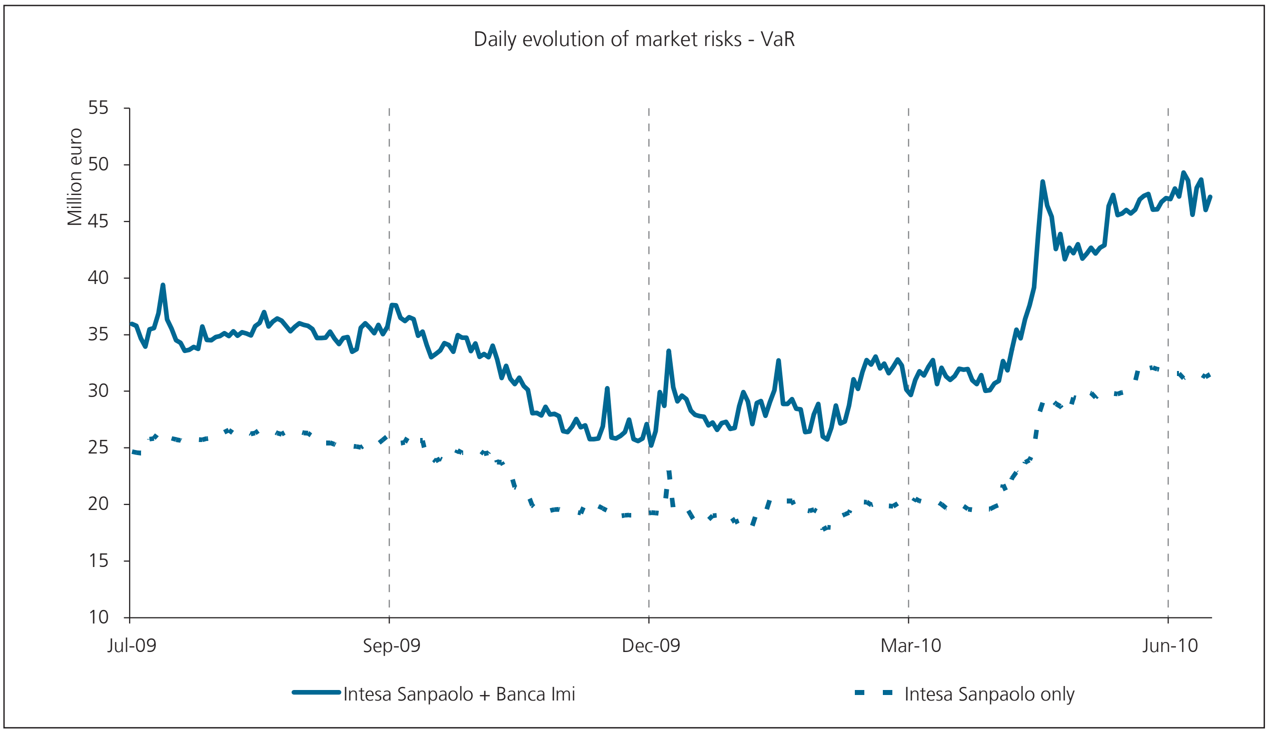
In the first half of 2010, market risks generated by Intesa Sanpaolo and Banca IMI decreased with respect to the averages for the first half of 2009. The average VaR for the period totalled 36 million euro.

Contribution of risk factors to overall VaR (a)

1st half 2010	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	3%	45%	9%	33%	1%	8%	-
Banca IMI	11%	-	16%	51%	3%	11%	8%
Total	**7%**	**24%**	**12%**	**42%**	**2%**	**9%**	**4%**

(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 first half of 2010, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

VaR in the last twelve months is illustrated below. The increase in the second quarter of 2010 is due to the increased volatility of the spreads in government issues, following to the Greek crisis and the related contagion effect on peripheral countries of the Eurozone.



Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The effect 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 10 million euro loss;
- on interest rate exposures, a parallel +25 basis point shift in the yield curve would have led to a 18 million euro loss,

whereas a parallel -25 basis point shift would have led to a 22 million euro gain;
- on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 99 million euro loss, 6 million euro of which due to structured credit products (SCP), whereas a 25 basis point tightening of the spreads would have led to a 101 million euro gain, 6 million euro of which due to SCPs;
- on foreign exchange exposures (main position on Euro/USD), the portfolio would have recorded a 21 million euro gain in the event of exchange depreciation (-10%). The positive effect in the case of foreign exchange appreciation (+10%) would be equal to 9 million euro;
- lastly, on commodity exposures a 8 million euro loss would have been recorded had there been a 50% increase in prices.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	12	-10	22	-18	101	-99	21	9	8	-8
of which SCP					*6*	*-6*				

BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the other main Group companies that carry out retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.
The following methods are used to measure financial risks of the Group's banking book:
- Value at Risk (VaR);
- Sensitivity analysis.

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer demand loans and deposits.
Furthermore, sensitivity of the interest margin is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

Hedging of interest rate risk is aimed (i) at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) at reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of assets and liabilities specifically identified (micro-hedging), mainly bonds issued or acquired by the bank and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Bank is exposed to this risk in the period from the date on which the rate is set and the interest payment date.
Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on floating rate funding to the extent that the latter finances fixed-rate investments (macro cash flow hedge). In other cases, cash flow hedges are applied to specific assets or liabilities.
The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.

The interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, stood at 603 million euro at the end of June 2010, almost entirely concentrated on the euro currency; this figure compares with the 560 million euro at the end of 2009.
Sensitivity of the interest margin – in the event of a 100 basis point rise in interest rates – amounted to +113 million euro (-115 million euro in the event of reduction) at the end of June 2010; these values record a slight decrease compared to the 2009 year-end figures of +119 million euro and -120 million euro, respectively, in the event of an increase/decrease in interest rates.

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

Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category, measured in terms of VaR, registered an average of 97 million euro (126 million euro at the end of 2009) in the first six months of 2010, with minimum and maximum value of respectively 85 million euro and 115 million euro. VaR at the end of June amounted to 85 million euro.
Lastly, a sensitivity analysis of the banking book 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, for a negative shock of 10%, equal to -72 million euro at the end of June 2010.

INFORMATION ON FINANCIAL PRODUCTS

In line with the requests for utmost transparency made by supranational and national Supervisory authorities, the following detailed information is provided on the fair value measurement methods applied to financial instruments and the various measurement levels, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged finance transactions, hedge fund investments and transactions in derivatives with customers.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

General Principles

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. These criteria are unchanged with respect to those adopted for the prior year financial statements. For more details, reference should be made to the description included in the 2009 Annual report.
The fair value of financial instruments is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.
When no quotation on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:

- reference to market values indirectly connected to the instrument to be valued and deduced from products with the same risk profile (comparable approach);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the person making the assessment (Mark-to-Model).

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotations (comparable approach - level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (Mark-to-Model Approach - level 3).
The following instruments are considered quoted on an active market (level 1): equities quoted on a regulated market, bonds quoted on the EuroMTS circuit and those for which it is possible to continuously derive from the main price contribution international platforms at least three prices with a bid-ask spread under an interval deemed to be congruous, mutual funds, spot exchange rates, derivatives for which quotes are available on an active market (for example, futures and exchanged traded options). Lastly, hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, are considered as quoted on an active market, provided that no adjustments are required for the valuation of the liquidity or counterparty risks of the underlying assets. Conversely, all other financial instruments, which do not fall in the categories described above, are not considered quoted on an active market.
When no prices can be derived on active markets, the fair value of financial instruments is determined using the comparable approach (level 2) which uses measurement models based on market parameters. In this case the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the search for transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. The calculation methodologies used in the comparable approach reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – i.e. parameters for which values may not be inferred from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – that significantly influence the final valuation.
The calculation of the fair value of certain types of financial instruments is based on valuation models which consider

parameters which are not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator (level 3). In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:

- the development of future cash-flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured under the Mark-to-Model Approach:

- debt securities included among structured credit products;
- complex credit derivatives (CDO) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- other loans, of a smaller amount, classified in the available-for-sale portfolio.

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

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

- identification of the sources for measurements: for each asset class, the Market Data Reference Guide establishes the processes necessary to identify market parameters and the means according to which such data must be extracted and used;
- certification and treatment of market data for measurements: this stage consists of the accurate verification of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means. In particular:
  - reference categories are established for the various types of market parameters;
  - the reference requirements governing the identification of official revaluation sources are set;
  - the fixing conditions of official figures are established;
  - the data certification conditions are established;
- certification of pricing models and Model Risk Assessment: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used to current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for measurement. The validation process is particularly important at the start of activities in a new financial instrument which requires the development of further pricing models, and when the Bank decides to use a new model to measure payoffs previously managed with models deemed to be less adequate. All models used for the measurement must be submitted to an internal certification process which involves various competent structures or independent companies in highly complex or particularly critical cases;
- monitoring consistency of pricing models over time: periodical monitoring of the adherence to the market of the pricing model in order to discover any gaps promptly and start the necessary verifications and interventions.

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

Fair value hierarchy

The table below shows financial assets and liabilities designated at fair value through profit and loss broken down by fair value levels.

(millions of euro)

Financial assets / liabilities designated at fair value	30.06.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	37,674	57,646	1,918	24,777	43,683	1,380
2. Financial assets designated at fair value through profit or loss	21,713	1,397	207	20,345	1,408	212
3. Financial assets available for sale	32,665	4,249	1,853	30,359	3,841	1,695
4. Hedging derivatives	-	9,315	5	-	7,008	-
Total	**92,052**	**72,607**	**3,983**	**75,481**	**55,940**	**3,287**
1. Financial liabilities held for trading	5,256	50,024	1,133	2,878	38,913	473
2. Financial liabilities designated at fair value through profit or loss	398	23,358	-	464	25,423	-
3. Hedging derivatives	-	6,988	6	-	5,179	-
Total	**5,654**	**80,370**	**1,139**	**3,342**	**69,515**	**473**

Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

As shown in the table, level 3 instruments, which have more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio and the relevant balances are substantially unchanged from those at 2009 year end. Conversely, over one third of the items measured at fair value (more than one-half considering only financial assets) are determined based on market prices (no discretion).

The increase in level 3 financial assets and liabilities is mainly due to a number of interest rate and credit derivative transactions for which market parameters can no longer be observed.

The sensitivity analysis of level 3 financial assets and liabilities shows a 19 million euro[1] decrease in fair value due to complex credit derivatives, when the following parameters change:

– risk-neutral probability of default derived from market spreads (10%);
– recovery rate (from 5% to 25%, based on the type of risk of the underlying product);
– correlation between the value of collaterals present in the structure (from 25% to 80%, based on the type of risk of the underlying product);
– expected residual life of the contract (one-year increase over the expected term).

For more exhaustive information on the sensitivity of financial instruments to changes in the main input parameters, reference should be made to the analyses of the trading book.

[1] This amount is shown net of adjustments to valuations relating to the main input parameters which were already considered to determine the fair value of financial instruments.

STRUCTURED CREDIT PRODUCTS

The business model: objectives, strategies and relevance

During the quarter, the portfolio of structured credit products was substantially unchanged; the slight increase on the previous quarter is due to the exchange-rate effect which has more than offset the decrease following the expiry of some transactions.
The quarter was characterised by the marked volatility of market spreads, mainly due to the crisis of sovereign debts, ending however with the same or lower levels compared with the previous quarter and with a positive impact on the valuation of the portfolio (positive impact of 12 million euro on the income statement).
The strategy focusing on the reduction of exposure to this asset class continues to be pursued, in tandem with the opportunities offered by the reference market which remains quite uncertain as confirmed by the macroeconomic figures which indicate, in the best-case scenario, a weak recovery which is not sufficient to absorb unemployment and bring disposable income levels back to pre-crisis levels.

Highlights

The risk exposure of structured credit products amounts to 4,020 million euro as at 30 June 2010 with respect to funded and unfunded ABSs/CDOs and to 96 million euro with respect to packages.
The positions outstanding as at 30 June 2010, which have been downgraded by approximately 9% (down from 27% as at 31 December 2009), remain of good quality, as shown by the following indicators:

– 78% of the exposure was Investment Grade, compared to 73% as at 31 December 2009;
– 37% of the exposure had a Super senior (2%) or AAA (35%) rating. The percentage of Super senior fell slightly compared to 31 December 2009;
– 22% had a BBB rating or less, compared to 27% as at 31 December 2009;
– 25% of the exposure had a pre-2005 vintage[2];
– 39% has a 2005 vintage;
– only 9% of the exposure related to the US Residential segment, and 22% to the US non-residential segment;
– the remaining exposure (69% of the total) was almost entirely (57%) european.

In terms of underlying contract types, just over half the exposure consisted of CLOs (33%) and CDOs (24%); the rest was made up of ABSs (17%) and RMBSs (20%), with CMBSs representing 6% of the total.
With regard to valuation methods, unfunded positions were measured using the Mark-to-Model Approach (Level 3 of the Fair Value hierarchy) with the sole exception of positions on CMBX and LCDX indices, which were measured on the basis of Effective Market Quotes (Level 1 of the Fair Value hierarchy). As for funded products, around 8% of the exposure was measured on the basis of Effective Market Quotes (Level 1 of the Fair Value hierarchy), while, in 92% of cases, valuation techniques were adopted. Specifically, 53% of the exposures were measured through the Comparable Approach (Level 2) and the remaining 39% through the Mark-to-Model Approach (Level 3).
Structured credit products are indicated by separating the part classified under financial assets held for trading and available for sale from those classified as Loans[3]. The tables illustrate the impact on the income statement of both aggregates.
The information set out below refers to the entire Group. Any effects and positions ascribable to entities other than the Parent Company are specifically highlighted in the comments and/or in the detailed tables.
In the summary tables provided below, table (a) sets out risk exposure as at 30 June 2010 and income statement captions (sum of realised charges and profits, write-downs and write-backs) in the first half of 2010, compared with the corresponding values recorded as at 31 December 2009.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.
The conversion into euro of values expressed in USD as at 30 June 2010 occurred at an exchange rate of 1.2271 euro per dollar and as at 31 December 2009 at an exchange rate of 1.4406 euro per dollar.

[2] Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgages underlying securitisations since, especially in the US, the phenomenon of mortgages granted to entities with inadequate income and with low prior assessment of documentation became significant as of 2005.

[3] This segregation is the result of the reclassification completed in 2008 after the IAS 39 amendments in October 2008. Added to these are the reclassifications of securities completed after the restructuring of unfunded positions during 2009.

Structured credit products: summary tables

a) Exposure in funded and unfunded ABS/CDOs

(millions of euro)

Financial assets held for trading	30.06.2010		31.12.2009	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading
US subprime exposure	**29**	**-1**	**28**	**19**
Contagion area	**197**	**8**	**164**	**-68**
- Multisector CDOs	93	-8	88	-71
- Alt-A	-	-	-	-
- TruPS	104	16	76	3
- Prime CMOs	-	-	-	-
Other structured credit products	**1,285**	**23**	**1,235**	**-27**
- European/US ABS/CDOs	446	-2	479	36
- Unfunded super senior CDOs	823	16	834	-51
- Other unfunded positions	16	9	-78	-12
Total	**1,511**	**30**	**1,427**	**-76**
in addition to:				
Positions of funds	-	6	-	15
Total Financial assets held for trading	**1,511**	**36**	**1,427**	**-61**

Loans	30.06.2010		31.12.2009	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**7**	**-**	**7**	**-1**
Contagion area	**111**	**-**	**107**	**-**
- Multisector CDOs	16	-	15	-
- Alt-A	62	-	59	-
- TruPS	-	-	-	-
- Prime CMOs	33	-	33	-
Other structured credit products	**2,391**	**3**	**2,321**	**4**
- Funded European/US ABS/CDOs	1,344	1	1,476	-11
- Funded super senior CDOs	904	2	714	15
- Other Romulus funded securities	143	-	131	-
Total	**2,509**	**3**	**2,435**	**3**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**2,509**	**3**	**2,435**	**3**
TOTAL	**4,020**	**39**	**3,862**	**-58**

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at reference date. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

b) Exposure in packages

(millions of euro)

Detailed table	30.06.2010		31.12.2009	
	Credit exposure to protection seller (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to protection seller** (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading
Monoline risk	4	-	10	31
Non monoline packages	92	1	98	4
TOTAL	**96**	**1**	**108**	**35**

The overall risk exposure of structured credit products rose from 3,862 million euro as at 31 December 2009 to 4,020 million euro as at 30 June 2010, in addition to an exposure of 96 million euro in connection with structured packages. The increase is mainly attributable to the revaluation of USD positions following the appreciation of the US currency on the Euro.

From an income statement perspective, structured credit products improved, reaching +40 million euro as at 30 June 2010 compared to a loss of 23 million euro as at 31 December 2009.

The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of +36 million euro. The profit on this segment was essentially a result of the effects of:

– the unfunded positions included in the area "Other structured credit products" (+25 million euro as at 30 June 2010, of which +16 million euro in unfunded super senior CDOs and +9 million in Other unfunded positions);
– funded and unfunded positions associated with the "Contagion Area" (+8 million euro); this result is further improved if the positions in funds attributable to the segment are also considered (+6 million euro);
– European and U.S. funded ABSs/CDOs (-2 million euro), also included in the area "Other structured credit products", which, however, suffered a fall as a consequence of the worsening of certain securities included in the portfolio of the subsidiary Banca IMI;
– the US Subprime exposure (-1 million euro).

The securities reclassified to the loans portfolio and included among European ABSs/CDOs showed impairment losses as at 30 June 2010 that resulted in adjustments of 5 million euro, recognised under caption 130 "Net impairment losses on loans", partly offset by the net income from the sale of certain securities included in the segment (8 million euro), recognised under "Profits (Losses) on disposal or repurchase of loans – caption 100a". The overall impact of the securities included in this segment was +3 million euro as at 30 June 2010.

The contribution of the Monoline risk and Non-monoline packages was also positive with a total result of 1 million euro in the first half of 2010.

It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.

As at 30 June 2010, the aggregate included bonds classified as loans for a total nominal value of 2,717 million euro and a risk exposure of 2,509 million euro (2,357 million euro was reclassified and 152 million euro was classified in the loans portfolio since its initial recognition and included in the portfolios of the Parent Company and its subsidiaries Banca Fideuram and Eurizon Vita). This amount included 178 million euro for securities reclassified from available for sale to the loans portfolio. As at 30 June 2010 their fair value was 96 million euro. The positive impact of this reclassification on the Valuation reserve under Shareholders' Equity was 82 million euro. The remaining 2,179 million was reclassified from the trading book to the loans portfolio. The fair value of this aggregate was 1,945 million euro as at 30 June 2010, with a positive effect on the income statement of a total of 234 million euro, of which 299 million euro in benefits attributable to 2008, 7 million euro in benefits attributable to 2009 and a lesser benefit of 72 million euro attributable to 2010. Had the loans portfolio not been reclassified, the positive result for structured credit products in the first half of 2010 would have been 112 million euro.

US subprime exposure

Reference should be made to the financial statements as at 31 December 2009 for the definition of US subprime exposure adopted by the Intesa Sanpaolo Group. As at 30 June 2010, the Group:

- did not have mortgages definable as subprime in its portfolio, as it is not the Group's policy to issue loans of this kind;
- did not issue guarantees connected to the aforementioned products.

During the first half of 2010, the US subprime exposure remained constant with that as at 31 December 2009.

US subprime exposure

(millions of euro)

Financial assets held for trading	Position as at 30.06.2010		Income statement as at 30.06.2010 Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total 1st half 2010	*of which 2Q*
Funded ABS	15	1	-	-	-	-
Funded CDOs	30	2	-	-1	-1	*-1*
Unfunded super senior CDOs (1)	214	26	-	1	1	-
Position on ABX indexes	-	-	-1	-	-1	-
"Long" positions	**259**	**29**	**-1**	**-**	**-1**	***-1***
Net position	**"long" 259**	**"long" 29**	**-1**	**-**	**-1**	***-1***

Loans	Position as at 30.06.2010		Income statement as at 30.06.2010			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total 1st half 2010	*of which 2Q*
Funded ABS	-	-	-	-	-	-
Funded CDOs	8	4	-	-	-	-
Romulus funded ABS/CDOs	4	3	-	-	-	-
"Long" positions	**12**	**7**	**-**	**-**	**-**	**-**
TOTAL	**271**	**36**	**-1**	**-**	**-1**	***-1***

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at period end. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

(1) With Mezzanine collateral. Including a position with underlying made up for approximately one third of subprime mortgages. This table includes the sole portion represented by subprime mortgages, whereas the residual exposure is reported in the "contagion" area.

The net nominal long position of 271 million euro as at 30 June 2010 compares with 236 million euro as at 31 December 2009. In terms of risk exposure, a long position of 36 million euro (35 million euro as at 31 December 2009) which also included securities reclassified under the loans portfolio for 7 million euro (12 million euro in terms of nominal value) existed as at 30 June 2010. At 30 June 2010, the fair value of reclassified securities was 5 million euro[4]. The positive impact of the reclassification on the Valuation reserve under Shareholders' Equity was therefore 2 million euro[5].

As at 30 June 2010, the overall impact on the income statement ascribable to these positions was -1 million euro (+19 million euro as at 31 December 2009). It was recognised entirely under "Profits (Losses) on trading – Caption 80".

With regard to the Funded ABS component, 60% had a AAA, 15% a AA, 3% a BB and the remaining 22% a CCC/C rating. The original Loan-To-Value [6] (LTV) was 91%, while average delinquency [7] at 30, 60 and 90 days amounted to 4%, 3% and 7%, respectively. Cumulated loss equalled 40%.

These positions were not quoted on active markets and were measured using the Comparable Approach (Level 2) for the funded ABS component or the Mark-to-Model Approach (Level 3) for the funded and unfunded CDOs.

[4] Of which 3 million euro refers to securities in the portfolio of the Romulus vehicle.

[5] Entirely attributable to the Parent Company.

[6] The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.

[7] Current state of irregular payments at 30, 60 and 90 days.

"Contagion" area

As at 30 June 2010, the segment results subject to "contagion effect", i.e. affected by the subprime mortgage crisis, can be summarised as follows:

i. *Multisector CDOs*: products almost entirely represented by unfunded super senior CDOs, with collateral consisting of US RMBSs (76%), CMBSs (5%), CDOs (5%), HY CBOs (12%) and Consumer ABSs (2%). Over 67% of the US RMBS component had a vintage prior to 2005 and an immaterial exposure to subprime risk (on average 1%).
These were transactions with a CC+ average rating and an average protection (attachment point[8]) of 3%.

"Contagion" area: Multisector CDOs

(millions of euro)

Financial assets held for trading	Position as at 30.06.2010		Income statement as at 30.06.2010 Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
Funded CDOs	44	25	1	5	6	7
Unfunded super senior CDOs	374	129	-	-13	-13	-12
"Long" positions	**418**	**154**	**1**	**-8**	**-7**	**-5**
CMBX hedges and derivatives	61	61	3	-4	-1	-
Positions of funds		61	-	6	6	*1*
Net position (***)	**"long" 357**	**"long" 93**	**4**	**-6**	**-2**	**-4**

Loans	Position as at 30.06.2010		Income statement as at 30.06.2010			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
Funded CDOs	6	5	-	-	-	-
Romulus funded ABS/CDOs	13	11	-	-	-	-
"Long" positions	**19**	**16**	**-**	**-**	**-**	**-**
TOTAL	**376**	**109**	**4**	**-6**	**-2**	**-4**

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at reference date. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

(***) The figures relating to the nominal value and exposure to risk do not include the positions of funds.

Taking into account write-downs, write-backs, CMBX and LCDX index hedges and a number of single-name credit default swap positions on associated names[9], the net risk exposure as at 30 June 2010 was 109 million euro, stable on the 103 million euro as at 31 December 2009. The exposure also included securities of 16 million euro (19 million euro in nominal value), partly in the Romulus vehicle portfolio and partly in the Parent Company portfolio, which were reclassified to the Loans category. As at 30 June 2010, the latter had a fair value of 10 million euro, with a positive impact of the reclassification on the Valuation reserve under Shareholders' Equity of 6 million euro[10].
As at 30 June 2010, the overall impact on the income statement ascribable to these positions (including those on CMBX and LCDX indices and other derivatives) was -8 million euro. Considering, for the sake of completeness, the Group's investment in funds, which had a positive impact on the income statement of 6 million euro, the impact on the income statement as at 30 June 2010 amounted to -2 million euro, with a reduction of 4 million euro in the second quarter. These figures compare with the 56 million euro loss recorded as at 31 December 2009.
With the exception of short hedging positions (measured at level 1), this segment included the funded and unfunded instruments that were measured using the Mark-to-Model Approach (Level 3). This approach is also applied to positions in funds.

[8] Level over which a protection seller covers the losses of the protection buyer.

[9] But not in positions of Funds.

[10] Of which 3 million euro refers to securities in the portfolio of the Romulus vehicle.

ii. ***Alt-A - Alternative A Loans***: ABS (securities) with underlying US residential mortgages normally of high quality, but characterised by penalising factors, mostly relating to incomplete documentation that do not permit their classification under standard prime contracts.
The positions in the Group portfolio had a 2005 vintage and ratings of AAA (48%), A (11%), BBB (18%), BB/B (2%) and CCC (21%).

"Contagion" area: Alt-A - Alternative A Loans

(millions of euro)

Financial assets held for trading	Position as at 30.06.2010		Income statement as at 30.06.2010 Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
Other securities available for sale[(1)]	10	-	-	-	-	-
"Long" positions	**10**	**-**	**-**	**-**	**-**	**-**

Loans	Position as at 30.06.2010		Income statement as at 30.06.2010			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
Alt-A Agency	31	31	-	-	-	-
Alt-A No Agency	38	31	-	-	-	-
"Long" positions	**69**	**62**	**-**	**-**	**-**	**-**
TOTAL	**79**	**62**	**-**	**-**	**-**	**-**

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at reference date. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

(1) Risk position classified among securities available for sale, attributed to the Parent Company and originating from the Romulus vehicle, transferred at fair value in 2008.

The risk exposure as at 30 June 2010 was 62 million euro, compared to the 59 million euro of 31 December 2009. The bonds included in this category were almost entirely reclassified to the Loans caption. The nominal value of the securities reclassified was 69 million euro and the risk exposure amounted to 62 million euro. The securities had a fair value of 48 million euro and the positive impact of the reclassification as at 30 June 2010 was therefore 14 million euro.
The economic result for the segment as at 30 June 2010 was zero as at 31 December 2009.
The Alt-A No Agency component had an original average LTV of 74% and average delinquency at 30, 60 and 90 days of 2%, 1% and 9% respectively. Cumulated loss equalled 7%.
They were measured on the basis of the Comparable Approach (Level 2).

iii. ***TruPS – Trust Preferred Securities of REITs (Real Estate Investment Trust):*** financial instruments similar to preferred shares issued by US real estate trustees to finance residential or commercial initiatives.
The positions in the Group's portfolio had a CCC+ rating (unfunded CDOs) and a B/C rating (funded CDOs) and an average attachment point of 44%.

"Contagion" area: TruPS – Trust Preferred Securities of REITs

(millions of euro)

Financial assets held for trading	Position as at 30.06.2010		Income statement as at 30.06.2010 Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
Funded CDOs	114	33	-	-	-	*1*
Unfunded super senior CDOs	146	71	-	16	16	*11*
"Long" positions	**260**	**104**	**-**	**16**	**16**	***12***

Loans	Position as at 30.06.2010		Income statement as at 30.06.2010			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
Funded CDOs	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**260**	**104**	**-**	**16**	**16**	***12***

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at reference date. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

Taking into account the write-downs and write-backs, the risk exposure as at 30 June 2010 was 104 million euro, compared to 76 million euro as at 31 December 2009.

During the period, the overall impact on the income statement ascribable to these positions was 16 million euro, of which 12 million euro in the second quarter. These figures compared to a profit of 3 million euro recognised as at 31 December 2009. Since these were mainly unfunded positions, no financial instruments included within this category were reclassified.

The products in this segment were partly made up of unfunded super senior CDOs and partly of funded CDOs, written down by 51% of their nominal value on the basis of the Mark-to-Model Approach (Level 3).

iv. ***Prime CMOs***: securities issued with guarantee mostly represented by loans assisted by mortgages on US residential buildings.
They had a 2005 vintage and a AA (15%), A (59%) and BBB (26%) rating.

"Contagion" area: Prime CMOs

(millions of euro)

Financial assets held for trading	Position as at 30.06.2010		Income statement as at 30.06.2010 Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
CMOs (Prime)	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**

Loans	Position as at 30.06.2010		Income statement as at 30.06.2010			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
CMOs (Prime)	36	33	-	-	-	-
"Long" positions	**36**	**33**	**-**	**-**	**-**	**-**
TOTAL	**36**	**33**	**-**	**-**	**-**	**-**

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at reference date. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

The risk exposure as at 30 June 2010 was 33 million euro, in line with that as at 31 December 2009.
The bonds included in this aggregate were fully reclassified to the Loans category. As at 30 June 2010, their fair value was 25 million euro, with a positive impact from the reclassification of 8 million euro.
The economic result for the segment as at 30 June 2010 was zero as at 31 December 2009.
The Prime CMOs component had an original average LTV of 64% and average delinquency at 30, 60 and 90 days of 1%, 2% and 1% respectively. Cumulated loss equalled 0.4%.
They were measured on the basis of the Comparable Approach (Level 2).

Monoline risk

Intesa Sanpaolo does not have any direct exposure to monoline insurers (insurance companies specialised in hedging the default risk of bonds issued by both public entities and the corporate sector) and only has indirect positions connected to hedging derivatives purchased from monoline insurers to buy protection on the default risk of assets held by the Group, which therefore only generate counterparty risk. Such hedging derivatives are part of two types of activities performed by Intesa Sanpaolo: packages and fully hedged credit derivatives transactions. For a description of the characteristics of these types of activities reference should be made to the financial statements as at 31 December 2009.
The overall nominal value of the assets underlying these transactions in packages increased from 96 million euro to 108 million euro during the first half of 2010. The collateral of assets making up the packages as at 30 June 2010, consists of US RMBSs with a significant subprime content[11].
As at 30 June 2010, credit risk exposure on the aforesaid protection purchases from monoline insurers linked to transactions in packages amounted to 42 million euro, compared to 40 million euro as at 31 December 2009. The negative impact on the income statement for the first half of the year was 2 million euro and is due, in part, to the decrease following amortisation of the notional of structures and, in part, to the narrowing of spreads on monoline insurers in the first half of 2010. As at 31 December 2009, the impact was a positive by 28 million euro.
As at 30 June 2010, credit risk exposure on the protection purchases from monoline insurers linked to transactions in fully hedged derivatives amounted to 26 million euro, in line with that as at 31 December 2009 (24 million euro). The positive impact on the income statement was 2 million euro, compared to 3 million euro at the end of the previous year.
In conclusion, as at 30 June 2010, the credit risk exposure with monoline insurers due to counterparty risk amounted to 68 million euro, compared to 64 million euro as at 31 December 2009. The impact on the income statement for the period was zero, compared to 31 million euro write-backs recognised year end 2009.
With respect to transactions in packages, both the security and the connected derivative have been measured using the Mark-to-Model approaches (level 3) also taking into account any available prices, if lower.
Please note that protection purchases amounting to approximately 20 million euro (17 million euro as at 31 December 2009) were carried out and that 99% of the exposure to monoline insurers referrs to MBIA, while the remaining 1% referrs to other monoline insurers with a AA- rating.

[11] The percentage in US subprime was 25.8%.

Monoline risk

(millions of euro)

Product	Position as at 30.06.2010				Income statement as at 30.06.2010 Profits (Losses) on trading	
					Fair value of the hedge with monoline insurers	
	Nominal value of the underlying asset	**Fair value of the underlying asset** (net of accruals)	**Credit risk exposure to monoline insurers** (fair value of the CDS pre write-down for CRA)	**Credit risk exposure to monoline insurers** (fair value of the CDS post write-down for CRA)	**1st half 2010**	*of which 2Q*
Positions in packages:						
Subprime	108	66	42	3	-2	*-6*
Other underlying assets	-	-	-	-	-	*-*
Sub-total	**108**	**66**	**42**	**3**	**-2**	***-6***
Positions in other derivatives:						
Other underlying assets	112	86	26	1	2	*1*
TOTAL	**220**	**152**	**68**	**4**	**-**	***-5***

Last, please note that there is another form of exposure to monoline insurers, which, however, does not generate particular risk situations. It stems from the investment in securities for which the monoline insurer provides a credit enhancement to the issuing vehicle, for the purpose of making the issue "eligible" for certain types of investors through the achievement of a certain rating (normally AAA). The securities in question, with a nominal value as at 30 June 2010 of 531 million euro (534 million euro as at 31 December 2009), consisted of ABSs with underlying Italian health receivables, also supported by delegated regional payments, and financings of infrastructures. They were all recorded in the banking book, in the Loans & Receivables (L&R) portfolio. Despite the downgrading of many of the monolines and the withdrawals of ratings in some cases, there were no deteriorations in the creditworthiness of single issuers/borrowers sufficient to warrant the application of particular measures such as prudential provisions. This was because the positions were granted primarily on the basis of the creditworthiness of the underlying borrower and therefore, irrespective of the credit enhancement offered by the monoline insurer.

Non-monoline packages

This category includes packages with assets covered by specific hedges entered into with leading international banks with AA, A, BBB, BB and B ratings, the majority of which are the subject of specific collateral agreements. The underlying assets are mostly made up of CLOs and ABS CDOs with a limited portion of US Subprime (approximately 10%).

Non-monoline packages

(millions of euro)

Product	Position as at 30.06.2010				Income statement as at 30.06.2010 Profits (Losses) on trading	
					Fair value write-down of the hedge	
	Nominal value of the underlying asset	**Fair value of the underlying asset** (net of accruals)	**Credit risk exposure to monoline insurers** (fair value of the CDS pre write-down for CRA)	**Credit risk exposure to monoline insurers** (fair value of the CDS post write-down for CRA)	**1st half 2010**	*of which 2Q*
Positions in packages:						
Subprime	383	290	93	92	1	*1*
TOTAL	**383**	**290**	**93**	**92**	**1**	***1***

As at 30 June 2010, these positions amounted to 383 million euro in terms of nominal value, compared to 460 million euro as at 31 December 2009. At the same date, the credit risk exposure to counterparties of the transactions included in the aggregate amounted to 93 million euro (100 million euro as at 31 December 2009) and was written down by 1 million euro (2 million euro as at 31 December 2009) in application of systematic adjustments made on the entire universe of derivatives to incorporate the credit risk adjustment in fair value which, in this particular case, reflects a minimum

counterparty risk[12]. The positive impact on the income statement for the period was 1 million euro (compared to a positive impact of 4 million as at 31 December 2009).
These positions were measured using the Mark-to-Model Approach (Level 3).

Other structured credit products

Starting from the end of 2008, the structured credit products segment with underlying instruments not originating in the USA, have been subject to the heaviest write-downs due to the spread of the crisis. To reduce income statement volatility in connection with this segment, from 2009, Intesa Sanpaolo adopted a restructuring policy for unfunded positions included in the aggregate and their replacement with funded positions. These transactions did not result in any change to Intesa Sanpaolo's exposure to risk. The funded nature of the new risk positions, also given the "rare circumstances", allowed their reclassification to the loans portfolio, at the fair value of the security as at the time of category transfer.
The various types of product attributable to this last segment are described below. In the first half of 2010, they had a positive impact on the income statement of 26 million euro, with a 15 million euro contribution in the second quarter, compared to a 23 million euro loss recorded as at 31 December 2009.

i. ***Funded/Unfunded ABSs/CDOs:*** The European ABS/CDOs portfolio consists of 16% of ABSs of receivables (Credit Card, Leasing, Personal Loans, etc.), 40% RMBSs (of which 40% are Italian), 12% CMBSs, 13% CDOs and 19% CLOs (mainly of small and medium enterprises). This portfolio was characterised by high credit quality (AAA 39%, AA/A 49%, BBB 7%, BB/B 5%). The collateral of the CMBS portfolio is mostly made up of Offices (51%), Retail/Shopping Centres (20%), Mixed Use (16%), Health Care (8%), Hospitality/Multifamily (4%) and Industrial (1%). The measurement of the European ABS/CDOs portfolio was based on Effective Market Quotes (Level 1) in 13% of cases, the Comparable Approach (Level 2) in 74% of cases, and the Mark-to-Model (Level 3) for the remaining 13%. As regards the US ABS/CDO portfolio, on the other hand, these were securities with US underlying, with collateral represented by Credit Cards (1%) and CLOs (99%). It was made up of 82% of AAA positions and 18% AA. The measurement of the US ABS/CDOs portfolio was based on the Comparable Approach (Level 2) in 19% of cases and the Mark-to-Model (Level 3) for the remaining 81%.
   - European ABSs/CDOs classified in the trading book.
     As at 30 June 2010 this portfolio had a total nominal value of 532 million euro[13] (575 million euro as at 31 December 2009), with risk exposure of 446 million euro[14] (479 million euro as at 31 December 2009). As at the same date, the related impact on the income statement was a negative 2 million euro, of which 10 million euro refers to realised income and 12 million euro to write-downs. This figure compared with the 24 million euro as at 31 December 2009. The deterioration is mainly due to the significant write-down of certain funded positions in the portfolio of the subsidiary Banca IMI.
   - European ABSs/CDOs classified under loans.
     The nominal value of the portfolio as at 30 June 2010 was 1,443 million euro[15] (1,583 million euro as at 31 December 2009), with a risk exposure of 1,335 million euro[16] (1,468 million euro as at 31 December 2009). As at 30 June 2010, the securities in this portfolio had a fair value of 1,058 million euro. The positive effect of reclassification in the loans portfolio was 205 million euro as at the end of the period[17]. During the year 2010, part of the portfolio was disposed of. These transactions generated profits of approximately 6 million euro [18] recognised under "Profits (Losses) on disposal or repurchase of loans – caption 100a". Moreover, impairment losses were recognised on certain securities included in the segment. The negative impact on the income statement (5 million euro as at 30 June 2010) was recognised under "Net losses/write-backs on impairment – caption 130a".
     The overall impact of this aggregate on the income statement was positive by 1 million euro as at 30 June 2010. However, it did not affect "Profits (Losses) on trading – caption 80". The figure should be compared with write-downs of -6 million euro recognised at the end of 2009.
   - US ABSs/CDOs classified under loans.
     This aggregate included securities with a nominal value of 9 million euro (8 million euro as at 31 December 2008) and a risk exposure for the same amount. As at 30 June 2010, the fair value of these securities was 8 million euro. The positive impact of their reclassification to the loans portfolio was 1 million euro.
   - Funded super senior corporate risk CDOs.
     These are funded positions classified to the loans portfolio that derive from the restructuring of unfunded positions.

[12] Also due to the presence of many transactions which have a specific collateral agreement.

[13] Of which 466 million euro pertaining to Banca IMI, 1 million euro to Carifirenze (classified under assets available for sale), 6 million euro to Sud Polo Vita (classified under assets available for sale) and 42 million euro to Eurizon Vita (classified under assets available for sale).

[14] Of which 411 million euro of funded positions pertaining to Banca IMI, 2 million euro to Sud Polo Vita (classified under assets available for sale) and 23 million to Eurizon Vita (classified under assets available for sale).

[15] Of which 137 million euro pertaining to Banca Imi, 8 million euro to Carifirenze (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 3 million euro), 81 million euro attributable to Banca Fideuram and Eurotresorerie (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 2 million euro) and 1 million euro attributable to Eurizon Vita (no benefit from the reclassification to the Valuation reserve under Shareholders' Equity).

[16] Of which 1,265 million euro resulting from reclassification and 70 million euro classified under the loans portfolio since initial recognition.

[17] In addition to a benefit of 2 million euro for the Valuation reserve under Shareholders' equity as a result of the reclassification of the financial assets available for sale to the loans portfolio.

[18] Of which 2 million euro pertaining to a security in Banca IMI's portfolio.

The total nominal value of the securities as at 30 June 2010 was 957 million euro[19] (769 million euro as at 31 December 2009), with a risk exposure of 904 million euro[20] (714 million euro as at 31 December 2009). With respect to the impact of these positions, the sale of part thereof generated a profit of 2 million euro as at 30 June 2010 recognised in "Profits (Losses) on disposal or repurchase of loans – caption 100".
As at the same date, reclassified securities in portfolio, equal to 822 million euro in terms of risk exposure, had a fair value of 816 million euro. The positive impact of their reclassification in the loans portfolio was therefore equal to 6 million euro.

ii. *Funded ABS/CDOs ascribable to the Romulus vehicle.*
These securities were classified as loans. The underlying is mainly US: Credit Card, Leveraged Loan, Student Loan and Corporate Risk. As at 30 June 2010, they had a nominal value of 172 million euro (158 million euro as at 31 December 2009). The securities included in this aggregate had a carrying value of 143 million euro as at 30 June 2010. A comparison with the fair value of such securities as at the same date (71 million euro) generates a positive impact on the Valuation reserve under Shareholders' Equity of 72 million euro. The portfolio consists of exposures with AAA (5%), AA (10%), A (5%), BBB (14%) and B (66%) rating.
The securities were measured on the basis of the Comparable Approach (Level 2) in 10% of cases and the Mark-to-Model (Level 3) for the remaining 90%.

iii. *Unfunded super senior Corporate Risk CDOs.*
Super senior in this residual category were mostly characterised by collateral subject to corporate risk and amounted to 898 million euro of nominal value as at 30 June 2010 (924 million euro as at 31 December 2009). More specifically, the US collateral component was 29% (mainly represented by CDOs, 54%), the European component was 60% (of which 75% referred to Italian consumer credit and 25% to CDOs) and the emerging markets' component was 11% (project finance). These structures had an average attachment point of 35%. During the first half of 2010, the related impact on the income statement amounted to +16 million euro (-1 million euro from net realised charges and +17 million euro from write-backs), with a contribution of 6 million euro in the second quarter. The profit compares with the negative figure recorded as at 31 December 2009, equal to -17 million euro.
These positions were measured on a Mark-to-Model (Level 3) basis.

iv. *Other unfunded positions.*
This is a residual portfolio of unfunded CDOs, almost entirely in mezzanine tranches with mainly European underlying, with a total nominal value of 26 million euro as at 30 June 2010. The change in the sign of the exposure ("short" for 78 million euro as at 31 December 2009 and "long" for 16 million euro as at 30 June 2010) is due to the natural expiry of a protection purchase structure on a security portfolio originated by a leading European bank.
In the first half of 2010, the related impact on the income statement was +9 million euro (+4 million euro from realised income and +5 million euro from write-backs), with a 7 million euro positive contribution in the second quarter. This figure compared with the loss recorded as at 31 December 2009 of -12 million euro.
These positions were measured on a Mark-to-Model (Level 3) basis.

[19] Including 182 million euro relating to a security transferred from the Parent Company's portfolio to Banca IMI's portfolio with no effects on the consolidated income statement. This amount also includes 86 million euro relating to securities purchased by the Parent Company subsequent to reclassification and originally recognised in the Loans portfolio.

[20] Including 160 million euro relating to a security transferred from the Parent Company's portfolio to Banca IMI's portfolio with no effects on the consolidated income statement. This amount also includes 82 million euro relating to securities purchased by the Parent Company subsequent to reclassification and originally recognised in the Loans portfolio.

Other structured credit products

(millions of euro)

Financial assets held for trading	Position as at 30.06.2010		Income statement as at 30.06.2010 Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
European ABS/CDOs	532	446	10	-12	-2	*-6*
Funded US ABS/CDOs	-	-	-	-	-	-
Unfunded super senior multisector CDOs	-	-	-	-	-	-
Unfunded super senior corporate risk CDOs	898	823	-1	17	16	*6*
Other unfunded positions	26	16	4	5	9	*7*
"Long" positions	**1,456**	**1,285**	**13**	**10**	**23**	**7**

Loans	Position as at 30.06.2010		Income statement as at 30.06.2010			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					1st half 2010	*of which 2Q*
Funded European ABS/CDOs	1,443	1,335	6	-5	1	*6*
Funded US ABS/CDOs	9	9	-	-	-	-
Funded Romulus vehicle ABS/CDOs	172	143	-	-	-	-
Funded super senior corporate risk CDOs	957	904	2	-	2	*2*
"Long" positions	**2,581**	**2,391**	**8**	**-5**	**3**	**8**
TOTAL	**4,037**	**3,676**	**21**	**5**	**26**	**15**

(*) The column "Risk exposure" sets out: for securities, fair value; for derivatives, the nominal value of the contract, net of write-downs and write-backs recorded at reference date. Such amounts correspond, for "long" positions, to the maximum potential loss (in the event of a 100% default and a recovery rate of 0). For "short" positions, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective are considered Special Purpose Entities:

- to raise funds on the market by issuing specific financial instruments;
- to acquire, sell and manage specific assets, separating them from the financial statements of the Originator;
- to develop and/or finance a specific business initiative, capable of generating, through an economic activity, cash flows which permit the complete reimbursement of the debt;
- to finance the acquisition of a target company which, through its economic activity, will be capable of generating cash flows for the SPEs which permit the complete reimbursement of the debt;
- to manage the credit risk connected to their portfolio of financial assets through protection purchases and sales with counterparties represented by SPEs (used by both the American market and the European market for synthetic portfolio securitisations). In such transactions the Bank accepts credit risk or counterparty risk with the SPEs, depending on the nature of the transaction.

The sponsor of the transaction is normally an entity which requests the structuring of a transaction in a SPE for the purpose of reaching certain objectives. In some cases the Bank is the sponsor and establishes a SPE with the objective of raising, securitising its assets or offering customers a financial service. There are no changes in the scope of consolidation with respect to those adopted in the previous year.

Funding SPEs

For a description of funding operations involving special purpose vehicles and the criteria adopted by the Intesa Sanpaolo Group for their consolidation, reference should be made to the Annual report 2009.
With respect to the SPEs included in this category, Sanpaolo IMI US Financial Co. ceased to exist in February 2010.
The table below shows the information and figures for these vehicles as at 30 June 2010.

(millions of euro)

FUNDING SPEs		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA FUNDING LLC	Funding	8,391	-	-	-	(1)	8,393	8,391	-		
INTESABCI PREFERRED CAPITAL CO. LLC	Funding	547	-	-	-	(1)	500	527	-		
SANPAOLO IMI CAPITAL CO. LLC 1	Funding	1,099	-	-	-	(1)	1,000	1,000	-		

(1) Subordinated guarantee given by Intesa Sanpaolo.

The total assets of these vehicles were almost entirely made up of loans to Intesa Sanpaolo. As at 30 June 2010, total funding of SPEs above had an incidence of approximately 2% on total direct customer deposits.

SPEs for insurance products

For a description of insurance operations involving special purpose vehicles and the criteria adopted by the Intesa Sanpaolo Group for their consolidation, reference should be made to the Annual report 2009.
In the Group there are 62 entities of this type with total assets of approximately 10 billion euro (of which 8 billion euro relative to funds which report to Fideuram Gestions).
As at 30 June 2010, the assets of the funds in which Eurizon Vita/Eurizon Life hold the majority of the quotas in circulation are invested in bonds and liquidity for around 69% (except for the SPLux Sicav 2 Equity 100 fund, which has invested around 80% of the portfolio in equity funds and shares) and, for the remainder, in equity and bond mutual funds (around 14%) and in corporate bonds (around 13%).
In any case, these funds do not hold securities with underlying subprime mortgages or any other structured credit products affected by the financial crisis.
The total assets of these SPEs made up approximately 2% of the Group's total consolidated assets.

Securitisation SPEs

For a description of securitisations involving special purpose vehicles and the criteria adopted by the Intesa Sanpaolo Group for their consolidation, reference should be made to the Annual report 2009.
The SPEs included in this category are unchanged with respect to 31 December 2009. Moreover, no changes took place in the first half of 2010 with respect to the nature of securitised assets.
The table below shows the information and figures for these vehicles as at 30 June 2010.

(millions of euro)

SECURITISATION SPEs	Type of asset	Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA SEC SPA [1]	performing mortgages	8	-	-	-		-	7	5	AFS	Fair value
INTESA SEC 2 SRL [2] [14]	performing mortgages	336	1	-	-		-	287	30	HFT - Loans	Fair value/ amortised cost
INTESA SEC 3 SRL [3] [14]	performing mortgages	1,903	1	-	-		-	1,824	168	HFT - Loans	Fair value/ amortised cost
INTESA SEC NPL SPA [4]	non-performing loans	70	-	-	-		-	157	44	AFS - Loans	Fair value/ amortised cost
INTESA LEASE SEC SRL [5]	performing leasing contracts	96	3	-	-		-	77	-		
SPLIT 2 SRL	performing leasing contracts	332	-	-	-		-	316	31	Loans - HFT - HTM	Fair value/ amortised cost
ISP CB IPOTECARIO SRL [6]		(11)	-	-	-		-	-	-		
ISP CB PUBBLICO SRL [6]	public entities financing	6,432	-	6,281	6,281		-	5,000	3,000	Loans	Amortised cost
ISP SEC 4 SRL	performing mortgages	(11)	-	-	-		-	-	-		
ADRIANO FINANCE SRL - Series 1 [7] [14]	performing mortgages	6,481	4	-	-		-	6,213	-		
ADRIANO FINANCE SRL - Series 2 [8] [14]	performing mortgages	5,945	8	-	-		-	5,679	-		
ADRIANO FINANCE SRL - Series 3 [9] [14]	performing mortgages	6,042	8	-	-		-	5,860	-		
ADRIANO FINANCE 2 SRL [10] [14]	performing mortgages	13,655	21	-	-		-	13,050	-		
CR Firenze Mutui S.r.l.	performing mortgages	136	-	-	-		-	128	6	Loans	Amortised cost
AUGUSTO SRL [12]	long-term mortgages (100%)	26	10	-	-		-	36	9	AFS	Fair value
COLOMBO SRL [13]	public works financing	97	8	-	-		5	89	3	HFT - Loans	Fair value/ amortised cost
DIOCLEZIANO SRL	long-term mortgages(82%) Public works (12%) Indus. (6%)	78	38	-	-		-	114	17	AFS	Fair value

(1) ISP is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs.

(2) ISP is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. ISP also granted a subordinated loan of 19 million euro used by the vehicle to set up the cash reserve for credit enhancement of the operation as required by the rating agencies. The residual of the deferred fixed price amounts to 3 million euro at 30 June 2010. Swap contracts exist as interest rate risk hedge.

(3) ISP granted limited recourse subordinated financing of 23 million euro used by the vehicle to set up the cash reserve for credit enhancement of the operation as required by the rating agencies. Swap contracts signed with ISP exist as interest rate risk hedge.

(4) ISP granted a guarantee and indemnity contract currently used for approximately 1 million euro, in case of declarations or guarantees which lead to a reduction in loan value. In addition, the bank is committed to support the vehicle through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The subordinated financing amounts to 2 million euro. The indemnity does not cover security-related costs and securitisation operating costs. Cumulated losses shall be absorbed by tranches E (equity) and D held by ISP whose value was adjusted both in the current and in previous years. An Interest Rate Cap contract and Interest Rate Floor contract exist as interest rate risk hedge.

(5) The company has entered into swap contracts as interest rate risk hedge.

(6) These vehicles were set up pursuant to art. 7-bis of Italian Law 130/99. Therefore they do not issue securities, but guarantees to bondholders (Covered Bonds) issued by Intesa Sanpaolo.

(7) ISP granted limited recourse subordinated financing of 50 million euro, used by the vehicle to set up the cash reserve as required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (440 million euro), fully subscribed by ISP. Swap contracts exist as interest rate risk hedge.

(8) ISP granted limited recourse subordinated financing of 50 million euro, used by the vehicle to set up the cash reserve required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (398 million euro), fully subscribed by ISP. Swap contracts exist as interest rate risk hedge.

(9) ISP granted limited recourse subordinated financing of 75 million euro, used by the vehicle to set up the cash reserve required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (563 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(10) ISP granted limited recourse subordinated financing of 150 million euro, used by the vehicle to set up the cash reserve required by the rating agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (876 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(11) Established companies not yet operative as at 30 June 2010.

(12) The company issued two series of bonds with different portfolios as underlying assets. The figures indicated represent the sum of the issues.

(13) ISP granted the vehicle a subordinated financing of 1 million euro.

(14) In the first half of 2010 ISP granted two subordinated financings for each of the following vehicles: Intesa Sec. 2 S.r.l., Intesa Sec. 3 S.r.l., Adriano Finance S.r.l. (Series 1, 2 and 3) and Adriano Finance 2 S.r.l. The transaction totalled 11 million euro.

As at 30 June 2010, the total assets of the consolidated SPEs not derecognised (Intesa SEC 3 S.r.l., Split 2 S.r.l., Adriano Finance S.r.l. Adriano Finance 2 S.r.l., and ISP CB Pubblico S.r.l.) represented around 6% of the total consolidated assets.
Furthermore, pursuant to SIC 12, Intesa Sanpaolo controlled:

- Romulus Funding Corporation, a company based in the USA that purchases financial assets, consisting of loans or securities with predefined eligibility criteria originating from Group customers, and finances purchases by issuing Asset-Backed Commercial Papers;
- Duomo Funding PLC, an entity that operates in a similar manner to Romulus Funding Corporation, but is limited to the European market, and is financed through funding agreements with Romulus.

The table below shows the information and figures for the above two vehicles as at 30 June 2010.

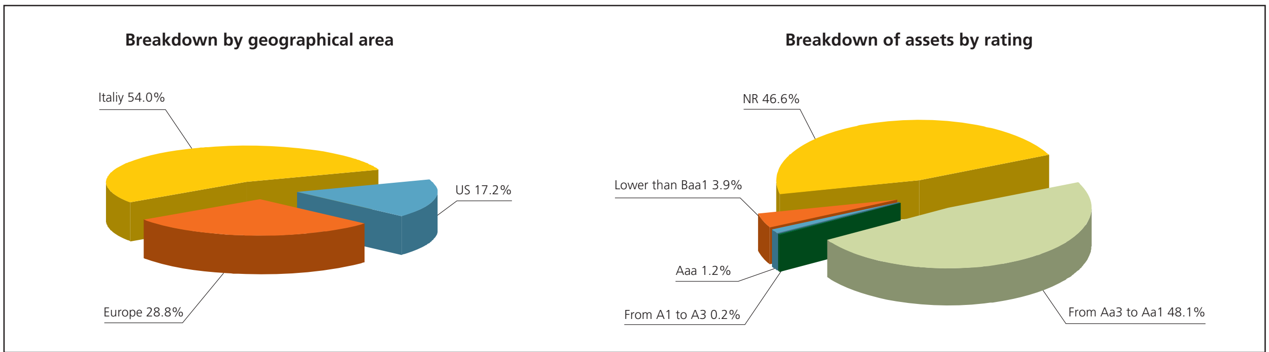
(millions of euro)

ROMULUS AND DUOMO		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset back commercial paper conduit	1,607 [1]		425	89	Letter of credit	135	1,542	-	-	-
DUOMO FUNDING CORP.	purchase of assets and Romulus financing	1,234		1,310	-		-	-	-	-	-

[1] of which 1,225 million euro for loans disbursed to Duomo, for transactions reported in the latter's financial statements.

In addition to loans to Duomo, the total assets of the vehicle Romulus also included other loans of 224 million euro. The vehicle's securities portfolio was classified entirely under the Loans category. As at 30 June 2010, these securities had a nominal value of 189 million euro, measured at amortised cost. Their carrying amount as at the same date was 158 million euro. The vehicle's assets also include liquidity and other assets amounting to 1 million euro. Moreover, the vehicle entered into derivatives hedging the foreign exchange risk related to outstanding positions.
The total assets of Duomo were made up of 474 million euro of loans to Intesa Sanpaolo, as collateral for an intragroup protection sale on the risk of a leading insurance company, 119 million euro of loans to the banking subsidiary Intesa Sanpaolo Bank Ireland, 639 million euro of loans to customers, and 2 million euro of liquidity and other assets.
The total assets of the above SPEs represented around 0.2% of the total consolidated assets.

The following additional information is provided concerning the portfolios of assets held by the two vehicles.



Please note that, although part of the uses (approximately 47%) in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were not supported by an external rating, they were nevertheless of sufficient quality for the commercial papers issued by Romulus to maintain the A-1/P-1 ratings. More specifically, the percentage of assets with a rating between Aaa and Aa remained stable with respect to 31 December 2009 (approximately 48%). This witnesses the success of the policy to maintain a high level of the average quality of the portfolio.
The securities classified in the loans portfolio under discussion were made up as follows: 24% of 2002 vintage, 5% of 2003 vintage, and the remaining 71% of 2007 vintage.
Intesa Sanpaolo did not hold any stake in SPQR II S.r.l., a company that was consolidated because the Group had retained the majority of costs and benefits (SIC 12).
The table below shows the information and figures for these vehicles as at 30 June 2010.

(millions of euro)

SPQR II S.r.l.		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
SPQR II SRL (BIIS - CBO 1)	Performing Loans & Receivables	1,791	-	50	-	-	-	1,743	-		
SPQR II SRL (BIIS - CBO 2)	Performing Loans & Receivables	1,353	-	100	-	-	-	1,330	-		
SPQR II SRL (Banca IMI)	Securities issued by banks and SPVs	771	-	100	-	-	-	788	-		

The assets of the vehicle were almost entirely made up of a portfolio of bonds issued by Italian public entities, banks and SPVs, with a nominal value of around 4 billion euro, sold to the vehicle by Banca Infrastrutture, Innovazione e Sviluppo and Banca IMI. The vehicle issued senior and junior securities; both securities were repurchased by abovementioned company, which allocated the senior classes as collateral to its funding with the European Central Bank, via transactions closed through the Parent Company Intesa Sanpaolo.
Lastly, Intesa Sanpaolo acquired protection on its credit risk exposure from the synthetic securitisation vehicle "Da Vinci" (used to hedge and actively manage risk exposure in the aircraft and aeronautic sector).
As at 30 June 2010 the Group's exposure to the vehicle Da Vinci was 4 million euro, consisting entirely of securities.

Financial Engineering SPEs

For a description of financial engineering operations involving special purpose vehicles and the criteria adopted by the Intesa Sanpaolo Group for their consolidation, reference should be made to the Annual Report 2009. Also as at 30 June 2010, Intesa Sanpaolo controls and consolidates Intesa Investimenti S.p.A., a company established to invest in quotas of Italian and international UCITS, in quotas and shares of other Italian and international entities and in Government securities of G8 countries, with the simultaneous subscription of a commitment to resell at a future date and at a predetermined price. This company is still on stand-by.
The shareholders' equity of the company is entirely deposited with Intesa Sanpaolo.
The table below reports the figures relating to the special purpose vehicle as at 30 June 2010.

(millions of euro)

FINANCIAL ENGINEERING		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA INVESTIMENTI SPA	Financial Engineering	1,032	-	-	-	-	-	-	-		

Lunar Funding, a vehicle set up in Ireland and used for repackaging operations by a leading bank, is also included in the scope of consolidation.

Project Financing SPEs

For a description of project finance operations involving special purpose vehicles and the criteria adopted by the Intesa Sanpaolo Group for their consolidation, reference should be made to the Annual report 2009.

Asset Backed SPEs

For a description of operations of this kind involving special purpose vehicles and the criteria adopted by the Intesa Sanpaolo Group for their consolidation, reference should be made to the Annual report 2009. However, Intesa Sanpaolo consolidates some entities which belong to this type of special purpose vehicles as it holds the majority of their voting rights. The SPEs of this type are held solely by a foreign subsidiary (the volume of this type of assets amounted to approximately 96 million euro as at 30 June 2010).

Leveraged & Acquisition Finance SPEs

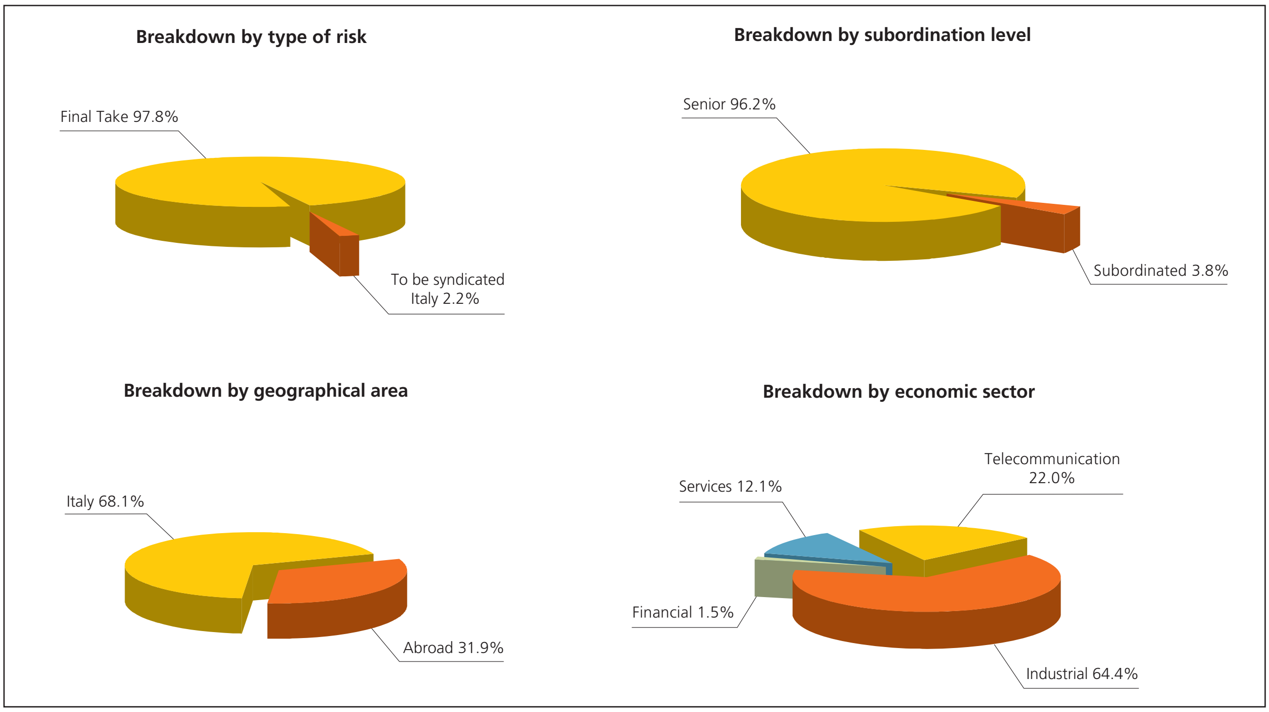
For the description of the transactions which involve these vehicles see the specific section dedicated to Leveraged Finance transactions.

Credit Derivatives SPEs

For a description of credit derivative operations involving special purpose vehicles and the criteria adopted by the Intesa Sanpaolo Group for their consolidation, reference should be made to the Annual report 2009.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or part acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's securities package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 30 June 2010, slightly fewer than 110 transactions, for a total amount granted of 4,534 million euro, met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.



DISCLOSURE ON INVESTMENTS IN HEDGE FUNDS

The hedge funds portfolio as at 30 June 2010 totalled 800 million euro, compared to the 740 million euro recorded at the end of 2009. The increase is due to both the management of outstanding positions and the acquisition of new positions during the first half of 2010.
As at 30 June 2010, the contribution to "Profits (Losses) on trading – Caption 80" of these investments was further confirmed to be positive, although slightly down on that recognised in the first quarter of 2010, coming to 26 million euro (including 6 million euro in the structured credit products disclosure) compared to the 33 million euro recognised in the first quarter of 2010 and the 135 million euro at the end of 2009. Of these net profits:
- 3 million euro are net profits realised during the first half of the year from fund trading;
- 17 million euro related to net valuations of positions remaining at 30 June 2010 (including 6 million euro in the structured credit products disclosure);
- 6 million euro from other net income.

Taking into account the net capital gains on the final residual amount (17 million euro), these were spread across 58 positions, 22 of which recording capital losses (-43 million euro) and 36 capital gains (60 million euro).

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 June 2010, the Intesa Sanpaolo Group presented, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), a positive fair value, considering netting agreements, of 3,382 million euro (3,008 million euro as at 31 December 2009). The notional value of such derivatives totalled 47,997 million euro (47,107 million euro as at 31 December 2009). Of these, notional value of plain vanilla contracts was 35,973 million euro (32,925 million euro as at 31 December 2009), and of structured contracts was 12,024 million euro (14,182 million euro as at 31 December 2009).
Please note that the fair value of structured contracts outstanding with the 10 customers with the highest exposures was 318 million euro (253 million euro as at 31 December 2009). The same indicator, referred to the total contracts with a positive fair value, was 935 million euro.
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 850 million euro at 30 June 2010 (327 million at 31 December 2009). The notional value of such derivatives totalled 10,585 million euro (8,321 million euro as at 31 December 2009). Of these, notional value of plain vanilla contracts was 9,472 million euro (7,057 million euro as at 31 December 2009), and of structured contracts was 1,112 million euro (1,263 million euro as at 31 December 2009).
The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Credit Risk Adjustment"). With regard to the contracts outstanding as at 30 June 2010, this implied the registration in the income statement, under profits (losses) on trading, of adjustments of 110 million euro, compared to the 104 million euro as at 31 December 2009, with a negative impact, during the period, of 6 million euro. Adjustments are recorded, for every single contract, at the market value determined using the risk free curves.
As concerns the means of calculation of the aforesaid Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see the specific paragraphs in this chapter.
Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.

OPERATIONAL RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and 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 out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has long defined the overall operational risk management framework by setting up a Group policy and organisational process for measuring, managing and controlling operational risk.
Effective from the report at 31 December 2009, the Group was authorised by the Supervisory Authority to use the Advanced Measurement Approach (AMA) to determine capital requirements for operational risk on an initial scope that includes the Banks and Companies of the Banca dei Territori Division (with the exception of Banca CR Firenze but including Cassa del Centro banks), Leasint, Eurizon Capital and VUB Banka. The remaining companies, which currently employ the Standardised approach, will migrate in groups to the Advanced approaches starting from the end of 2010, based on the rollout plan presented to the Management and Supervisory Authorities.
The control of operational risk was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
The tasks with which the Group Compliance and Operational Risk Committee is charged include periodically reviewing the Group's overall operational risk profile, authorising any corrective measures, coordinating and monitoring the efficacy of the main mitigation activities and approving operational risk transfer strategies.

The Group will have a centralised function within the Risk Management Department for the management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management.
In compliance with current requirements, the individual Organisational Units are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these business units to be responsible for Operational Risk Management (collection and structured census of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).
The Integrated self-assessment process, which has been conducted on an annual basis, has allowed the Group to:
– identify, measure, monitor and mitigate operational risk; and
– create significant synergies with the specialised functions of the Organisation and Security Department that supervise the planning of operational processes and business continuity issues and with control functions (Compliance and Audit) that supervise specific regulations and issues (Legislative Decree 231/05, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (the Operational Riskdata eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company's business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly serious operational events. Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst loss); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk of the evaluation of the business environment, to take account of the effectiveness of internal controls in the various organisational units.
Monitoring of operational risks is performed by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in the process of managing and mitigating operational risk.
To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to approximately 2,281 million euro as at 30 June 2010.

Legal risks

During the period, no new significant legal procedures were initiated nor where there important developments with respect to those underway. Reference should be made to the Notes to the Parent Company's 2009 financial statements for a detailed description of litigation regarding anatocism and bonds in default, the insolvency of the Cirio Group, the tax-collection litigation with former Gest Line, the litigation between Banca Infrastrutture Innovazione e Sviluppo/Municipality of Taranto, the Class action by Codacons, the Angelo Rizzoli litigation, other judicial and administrative proceedings, tax litigation and labour litigation.

Specifically, with respect to the tax-collection litigation relating to Gest Line's (which performed tax-collection in Sanpaolo IMI Group) alleged irregularities in performing tax-collection activities in the period from the late 80s and the early 90s, the two following significant events should be noted.
First, at the beginning of June, the Regional Section of the Court of Auditors – Emilia Romagna Section, notified a writ of summons asking that the Bank be ordered to pay the alleged lost tax revenue caused by the non-collection of taxes during the above period, in addition to other reputational and disruption damage. Intesa Sanpaolo will oppose this claim as it believes that the damage compensation is unfounded and is mainly a duplicate of the claim submitted by the Agenzia delle Entrate as part of parallel judgements denying the release or repayment of uncollectible taxes.
Second, the Ministry of the Economy and Finance (MEF), in its decree of 3 August 2010 implementing the primary legislation (L.D. 40 of 25 March 2010 enacted into Law 73 of 22 May 2010) which gave the possibility of adhering to a settlement concession, set at 10.91 the percentage to be paid on the disputed amounts in order to adhere to this settlement option.
However, both the risks related to these judgements and the resources to adhere to a settlement concession, were adequately provided for.
With respect to the class action by Codacons aimed at confirming that the new fees introduced by the Bank starting from the second half of 2009 to replace overdraft charges are unlawful, thereby obtaining reimbursement of the amounts paid in application of the above new commissions, the Court of Turin filed an order stating the inadmissibility of such class action on 4 June 2010, at the end of a critical stage during which the admissibility of the class action was preliminarily assessed. Although an appeal against the order was filed with the Turin Court of Appeal, to date no risks of an unfavourable outcome are expected. Therefore, no provisions were accrued in this respect.
Last, with respect to labour litigation, the dispute with the INPS of Turin relating to the failure by Sanpaolo IMI to pay contributions to finance the involuntary unemployment for the period 1 November 2002 - 31 December 2006 was settled through a conciliation procedure, using the specific risk provision.

INSURANCE RISKS

Life business

The typical risks of a life insurance portfolio can be divided into three main categories: premium risk, actuarial and demographic risks and reserve risk.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Actuarial and demographic risks are guarded against by a regular statistical analysis of the evolution of liabilities, divided by type of risks and through simulations of expected profitability on the assets which cover technical reserves.
Reserve risk is managed through the exact calculation of mathematical reserves, with a series of detailed checks as well as overall verifications, by comparing results with the estimates produced on a monthly basis.
The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

Non-life business

The risks of the non-life insurance portfolio are essentially premium risk and reserve risk.
Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).
Reserve risk is guarded against through the exact calculation of technical reserves.

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Policy is the control and monitoring instrument for market and credit risks.
The Policy defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks, in turn measured in terms of sensitivity to variations in risk factors and Value at Risk on a 1-year holding period.

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (EurizonVita, EurizonTutela, EurizonLife, SudPoloVita, CentroVita and FideuramVita) are made with their free capital and to cover contractual obligations with customers. These essentially refer to life insurance policies with profit participation, Index- and Unit-linked policies, pension funds and non-life insurance policies.
At 30 June 2010 the investment portfolios of Group companies, recorded at book value, amounted to 49,002 million euro; of these, the share regarding life policies with profit participation, non-life policies and free capital ("Class C" portfolio or portfolio at risk) amounted to 22,083 million euro, while the other component ("Class D" portfolio or portfolio where the investment risk is borne by policyholders) mostly comprised investments related to pension funds, index- and unit-linked policies and totalled 26,919 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets included in the "at-risk portfolio".
In terms of breakdown by asset class, net of derivative positions, 93.5% of assets, i.e. approximately 20,839 million euro, were bonds, while assets subject to equity risk represented 3.4% of the total and amounted to 751 million euro. The remaining part (705 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (3.1%).
The carrying value of derivatives came to approximately -212 million euro, around -197 million of which in hedging derivatives and close to -15 million in other derivatives.
At the end of the first half of 2010, investments of EurizonVita, SudPoloVita and CentroVita free capital amounted to approximately 1,218 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) equal to approximately 37 million euro.
The modified duration of the bond portfolio, i.e. the synthetic financial term of assets, is approximately 6 years. The reserves relating to the life insurance policies with profit participation under segregated fund have an average modified duration of approximately 6.4 years. The related portfolios of assets have a modified duration of around 5.2 years.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 bp parallel shift in the curve leads to a decrease of approximately 1,170 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 135 million euro rise which partly offsets the corresponding loss on the bonds.
The investment portfolio had a high credit rating. AAA/AA bonds represented approximately 78.3% of total investments and A bonds approximately 9.6%. Low investment grade securities (BBB) were approximately 4.2% of the total and the portion of speculative grade or unrated was minimal (approximately 1.4%).
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by

Governments and Central banks represented approximately 72.7% of the total investments, while financial companies (mostly banks) contributed almost 12.9% of exposure and industrial securities made up approximately 7.9%.
At the end of the first half of 2010, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was -1,254 million euro and was due to government issuers (-1,052 million euro) and corporate issuers, being financial institutions and industrial companies (-202 million euro).

Shareholder base, transactions with related parties and other information

Shareholder base

According to records in the Shareholders' Register and the most recent available information as at 30 July 2010, shareholders of Intesa Sanpaolo with stakes exceeding 2% - threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (art. 120 of the Consolidated Law on Finance "TUF") – are as follows.

Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	1,171,622,725	9.888%
Crédit Agricole S.A. (**)	592,000,000	4.996%
Assicurazioni Generali	589,263,955	4.973%
Fondazione C.R. di Padova e Rovigo	583,404,899	4.924%
Fondazione Cariplo	554,578,319	4.680%
Ente C.R. Firenze	400,287,395	3.378%
Blackrock Inc. (***)	376,688,882	3.179%
Fondazione C.R. in Bologna	323,955,012	2.734%
Carlo Tassara S.p.A.	296,764,457	2.504%

(*) held directly or indirectly.

(**) for more information see the extract of the commitments of Crédit Agricole to Intesa Sanpaolo, published on group.intesasanpaolo.com website.

(***) held as assets under management.

Transactions with related parties

Procedural features

Intesa Sanpaolo "Regulations on the management of transactions with related parties" adopted by all Group companies sets out the criteria for identifying related parties, the assessment and decision-making rules as well as the principles to be followed in subsequently providing information to Corporate bodies and to the market.
In accordance with the criteria set out in IAS 24, the Regulations define the rules for identifying in concrete terms the various entities belonging to the categories defined by this accounting principle (companies related through controlling or joint stakes, joint ventures, pension funds, Key Managers, close family members of Key Managers and related significant shareholding positions).
In this regard, it has been decided that the category of Key Managers will include not only Management and Supervisory Board Members but also General Managers, the Manager responsible for preparing the Company's financial reports, the Heads of business units, the Heads of governance areas, the Heads of head office departments that report directly to the CEO and to the Chairman of the Management Board, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic Operations and Special Projects.
In February 2008, the Management Board and the Supervisory Board have decided to extend, as a form of self-regulation, application of the rules governing transactions with related parties beyond the scope of application considered in regulations of reference, so as to include Shareholders and their corporate groups (subsidiaries, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank of over 2% (calculated on registered shares only).
This approach allows closer monitoring of transactions with the main shareholders, by subjecting them to the same assessment and approval procedure as for transactions with related parties.
The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with related parties, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons for the transaction and its potential effects on the Bank's financials.
With regard to approval, the transactions falling under the sole responsibility of the Management Board are "significant" transactions between the Parent Company and its related parties. "Significant" transactions are those with a major economic, capital and financial impact, as defined on the basis of specific qualitative and/or quantitative criteria applying to each type of transaction. In particular, they include:

1) transactions for an amount in excess of 3 million euro (or in excess of 20 million euro if the transactions are with companies belonging to the banking or corporate Group, reduced to half for companies that are not wholly owned):
   a) the purchase and sale of real estate;
   b) the underwriting, purchase or sale of stakes in the company, even if they do not lead to changes in the Banking Group;
   c) the purchase and sale of companies, business lines or entire business portfolios;
   d) framework agreements governing the provision of services or the placement or distribution of products/services with annual duration and automatic renewal, or multi-year;
2) transactions for an amount in excess of 25% of each company's Tier 1 capital/shareholders' equity or, in any case, higher than 25 million euro, investments in companies of the banking or corporate Group through capital interventions, hybrid capital instruments, eligible subordinated liabilities in the subsidiary's regulatory capital, the granting of overdrafts that are not for the purpose of supporting the subsidiary's core business;
3) the granting of overdrafts to related parties that are not part of the Banking Group, for an amount in excess of 0.50% of the consolidated regulatory capital;
4) financial and commercial transactions other than those mentioned above for an amount in excess of 20 million euro, excluding credit transactions and bank funding operations carried out at market conditions.

Stricter limits have been established for non-performing exposures (substandard, doubtful and restructured loans).
The Management Board always has jurisdiction over transactions that, due to their subject, the nature of the parties, the consideration paid, methods or timeframes, may have effects on safeguarding company assets or on the thoroughness or correctness of disclosures, including accounting information, regarding Intesa Sanpaolo (any such transactions are also included in information provided to the market in accordance with article 71 bis of Issuers Regulation 11971/99).
In compliance with the provisions of the Corporate Governance Code, transactions having a value in excess of twice the levels established as being under the jurisdiction of the Management Board are also subject to the prior opinion of the Control Committee formed within the Supervisory Board.
In any case, the Control Committee must review transactions that are under the jurisdiction of the Management Board if any economic conditions have been identified that differ from those of the market, except when subsidiaries are involved.
The Regulations also establish that decision-making bodies can make use of independent experts, where considered appropriate, according to the degree of significance of the transaction, its specific economic or structural characteristics and the nature of the related party.
Concerning transactions carried out by subsidiaries, the Regulations specify which cases require a decision from the Board of Directors of the companies involved. Each company may also choose to include specific internal control measures in its own decision-making process. It is also expected to adopt a set of rules equivalent to the ones drawn up by the Parent Company to regulate the transactions initiated by the company itself with its "own related parties".
Based on the Regulations, the prior opinion of the Parent Company's Control Committee is also required for the most significant transactions between subsidiaries and parties related to the Parent Company.
Moreover, the Regulations define the general criteria for the information to be provided, at least quarterly, – also pursuant to article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with related parties completed in the reference period by the Parent Company or by its subsidiaries. Different quantitative thresholds must be decided for each type of transaction. All of the above is aimed at providing a complete overview of the most significant transactions, as well as the volumes and the main features of all those delegated.
Finally, please note that if the related party is one of the players that have direction, administration or control functions, the special decision-making procedure set out in article 136 of the Consolidated Law on Banking also applies. It subjects the transaction to the prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.
In accordance with the abovementioned article 136, anyone who carries out direction, administration or control functions at banks or companies that are part of the Banking Group cannot directly or indirectly enter into contracts which lead to obligations with the company they belong to or carry out financing transactions with another company or bank in the Banking Group without approval from the administrative and control bodies of the company or bank that is party to the contract; in these cases the contract or the act must be approved by the Parent Company. As provided for by Law 262/2005 and Legislative Decree 303/2006, the special decision-making procedure has also been applied to contracts entered into by the Bank or companies in the Banking Group with companies controlled by board members or companies in which board members have administration, direction or control functions. Moreover, it also applies to the controlling companies and controlled companies (unless the contracts which lead to the obligation are drawn up between companies belonging to the same Banking Group or refer to transactions on the interbank market).
The abovementioned provision also confirms the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors, insofar as article 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may come into play in a significant manner in carrying out his/her function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with related parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per article 2391.
On 12 March 2010, Consob adopted the "Regulation implementing provisions governing transactions with related parties". Intesa Sanpaolo launched a work plan in order to adopt the new provisions and bring its internal procedures into line with such new provisions in accordance with the timeframe given by Consob.

Information on transactions with related parties

In the first half of 2010 relations with related parties were attentively monitored and no situations emerged other than those typical of standard bank relations with individual and corporate customers. The transactions fell within the scope of the ordinary activities and were usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.

During the period, no "atypical or unusual transactions" were carried out by the Group, either with related parties or entities other than related parties, the importance/relevance of which might have given rise to concerns regarding the protection of shareholders' equity or of minority shareholders' interests (any atypical or unusual transactions must also be disclosed to the market pursuant to article 71 bis of Issuers Regulation 11971/99).

The policy on relations between the various economic entities which make up the Group remained the same, and also the relationships with other related parties other than subsidiaries, associates and companies subject to joint control were unchanged. Normally, these transactions are regulated at market rates or are aligned with the most favourable conditions applied to personnel, when the necessary conditions exist. Transactions with intragroup related parties or entities in which the Group holds most of the risks and rewards and that are consolidated in accordance with SIC 12 are not included in this report as they are netted at consolidated level.

Receivable and payable balances with related parties in the consolidated accounts as at 30 June 2010, amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant. The following tables set out the impact of transactions with related parties, as classified by IAS 24, including Shareholders with voting rights exceeding 2%, on the Group's balance sheet and income statement figures.

	30.06.2010	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	9,344	1.6
Total other assets	1	0.0
Total financial liabilities	2,673	0.7
Total other liabilities	9	0.0

	30.06.2010	
	Amount (millions of euro)	**Impact** (%)
Total interest income	50	0.6
Total interest expense	-3	0.1
Total fee and commission income	82	2.6
Total fee and commission expense	-2	0.3
Total operating costs	-21	0.5

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of intragroup operations, as well as information on Shareholders and their corporate groups (subsidiaries, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank of over 2% (calculated on registered shares only) and on parties that are not related pursuant to IAS 24, but are in any case included as a form of self-regulation.

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given/ received and commitments
Subsidiaries	-	-	-	-	-	6	1	-	7	-	-	-
Companies subject to joint control	10	-	26	-	-	66	-	1	17	-	9	39
Associates	46	-	186	-	27	2,211	-	48	261	1	-	533
Key Managers and control bodies	-	-	-	-	-	2	-	-	9	-	-	-
Other related parties	1	-	-	-	-	112	-	-	384	-	-	1
Total	**57**	**-**	**212**	**-**	**27**	**2,397**	**1**	**49**	**678**	**1**	**9**	**573**
Shareholders (*)	2,015	15	367	-	34	4,220	-	78	613	1,254	-	520

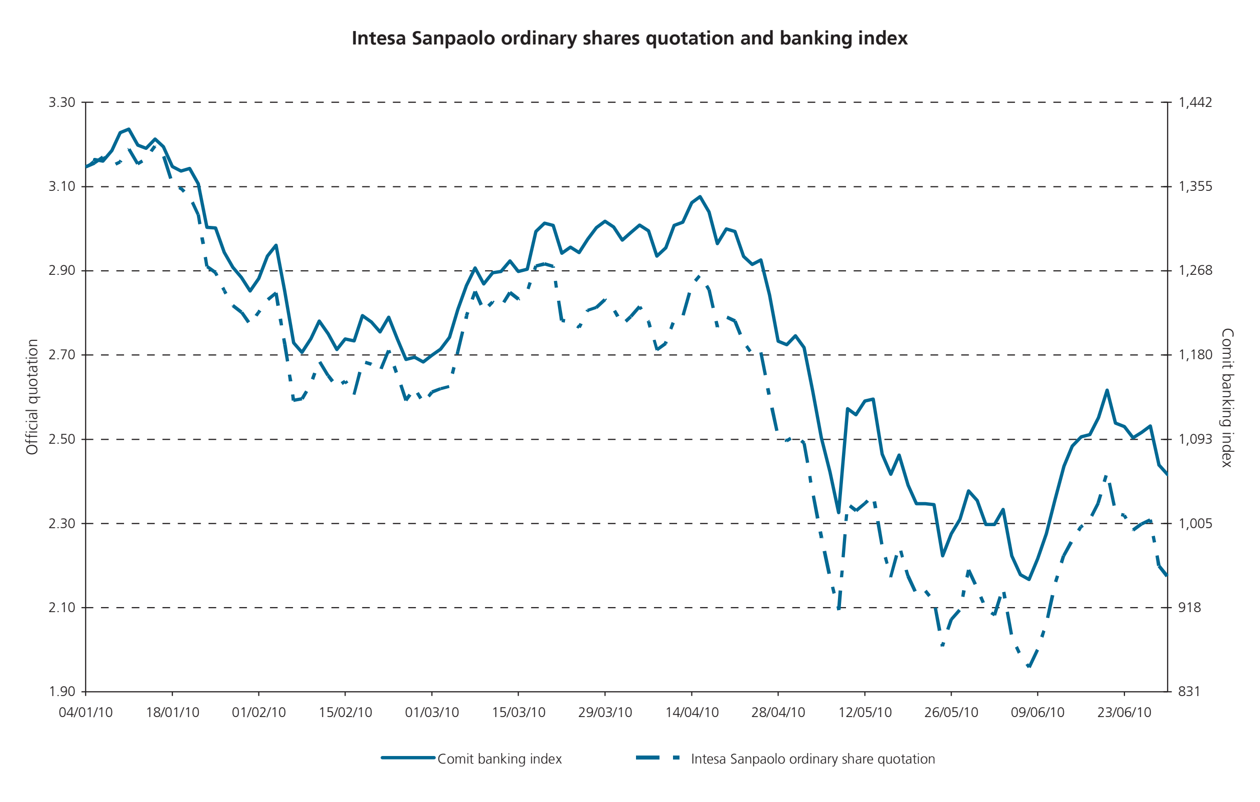
(*) Shareholders and their groups that hold a stake in the Bank's voting share capital exceeding 2% (calculated considering only shares owned).

Relations between the Intesa Sanpaolo Group and Key Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. Concerning transactions with subsidiaries not subject to full consolidation and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.

The Group's most significant associates are Intesa Vita, Telco, the NH Hoteles Group, Bank of Qingdao, Alitalia Compagnia Aerea Italiana, Penghua Fund Management, SIA-SSB, RCS Mediagroup, Nuovo Trasporto Viaggiatori and Autostrade Lombarde.
The joint ventures of the period include Allfunds Bank SA.
The category "Other related parties" includes the Bank's pension funds, the close relatives of board members, entities controlled by or related to the latter.
There were no particularly significant transactions with related parties in the period. However, the main transactions finalised in the period by the Parent Company or subsidiaries with related parties (net of intragroup operations netted in the consolidated financial statements) are reported below.
As part of the project aimed at rationalising the Group's bancassurance activities, the Supervisory Authorities approved the incorporation of Compagnia di Assicurazioni Fideuram Vita in March, by contributing to the newco, with effect from 1 May, Banca Fideuram "advisors" portfolio by EurizonVita, which has full control thereof. The companies involved in the project are: Intesa Vita, 50% owned, a joint venture with the Generali Group; Centrovita Assicurazioni, 51% owned, a joint venture with Cardif Assurance (BNP Paribas Group) and the subsidiaries Eurizon Vita and Sud Polo Vita.
Transactions during the period undertaken with key managers, their close family members and entities controlled by or associated with them, are attributable to the Intesa Sanpaolo Group's normal operations and are fully compliant with applicable legislation.
The Group's most significant dealings with associates during the period include the loans granted to Telco S.p.A., Sagat S.p.A., NH Hoteles SA, Nuovo Trasporto Viaggiatori S.p.A. (project financing), GCL Holdings (subscription of convertible preferred equity certificates) and RCN Finanza (convertible loan) and other minor associates. All transactions were carried out at market interest rates. Share capital increases were subscribed with respect to Autostrada Pedemontana Lombarda, GCL Holdings Sarl, NH Italia and other minor associates. The other initiatives completed in the period include the contribution of the Bank's equity investment (approximately 2.6%) in Grande Jolly to NH Italia S.r.l. against a 13.6 million euro capital increase of NH Italia (after the capital increase the equity investment rose to 44.5%) and the revision of the servicing agreement entered into with Italfondiario governing the management of part of the Intesa Sanpaolo Group's doubtful loans.
On 26 February 2010, Telco completed a 1.3 billion euro bond issue that was then subscribed for by its shareholders on a proportional basis. The proceeds of the issue were used to make repayment in full of the bridge loan of 0.9 billion euro disbursed by the shareholders Telefonica, Intesa Sanpaolo and Mediobanca and the bank bridge loan of approximately 0.4 billion euro disbursed by Intesa Sanpaolo and Mediobanca.
With respect to transactions with shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), on 22 June 2010, Intesa Sanpaolo and Crédit Agricole finalised the terms and conditions underlying the agreement disclosed on 18 February 2010, providing for the sale by Intesa Sanpaolo to the Crédit Agricole Group - after obtaining the necessary authorisations - of the entire investment held through the subsidiary Banca CR Firenze in Cassa di Risparmio della Spezia (80% of share capital) and 96 branches of the Group located throughout Italy against a total consideration of approximately 740 million euro (subject to a purchase price adjustment mechanism). Consistency thereof with market conditions is supported by the fairness opinion expressed by an independent expert.

Stock price performance

In the first half of 2010, the performance of the banking sector, which was negatively impacted by the crisis of the sovereign debt and concerns regarding the solidity and the liquidity of the financial system, at a European level, was lower than the overall market performance: after hitting the lowest peak of the year at the beginning of June, with cyclical trends, the DJ Euro Stoxx Banks index slightly recovered, ending the first half of the year with a 23.7% decrease, down by approximately 10 percentage points compared with the DJ Euro Stoxx 50. The performance of the Italian banking sector was in line with that of the European sector, down by 22.9% on the beginning of the year.
The price of Intesa Sanpaolo ordinary share during the first half of 2010 followed the trend shown by the banking industry indices: a fall in the first two months of 2010, partly offset by a rally in the first half of March, followed by a cyclical performance until mid-April, a further fall until the beginning of June and, finally, a partial recovery, ending the first half of year with a 30.9% decrease on the beginning of the year.
The price of Intesa Sanpaolo savings shares was down by approximately 29.8% at the end of the first half of 2010 compared to the beginning of the year. The discount with respect to ordinary shares decreased slightly, falling to 24% from 25% at the beginning of the year. At the end of the first half of 2010, Intesa Sanpaolo's capitalisation amounted to 27.3 billion euro, against 39.5 billion euro at the beginning of the year.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares carrying different rights for the distribution of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share.

Net income attributable to both ordinary and savings shares was determined considering the most recent dividends approved for each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, to the same extent to all shares outstanding.

The Earnings per share (EPS) indicator is presented both in the "basic" and in the "diluted" formulation: basic EPS is calculated by dividing income theoretically attributable to holders of different categories of shares by the weighted average number of the shares outstanding; diluted EPS is calculated considering the effect of the forecast issues of ordinary shares, which, in any case, do not determine material effects and permit, therefore, the full convergence of the two ratios.

	30.06.2010		30.06.2009	
	Ordinary shares	**Savings shares**	**Ordinary shares**	**Savings shares**
Weighted average number of shares	11,846,124,008	932,135,524	11,845,523,290	932,290,171
Income attributable to the various categories of shares *(millions of euro)*	1,557	133	1,449	138
Basic EPS *(euro)*	0.13	0.14	0.12	0.15
Diluted EPS *(euro)*	0.13	0.14	0.12	0.15
Basic EPS annualised (*) *(euro)*	0.26	0.28	0.24	0.30
Diluted EPS annualised (*) *(euro)*	0.26	0.28	0.24	0.30

(*) Net income is not indicative of forecast net income for the whole of 2009, since it is obtained by annualising net income for the period.

Price/book value

The index reflects the value attributed by the market to the share capital of a listed company, hence indirectly to the company's overall assets. While measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, the index is significantly affected by the external factors that influence stock prices.

For the Intesa Sanpaolo Group, the index – calculated on average figures of the period and at period-end – is influenced by the significant increase in shareholders' equity resulting from the merger and, from 2008 onwards, by the negative performance of markets.

	30.06.2010	1st half 2010	2009	2008	2007	2006
Market capitalisation	27,290	32,767	32,228	48,639	71,058	33,724
Shareholders' equity	52,534	52,608	50,818	50,256	51,558	17,435
Price / book value	**0.52**	**0.62**	**0.63**	**0.97**	**1.38**	**1.93**

Figures for the periods prior to 2007 refer to Gruppo Intesa and have not been restated to consider the merger.

Ratings

On 23 April 2010, the international rating agency Standard & Poor's revised downwards the ratings assigned to Intesa Sanpaolo, to A+ from AA- for the long-term and to A-1 from A-1+ for the short-term, modifying the outlook from negative to stable.
The ratings assigned by the other agencies are unchanged.

	Rating Agency		
	Moody's	**Standard & Poor's**	**Fitch**
Short-term debt	P-1	A-1	F1+
Long-term debt	Aa2	A+	AA-
Outlook	Stable (*)	Stable	Stable
Financial strength	B-	-	-
Individual	-	-	B
Support	-	-	1

(*) Debt outlook is stable, financial strength outlook is negative.

The Management Board

Milano, 27 August 2010

Certification of the condensed consolidated half-yearly financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Corrado Passera (as Managing Director and CEO) and Ernesto Riva (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   – the adequacy in relation to the Company's features and
   – the actual application

   of the administrative and accounting procedures employed to draw up the condensed consolidated half-yearly financial statements, in the first half of 2010.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the condensed consolidated half-yearly financial statements as at 30 June 2010 was performed in the context of the reorganisation of corporate processes and IT systems consequent on the extraordinary integration procedures implemented in recent years. The assessment was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems.

3. The undersigned also certify that:

   3.1 The condensed consolidated half-yearly financial statements as at 30 June 2010:
   – have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   – correspond to the results of the books and accounts;
   – give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The half-yearly report on operations contains indications of the most significant events in the first six months of the year and their impact on the condensed consolidated half-yearly financial statements, together with a description of the main risks and uncertainties faced in the remaining six months of the year as well as information on significant related party transactions.

27 August 2010

Corrado Passera
Managing Director and CEO

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

Independent Auditors' Report

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Intesa Sanpaolo S.p.A.

1. We have reviewed the interim condensed consolidated financial statements of Intesa Sanpaolo S.p.A. and its subsidiaries (the "Intesa Sanpaolo Group") as of June 30, 2010, comprising the balance sheet, the statement of income, comprehensive income, changes in shareholders' equity and cash flows and the related explanatory notes. Management Board of Intesa Sanpaolo S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our report issued on March 26, 2010. As described in the explanatory notes, the Management Board restated the comparative data of the interim condensed consolidated financial statements of the corresponding period of the prior year, on which we issued our review report on August 29, 2009. We have reviewed the methods adopted to restate the comparative financial data for the corresponding period of the prior year and the information presented in the explanatory notes in this respect within the review of the interim condensed consolidated financial statements as of June 30, 2010. Moreover, the explanatory notes include certain additional comparative financial information, restated to take into account changes in the consolidation area; we have not examined such financial information.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Intesa Sanpaolo Group as of June 30, 2010 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, August 28, 2010

Reconta Ernst & Young S.p.A.
Signed by: Guido Celona, partner

Reconta Ernst & Young S.p.A.
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Attachments

Reconciliation statements

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2009 and the restated consolidated balance sheet as at 31 December 2009

Reconciliation between the consolidated income statement as at 30 June 2009 and the consolidated income statement as at 30 June 2009 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262

Reconciliation between the consolidated income statement as at 30 June 2009 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262 and the restated consolidated income statement as at 30 June 2009

Reconciliation between the consolidated income statement as at 30 June 2010 and the restated consolidated income statement as at 30 June 2010

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2009 and the restated consolidated balance sheet as at 31 December 2009

(millions of euro)

Assets		31.12.2009 Published (*)	Change in the scope of consolidation - Banca Monte Paschi di Siena branches (a)	31.12.2009 Restated
10.	Cash and cash equivalents	8,412	2	8,414
20.	Financial assets held for trading	69,825	15	69,840
30.	Financial assets designated at fair value through profit and loss	21,965	-	21,965
40.	Financial assets available for sale	35,895	-	35,895
50.	Investments held to maturity	4,561	-	4,561
60.	Due from banks	43,242	-	43,242
70.	Loans to customers	374,033	1,404	375,437
80.	Hedging derivatives	7,008	-	7,008
90.	Fair value change of financial assets in hedged portfolios (+/-)	69	-	69
100.	Investments in associates and companies subject to joint control	3,059	-	3,059
110.	Technical insurance reserves reassured with third parties	38	-	38
120.	Property and equipment	5,291	1	5,292
130.	Intangible assets	25,789	-	25,789
	of which			
	- goodwill	*18,838*	-	*18,838*
140.	Tax assets	7,320	-	7,320
	a) current	*2,072*	-	*2,072*
	b) deferred	*5,248*	-	*5,248*
150.	Non-current assets held for sale and discontinued operations	6,552	-	6,552
160.	Other assets	11,785	100	11,885
Total Assets		**624,844**	**1,522**	**626,366**

(*) Historic data originally published in the Annual Report 2009.

(a) Acquisition by Banca CR Firenze of 50 branches from Banca Monte dei Paschi di Siena finalised in June 2010.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2009 Published (*)	Change in the scope of consolidation - Banca Monte Paschi di Siena branches (a)	31.12.2009 Restated
10.	Due to banks	43,369	642	44,011
20.	Due to customers	210,814	724	211,538
30.	Securities issued	185,243	10	185,253
40.	Financial liabilities held for trading	42,249	15	42,264
50.	Financial liabilities designated at fair value through profit and loss	25,887	-	25,887
60.	Hedging derivatives	5,179	-	5,179
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,513	-	1,513
80.	Tax liabilities	2,965	-	2,965
	a) current	*841*	-	*841*
	b) deferred	*2,124*	-	*2,124*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	9,723	-	9,723
100.	Other liabilities	15,755	128	15,883
110.	Employee termination indemnities	1,374	3	1,377
120.	Allowances for risks and charges	3,420	-	3,420
	a) post employment benefits	*512*	-	*512*
	b) other allowances	*2,908*	-	*2,908*
130.	Technical reserves	23,582	-	23,582
140.	Valuation reserves	-430	-	-430
150.	Redeemable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	10,565	-	10,565
180.	Share premium reserve	33,102	-	33,102
190.	Share capital	6,647	-	6,647
200.	Treasury shares (-)	-8	-	-8
210.	Minority interests (+/-)	1,090	-	1,090
220.	Net income (loss)	2,805	-	2,805
Total Liabilities and Shareholders' Equity		**624,844**	**1,522**	**626,366**

(*) Historic data originally published in the Annual Report 2009.

(a) Acquisition by Banca CR Firenze of 50 branches from Banca Monte dei Paschi di Siena finalised in June 2010.

Reconciliation between the consolidated income statement as at 30 June 2009 and the consolidated income statement as at 30 June 2009 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262

(millions of euro)

	30.06.2009 Published (*)	Impact of IFRS 5 adoption			Restatements as per the updated Bank of Italy Circular No. 262/2009 (d)	30.06.2009
		Disposal of securities services business (a)	Disposal of Sanpaolo Bank Lux S.A. (b)	Disposal of Intesa Sanpaolo Servizi Transazionali (c)		
10. Interest and similar income	10,629	-79	-62	-21	-	10,467
20. Interest and similar expense	-4,827	45	48	20	-	-4,714
30. Interest margin	**5,802**	**-34**	**-14**	**-1**	**-**	**5,753**
40. Fee and commission income	2,970	-57	-22	-9	-	2,882
50. Fee and commission expense	-560	7	2	1	-	-550
60. Net fee and commission income	**2,410**	**-50**	**-20**	**-8**	**-**	**2,332**
70. Dividend and similar income	313	-	-	-	-	313
80. Profits (Losses) on trading	482	-	-	-	-	482
90. Fair value adjustments in hedge accounting	29	-	-	-	-	29
100. Profits (Losses) on disposal or repurchase of	47	-	-	-	-	47
a) loans	*-7*	-	-	-	-	*-7*
b) financial assets available for sale	*47*	-	-	-	-	*47*
c) investments held to maturity	-	-	-	-	-	-
d) financial liabilities	*7*	-	-	-	-	*7*
110. Profits (Losses) on financial assets and liabilities designated at fair value	-168	-	-	-	-	-168
120. Net interest and other banking income	**8,915**	**-84**	**-34**	**-9**	**-**	**8,788**
130. Net losses / recoveries on impairment	-1,786	-	-	-	-	-1,786
a) loans	*-1,647*	-	-	-	-	*-1,647*
b) financial assets available for sale	*-100*	-	-	-	-	*-100*
c) investments held to maturity	-	-	-	-	-	-
d) other financial activities	*-39*	-	-	-	-	*-39*
140. Net income from banking activities	**7,129**	**-84**	**-34**	**-9**	**-**	**7,002**
150. Net insurance premiums	2,538	-	-	-	-	2,538
160. Other net insurance income (expense)	-2,744	-	-	-	-	-2,744
170. Net income from banking and insurance activities	**6,923**	**-84**	**-34**	**-9**	**-**	**6,796**
180. Administrative expenses	-4,499	21	12	6	-232	-4,692
a) personnel expenses	*-2,845*	*10*	*6*	*2*	-	*-2,827*
b) other administrative expenses	*-1,654*	*11*	*6*	*4*	*-232*	*-1,865*
190. Net provisions for risks and charges	-149	-	-	-	-	-149
200. Net adjustments to / recoveries on property and equipment	-194	-	-	-	-	-194
210. Net adjustments to / recoveries on intangible assets	-357	2	-	-	-	-355
220. Other operating expenses (income)	45	-16	-	-	232	261
230. Operating expenses	**-5,154**	**7**	**12**	**6**	**-**	**-5,129**
240. Profits (Losses) on investments in associates and companies subject to joint control	22	-	-	-	-	22
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-
260. Goodwill impairment	-	-	-	-	-	-
270. Profits (Losses) on disposal of investments	-1	-	-	-	-	-1
280. Income (Loss) before tax from continuing operations	**1,790**	**-77**	**-22**	**-3**	**-**	**1,688**
290. Taxes on income from continuing operations	-195	28	2	1	-	-164
300. Income (Loss) after tax from continuing operations	**1,595**	**-49**	**-20**	**-2**	**-**	**1,524**
310. Income (Loss) after tax from discontinued operations	50	49	20	2	-	121
320. Net income (loss)	**1,645**	**-**	**-**	**-**	**-**	**1,645**
330. Minority interests	-57	-	-	-	-	-57
340. Parent Company's net income (loss)	**1,588**	**-**	**-**	**-**	**-**	**1,588**

(*) Historic data originally published in the Half-yearly report as at 30 June 2009.

(a) Includes the effects on the income statement for the first half of 2009 of the business line consisting of Securities Services operations in Group companies.

(b) Includes the effects on the income statement for the first half of 2009 of the subsidiary Sanpaolo Bank Lux S.A.

(c) Includes the effects on the income statement for the first half of 2009 of the subsidiary Intesa Sanpaolo Servizi Transazionali S.p.A. (post-acquisition by the Intesa Sanpaolo Group).

(d) Includes the restatement of cost recoveries on indirect taxes, in accordance with Bank of Italy instructions provided in its update on 18 November 2009 to Circular No. 262.

Reconciliation between the consolidated income statement as at 30 June 2009 adjusted in compliance with IFRS 5 and the update of Bank of Italy Circular 262 and the restated consolidated income statement as at 30 June 2009

The consolidated income statement as at 30 June 2009 did not require restatements.

Reconciliation between the consolidated income statement as at 30 June 2010 and the restated consolidated income statement as at 30 June 2010

The consolidated income statement as at 30 June 2010 did not require restatements.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		30.06.2010	31.12.2009 restated	Changes amount	Changes %
10.	Cash and cash equivalents	4,749	8,414	-3,665	-43.6
20.	Financial assets held for trading	97,238	69,840	27,398	39.2
30.	Financial assets designated at fair value through profit and loss	23,317	21,965	1,352	6.2
40.	Financial assets available for sale	38,767	35,895	2,872	8.0
50.	Investments held to maturity	4,307	4,561	-254	-5.6
60.	Due from banks	48,480	43,242	5,238	12.1
70.	Loans to customers	374,801	375,437	-636	-0.2
80.	Hedging derivatives	9,321	7,008	2,313	33.0
90.	Fair value change of financial assets in hedged portfolios (+/-)	82	69	13	18.8
100.	Investments in associates and companies subject to joint control	3,085	3,059	26	0.8
110.	Technical insurance reserves reassured with third parties	34	38	-4	-10.5
120.	Property and equipment	5,182	5,292	-110	-2.1
130.	Intangible assets	25,856	25,789	67	0.3
	of which				
	- goodwill	*19,149*	*18,838*	*311*	*1.7*
140.	Tax assets	8,043	7,320	723	9.9
	a) current	*2,228*	*2,072*	*156*	*7.5*
	b) deferred	*5,815*	*5,248*	*567*	*10.8*
150.	Non-current assets held for sale and discontinued operations	35	6,552	-6,517	-99.5
160.	Other assets	11,744	11,885	-141	-1.2
Total Assets		**655,041**	**626,366**	**28,675**	**4.6**

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2010	31.12.2009 restated	Changes amount	Changes %
10.	Due to banks	49,510	44,011	5,499	12.5
20.	Due to customers	232,406	211,538	20,868	9.9
30.	Securities issued	180,373	185,253	-4,880	-2.6
40.	Financial liabilities held for trading	56,413	42,264	14,149	33.5
50.	Financial liabilities designated at fair value through profit and loss	23,756	25,887	-2,131	-8.2
60.	Hedging derivatives	6,994	5,179	1,815	35.0
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	2,111	1,513	598	39.5
80.	Tax liabilities	2,604	2,965	-361	-12.2
	a) current	*514*	*841*	*-327*	*-38.9*
	b) deferred	*2,090*	*2,124*	*-34*	*-1.6*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	9,723	-9,723	
100.	Other liabilities	17,207	15,883	1,324	8.3
110.	Employee termination indemnities	1,367	1,377	-10	-0.7
120.	Allowances for risks and charges	3,251	3,420	-169	-4.9
	a) post employment benefits	*367*	*512*	*-145*	*-28.3*
	b) other allowances	*2,884*	*2,908*	*-24*	*-0.8*
130.	Technical reserves	25,495	23,582	1,913	8.1
140.	Valuation reserves	-1,120	-430	690	
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	12,219	10,565	1,654	15.7
180.	Share premium reserve	33,102	33,102	-	-
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-4	-8	-4	-50.0
210.	Minority interests (+/-)	1,020	1,090	-70	-6.4
220.	Net income (loss)	1,690	2,805	-1,115	-39.8
Total Liabilities and Shareholders' Equity		**655,041**	**626,366**	**28,675**	**4.6**

Restated consolidated income statement

Since no restatements have been made, please see the financial statements.

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the restated consolidated balance sheet - Assets	30.06.2010	31.12.2009
Financial assets held for trading		97,238	69,840
	Caption 20 - Financial assets held for trading	*97,238*	*69,840*
Financial assets designated at fair value through profit and loss		23,317	21,965
	Caption 30 - Financial assets designated at fair value through profit and loss	*23,317*	*21,965*
Financial assets available for sale		38,767	35,895
	Caption 40 - Financial assets available for sale	*38,767*	*35,895*
Investments held to maturity		4,307	4,561
	Caption 50 - Investments held to maturity	*4,307*	*4,561*
Due from banks		48,480	43,242
	Caption 60 - Due from banks	*48,480*	*43,242*
Loans to customers		374,801	375,437
	Caption 70 - Loans to customers	*374,801*	*375,437*
Investments in associates and companies subject to joint control		3,085	3,059
	Caption 100 - Investments in associates and companies subject to joint control	*3,085*	*3,059*
Property, equipment and intangible assets		31,038	31,081
	Caption 120 - Property and equipment	*5,182*	*5,292*
	+ Caption 130 - Intangible assets	*25,856*	*25,789*
Tax assets		8,043	7,320
	Caption 140 - Tax assets	*8,043*	*7,320*
Non-current assets held for sale and discontinued operations		35	6,552
	Caption 150 - Non-current assets held for sale and discontinued operations	*35*	*6,552*
Other assets		25,930	27,414
	Caption 10 - Cash and cash equivalents	*4,749*	*8,414*
	+ Caption 160 - Other assets	*11,744*	*11,885*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*34*	*38*
	+ Caption 80 - Hedging derivatives	*9,321*	*7,008*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*82*	*69*
Total Assets	**Total Assets**	**655,041**	**626,366**

Captions of the reclassified consolidated balance sheet - Liabilities and Shareholders' Equity	Captions of the restated consolidated balance sheet - Liabilities and Shareholders' Equity	30.06.2010	31.12.2009
Due to banks		49,510	44,011
	Caption 10 - Due to banks	*49,510*	*44,011*
Due to customers and securities issued		412,779	396,791
	Caption 20 - Due to customers	*232,406*	*211,538*
	+ Caption 30 - Securities issued	*180,373*	*185,253*
Financial liabilities held for trading		56,413	42,264
	Caption 40 - Financial liabilities held for trading	*56,413*	*42,264*
Financial liabilities designated at fair value through profit and loss		23,756	25,887
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*23,756*	*25,887*
Tax liabilities		2,604	2,965
	Caption 80 - Tax liabilities	*2,604*	*2,965*
Liabilities associated with non-current assets held for sale and discontinued operations		-	9,723
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*-*	*9,723*
Other liabilities		26,312	22,575
	Caption 100 - Other liabilities	*17,207*	*15,883*
	+ Caption 60 - Hedging derivatives	*6,994*	*5,179*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*2,111*	*1,513*
Technical reserves		25,495	23,582
	Caption 130 - Technical reserves	*25,495*	*23,582*
Allowances for specific purpose		4,618	4,797
	Caption 110 - Employee termination indemnities	*1,367*	*1,377*
	Caption 120 - Allowances for risks and charges	*3,251*	*3,420*
Share capital		6,647	6,647
	Caption 190 - Share capital	*6,647*	*6,647*
Reserves (net of treasury shares)		45,317	43,659
	Caption 170 - Reserves	*12,219*	*10,565*
	Caption 180 - Share premium reserve	*33,102*	*33,102*
	– Caption 200 - Treasury shares	*-4*	*-8*
Valuation reserves		-1,120	-430
	Caption 140 - Valuation reserves	*-1,120*	*-430*
Minority interests		1,020	1,090
	Caption 210 - Minority interests	*1,020*	*1,090*
Net income (loss)		1,690	2,805
	Caption 220 - Net income (loss)	*1,690*	*2,805*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**655,041**	**626,366**

Reconciliation between consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.06.2010	30.06.2009
Net interest income		4,863	5,417
	Caption 30 - Interest margin	*5,183*	*5,753*
	- Caption 30 (partial) - Contribution of insurance business	*-472*	*-462*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*35*	*51*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*38*	*1*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*133*	*134*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-42*	*-43*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-12*	*-17*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		34	30
	Caption 70 - Dividend and similar income	*285*	*313*
	- Caption 70 (partial) - Contribution of insurance business	*-55*	*-56*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-205*	*-232*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*9*	*5*
Net fee and commission income		2,807	2,517
	Caption 60 - Net fee and commission income	*2,595*	*2,332*
	- Caption 60 (partial) - Contribution of insurance business	*217*	*185*
	+ Caption 180 b) (partial) - Recovery of expenses on mortgage documentation	*-5*	*-*
Profits (Losses) on trading		215	546
	Caption 80 - Profits (Losses) on trading	*95*	*482*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-84*	*29*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*153*	*47*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*1*	*7*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designed at fair value	*53*	*-168*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*205*	*232*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-38*	*-1*
	- Caption 80 (partial) - Contribution of insurance business	*-170*	*-82*
	- Caption 100b (partial) Loss(es) on repurchase of financial liabilities (Effect of purchase price allocation)	*-*	*-*
Income from insurance business		294	188
	+ Caption 150 - Net insurance premiums	*3,832*	*2,538*
	+ Caption 160 - Other net insurance income (expense)	*-4,009*	*-2,744*
	+ Caption 30 (partial) - Contribution of insurance business	*472*	*462*
	+ Caption 60 (partial) - Contribution of insurance business	*-217*	*-185*
	+ Caption 70 (partial) - Contribution of insurance business	*55*	*56*
	+ Caption 80 (partial) - Contribution of insurance business	*170*	*82*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-9*	*-21*
Other operating income (expenses)		22	26
	Caption 220 - Other operating income (expenses)	*252*	*261*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*-5*	*-3*
	+ Caption 180 b) (partial) - Recovery of indirect taxes	*-225*	*-232*
Operating income		**8,235**	**8,724**
Personnel expenses		-2,737	-2,741
	Caption 180 a) - Personnel expenses	*-2,802*	*-2,827*
	- Caption 180 a) (partial) - Personnel expenses (merger and restructuring related charges)	*23*	*43*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other captions)	*42*	*43*
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase price allocation)	*-*	*-*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*-*	*-*
Other administrative expenses		-1,513	-1,561
	Caption 180 b) - Other administrative expenses	*-1,792*	*-1,865*
	- Caption 180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*25*	*69*
	- Caption 180 b) (partial) - Extraordinary taxation introduced in Hungary	*19*	*-*
	- Caption 180 b) (partial) - Recovery of expenses on mortgage documentation	*5*	*-*
	+ Caption 180 b) (partial) - Recovery of indirect taxes	*225*	*232*
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of expenses and taxes and duties)	*5*	*3*
Adjustments to property, equipment and intangible assets		-291	-312
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-194*	*-194*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-357*	*-355*
	- Caption 200 (partial) - Adjustments to property and equipment (merger and restructuring related charges)	*9*	*9*
	- Caption 210 (partial) - Adjustments to intangible assets (merger and restructuring related charges)	*4*	*7*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*8*	*-*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*-*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	*-12*	*-11*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*251*	*232*
Operating costs		**-4,541**	**-4,614**
Operating margin		**3,694**	**4,110**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	30.06.2010	30.06.2009
Operating margin		**3,694**	**4,110**
Goodwill impairment		-	-
	Caption 260 - Goodwill impairment	-	-
	- Caption 260 (partial) - Goodwill impairment	-	-
Net provisions for risks and charges		-184	-132
	Caption 190 - Net provisions for risks and charges	-197	-149
	- Caption 190 (partial) - Net provisions for risks and charges (merger and restructuring related charges)	1	-
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	12	17
Net adjustments to loans		-1,552	-1,814
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	-2	-7
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	-1,419	-1,647
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	-133	-134
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	-1	-39
	- Caption 100 a) (partial) - Profits (Losses) on purchase/disposal of loans (Effect of purchase price allocation)	3	13
Net impairment losses on other assets		-43	-79
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	-47	-100
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	-8	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	-	-
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	-	-
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	9	21
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment - merger and restructuring related charges)	3	-
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment - merger and restructuring related charges)	-	-
Profits (Losses) on investments held to maturity and on other investments		11	15
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	-	-
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	11	22
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-9	-5
	+ Caption 270 - Profits (Losses) on disposal of investments	9	-1
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-1
Income (Loss) before tax from continuing operations		**1,926**	**2,100**
Taxes on income from continuing operations		-658	-293
	Caption 290 - Taxes on income from continuing operations	-533	-164
	+ Caption 180 b) (partial) - Extraordinary taxation introduced in Hungary	-19	-
	- Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	-22	-42
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	-84	-87
Merger and restructuring related charges (net of taxes)		-43	-86
	+ Caption 180 a) (partial) - Personnel expenses (merger and restructuring related charges)	-23	-43
	+ Caption 180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	-25	-69
	+ Caption 190 (partial) - Net provisions for risks and charges (merger and restructuring related charges)	-1	-
	+ Caption 200 (partial) - Adjustments to property and equipment (merger and restructuring related charges)	-9	-9
	+ Caption 210 (partial) - Adjustments to intangible assets (merger and restructuring related charges)	-4	-7
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment - merger and restructuring related charges)	-3	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment - merger and restructuring related charges)	-	-
	+ Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	22	42
Effect of purchase price allocation (net of tax)		-193	-197
	+ Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	-35	-51
	+ Caption 100 b) (partial) - Losses on repurchase of financial liabilities (Effect of purchase price allocation)	-	-
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)	12	11
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	-251	-232
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	-3	-13
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase price allocation)	-	-
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	1
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	84	87
Income (Loss) after tax from discontinued operations		691	121
	Caption 310 - Income (Loss) after tax from discontinued operations	691	121
	+ Caption 260 - (partial) - Goodwill impairment	-	-
Minority interests		-33	-57
	Caption 330 - Minority interests	-33	-57
Net income	**Caption 340 - Parent Company's net income (loss)**	**1,690**	**1,588**

Glossary

GLOSSARY OF THE MAIN TERMS USED IN THE ANNUAL REPORT

(in the meaning adopted in the "Report" and with exclusion of 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 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.

Acquisition finance
Leveraged buy-out financing.

Additional return
Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

ALT-A Agency
Securities whose collateral consists of Alt-A mortgages, guaranteed by specialised Government Agencies.

ALT- A - Alternative A Loan
Residential mortgages generally of "prime" category, but which, due to various factors such as LTV ratio, documentation provided, borrower's income/employment situation, type of property etc., cannot be classified as standard contracts usable in subscription programmes.
Incomplete documentation is the main reason for a loan being classified as "Alt-A".

Alternative investment
Alternative investments comprise a wide range of investment products, including private equity and hedge funds (see definitions below).

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.

Amortised cost
Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (*mandated lead arranger, joint lead arranger, sole arranger etc.*) – coordinates the organisational aspects of the transaction.

Arrangement fee
A fee paid for professional advice and assistance provided in the loan structuring and arranging stage.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset management
The various activities relating to the management and administration of different customer assets.

AP – Attachment Point
Level above which a protection seller will cover the losses of a protection buyer. It is typically used in synthetic CDOs.

Audit
In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (*internal audit*) and independent audit firms (*external audit*).

Back office
The unit of a bank or financial company that processes all the transactions performed by the operational units (*front office*).

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.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
The difference between the buying and selling price of a given financial instrument or set of financial instruments.

Bookrunner
See *Lead manager*.

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is used in accounting principles with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

Budget
Forecast of cost and revenue performance of a company over a period of time.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, CAGR is calculated as follows: (Ending value/Starting value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the "opportunity cost" i.e. the amount of income for the period necessary to remunerate the cost of capital.

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 Tranche (B): 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 (B): 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/Super-senior Tranche (B): 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.

Captive
Term generically referring to "networks" or companies that operate in the exclusive interest of their parent company or group.

Cash flow hedge
Coverage against exposure to variability in cash flows associated with a particular risk.

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash management
A banking service that in addition to informing companies on the status of their relations with the bank, is an operational tool enabling companies to transfer funds, thus leading to more efficient treasury management.

Categories of financial instruments provided for by IAS 39
Financial assets "held-for-trading", which includes the following: 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, and assets that the entity decides in any case to measure at fair value, with fair value changes recognized in profit and loss; *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.

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).
In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.
For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract.
Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
Debt instruments backed by mortgages on commercial real estate.

CMBX index
The same as the ABX index, the only difference being that the reference entities are CMBSs.

CMO - Collateralised Mortgage Obligation
Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

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.

Commercial paper
Short-term notes issued in order to collect funds from third party underwriters as an alternative to other forms of indebtedness.

Consumer ABS
ABS whose collateral is made up of consumer credits.

Core Business
Main area of business on which company's strategies and policies are focused.

Core deposits
"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which it pays less than the market interest rate.

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

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

Costant Proportion Portfolio Insurance (CPPI)
An investment management technique aimed at the revaluation of capital, while complying with a minimum yield by optimising allocation and regularly rebalancing the portfolio with financial assets of an equity, bond or monetary nature, based on the performance of the markets.

Cost/income ratio
Economic indicator consisting of the ratio of operating costs to net operating income.

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 enhancement
Techniques and instruments used by issuers to improve the credit rating of their issues (providing sureties, cash credit lines, etc.).

Credit/emerging markets (Funds)
Funds that invest in securities with credit risk exposure, since they are issued by financial or corporate entities, which may be located in emerging countries.

Credit-linked notes
Similar to bonds issued by a protection buyer or a special purpose vehicle whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a default event.

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.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

CreditVaR
Value that indicates an unexpected loss with respect to a credit portfolio at a specified confidence interval and a specified time horizon. CreditVaR is estimated through loss distribution and represents the difference between the average value of the distribution and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank's risk propensity.

Cross currency swap (CCS)
A cross currency swap entails the exchange of monetary flows denominated in two different currencies. Unlike ordinary swaps, it often requires settlement of the notional, mainly at the beginning of the operation. Interest rate flows are subsequently exchanged on a fixed, floating or zero basis and the notional is exchanged again upon expiry.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services.

CR01
Referred to a credit portfolio, it indicates the change in portfolio value that would occur for a 1-basis-point increase in credit spreads.

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.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
(a) deductible temporary differences;
(b) the carry forward of unused tax losses; and
(c) the carry forward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base.
There are two types of temporary difference:
(d) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled; or

(e) deductible temporary difference: a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

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

Delta-Gamma-Vega (DGV VaR)
Parametric model for calculation of the VaR, able to assess both linear and non-linear risk factors.

Desk
It usually designates an operating unit dedicated to a particular activity.

Directional (Funds)
Funds that invest in financial instruments that profit from directional market movements, also through macroeconomic forecasting.

Domestic Currency Swap
Contract settled in euro, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the difference between the forward and the spot exchange rates is settled in euro.

Duration
An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a bond.

Dynamics of funding
Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time current accounts and time deposits, certificates of deposit), repo agreements and bonds (including subordinated loans). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

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.

Embedded value
A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

Equity hedge / long-short (Funds)
Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivatives contracts involving securities or market indices.

Equity origination
Increase of a company's risk capital achieved by floating a new issue of stock.

Event-driven (Funds)
Funds that invest in opportunities arising out of significant events regarding the corporate sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory
Statistical methodologies that deal with extreme hypothetical deviations from median of probability distributions of specific events.

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

Facility (fee)
Fee calculated with reference to the disbursed amount of a loan.

Factoring
Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

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.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item, attributable to a particular risk.

Fairness/Legal opinion
An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

FICO Score
In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the "score" to assess borrower default risk and to correctly price risk.

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Forward Rate Agreement
See "*Forwards*".

Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office
The divisions of a company designed to deal directly with customers.

Fundamental Valuation
Stock price analysis performed by estimating the fair value of stocks and comparing it with their market value.

Funding
The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "terminal value".

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

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

Governance
The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Greeks
Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

Hedge fund
Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HELs – Home Equity Loans
Loans granted up to the current market value of the real estate property used as collateral (therefore with a loan-to-value ratio higher than the ordinary thresholds), by means of first or second lien mortgages. Standard & Poor's considers Subprime and Home Equity Loan largely synonymous when the home equity loan borrowers have low credit score (FICO<659).

HY CBO – High-Yield Collateralised Bond Obligation
CDOs with collateral represented by High-Yield securities.

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).

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.

Impairment test
The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets. Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life
- goodwill acquired in a business combination
- any asset, if there is any indication of impairment losses.

Index-linked
Policies whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator.

Indirect customer deposits
The holding of third parties' securities and similar valuables not issued by the bank, at nominal value, excluding certificates of deposit and bank bonds.

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

Internal dealing
Transactions between different operating units of the same company. These transactions are recognised in the accounts and contribute to determining the position (trading or hedging) of the individual units involved.

Intraday
Used to refer to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investment property
Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

Investment grade
Term used with reference to high-quality bonds that have received a medium/high rating (e.g., not less than BBB on Standard & Poor's index).

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.

IRS – Interest Rate Swap
A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

Joint venture
Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

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

Lead manager - Bookrunner Lead bank of a bond issue syndicate.
The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

Leveraged & acquisition finance
See "*Acquisition finance*".

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).

LTV – Loan-to-Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
The LTV ratio measures the weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

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*.

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

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

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

Mark-down
Difference between 1-month euribor and the rate applied to current accounts of households and businesses.

Mark to Market
Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Market dislocation
Turbulence in financial markets characterised by a strong reduction in volumes traded on financial markets with difficulties in finding significant prices on specialised information providers.

Market making
Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios' exposure to market volatility.

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.).

Mark-down
Difference between the 1-month Euribor and interest rates on household and business current accounts.

Mark-up
Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month euribor.

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate clients for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

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

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

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).

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (*call option*) or to sell (*put option*) a financial instrument at a set price (*strike price*) within (*American option*) or on (*European option*) a given future date.

Outsourcing
The transfer of business processes to external providers.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

Overnight Index Swap (OIS)
An agreement between two parties whereby each party commits to pay to the other any difference between the agreed rate and the overnight rates of the period on a notional amount.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

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

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

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

Preferred shares
See "*Core Tier 1*".

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

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

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

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.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk, and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

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.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

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

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

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

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

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

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

Shift Sensitivity analysis
Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity).

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

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.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

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.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (*strike price*).

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

Structured export finance
Structured finance transactions in the goods and services export sector.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or doubtful loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In the case of an interest rate swap, the parties exchange flows which may or may not be indexed to interest rates, calculated on a notional amount (e.g., one party pays a fixed rate flow while the counterparty pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

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

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

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

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

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

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

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

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

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

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.

Vega01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations. Especially in the US, the phenomenon of mortgages granted to borrowers with inadequate income and providing insufficient documentation became significant from 2005.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO's cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See "*Asset management*".

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

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 3531
Fax: +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet: group.intesasanpaolo.com

Financial calendar

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PRINTED ON FSC ECOLOGICAL PAPER WITH ECO-COMPATIBLE VEGETABLE INKS BY GRAFICHE AGEMA S.P.A. ITALIA – CERTIFIED COMPANY FOR ECO-SUSTAINABLE DEVELOPMENT.

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

1. Milano
Steeple, Basilica of Sant'Ambrogio

2. Torino
Steeple, San Carlo Church

3. Napoli
Steeple, Santa Chiara Monastery

4. Trento
Steeple, Duomo of Trento

5. Forlì
Steeple, Piazza Vittorio Emanuele

6. Bologna
Steeple, San Francesco Church

7. Venezia
Steeple, Piazza San Marco

8. Padova
Steeple, Basilica of Sant'Antonio

9. Narni
Steeple of San Giovenale

10. Rieti
Steeple, Duomo dell'Assunta

11. Spoleto
Steeple, Palazzo Montevecchio

12. Bolzano
Steeple, San Giovanni in Villa Church

13. Civitavecchia
Steeple, Chiesa dell'Orazione e Morte

14. Foligno
Steeple, Cathedral

15. Pistoia
Steeple, Piazza del Duomo

16. Terni
Steeple, San Francesco Church

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

18. Ascoli Piceno
Steeple, Santi Vincenzo e Anastasio Church

19. Viterbo
Steeple, Ex Chiesa degli Almadiani

20. Pescia
Steeple, Santa Maria Assunta Cathedral

21. Città di Castello
Steeple, Duomo

22. Pesaro
Steeple, San Giacomo Church

23. Gorizia
Steeple, Sant'Ignazio Church

24. Cagliari
Steeple, Sant'Anna Church

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

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