# Annual Report 2011

*This is an English translation of the Italian original "Bilanci 2011" 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 statement, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.*
*Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.*
*All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.*

# Supervisory Board
# of  26 April 2012

# Report and consolidated financial statements of the Intesa Sanpaolo Group 2011

# Report and Parent Company's financial statements 2011

**Intesa Sanpaolo S.p.A.**
Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,545,561,614.72 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

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# THE INTESA SANPAOLO GROUP

# The Intesa Sanpaolo Group: presence in Italy

## Banks

INTESA SANPAOLO

BANCA CR FIRENZE
BANCA DELL'ADRIATICO
BANCA DI CREDITO SARDO
BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN
Banca FIDEURAM
BANCA IMI
BIIS BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO
BANCA MONTE PARMA
BANCA PROSSIMA PER LE IMPRESE SOCIALI E LE COMUNITÀ
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
CARISBO
INTESA SANPAOLO PRIVATE BANKING
MEDIOCREDITO ITALIANO

**NORTH WEST**

| INTESA SANPAOLO | Subsidiaries | |
|---|---|---|
| Branches | Company | Branches |
| 1,669 | Intesa Sanpaolo Private Banking | 60 |
| | Banca Fideuram | 38 |
| | Banca Prossima | 21 |
| | Banca CR Firenze | 7 |
| | BIIS | 5 |
| | Mediocredito Italiano | 2 |
| | Banca IMI | 1 |
| | CR del Veneto | 1 |

**CENTRE**

| INTESA SANPAOLO | Subsidiaries | |
|---|---|---|
| Branches | Company | Branches |
| 365 | Banca CR Firenze | 717 |
| | Banca dell'Adriatico | 82 |
| | Banca Fideuram | 21 |
| | Intesa Sanpaolo Private Banking | 21 |
| | Banca Prossima | 9 |
| | BIIS | 4 |
| | Banco di Napoli | 3 |
| | Mediocredito Italiano | 2 |

**NORTH EAST**

| INTESA SANPAOLO | Subsidiaries | |
|---|---|---|
| Branches | Company | Branches |
| 17 | CR del Veneto | 448 |
| | CR in Bologna | 205 |
| | CR del Friuli Venezia Giulia | 143 |
| | CR Venezia | 115 |
| | CR di Forlì e della Romagna | 112 |
| | Banca di Trento e Bolzano | 85 |
| | Banca Monte Parma | 67 |
| | Banca CR Firenze | 47 |
| | Intesa Sanpaolo Private Banking | 38 |
| | Banca Fideuram | 22 |
| | Banca Prossima | 12 |
| | BIIS | 3 |
| | Mediocredito Italiano | 2 |

**SOUTH**

| INTESA SANPAOLO | Subsidiaries | |
|---|---|---|
| Branches | Company | Branches |
| 5 | Banco di Napoli | 753 |
| | Banca dell'Adriatico | 110 |
| | Intesa Sanpaolo Private Banking | 20 |
| | Banca Prossima | 16 |
| | Banca CR Firenze | 12 |
| | Banca Fideuram | 11 |
| | BIIS | 4 |
| | Mediocredito Italiano | 2 |

**ISLANDS**

| INTESA SANPAOLO | Subsidiaries | |
|---|---|---|
| Branches | Company | Branches |
| 188 | Banca di Credito Sardo | 96 |
| | Banca Prossima | 7 |
| | Banca Fideuram | 5 |
| | Intesa Sanpaolo Private Banking | 5 |
| | BIIS | 2 |
| | Mediocredito Italiano | 1 |

*Figures as at 31 December 2011*

## Product Companies

INTESA SANPAOLO VITA

*Bancassurance*

INTESA SANPAOLO PREVIDENZA

*Pension Funds*

EurizonCapital

*Asset Management*

SIREFID

*Fiduciary Services*

MONETA NEOS FINANCE

*Consumer Credit*

SETEFI

*Electronic Payments*

LEASINT

*Leasing*

MEDIOFACTORING

*Factoring*

# The Intesa Sanpaolo Group: international presence

## Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK بنك الإسكندرية
BANCA C.R.FIRENZE ROMANIA
BANCA DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN
Banca FIDEURAM
BANCA IMI
BANCA INTESA
BANCA INTESA Beograd
BANKA KOPER
BIIS BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO
CIB BANK
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO PRIVATE BANK SUISSE
PRAVEX-BANK
PRIVREDNA BANKA ZAGREB
Société Européenne de Banque
VÚB BANKA

### AMERICA

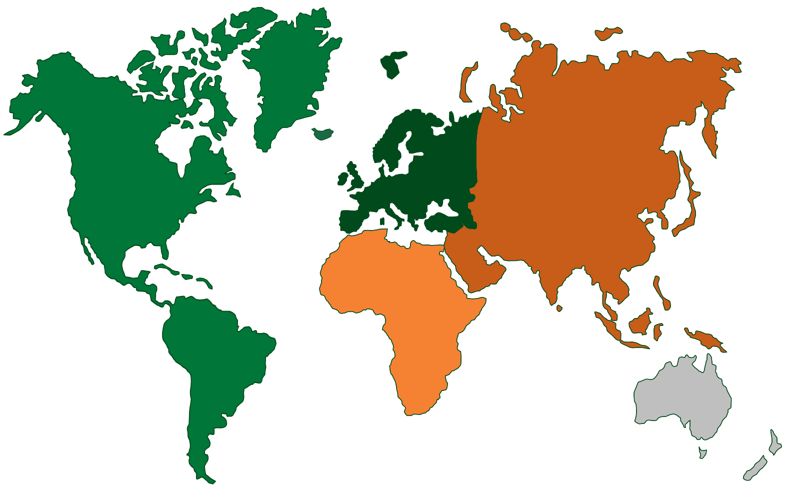
| Direct Branches | Representative Offices |
|---|---|
| George Town | Santiago |
| New York | São Paulo |

### ASIA

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

### EUROPE

| Direct Branches | Representative Offices |
|---|---|
| Amsterdam | Athens[2] |
| Dornbirn[1] | Brussels[3] |
| Frankfurt | Istanbul[4] |
| Innsbruck[1] | London[5] |
| London | Moscow |
| Madrid | Paris[5] |
| Paris | Stockholm |
| | Warsaw |



| Country | Subsidiaries | Branches |
|---|---|---|
| Albania | Intesa Sanpaolo Bank Albania | 31 |
| Bosnia and Herzegovina | Intesa Sanpaolo Banka Bosna i Hercegovina | 53 |
| Croatia | Privredna Banka Zagreb | 217 |
| Czech Republic | VUB Banka | 1 |
| Hungary | CIB Bank | 128 |
| Ireland | Intesa Sanpaolo Bank Ireland | 1 |
| Luxembourg | Banca Fideuram | 1 |
| | Société Européenne de Banque (SEB) | 1 |
| Romania | Intesa Sanpaolo Bank Romania | 77 |
| | Banca CR Firenze Romania | 15 |
| Russian Federation | Banca Intesa | 75 |
| Serbia | Banca Intesa Beograd | 208 |
| Slovakia | VUB Banka | 244 |
| Slovenia | Banka Koper | 55 |
| Switzerland | Intesa Sanpaolo Private Bank (Suisse) | 1 |
| Ukraine | Pravex-Bank | 342 |
| United Kingdom | Banca IMI | 1 |

### AFRICA

| Representative Offices | Country | Subsidiaries | Branches |
|---|---|---|---|
| Cairo | Egypt | Bank of Alexandria | 200 |
| Casablanca | | | |
| Tunis | | | |

*Figures as at 31 December 2011*
*(1) Branches of Italian subsidiary Banca di Trento e Bolzano*
*(2) Representative offices of Intesa Sanpaolo and Banca IMI*
*(3) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk*
*(4) Representative offices of Intesa Sanpaolo and BIIS*
*(5) Representative office of BIIS*

## Product Companies

CONSUMER FINANCE HOLDING
INTESA SANPAOLO CARD

*Consumer Credit, E-money and Payment Systems*

CIB INVESTMENT FUND MANAGEMENT
Eurizon Capital s.a.
FIDEURAM Asset Management (Ireland)
PBZ INVEST
VÚB ASSET MANAGEMENT

*Asset Management*

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB LEASING

*Leasing*

INTESA SANPAOLO LIFE

*Insurance*

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

**Supervisory Board**

| | |
|---|---|
| Chairman | Giovanni BAZOLI |
| Deputy Chairman | Mario BERTOLISSI |
| Members | Luigi Arturo BIANCHI<br>Rosalba CASIRAGHI<br>Franco DALLA SEGA<br>Gianluca FERRERO<br>Jean-Paul FITOUSSI<br>Pietro GARIBALDI<br>Guido GHISOLFI<br>Giulio Stefano LUBATTI<br>Marco MANGIAGALLI<br>Gianni MARCHESINI<br>Fabio PASQUINI<br>Eugenio PAVARANI<br>Gianluca PONZELLINI<br>Gian Guido SACCHI MORSIANI<br>Marco SPADACINI<br>Livio TORIO<br>Riccardo VARALDO |

**Management Board**

| | |
|---|---|
| Chairman | Andrea BELTRATTI |
| Senior Deputy Chairman | Marcello SALA |
| Deputy Chairman | Giovanni COSTA |
| Managing Director and Chief Executive Officer | Enrico Tommaso CUCCHIANI |
| Members | Aureliano BENEDETTI<br>Paolo CAMPAIOLI<br>Elio CATANIA<br>Roberto FIRPO<br>Emilio OTTOLENGHI |

| | |
|---|---|
| **General Managers** | Enrico Tommaso CUCCHIANI<br>Carlo MESSINA<br>Gaetano MICCICHÈ<br>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

# Letter from the Chairmen

Distinguished Shareholders,

2011 saw a slowdown in global economic growth, especially in advanced industrial countries. Europe was the epicentre of severe turbulence on financial markets, where public debt sustainability issues, exacerbated by weak growth, resulted in a higher cost of public debt financing. This weighed on European banks which were forced to bear higher funding costs, also due in part to a sharp decline in financial investment by international institutional players.

In the case of Italy, the uncertain domestic situation and insufficient economic growth added to difficulties at international level. The gradual deterioration of the country's creditworthiness required significant corrections to the public accounts. By year-end, the Italian economy had entered recession.

Markets severely penalised banks, as a consequence in particular of concerns relating to possible restrictive effects on the supply of credit, deriving from the strengthening of the capital base required by the European supervisory authority, with a minimum core tier 1 ratio of 9% under stress. The risk of a liquidity crisis in the euro area was averted by the ECB's decision to implement three-year refinancing operations (LTROs) aimed at supporting the credit market.

In an economic context characterised by severe uncertainty, the Intesa Sanpaolo Group has succeeded in raising its capital ratios to levels above those of many of its competitors. This was thanks to a timely capital increase that has put the Bank in a position of strength to face a future that, although still uncertain, also presents a wealth of opportunities. As a result, the Group has already complied with the new requirements imposed by the Basel 3 rules both in terms of capital and Net Stable Funding Ratio, showing a solidity that was also confirmed by the analysis of European banks' capital adequacy conducted by the EBA at year-end.

The stronger capital base has made it possible to limit the risk of a reduction in overall lending and deposit collecting business. In 2011, Intesa Sanpaolo remained committed to supporting the economy by providing credit to households, businesses and their development projects.

During a phase which saw European banks facing higher costs and a deficiency of funding, the Group continued to pursue conservative liquidity management. Direct deposits remained strong, owing primarily to the contribution of the retail component. In the first few months of 2012, as tensions on international markets subsided, our Bank was one of the first to resume recourse to the wholesale funding market.

Considering this difficult operating context, the 2011 financial statements have been prepared taking an extremely conservative approach to measuring assets. This entailed a significant decrease (approximately 10 billion euro, 54% of the total amount) in the value of the goodwill that had primarily resulted from the merger of Banca Intesa and Sanpaolo IMI. However, the goodwill impairment has no effect on liquidity and capital ratios.

Excluding the goodwill impairment, the Group's operations generated a positive result of approximately two billion euro, despite the extremely conservative approach taken to measuring the loan portfolio. During the difficult market context seen in the reporting year, the operating margin increased by 5.9% compared to 2010, as a result of:

- an increase in operating income, with an improvement in net interest income following two consecutive years of contraction;
- a reduction in operating costs for the fifth consecutive year; and
- high and improving efficiency, witnessed by the cost/income ratio, which fell to 54.4%.

The reporting year also witnessed a key change in our Bank's top management. To Corrado Passera, who succeeded in leading the Bank with authority through a period of exceptional transformations while guaranteeing financial stability and continuity of results, we would like to extend our renewed gratitude for his commitment over many years and our sincere best wishes for the new role he has taken on in the interests of the country. Enrico Cucchiani, who has been the Bank's Managing Director and CEO since December 2011, enjoys our full confidence, in the conviction that he will succeed in exploiting our Bank's strengths and pursuing the key targets of solidity and growth.

Despite the period of extraordinary difficulty experienced by Italy's banking system, it is proposed that the ordinary shareholders' meeting approve the distribution to shareholders of 822 million euro (five euro cents per ordinary share and savings share) by drawing on the extraordinary reserve. We trust that the shareholders will appreciate this decision, taken in a situation that requires the utmost attention and constant efforts to achieve the target of the sustainable profitability which has always been our Group's key priority.

Giovanni Bazoli — Andrea Beltratti

# Intesa Sanpaolo Group
# Report on operations and consolidated financial statements

# Introduction

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the accounting principles 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 as provided for by Community Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2011 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005, which issued Circular 262/05, and with the subsequent update of 18 November 2009.
These Instructions set out compulsory financial statement forms as well as the contents of the Notes to the financial statements.
The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the financial statements; the Report on operations, on the economic results achieved and on the Group's balance sheet and financial position has also been included.
In order to the comments on the results for the year, the Report on operations also presents and illustrates reclassified income statement and balance sheet schedules. The reconciliation with the financial statements as required by Consob in its communication 6064293 of 28 July 2006 is included in the Attachments. The Report on operations contains financial information taken from or attributable to the Consolidated financial statements, as well as other information – for example, figures on quarterly trends, and other alternative performance measures – not taken from or directly attributable to the Consolidated financial statements.
Information on corporate governance and ownership structures required by Art. 123 *bis* of the Consolidated Law on Finance is set forth, as permitted, in a separate report, approved by the Management Board and published together with these financial statements. This report also contains the information on remuneration as provided for by article 123 *ter* of the Consolidated Law on Finance – report on remuneration. The report can be viewed in the Governance section of the Intesa Sanpaolo internet site, at www.group.intesasanpaolo.com. This same section of the site provides the disclosure required by Basel 2 Pillar 3, as well as press releases published during the year and other financial documentation.

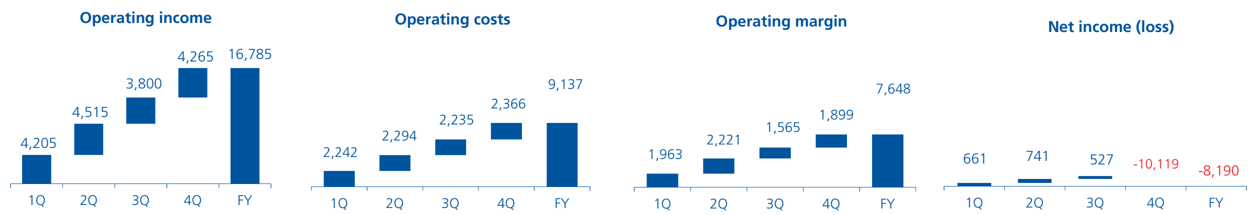
# REPORT ON OPERATIONS

# OVERVIEW OF 2011

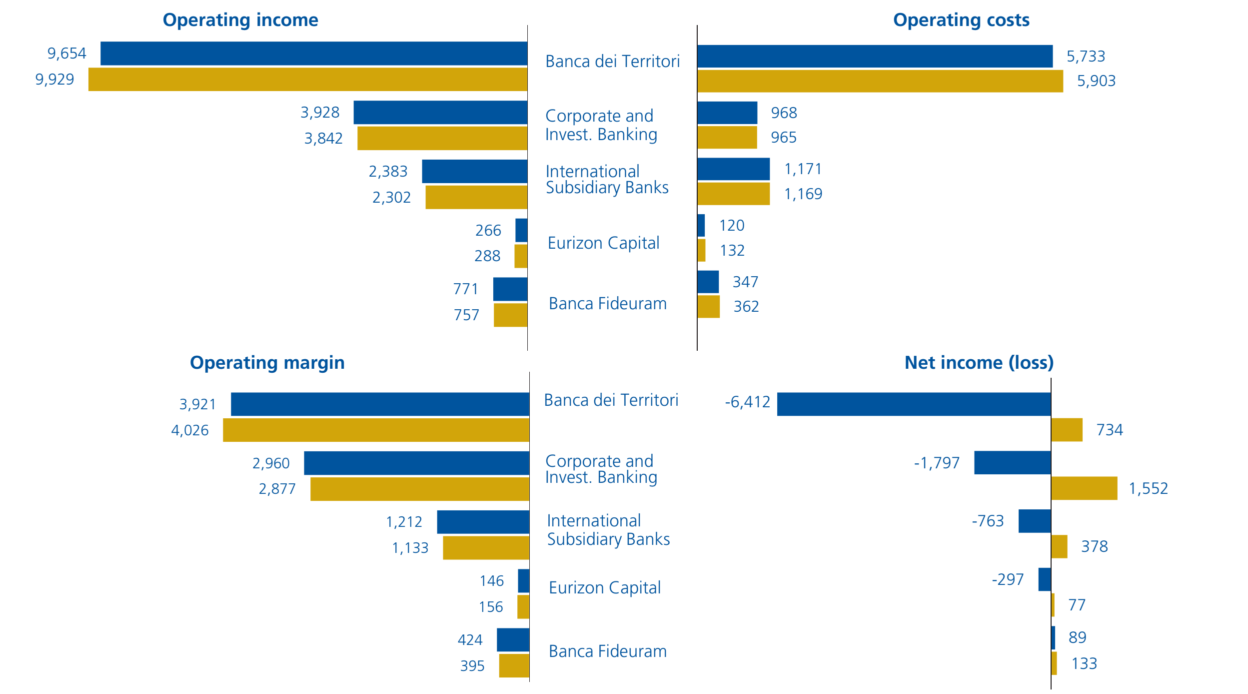
# Income statement figures and alternative performance measures

| Consolidated income statement figures (millions of euro) | 2011 | 2010 | Changes amount | Changes % |
|---|---|---|---|---|
| Net interest income | 9,780 | 9,700 | 80 | 0.8 |
| Net fee and commission income | 5,466 | 5,652 | -186 | -3.3 |
| Profits (losses) on trading | 920 | 460 | 460 | |
| Income from insurance business | 540 | 654 | -114 | -17.4 |
| Operating income | 16,785 | 16,529 | 256 | 1.5 |
| Operating costs | -9,137 | -9,304 | -167 | -1.8 |
| Operating margin | 7,648 | 7,225 | 423 | 5.9 |
| Net adjustments to loans | -4,243 | -3,170 | 1,073 | 33.8 |
| Income after tax from discontinued operations | - | 694 | -694 | |
| Net income (loss) | -8,190 | 2,705 | -10,895 | |

**Quarterly development of main consolidated income statement figures** (millions of euro)




**Main income statement figures by business area** (millions of euro)



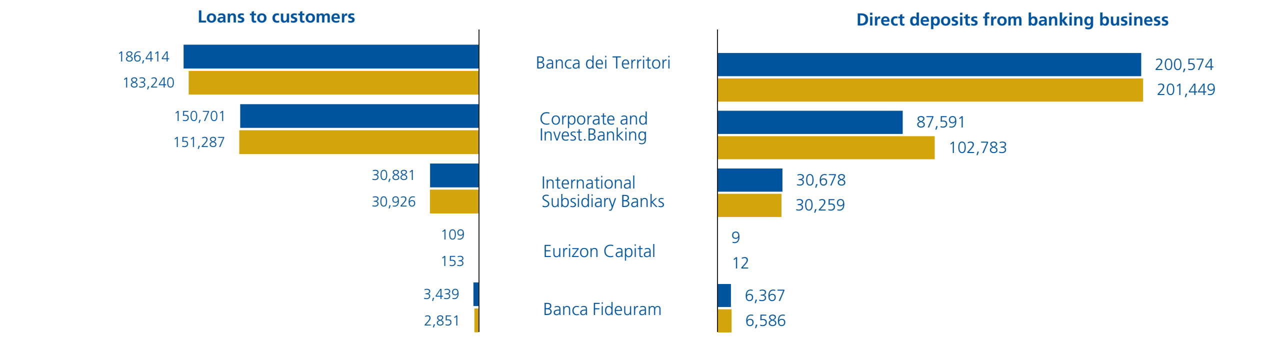

Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

2011
2010

# Balance sheet figures and alternative performance measures

| **Consolidated balance sheet figures** (millions of euro) | | | **Changes** amount | **Changes** % |
|---|---|---|---|---|
| Financial assets | 165,614 | 173,188 | -7,574 | -4.4 |
| *of which: Insurance Companies* | *73,926* | *75,571* | *-1,645* | *-2.2* |
| Loans to customers | 376,744 | 378,827 | -2,083 | -0.5 |
| Total assets | 639,221 | 657,025 | -17,804 | -2.7 |
| Direct deposits from banking business | 359,991 | 402,202 | -42,211 | -10.5 |
| Direct deposits from insurance business and technical reserves | 73,119 | 75,305 | -2,186 | -2.9 |
| Indirect deposits: | 405,727 | 427,067 | -21,340 | -5.0 |
| *of which: Assets under management* | *221,889* | *233,929* | *-12,040* | *-5.1* |
| Shareholders' equity | 47,040 | 53,533 | -6,493 | -12.1 |

**Main balance sheet figures by business area** (millions of euro)



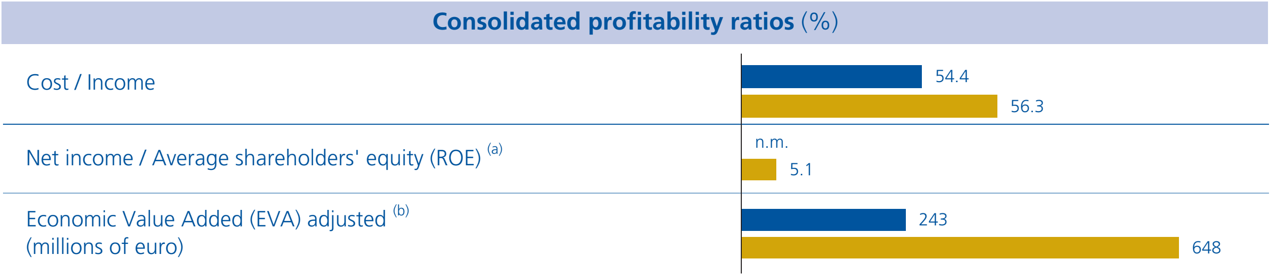

| **Operating structure** | **2011** | **2010** | **Changes amount** |
|---|---|---|---|
| **Number of employees** | **100,118** | **101,837** | **-1,719** |
| Italy | 69,162 | 70,460 | -1,298 |
| Abroad | 30,956 | 31,377 | -421 |
| **Number of financial advisors** | **4,850** | **4,349** | **501** |
| **Number of branches** [(a)] | **7,246** | **7,458** | **-212** |
| Italy | 5,581 | 5,696 | -115 |
| Abroad | 1,665 | 1,762 | -97 |

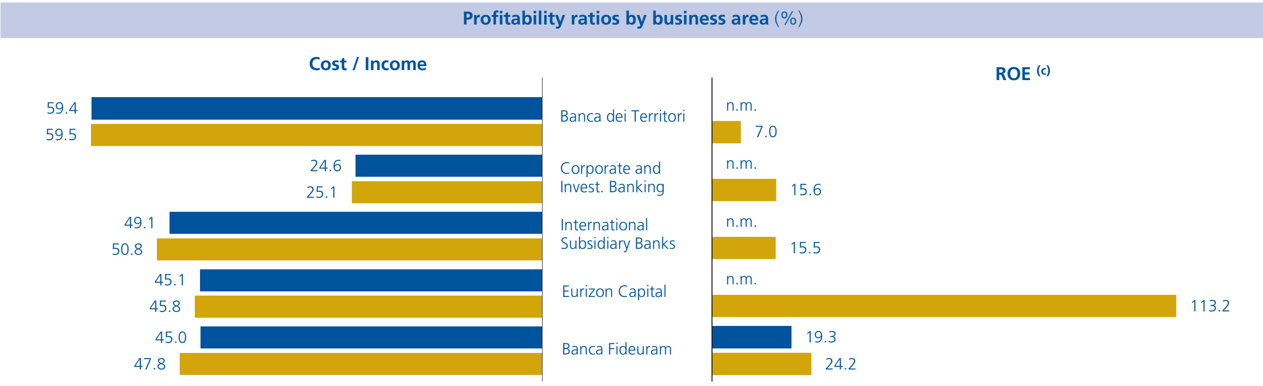
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

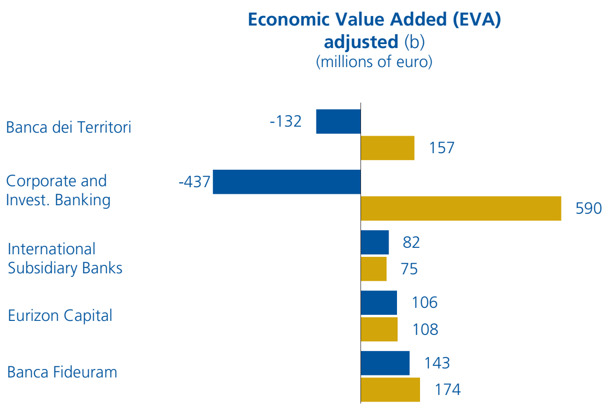
[(a)] Including Retail Branches, Private Banking Branches, SME Branches and Corporate Branches.

2011
2010

# Other alternative performance measures



## **Consolidated risk ratios** (%)

| | 2011 | 2010 |
|---|---|---|
| Net doubtful loans / Loans to customers | 2.4 | 2.0 |
| Cumulated adjustments on doubtful loans / Gross doubtful loans to customers | 64.0 | 64.2 |

## **Consolidated capital ratios** (%) [d]

| | 2011 | 2010 |
|---|---|---|
| Tier 1 capital [e] net of ineligible instruments / Risk-weighted assets (Core Tier 1) | 10.1 | 7.9 |
| Tier 1 capital [e] / Risk-weighted assets | 11.5 | 9.4 |
| Total capital [f] / Risk-weighted assets | 14.3 | 13.2 |
| Risk-weighted assets (millions of euro) | 325,206 | 332,158 |

## **Earnings per share** (euro)

| | 2011 | 2010 |
|---|---|---|
| Basic earnings per share (basic EPS) [g] | -0.56 | 0.21 |
| Diluted earnings per share (diluted EPS) [h] | -0.56 | 0.21 |

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 average of share capital, share premium reserve, reserves and valuation reserves.

(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.
Net of merger and restructuring-related charges, effect of purchase price allocation, as per IFRS 3, and of goodwill impairment.

(c) Ratio between Net income and Allocated capital.

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

(e) 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.

(f) 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.

(g) Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares.

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

2011
2010

# Stakeholder map

| SHAREHOLDERS | | 2011 | 2010 |
|---|---|---|---|
| Institutional investors<br>Small investors<br>Foundations<br>Market | Number of ordinary shares (thousands) | 15,501,282 | 11,849,332 |
| | Share price at period-end - ordinary share (euro) | 1.289 | 2.042 |
| | Average share price for the period - ordinary share (euro) | 1.658 | 2.479 |
| | Average market capitalisation (million) | 27,006 | 31,209 |
| | Shareholders' equity (million) | 47,040 | 53,533 |
| | Book value per share (euro) | 2.863 | 4.190 |
| | **Long-term rating** | | |
| | Moody's | A2 (*) | Aa2 |
| | Standard & Poor's | BBB+ | A+ |
| | Fitch | A- | AA- |

(*) Rating under review for possible downgrade

Figures for 2010 not restated. Book value per share does not consider treasury shares.

| CUSTOMERS | | 2011 | 2010 |
|---|---|---|---|
| Households<br>SMEs<br>Corporates<br>Consumer Associations<br>Public Authorities and Public Administration | Number of customers (million) | 19.0 | 19.8 |
| | Retail customers by average account seniority (years) | 8.9 | 9.3 |

Figures for 2010 not restated.

| EMPLOYEES | | 2011 | 2010 |
|---|---|---|---|
| Apprentices<br>Clerical staff<br>Middle and junior managers<br>Senior managers<br>Trade unions | Employees by gender: men (%) | 46.3% | 46.5% |
| | Employees by gender: women (%) | 53.7% | 53.5% |
| | Employees with university degree (%) | 41.4% | 39.3% |
| | Turnover rate (%) | -1.8% | -0.9% |
| | Training days per employee | 10.1 | 9.4 |

Figures for 2010 not restated.

| COMMUNITY | | 2011 | 2010 |
|---|---|---|---|
| Stakeholder associations<br>Non-profit organisations<br>National and international public institutions<br>Territory<br>Media | Donations (million) | 19.9 | 22.1 |
| | Sponsorships (million) | 39.1 | 38.5 |

Figures for 2010 not restated.

| ENVIRONMENT | | 2011 | 2010 |
|---|---|---|---|
| Environmental Associations<br>Future Generations | $CO_2$ emissions per employee (Kg) | 1,055 | 1,095 |
| | Electricity consumption per employee (KWh) | 5,797 | 5,975 |
| | Paper consumption per employee (Kg) | 92 | 101 |

Figures for 2010 not restated.

| SUPPLIERS | | 2011 | 2010 |
|---|---|---|---|
| Trading partners<br>Large-scale suppliers<br>Small suppliers | IT services | 24.7% | 26.0% |
| | Real estate management | 25.9% | 25.4% |
| | Purchase of goods and services | 21.9% | 19.9% |
| | Professional and legal expenses | 16.2% | 17.5% |
| | Advertising and promotional expenses | 5.7% | 5.6% |
| | Other expenses | 5.6% | 5.6% |

Figures for 2010 not restated.

# Executive summary

## Intesa Sanpaolo in 2011

### Economic trends in 2011

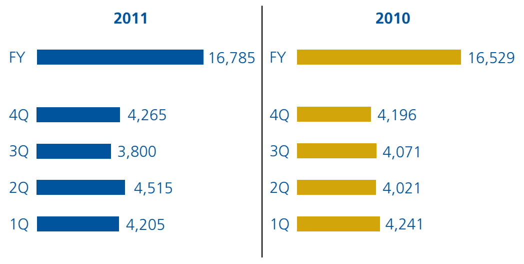
The economic context in 2011 was heavily affected by the sovereign debt crisis in the Eurozone. After hitting Greece, Ireland and Portugal, the crisis worsened in the summer, especially in the last part of the year, with a huge leap in risk premiums on the debt of Italy, Spain and, though to a lesser extent, Belgium and France. The ten-year spread between Italian and German bonds, which fluctuated between 100 and 200 basis points in the first few months of 2011, reached a peak of 555 basis points in November. The European authorities' response was late and inadequate, with the exception of the measures of the European Central Bank. The two auctions of 3-year funding made by the ECB in December and at the end of February 2012 were a very effective move to stabilise the system In terms of official rates, the main refinancing rate was increased to 1.50% between April and July. However, from October, the sudden worsening of the economic situation and the deepening financial crisis induced the ECB to cut the benchmark rate twice, bringing it down to 1%. As a result, during the year, interest rates showed conflicting performance: up to July, Euribor rates rose, but subsequently, they showed a declining trend.
The Eurozone's economy continued to grow until the third quarter, though recording a progressive slowdown. The average annual change was estimated to be 1.4%, lower than that of 2010. However, this aggregate hides significant geographical differences: Italy is among the countries whose economic performance has taken the brunt of the crisis, with the economy declining again in the second half of the year, and a preliminary estimate of GDP growth of 0.4%.
In this scenario, even emerging countries slowed compared to 2010, while maintaining growth rates higher than that of advanced economies. Due to the strong trade and financial links with advanced European economies, CEE and in particular SEE countries were affected by the slowdowns of their Western partners. In most of these countries, GDP growth is estimated to range between 1% and 3%, with Poland and the Slovak Republic standing above the range and Croatia and Slovenia below it. In North African countries the political upheavals had a heavy impact on productive activities (specifically, on extraction activities) and on financial flows from abroad (tourism, remittances and foreign direct investments). The most recent estimates indicate a drop in Egypt's GDP (around 1%).
Bank rates followed an upward trend, first due to the hikes in money rates and the official ECB rates and, subsequently, reflecting the increase in risk premium on Italian government securities. From summer, the sovereign debt crisis severely affected banks' access to the wholesale liquidity and medium-/long-term securities markets. The resulting increase in the marginal cost of funding induced the revision of interest rates on loans made during the year.
2011 began with a considerable recovery in loans to businesses, driven by the demand, lasting until November, for short-term loans to fund working capital which, then declined suddenly in December. In the second half of the year there was a parallel slowdown in the disbursement of medium-/long-term loans. Overall, loans to households and businesses grew at a good rate, 5.4% on year's average, indicating that, at least up to October, the tensions regarding sovereign debt and bank funding conditions had limited impacts on lending to the economy. Nonetheless, at the end of the year, the trend in loans to the private sector slowed down sharply. The recommendation to recapitalise which occurred during the most critical phase of the sovereign debt crisis and the Italian economy's return to recession might have affected the credit offer. The measures adopted by the ECB in December to boost bank lending and liquidity have warded off a stronger credit crunch.
2011 was a complex year for Italian banks' funding, due to the impact of the cost of funding caused by the increase in the risk premium on sovereign debt and due to the lower availability of funds on the wholesale market. Once again, Italian banks dealt with the sharp imbalances in the market using retail customer deposits. Nonetheless, funding recorded a gradual slowdown during the year, especially in the area of demand accounts, whilst bonds issue reported a recovery, along with the successful placing of time deposit, which rose sharply in the last quarter.

### The results for 2011

The 2011 annual report should be examined bearing in mind the numerous elements which negatively affected the performance for the period.
As previously mentioned, the sovereign debt crisis in the Eurozone caused sharp tensions on the financial markets and a slowdown in the economic cycle, which transformed into a recession in Italy, especially in the last quarter.
Taking into account the difficulties of Italy and other countries where the Group operates, the improvement in the operating margin should be judged as positive, benefiting from the growth in revenues, also due to non-recurring income which doubled profits on trading and, though to a lesser extent, the positive trend in money management, which were offset by a downturn in fee and commission income and lower income from insurance business.
In addition to the trends outlined above, the operating margin also benefited from the effects of constant cost control, as both personnel and administrative costs decreased.
Conversely, income before tax from continuing operations was harshly penalised by the deterioration in credit quality, with a significant increase in doubtful loans. This resulted in a greater need for net adjustments to loans, caused by the deterioration in the real economy which hit Italy in the last part of the year, and the significant impairment of financial assets due to the Greek debt crisis.

Net result was also influenced by significant non-recurring income components. The benefit of over 2 billion euro deriving from the effects of tax realignment of goodwill recorded in the consolidated financial statements, permitted by Law Decree 98/2011 (Law no. 111 of 15 July 2011) was counterbalanced by the charges relating to exit incentives and, especially, the impairment of some intangible assets on the balance sheet, which resulted in a significant net loss.

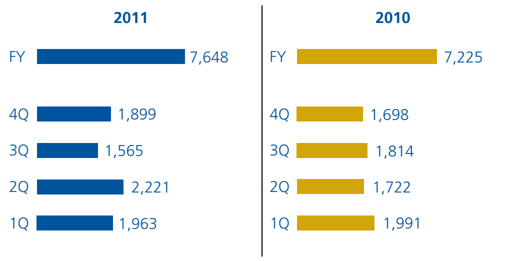
**Operating income**
(millions of euro)




Coming to the items of operating income, the income statement for 2011 showed net interest income of 9,780 million euro, up 0.8% on the previous year. As previously mentioned, in the second half of the year, interbank market rates showed signs of recovery, with positive effects in terms of spreads.

As a result, on one hand, of growth in the commissions deriving from retail banking activities (+1.1%) and, on the other hand, of a more marked decrease in fees and commissions on management and dealing of financial instruments (-7.6%), the services segment generated net fee and commission income of 5,466 million euro, a contribution which, in aggregate terms, was down (-3.3%) compared to the previous year.

**Operating margin**
(millions of euro)




Profits on trading amounted to 920 million euro, a significant increase compared to the 460 million euro of 2010. With the continuing negative effects of market volatility in place, this is attributable to non-recurring components such as the capital gains on the sale of the remaining 25% of Findomestic (154 million euro), 4% of Prada (272 million euro) and the interest held in Banco di Patagonia (56 million euro). This is in addition to profits of 180 million euro relating to the derecognition of own debt instruments acquired on the market, while non-recurring charges posted to this caption amounted to 116 million euro.

Income from insurance business, which aggregates specific costs and revenues of the Group companies operating in the life and non-life segments, amounted to 540 million euro, down by 114 million euro compared to the previous year – which had also benefited from the sale of securities with gains – mainly attributable to the investment results, penalised by the negative market scenario.

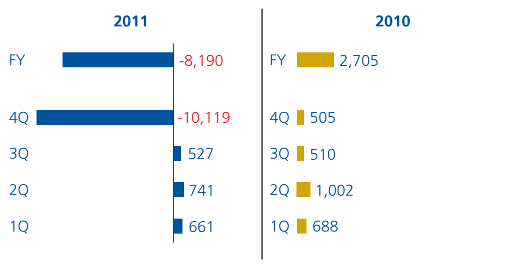
As a result of the trends described, operating income amounted to 16,785 million euro, up by 1.5% compared to 2010.

The Group continues to monitor operating costs carefully and to implement on-going structural cost-containment measures. Thanks to this policy, the amount of operating costs, 9,137 million euro, decreased (-1.8%) on the previous year. Specifically, both personnel expenses (-2%) and administrative expenses (-3%) decreased, while adjustments showed slight growth (+6%).
Thus, the operating margin totalled 7,648 million euro, up by 5.9%.

Provisions for risks, adjustments and impairment losses (5,530 million euro) were up by approximately 52% overall compared to the previous year, due to greater net adjustments to loans (4,243 million euro, up 1,073 million euro compared to the previous year), attributable to - especially in the last part of the year – the effects of the generalised deterioration in credit quality, but also to the financial difficulties encountered by some important borrowers and some contingent factors of which mention will be made below. With regard to performing loans, "collective" adjustments increased significantly, with coverage ratio up from 0.7% to 0.8%, as a result of the deterioration of the economic situation, especially in the last part of the year. Moreover, the recent agreements between the Greek government and private investors to restructure the country's debt resulted in impairment losses of 939 million euro.
Profits and losses on investments held to maturity and on other investments include the capital gain made on the assets sold to Crédit Agricole (123 million euro), which was wholly offset by the impairment on the equity investment in Telco (251 million euro recorded under this caption).

Income before tax from continuing operations, penalised by these trends, thus amounted to 2,019 million euro, down by almost 48% compared to 2010.

**Net income (loss)**
(millions of euro)




As previously indicated, net result for 2011 was influenced by significant non-recurring income components.
Taxes showed a credit of 910 million euro, compared to a charge of 1,372 million euro in 2010. This is attributable to the exercise of the option, described in further detail below, to realign the tax values of the intangible assets recorded in the consolidated financial statements which reflect the higher values of controlling interests (deriving from extraordinary transactions. This caption also records a charge of 158 million euro for the settlement of tax dispute relating to the so-called misuse of a right (147 million euro net of the deductibility of the related interest expense). The net result for the period was also affected by charges for integration and exit incentives of 552 million euro, net of

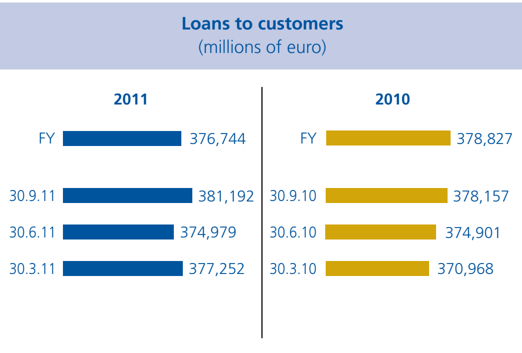
related taxes, most of which (506 million euro) is to be attributed to personnel expenses related to the staff downsizing as a result of the agreement signed with the trade unions in July. Purchase price amortisation was also recorded for 321 million euro.

The impairment of goodwill deserves specific attention.
Prior to 2011 financial statements, Intesa Sanpaolo had intangible assets with an indefinite useful life amounting to 21.6 billion euro: 19.2 billion euro recorded as "goodwill" and 2.4 billion euro under the "brand name".
A portion of the goodwill (5.5 billion euro) was paid in cash at the time of purchase of the equity assets. Most of the goodwill (13.5 billion euro) derives from merger transactions which were accounted for in compliance with IFRS 3 "Business Combinations", implying the recognition of equity reserves.
As illustrated in detail hereinafter, as a result of the deterioration of the economic situation and the financial markets and, above all, the changed profit forecasts for banks and, thus, also for Intesa Sanpaolo, it was necessary to record significant impairment of the carrying value of goodwill.
Consequently, impairment totalling 10,233 million euro, net of tax effects, was recognised in the 2011 income statement.

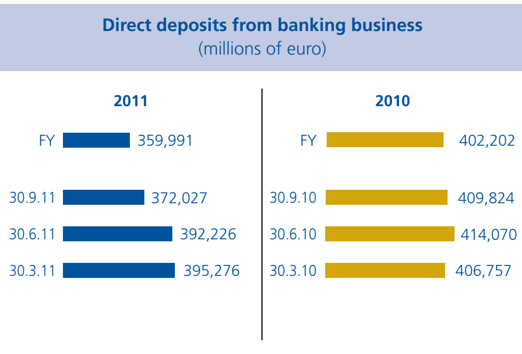
Therefore, the consolidated income statement for 2011 closed with a loss of 8,190 million euro, compared to income of 2,705 million euro in the previous year.

The comparison of the results of the fourth quarter with the previous quarter shows, as illustrated by the above charts, an increase in operating income (+12.2% to 4,265 million euro), due to the greater contribution of trading and income from insurance business, along with a moderate increase in interest income and fee and commission income. The quarterly performance of the operating margin was even more positive (+21.3% to 1,899 million euro), while net result for the fourth quarter was penalised by the significant amount of net adjustments to loans, as a result of the generalised deterioration in credit quality and the crisis of several important debtors and, above all, the impairment of goodwill.

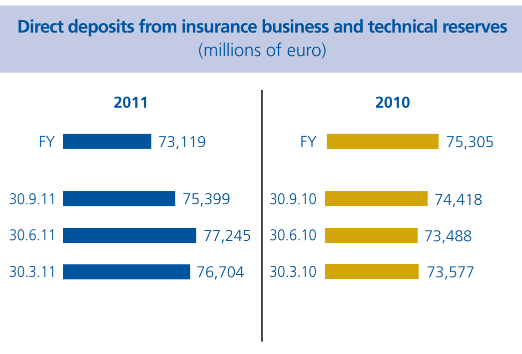
The performance of the balance sheet aggregates confirms the Group's sound financial position.




Loans to customers amounted to around 377 billion euro, and remained substantially stable (-0.5%) compared to the end of the previous year, despite the drop at the end of the year. The significant increase in current accounts (over 3 billion euro) was fully absorbed by the sharp decrease in repurchase agreements (-5.4 billion euro). Net of this component, which is generally financial, and whose decrease is connected with the closing of several very large transactions, loans to customers would show an increase of approximately 1%. Also excluding the growth in non-performing loans, though significant (+1.5 billion euro) to be interpreted in relation to the crisis in the real economy, loans to customers would maintain a positive trend (+0.5%). The amount of disbursements in 2011 to households, including the small business and non-profit segments (14.8 billion euro) and those to businesses in the Banca dei Territori area (almost 10 billion euro), as well as medium-/long-term disbursements to the Mid Corporate and Large Corporate Italy segments (15.4 billion euro) testify to the Group's constant commitment to supporting households and businesses in the difficult context which characterised the financial year.




The decrease in direct deposits from customers in the banking business recorded at the end of the year (-10.5% to 360 billion euro) is mainly due a strategy of optimising the cost of funding by rerouting the sources of funding, which resulted in a sharp drop in short-term funding from institutional customers, in favour of amounts due to banks (approximately +48% to 79 billion euro) through refinancing with the European Central Bank. The performance of the aggregate was also influenced by the significant decrease in repurchase agreements, following the expiry of transactions with institutional counterparties. In terms of contract types, the drop in the demand component should be viewed in relation to both the reduction in wholesale funding from institutional counterparties and a partial repositioning of retail customers to investment products with greater returns, particularly bonds.




There was a smaller decrease in direct deposits from insurance business, which also include technical reserves (-2.9% to 73 billion euro). The overall performance was caused by the reduction in the value of financial liabilities measured at fair value in the insurance segment, especially of index-linked products. This downturn was partly offset by the increase in technical reserves, which represent the amount due to customers subscribing traditional policies.
Intesa Sanpaolo Vita (the company created from the merger of the insurance companies Intesa Sanpaolo Vita – formerly Intesa Vita, EurizonVita, Sud Polo Vita and Centrovita Assicurazioni) and Fideuram Vita, in 2011 generated new business, including pension products, for 11.8 billion euro.

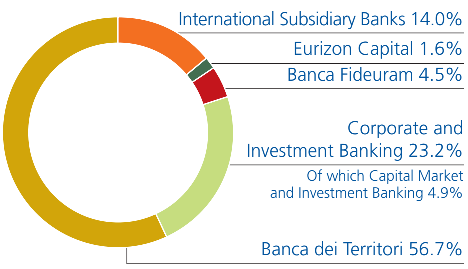
Indirect deposits came to 406 billion euro, dropping (-5%) compared to

the end of 2010, both for assets under management (222 billion euro, -5.1%) and for assets under administration (184 billion euro, -4.8%).
The negative trends shown were affected by the decrease of fair value of assets in the portfolio. Stocks were impacted by the heavy slump in stock market prices whereas bonds were penalised by the sovereign debt crisis in peripheral countries in the Eurozone.

## Results of the business units

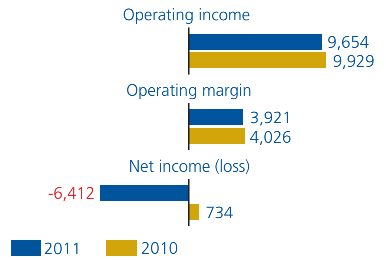
The breakdown of the contribution of operating income in 2011 according to the Group's five business units shows the greatest contribution from retail banking activities in Italy (approximately 57% of operating income), though in the presence of a significant contribution from corporate and investment banking activities (approximately 23%) and international retail banking activities (14%).

**Operating income:**
**Breakdown by business area** (1)



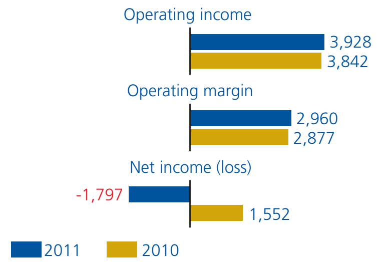

(1) Excluding Corporate Centre

**Banca dei Territori**



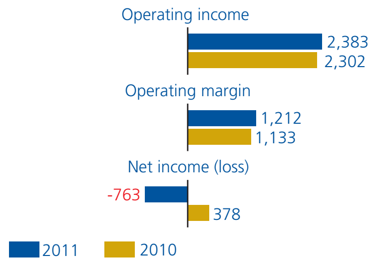

In 2011, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 9,654 million euro, down 2.8% compared to the previous year.
In details, on top of a decrease in net interest income (-1%), essentially due to the trend of spreads, Banca dei Territori suffered a lower contribution of net fee and commission income (-4%) that can be ascribed to the negative performance of the markets and the decrease of up-front commissions due to the decision to privilege the placement of own bond issues in 2011.
The decrease in income from insurance business (approximately -15%), primarily attributable to the reduction in net investment result, was only partly offset by the higher profits on trading (approximately +18%). After recording decreasing operating costs (-2.9%), the operating margin came to 3,921 million euro, down 2.6% on 2010. Net income before tax from continuing operations (-20.5% to 1,408 million euro) was penalised by greater net adjustments to loans, due to the previously mentioned generalised deterioration in credit quality, and net impairment losses on other assets, due to the impairment of Greek bonds held by insurance companies. Net result came to 6,412 million euro. This result, in addition to goodwill impairment, which amounted to 6,390 million euro, was also affected by charges for integration and exit incentives of 456 million euro and economic effects of purchase price allocation of 210 million euro.
The balance sheet figures at the end of December 2011 showed an increase in loans to customers (+1.7% to 186 billion euro) and substantially stable direct deposits from banking business (-0.4% to 201 billion euro).

**Corporate and Investment Banking**



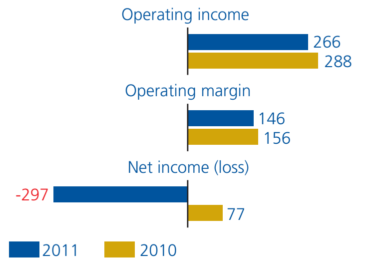

The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – achieved operating income of 3,928 million euro, up (+2.2%) on 2010, due to the positive trends in net interest income (+2.9%), mainly related to greater average volumes, and in net fee and commission income. Conversely, profits on trading declined (-2.6%) compared to 2010. While recording substantially stable operating charges which confirmed the careful cost control process, the division increased by 2.9% its operating margin.
Income before tax from continuing operations reported a sharp decrease (-58.7%), due to greater net adjustments to loans, mainly regarding restructured loans, and to the impairment of Greek bonds, financial assets and equity investments. Also for the Corporate and Investment Banking Division net result was penalised by considerable goodwill impairment (2,318 million euro), amounting to -1,797 million euro.
As for balance sheet figures, loans to customers remained substantially stable (-0.4% to 151 billion euro), whilst deposits fell (approximately -15% to 88 billion euro), mainly attributable to a reduction in securities transactions.

**International Subsidiary Banks**



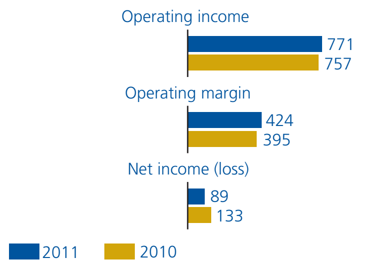

In 2011 operating income of the Division – which oversees the Group's commercial operations on international markets through subsidiary and investee banks – was up 3.5% compared to the previous year, coming to 2,383 million euro, to be attributed to the positive trend in net interest income, up 4.3%.
Operating costs, amounting to 1,171 million euro, were stable (+0.2%) compared to 2010, allowing the operating margin to reach 1,212 million euro, an improvement of 7%. Conversely, income before tax from continuing operations, amounting to 493 million euro, showed a decrease of 7.3%, due to greater net adjustments to loans, which increased from 589 million euro to 693 million euro, mainly attributable to the losses on forex mortgages in Hungary, as a result of local legislative measures which burdened the banking system with part of the foreign exchange risk. The Division closed 2011 with a net loss of -763 million euro, resulting from the significant goodwill impairment (total of 1,152 million euro).
Balance sheet aggregates show stable loans to customers (31 billion euro) and increasing direct deposits from banking business (+1.4%), especially due to the development of securities transactions.

**Eurizon Capital**




The asset management segment was affected by the difficult operating context. For Eurizon Capital, operating income, amounting to 266 million euro, recorded a decrease of 7.6% on the previous year, especially due to the lower contribution from net fee and commission income (-6.9%). Operating costs reported a significant decrease (-9.1%). As a result of the above revenue and cost trends, the operating margin came to 146 million euro, down 6.4% on 2010. The net loss of 297 million euro is attributable to high levels of goodwill impairment (373 million euro).
Overall, total assets managed by Eurizon Capital as at the end of 2011 came to 130.5 billion euro, down 4.3% on 2010, mainly due to the poor performance of the financial markets, which significantly eroded the value of assets under management. Net outflows amounted to 1.8 billion euro.

**Banca Fideuram**




For Banca Fideuram – specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential – the operating margin came to 424 million euro, up 7.3% on the previous year, attributable to both the increase of operating income (+1.8%) and the fall in operating costs (-4.1%). The revenue performance was essentially attributable to net interest income (+13.7%) and net fee and commission income (+2.4%). Among other components, profits on trading, which showed a positive trend, also benefiting from capital gains on bonds, as well as other operating income. These positive trends were partly offset by the lower contribution of insurance business (-42.1%). Income before tax from continuing operations was penalised by the impairment of Greek government securities (134 million euro), whose negative effect was partly offset by the lower need for provisions for risks and charges. The income statement, which was not affected by goodwill impairment, closed with income of 89 million euro (133 million euro in 2010).
Assets under management of the Banca Fideuram Group were down just slightly (-0.9% to 71 billion euro, of which 52 billion euro in assets under management and 19 billion euro in assets under administration), also as a result of the positive trend in net inflows.

## Highlights

### Highlights in the year

In June 2010 Intesa Sanpaolo and Crédit Agricole established the terms and conditions for Intesa Sanpaolo's 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.
The sale of the Cassa di Risparmio della Spezia was finalised at the start of January. An initial tranche of the branches was transferred in the last few days of March: 11 branches of Banca CR Firenze were contributed to Cassa di Risparmio di Parma e Piacenza. An additional 85 branches (belonging to Intesa Sanpaolo and Cassa di Risparmio del Veneto) were then transferred in May. The entire transaction had a positive effect on the consolidated income statement for 2011 of 122 million euro (net of accessory charges, minority interests and the tax effect).

In February 2011, Intesa Sanpaolo acquired the majority of shares in Banco Emiliano Romagnolo, a single-branch bank based in Bologna, under extraordinary administration. The complex transaction entailed the reduction of the bank's share capital by an amount equal to the losses incurred, and a concurrent 26 million euro share capital increase, (including share premium of approximately 14 million euro) 52% of which was reserved for Intesa Sanpaolo.

The remaining portion of the capital increase, pertaining to the other shareholders, was subscribed for and paid in advance by Intesa Sanpaolo under a termination clause in the event the purchase option was exercised by the other shareholders. Following the conclusion of the option period, the stake held by Intesa Sanpaolo came to more than 99%.
At the end of July 2011, the company’s Shareholders’ Meeting was held, and resolved to end the extraordinary administration period and appointed the corporate governance bodies. At the end of February 2012, the Supervisory Authority formally approved the financial statements for the extraordinary administration period.
As at 31 December 2011, Banco Emiliano Romagnolo reported customer deposits of 89 million euro and loans to customers of 105 million euro.

On 1 June 2011, after all the precedent conditions set out in the contract were met and after obtaining the required authorisations, Banca Fideuram finalized the acquisition of 100% of the shares of Banca Sara. In the fourth quarter, the full spin-off of Banca Sara into Banca Fideuram and Sanpaolo Invest SIM was finalised. Banca Fideuram was assigned the banking business unit, while Sanpaolo Invest SIM was assigned the financial advisors business units. The intragroup transaction was accounted for according to the continuing values method.

At the end of June, Intesa Sanpaolo finalised the sale of its remaining 25% equity investment in Findomestic, which it held via its subsidiary Banca CR Firenze, to the BNP Paribas Group. The sale generated a positive impact on the consolidated income statement of 154 million euro (128 million euro in terms of income for the year, net of minority interests and the tax effect).

As part of the public offering connected with the listing of Prada on the Hong Kong Stock Exchange, Intesa Sanpaolo sold approximately 4% in the company's capital. After the disposal, Intesa Sanpaolo still holds an equity investment amounting to 1%. The sale generated a positive impact on the 2011 consolidated income statement of approximately 272 million euro.

At the end of June it was also finalised the sale of Fideuram Bank Suisse, a wholly-held subsidiary of Fideuram Bank Luxembourg (which in turn is 100% owned by Banca Fideuram), specialising in private banking services, to Banca Credinvest. The capital gain on the sale of this subsidiary is of about 7 million euro.

In July Intesa Sanpaolo finalised the acquisition of 51% and 9.8% of shares of Banca Monte Parma, from Fondazione Monte Parma and Banca Sella Group respectively, with a provisional total outlay of approximately 158 million euro. The agreements stated that the price would be subject to adjustment, upwards or downwards, based on the amount of the bank's gross income and shareholders' equity at the date of execution of the agreement. The price adjustment was subsequently quantified as 31 million euro in favour of Intesa Sanpaolo.
As a result of transactions between the other shareholders, Fondazione Monte Parma retained 21% of shares, Fondazione Piacenza e Vigevano 15.2%, Compagnia Generale e Immobiliare 2.5%, and Others 0.5%. Moreover, Intesa Sanpaolo had entered into a put & call agreement with Fondazione Monte di Parma on 3.25% of the bank's capital, at the unit price paid for the majority stake. Following the exercise of the option in November, Intesa Sanpaolo's stake rose to 64.05%.
According to the contractual agreements, Intesa Sanpaolo was committed to subscribe, on a proportional basis, including any unopted shares, a share capital increase of 120 million euro (divided into two tranches of 75 million euro and 45 million euro) resolved by the Bank on 13 December 2010.
As at 31 December 2011, Banca Monte Parma direct customer deposits amounted to about 2.1 billion euro and customer loans to approximately 2.6 billion euro.

On 29 July 2011 Intesa Sanpaolo and the trade unions signed a Master Agreement to implement the downsizing of staff by at least 3,000, envisaged in the Business Plan 2011 – 2013/15, as well as the requalification of an additional 5,000 staff, with a view to structurally reducing labour costs by at least 300 million euro.
The agreement is organised into two separate parts, relating to the different status of personnel: Part A governs the exit of staff who have accrued or will accrue the right to receive a pension by 1 July 2015; Part B provides for optional access to the specific "solidarity allowance” for staff who will accrue the right to receive a pension after 31 December 2013, with the actual pension entitlement falling by 1 January 2018. On expiry of the terms, approximately 2,500 people meeting the criteria for Part A and another approximately 2,500 people meeting the criteria for Part B had accepted the agreement.
Following the reform of the pension system pursuant to Law Decree no. 201/11, converted into Law no. 214/11, the framework was changed significantly, protecting the rights of those who signed up for the Redundancy Fund by 4 December 2011, but postponing the term for receiving retirement benefits for approximately 1,000 people who would have been able to directly access their pensions by 1 July 2015.
While possible regulatory and/or contractual supplements are pending, the 2011 Annual Report recorded gross provisions of 725 million euro (698 million euro, taking account of discounting), which amounts to 506 million euro net of tax charges. Moreover, additional incentives of 20 million euro (15 million euro net of tax charges) relating to other plans were posted to the income statement.

In December, Intesa Sanpaolo finalised the settlement of the pending disputes involving the Group with the Agenzia delle Entrate (Italian Revenue Agency), regarding the misuse of a right, through the use of special dispute settlement mechanisms, though convinced of the correctness of its actions, and only based on the unsuitability of long, burdensome disputes and judicial evaluations that are difficult to predict. This settlement resulted in a net charge of approximately 147 million euro, posted to the 2011 income statement, supplementing the use of pre-established allowances.

On 31 December 2011, Intesa Sanpaolo Vita was established. This is the new Group insurance company which incorporated the various Group companies operating in the bancassurance sector. With accounting and tax effects from 1 January 2011, EurizonVita incorporated Centrovita Assicurazioni, Intesa Sanpaolo Vita (formerly Intesa Vita) and Sud Polo Vita, concurrently changing its company name to Intesa Sanpaolo Vita S.p.A.

The new insurance business structure has 68 billion euro in assets under management and approximately 3.7 million customers. The business has reached such a size that the Group is now placed in an absolutely leading position in the Italian and European and can offer increasingly expert services to the customers.
Intesa Sanpaolo Vita is capable of offering an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure: more than 5,000 branches of the Banks in the Intesa Sanpaolo Group, over 4,200 financial advisors (private bankers) of Banca Fideuram and Sanpaolo Invest and more than 300 agencies of Neos Finance.
Intesa Sanpaolo Vita, a company incorporated under Italian law, operating in the life business, also makes use of the operations of:
- Intesa Sanpaolo Assicura, a company incorporated under Italian law, authorised to conduct insurance and reinsurance business in the non-life business;
- Intesa Sanpaolo Life, a company incorporated under Irish law, operating under the free provision of services in the life business. It is headquartered in Ireland and operates in the European Union countries where it is authorised;

Moreover, Intesa Sanpaolo Vita holds a minority investment in the Chinese company Union Life Insurance Limited Company.

## The capital increase

The Extraordinary Shareholders' Meeting held on 10 May 2011 resolved a share capital increase for consideration, for a total maximum amount of 5 billion euro, including share premium, to be executed within 31 December 2011, in divisible form, through the issuance of ordinary shares with a nominal value of 0.52 euro each, carrying regular rights (1 January 2011), to be offered with pre-emptive rights to the shareholders holding ordinary shares and owners/holders of the Company's savings shares, pursuant to article 2441 of the Italian Civil Code.
On 19 May, the Management Board resolved – in execution of the Shareholders' Meeting resolution – to issue 3,651,949,408 ordinary shares, with a nominal value of 0.52 euro each, having the same characteristics as those outstanding, and carrying regular rights, to be offered with pre-emptive rights to shareholders at a price of 1.369 euro per share, inclusive of 0.849 euro of share premium, in the ratio of 2 newly issued shares to 7 ordinary shares and/or savings shares held, up to a maximum total nominal value of 1,899,013,692.16 euro and to a maximum total aggregate value, inclusive of the share premium, of 4,999,518,739.55 euro. The issue price was determined by applying a discount of approximately 24% to the theoretical ex-right price (TERP) of ordinary shares, calculated on the basis of the official Stock Exchange price of 19 May 2011.
The rights offering of new ordinary shares ended on 22 June with full subscription of the total 3,651,949,408 shares offered, for a total aggregate value of 4,999,518,739.55 euro.
Accessory charges for the capital increase, amounting to 98.5 million euro, were recognised as a direct reduction in the share premium reserve.
The capital increase strengthened the Intesa Sanpaolo Group's capital. By consolidating its capital profile, the Intesa Sanpaolo Group also strengthened its competitive position in the domestic and European financial markets. Moreover, due to the availability of adequate capital resources, the Intesa Sanpaolo Group will be able to further increase its penetration in its reference markets, finance internal growth and provide greater strategic flexibility and flexibility in pay out policies. The share capital increase also provided flexibility in managing existing Tier 1 and Lower Tier 2 regulatory capital instruments.
As to impact on capital ratios, the capital increase produced a positive effect on the Core Tier 1 ratio of about 150 basis points.

## Recognition of deferred tax assets on exercise of the options pursuant to art. 15, paragraphs 10-bis and 10-ter, Law Decree 185/08, converted to Law 2/09

As known, in 2008, 2009 and 2010, the Intesa Sanpaolo Group exercised the option of realignment of accounting values which were not recognised for tax purposes, envisaged by Article 15, paragraph 10 of Law Decree no. 185 of 29 November 2008, converted into Law no. 2 of 28 January 2009. This law allowed recognition for tax purposes of goodwill, trademarks and other intangible assets recorded in the separate financial statements as a result of neutral extraordinary operations, through the payment of a substitute tax of 16%. This option was not permitted for intangible assets recorded only in the consolidated financial statements.
In the 2008 – 2010 period, as a result of the aforementioned realignment, with a substitute tax charge of 1,689 million euro, the Group recorded higher deferred tax assets of 2,366 million euro and released deferred tax liabilities of 1,028 million euro, with a positive net effect of 1,705 million euro on the income statement.
Law Decree no. 98 of 6 July 2011, converted into Law no. 111 of 15 July 2011, introduced paragraphs 10-bis and 10-ter into the aforementioned Article 15 of Law Decree 185, which, under certain conditions, also allowed for the realignment of intangible assets only recorded in the consolidated financial statements. Specifically, the intangible assets subject to realignment must be related to the higher values of controlling interests - which must be understood as those included in the scope of consolidation based on the IAS/IFRS - recorded in the separate financial statements as a result of extraordinary operations that are tax-neutral (business contribution, merger, spin-off) or recognised for tax purposes (acquisitions of companies and equity investments).
The legislative intervention was aimed at removing the inequality of treatment of companies which concentrate their operations internally - which, in the case of neutral extraordinary operations, may directly recognise intangible assets recorded in the separate financial statements, by applying Article 15, paragraph 10 of Law Decree 185/08 - and companies which carry out operations through subsidiaries - which, therefore, express the value of these assets through the value of equity investments.
As a result of the new provisions, companies were able to realign the value relating to intangible assets which contributed to forming the cost of the controlling interests by paying the substitute tax of 16% by 30 November 2011 and, consequently, for tax purposes, could deduct the amortisation charges relating to the intangible assets subject to realignment, recorded in the consolidated financial statements.
Based on the resolutions taken by the competent Boards, at Group level, goodwill and other intangible assets totalling 12,928 million euro have been realigned, with a substitute tax charge of 2,069 million euro, recognition of deferred tax assets and the release of deferred tax liabilities totalling 4,199 million euro and a benefit to the Group income statement of 2,130 million euro (2,102 million euro relating to the Parent Company and 28 million euro relating to Cassa di Risparmio di Firenze).

### Impairment testing of intangible assets with indefinite useful life

The crisis which hit the financial and economic markets of the Eurozone, and Italy in particular, from summer 2011, had negative effects on the profitability of the banking system.
As a result, the growth estimates set forth in the Business Plan approved at the beginning of the year were deemed to be no longer sustainable, while the continuing uncertainty about economic growth in Italy over the next few years, despite the clear improvements in the past few months, makes it impossible to provide reliable medium-/long-term forecasts.
This situation affected the impairment tests required by IAS 36, at least annually, to verify the recoverable amount of intangible assets with indefinite life posted to the financial statements, represented by goodwill and brand name in the case of Intesa Sanpaolo. As previously specified, these amounts were recognised in the financial statements at the time of acquisition of equity investments and thus, paid in cash, or, for most of the goodwill (13.5 billion euro out of 19 billion euro) and the entire amount of the brand name (2.4 billion euro) as a result of mergers and, thus, have an "accounting" origin.
The method adopted to conduct the tests for the 2011 financial statements is the same method which has always been used, based on determining the value in use, understood as the present value of the future cash flows reasonably expected to be generated by the Group. However, lacking updated internal estimates, due to the reason indicated above, it was deemed necessary to use as a reference the income flows predicted by financial analysts, available on the market, adjusted to take into account the evidence from the 2011 financial statements.
For an illustration of the tests performed, refer to Point 13.2 of Part B of the Notes to the consolidated financial statements, which explains the methodology used, activities carried out and results. However, the tests showed that goodwill impairment of 10,338 million euro (10,233 million euro net of the tax effect) was necessary, the amount representing over 54% of the values in the financial statements. Conversely, no impairment was required for the brand name.
These impairment losses concerned almost all of the Cash Generating Units, with the only exception of the Banca Fideuram CGU. The Banca dei Territori CGU and the Corporate and Investment Banking CGU had particularly penalising results, with impairment of 56% and 72% of goodwill recorded, respectively.
It is noted that the impairment losses did not have any negative effects on the regulatory capital requirements, as the regulatory capital had already been decreased by the full amount of the goodwill.

### The portfolio of Greek bonds

In 2011 the Greek Government crisis exploded to extreme proportions. After taking into consideration Greece's real financial position, the European Union, the International Monetary Fund and the European Central Bank approved a series of support measures, while negotiations began between the Greek Government and private investors to restructure a significant portion of the sovereign debt, which could result in a reduction in the debt/GDP ratio to 120% by 2019.
The agreement with private investors (banks, insurance companies and financial companies) was reached in February 2012. This envisages waivers of receivables and other facilities resulting in a financial loss for investors of approximately 74% of the nominal value of the receivable.
For the Intesa Sanpaolo Group, the agreement resulted in impairment losses on securities of 939 million euro (net of amounts allocated to insurance products under separate management), which also include 261 million euro in adjustments linked to the effect of hedging on the value of the security. This is to be added to 73 million euro of capital losses relating to derivatives reclassified in the trading portfolio, as illustrated in detail hereinafter and in Part E of the Notes to the consolidated financial statements.
The amount of losses was fully charged to the income statement for 2011.

### The 2011-2013/2015 Business Plan

As is known, in April 2011, the Intesa Sanpaolo Management Board and Supervisory Board approved the 2011 – 2013/15 Business Plan.
In 2011, the Directors and Management worked and continue to work to achieve the projects under the Plan, as illustrated below. Moreover, it must be noted that the Plan was based on economic and financial forecasts (growth rates, inflation rates, ECB benchmark rates, spreads, etc.) which are no longer realistic following the crisis which hit the financial markets, specifically in the last few months of the year, causing a slowdown in the global economy and, in several countries, including Italy, recession.
As a result, the Plan must be significantly adjusted to the changed external scenario, which will be possible only after the market situation and macroeconomic outlook stabilise and it will thus be possible to formulate reliable medium-/long-term forecasts, which are indispensible for drawing up a plan with a great scope.

The Business Plan of April 2011 envisaged a significant plan of well-defined managerial actions, which were classified in: (i) Projects for growth (75 initiatives); (ii) Projects for productivity and human resource development (55 initiatives); (iii) Projects for risk control and optimisation (20 initiatives); (iv) Projects for liquidity optimisation (6 initiatives); and (v) Projects for a stronger capital base (8 initiatives).
The actions carried out in 2011 and those planned for 2012 operate along the guidelines set forth in the Business Plan. More specifically, the main actions include the following initiatives:

*Projects for growth*

- Extracting the unexpressed potential revenue growth in all business units, leveraging the customer assets of the Group, which can count on over 11 million Retail customers and over 90% of Corporate customers. To extract the unexpressed potential of customers, the Bank is developing dedicated service models, optimising the cost-to-serve and maximising product cross-selling. The current management of the price factor is a priority: this is being implemented through the redesigning of price lists, the strict application of pricing logics based on the risk-return profile and the value perceived by the customer, and revision of exceptions. Significant attention is also focused on the exploitation of intra-divisional synergies (i.e. offering Capital Markets products to Financial Institutions) and interdivisional synergies (i.e. extending the Group's distinctive offering to the International Subsidiary Banks).

- Selective international expansion. Intesa Sanpaolo's international business is developed by the International Subsidiary Banks Division, as well as through specific initiatives of the Corporate and Investment Banking Division.
  In order to develop the growth potential of the International Subsidiary Banks, dedicated service models and products which stand out from those of their local competitors have been created (i.e. specialised "package" offers for SMEs), leveraging the Group's centres of excellence (Divisions and product companies, such as: Intesa Sanpaolo Card, leasing and asset management). To significantly strengthen its international presence, the Corporate and Investment Banking Division intends to evolve from a "National Champion" to a "Regional Player", becoming the bank of choice for international customers. In the public sector, Banca Infrastrutture Innovazione e Sviluppo is developing its current portfolio of international transactions, concentrating on strategic countries for the Group, which have a strong need for Public-Private Partnerships (Poland, Brazil).
- Strengthening investment banking and capital markets, while protecting the risk profile. Intesa Sanpaolo is pursuing a strategy for rebalancing its portfolio in favour of investment banking and capital markets activities, which can increase profitability without significantly changing the risk profile. The partnership between Banca IMI and Eurizon is developing further, with specific reference to Epsilon business, whose platform is used to create structured products. It is also planned to strengthen leadership on Capital Markets, by developing and supplementing the range of products and services, while the London Branch, where the Banca IMI operating model has been implemented, shall be used to support the internationalisation project.
  To extend Investment Banking activities, additional strengthening of cross-selling is planned on the Mid, Large and Financial Institutions segments, while structured finance will be strengthened as a result of synergies with Capital Markets and extension to international markets.
- Product innovation and service model as determining factors for success. In a market scenario marked by growing competition, continuous innovation to meet the new needs of customers is an indispensible determining factor for success.
  Innovating the range of products, the service model and the distribution strategy increases service, thus improving relations with customers. An example is the gradual implementation of the "Financial Value Chain", which involves integrated management of companies' treasury, transaction and trade finance services. Another example is the Superflash Branch, a new way of banking, without "teller windows", with significant use of Internet technology, targeted to customers up to 35 years of age.
- Improvement in customer satisfaction. Customer satisfaction is a fundamental determining factor both for keeping and fully optimising the customer base, reducing the switch rate, and for acquiring new customers. Current service levels can be increased through targeted initiatives, based on the priorities perceived by each customer segment.

*Projects for productivity and human resource development*

- Full implementation of simplification measures. In the banking industry, simplification is an extraordinarily effective tool for increasing customer and employee satisfaction, as well as increasing the efficiency of operations.
  In its sales process, Intesa Sanpaolo challenges itself to offer a simpler range of products, provide greater transparency to customers regarding their applications (i.e. traceability of mortgage applications), develop new services which meet complex needs in a simple manner (i.e. collection and payment hub), and introduce pre-authorised loans for customers.
  In providing banking services and after-sales support, new operating models have been introduced (i.e. Mid and Large Corporate) and the customer experience has been improved (i.e. overdraft authorisation via the mobile channel).
  To increase the effectiveness and efficiency of operations while increasing the level of employee satisfaction, initiatives are aimed, on one hand, at improving the instruments supporting sales processes and the provision of services to customers and, on the other, optimising central-peripheral relations.
- Maintaining adequate cost and productivity control. Maintenance of the Intesa Sanpaolo's current competitive position in cost control is a fundamental objective which cannot be read separately from the achievement of suitable levels of productivity. An important contribution is provided by the additional reduction of the weight of administrative activities in the network, which frees up production capacity through the optimisation of processes, procedures and organisational structures.
- Optimisation of territorial presence: new branch plan and branch resource mix. Intesa Sanpaolo boasts a network of branches in Italy which has no equal in terms of scope and geographical coverage. Moreover, opportunities for additional improvement of oversight and the territorial coverage model have been identified, rationalising the Bank's presence in selected areas which show overlapping, and concentrating efforts on areas with less coverage. At the same time, a mix of remote channels has been created, which complement the branch in providing service to customers, creating an effective multi-channel experience consistent with the customer profile.
- Upgrading of IT systems to support growth and risk management. In order to support growth in front-line activities, the upgrading of branch applications is being promoted, enhancing and simplifying sales and reporting tools available to the various network employees (i.e. Navigatore del Risparmio, ABC Platform and Sportello PIU'). Marketing efficacy has also been strengthened by developing a multichannel marketing automation platform and cross-channel interaction methods.
  An important step forward in the upgrading of IT systems used by the International Subsidiary Banks and Group companies is their integration into a single IT platform, thus making it possible to achieve efficiency without sacrificing the effectiveness of the systems currently used (i.e. personnel management, facility management).
- Development of human resources of the Group. Intesa Sanpaolo is expanding its network of customer relationship managers, retraining resources (specifically sales resources) and increasing motivation for all employees.
  To expand the network of relationship managers in Italy and abroad, the focus is on targeted placements and resources freed up by the measures for increasing organisational and process efficiency.
  To support the internationalisation process, a plan for the gradual internationalisation of resources has been launched, leveraging new hires, training and assignment of existing resources to professional positions in international subsidiaries.

*Projects for risk control and optimisation*

- Credit granting and quality. In this phase of the economic cycle, the Group intends to move its focus to the selective management of credit, privileging customers and/or sectors with a view to creating value, increasing the share of wallet for creditworthy customers and those with medium risk by applying suitable pricing policies, acquiring new customers with a significant outlook for growth and suitable balance sheet fundamentals, supporting small and medium-sized enterprises with good market positioning.
- Oversight of IT systems with a view to containing risk. To ever-more accurately manage the risk related to operations of the Bank, specific initiatives are continuing to upgrade current value and risk management instruments, as well as to optimise systems supporting compliance and second and third level control activities performed by the risk management and auditing functions.

*Projects for liquidity optimisation*

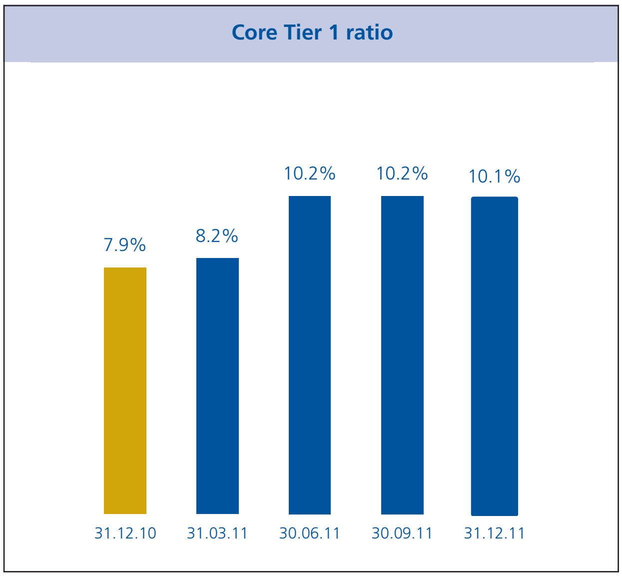
Launch of a project aimed at strengthening the technological framework supporting tactical and strategic monitoring and management of interest rate risk and liquidity risk. An upgrade is planned of the current platform in use in order to fine-tune, also through analytic consolidation of the portfolios of all Group companies, the centralised control processes ("normal course of business") and favour the development of simulation systems ("stress scenarios"), while increasing the flexibility and timeliness of information and reporting flows to Corporate Bodies. The simplification of technological infrastructure and reduction in operating costs are fundamental targets of the project.
As regards management of liquidity risk, the adjustment of the infrastructure and application structure is an indispensible process for dealing with the increased complexity of the Group's operating scenario and to move up the introduction of Basel III regulations.
As regards processes for monitoring interest rate risk, the project aims at expanding the capacity for measurement and governance of this risk factor in order to optimise the economic capital allocated to it.

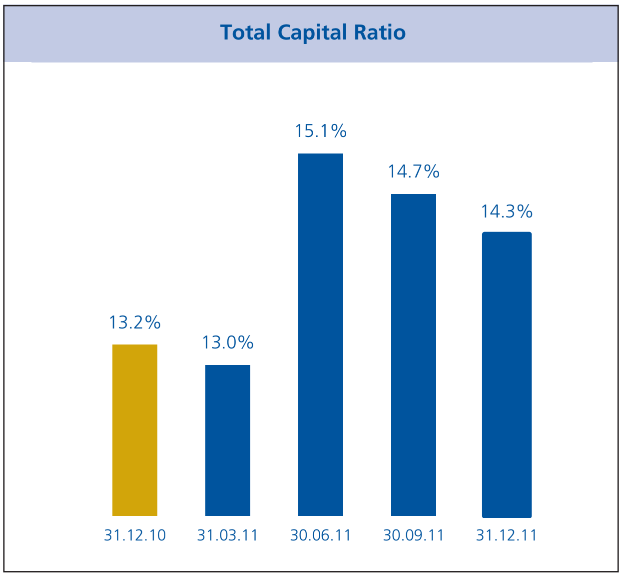
*Projects for a stronger capital base*

In 2011, a project for optimising capital absorption was launched, which identified two macro-categories of actions: 1) actions relating to the calculation methods of capital requirements and reliability of data, and 2) actions relating to marketing strategies.
In 2011 the project focused on the first type of actions, identifying several levers for intervention, such as resolving issues in guarantees for their eligibility under Basel II and increasing the coverage of internal ratings. These actions were partially implemented during the year, resulting in the achievement of initial benefits.
In 2012 the project is continuing with the completion of the first group of actions previously launched, and the development of those relating to marketing strategies, which will result in targeted actions on specific clusters of customers (for example, customers with negative EVA®), and updating of marketing policies, focusing on products with lower absorption of capital.

**Main risks and uncertainties**

The worsening of the macroeconomic context and high volatility of the financial markets required constant oversight of the factors that enable the Bank to pursue sustainable profitability in the medium and long term: high liquidity, funding capacity, low leverage and adequate capital base.
Liquidity has remained high: at the end of December 2011, available, unused eligible assets with the Central Banks (net of haircuts) amounted to 37 billion euro. Moreover, as a result of funding from the European Central Bank, which amounted to 37.5 billion euro at the end of 2011, it was possible to optimise the cost of funding, substituting a portion of short-term wholesale funding.
This balance remained at the same levels in the first few months of 2012 as well, as the additional amounts obtained offset transactions which had expired in the meantime.
Overall, at the end of 2011, liquid assets (available eligible assets and eligible assets used as collateral) reached almost 100 billion euro.
In terms of funding, the branch network remains a stable, reliable source: 79% of direct deposits from banking business derives from retail operations (285 billion euro). During the year, medium-/long-term retail placements were carried out for 29 billion euro and medium-/long-term wholesale placements for 15 billion euro. These trends laid a solid foundation also for 2012, which shows 50% lower maturities than the average placements of the previous four years.
The leverage of the Intesa Sanpaolo Group continues to be at lower levels than its main competitors, while the ratio of risk-weighted assets to total assets is among the highest, given the significant prevalence of retail banking activities within the Group.
Also the capital base has remained high: the Total Capital Ratio is 14.3%, Tier 1 is 11.5% and Core Tier 1 is 10.1%.
Capital adequacy is confirmed by the stress tests and additional analyses conducted by the European Banking Authority in the second half of the year, which verified that the Group does not need additional capital, confirming Intesa Sanpaolo as one of the most solid European banking groups.




The difficult macroeconomic environment and high volatility of the financial markets make credit risk assessment, valuation of financial instruments and the measurement of the recoverable amount of other assets more complex, and require a careful analysis of the impact of such assessments on the solidity of the Company and on the going concern of its business operations as a whole. While measurement criteria implemented are described in detail in the Notes to the consolidated financial statements, a general outline of the processes which led to determination of the book value of balance sheet assets is shown below, noting that no symptoms which could give rise to uncertainties regarding the going concern assumption have been detected in the asset and financial structure or in the performance of operations.

With regard to credit risk, Intesa Sanpaolo has developed a set of instruments which ensures analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.
Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.
Ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in loan granting and monitoring process.
The rating system also includes a risk trend indicator, calculated on a monthly basis. It interacts with processes and procedures for loan management and credit risk control and allows timely assessments when any anomalies arise or persist. The positions to which the synthetic risk index attributes a high risk valuation, which is confirmed over time, are intercepted by the Non-performing Loan Process. This process, supported by a dedicated electronic procedure, enables constant monitoring, largely automatic, of all the phases for the management of anomalous positions. The positions which show an anomalous trend are classified into different processes based on the risk level, including the automatic classification in non-performing assets.
The entire loan portfolio is also subject to a specific periodic review carried out by the competent central or peripheral structures based on the credit line limits for each counterparty/economic group.
Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.
The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default.
The expected loss represents the average of the loss statistical distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macro economic scenario and on stress scenarios.
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
Non-performing financial assets include those loans which, due to events that occur after initial recognition, show objective evidence of possible impairment.
For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due, in decreasing order of severity), the Group applies regulations issued by the Bank of Italy, consistent with the regulations envisaged for such purpose by the Basel Accords and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms.
In 2011, loan classification and measurement have been performed using conservative criteria, to promptly and correctly identifying the impacts of the negative trend of the current economic context. As the crisis deepened and expanded at an alarmingly fast pace, it became necessary to constantly review both the loans already showing signs of distress and those still free from evidence of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as pointed out by the substantial average provisioning percentages for doubtful loans (approximately 64%) and substandard loans (over 20%). In the area of performing loans, as a result of the worsening of the economic situation, especially in the last part of the year, "collective" adjustments increased significantly, with hedging of the portfolio up from 0.7% to 0.8%. At the end of

2011, performing loans as a whole were covered by provisioning of over 2.7 billion euro.
As a rule, most financial instruments have been classified as held for trading under the fair value option, or among available for sale assets. Accordingly, these assets have been measured at their fair value, represented, for instruments quoted on active markets, by the price of the last day of the period, as required by international accounting standards (effective market quotes).
On the other hand, financial instruments not quoted on an active market have been valued on the basis of prices or credit spreads derived from official quotations of instruments having similar risk profiles, i.e. using the comparable approach. This approach requires the identification of transactions and/or quotations on active markets pertaining to instruments that have a risk profile comparable to that of the instrument to be measured. The calculation methodologies used reproduce prices of financial instruments quoted on active markets and do not contain discretional parameters that significantly influence the final valuation.
Lastly, only for financial instruments not quoted on an active market and which could not be valued through the comparable approach, valuation was based on various inputs, not all directly derived from observable market parameters, hence requiring estimates and assumptions on the part of the valuator (mark-to-model approach).
In particular, with this approach, the financial instrument was measured by means of a pricing model based on specific assumptions as to: (i) the development of future cash flows, which may be affected by future events that are assigned probabilities on the basis of past experience or assumed behaviour, (ii) the level of specific input parameters not quoted on active markets, but based as much as possible on information relating to prices and spreads observed in the market. Where such information was not available, past data on the specific risk of the underlying asset or specialised reports were used (e.g. reports prepared by Rating agencies or leading market players).
Considering this background, valuation methodologies have been constantly refined and updated, improving the models used for level 3 valuation techniques for structured credit products, and carefully defining specific processes for managing "model risk" leading to adjustments to valuations, especially in case of non observable or highly illiquid market parameters.
In the financial statements as at 31 December 2011, 58% of the fair value measurement of financial assets used the effective market quotes method (level 1), 40% used the comparable approach (level 2) and only 2% used the mark-to-model approach (level 3). Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (93%) were measured using the comparable approach (level 2).

The Group's risk profile remained at relatively low levels - despite an increase mainly resulting from the volatility of spreads in the Italian government segment - in line with the Group's intention to continue to privilege the retail banking activity. The trend in operational VaR, shown in the chart, reflects the development of the crisis in the sovereign markets of the Eurozone.

**Market risks trend:**
**operational VaR** (millions of euro)


For further information on credit risk and financial risk, see Part E of the Notes to the consolidated financial statements 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.

When preparing the 2011 Annual Report, as a result of the gradual deterioration of the economic situation, equity investments, securities available for sale, securities classified among loans and receivables or held to maturity, and intangible assets and goodwill were tested for impairment losses through analyses aimed at detecting the presence of impairment indicators and the calculation of any write-downs.
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 methods and criteria illustrated in the Notes to the consolidated financial statements.

With specific reference to the sovereign debt crisis, the Intesa Sanpaolo Group has limited exposure to the European countries (Greece, Ireland and Portugal) for which the European Union and the International Monetary Fund have implemented financial support plans. For further details, see the information reported above and, in more detail, the disclosures provided under Part E of the Notes to the consolidated financial statements.

Intangible assets with finite useful lives, consisting of the asset-management and insurance portfolios and core deposits, for a total of 3,243 million euro as at 31 December 2011, which have also been gradually amortised, were analysed in order to verify whether there were impairment indicators. No critical factors were detected by these analyses, as indicated in detail in Part B of the Notes to the consolidated financial statements.
Intangible assets with indefinite useful lives, represented by the brand name (2,384 million euro as at 31 December 2011) and goodwill (19,006 million euro as at 31 December 2011, prior to impairment testing), were analysed in order to verify whether there were indicators that they had become impaired and thus whether the recoverable amounts of the various CGUs needed to be re-determined.
As briefly indicated above, as a result of the effects of the current crisis on expected short/medium-term flows and the increase in discounting rates, these analyses showed the need to recognise impairment losses on goodwill of the Banca dei Territori, Corporate and Investment Banking, Eurizon Capital and International Subsidiary Banks CGUs and the subsidiary Bank of Alexandria for a total amount of 10,338 million euro (10,233 million euro, net of the tax effect).

The underlying methodological criteria for these analyses are illustrated in detail in the specific section of the Notes to the consolidated financial statements – Part B, to which reference should be made for further details.

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In general, the information on risks and uncertainties the Intesa Sanpaolo Group is exposed to, briefly illustrated above, is provided in this Report on operations and in the Notes to the consolidated financial statements.

The risks associated with the trends in the global economy and financial markets are discussed in the introduction to the Report on operations, in the chapter on the macroeconomic scenario and the following chapter on the forecast for 2011. The assumptions on which our valuations and forecasts are based with regards to the verification of the values of intangible assets and goodwill are described - as previously mentioned - in Part B of the Notes to the consolidated financial statements, in the section on impairment tests.

Capital solidity is dealt with briefly in this introductory chapter to the Report on Operations, whereas a more detailed discussion can be found in Part F of the Notes to the consolidated financial statements.

Information on risks generally, and in particular on financial risks (credit risks and market risks), operational risks and the risks of insurance companies are detailed in Part E of the Notes to the consolidated financial statements.

With regard to the going concern assumption, the Directors of Intesa Sanpaolo reaffirm that they have a reasonable certainty that the company will continue in operational existence in the foreseeable future and consequently have prepared the financial statements for 2011 on a going concern basis. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the going concern assumption.

# THE MACROECONOMIC CONTEXT AND THE BANKING SYSTEM

# The macroeconomic context and the banking system

## The macroeconomic context

### The economy

The economic context during 2011 was heavily affected by the gradual extension of the sovereign debt crisis in the Eurozone. After Greece and Ireland, which had applied for support already in 2010, in April Portugal too was forced to apply for assistance from the Eurozone and the International Monetary Fund. During the summer, the crisis deepened, with a huge leap in risk premiums on the national debt of Italy and Spain, and to a lesser degree of Belgium and France. The phenomenon has been associated with a sharp fall in the inflows of foreign capital to these countries, especially from the rest of the Eurozone. The European authorities' response to the crisis was sluggish and inadequate vis-à-vis market developments, with the exception of the measures taken by the European Central Bank. The political authorities were unable to establish a credible and robust safeguard mechanism to face up to the major contagion scenarios. On its part the European Central Bank, starting from last autumn, has further strengthened its open market operations, broadening the range of assets that can be allocated to refinancing operations, whose maturities have been extended also to one and three years. Furthermore, in agreement with the Federal Reserve, the ECB has increased the offer of US dollar funding. A very effective move for stabilising the system was the two offerings of 3-year funding in December and at the end of February. Moreover, starting from August, the ECB has extended its debt-buying programme to Spanish and Italian government bonds, facilitating the stabilisation of international investors' portfolios. As to official rates, the main refinancing rate was increased to 1.50% from April to July; starting from October however, the sudden worsening of the economic situation and the deepening financial crisis induced the Central Bank to cut the benchmark rate twice, bringing it down to 1%.

The Eurozone's economy continued to grow until the third quarter, albeit with a progressive slowdown in the GDP growth curve. Average annual growth in 2011 was 1.4%, lower than that recorded in 2010. Growth was driven equally by internal demand and net exports. However, the aggregate results hide strong geographical differences, due to the different degree of fiscal and financial restriction suffered by the individual countries.

Italy belongs to the group of countries whose economic performance has taken the brunt of the crisis. Its GDP growth was 0.4%. After a first half-year of moderate growth, the economy returned to contraction mode in the second half of the year. Domestic demand was dampened by the effects of the fiscal austerity policy: between 2010 and 2011 no less than four major fiscal manoeuvres were approved, with their full impact to be felt in 2011 and 2012. Real disposable income has contracted further. The reduction in Italian household savings has prevented a decline in consumption. Domestic demand has been further weakened by the decline in fixed investments and collective consumption. The overall performance of the economy was supported by the improvement in net exports, in the context of an overall slowdown in international trade flows. Consumer price growth was relatively strong (2.8%) due to upward pressures in commodity prices and to indirect tax and tariff rises.

Interest rates followed an uneven course, rising until July, when the 3-month Euribor peaked at 1.61% for, 61 basis points up from year-end 2010. Thereafter, it started to decline reaching a minimum of 1.36% at year-end 2011.

The market for high-rated government securities followed a divergent path from other issuers' securities, in a climate of high and growing risk aversion. The 10-year spread, which in the early months of 2011 oscillated between 100 and 200bp, peaked at 555bp in November and was still above 500bp at the end of the year. Spread performance on the shorter maturities was similar, albeit with a more marked improvement in December. The spread on two-year bonds dropped from 762 to 498bp between 25 November and the end of the year. The stronger recovery in the shorter maturities was driven by the expectation that the ECB's long-term liquidity auction would bolster the banks' demand for government bonds.

The euro/US dollar exchange rate followed a similar course to that of interest rates, reaching a peak in the second quarter (1.48) and slowly decreasing thereafter. The exchange rate at year end (1.30) was weaker compared to year-end 2010 (1.33).

### The financial markets

During 2011, the main international stock markets experienced long phases of weakness and, especially in the Eurozone and the Far East, sharp drops within an exceptionally volatile environment.

The growing tensions linked to the sovereign debt crisis, the indecisiveness of European policy-makers in identifying convincing and effective solutions to the Eurozone's financial crisis, and the steady slowdown in the global macroeconomic environment have generated a strong increase in risk aversion on stock markets throughout the year.

In the Eurozone, in particular, stock indices were severely affected by the deepening of the sovereign debt crisis, with particularly heavy losses in the zone's peripheral stock markets, such as that of Italy.

The adoption of stringent tax policies, necessary to cut government deficits, triggered substantial downward correction to economic growth forecasts for both 2011, and, in the longer term, 2012. Expected corporate profits in the Eurozone also underwent significant downward revisions, in particular with regard to 2011.

Sovereign debt tensions did not spare the US stock market, after the lengthy debate on the Federal debt ceiling in August, followed by the US government debt downgrade by S&P.

It was only towards the close of the year that the main international indices rebounded partly from the trough reached in late September, spurred by the expectation of more coordinated and effective actions by the EU political and monetary institutions in managing the debt crisis. This notwithstanding, 2011 closed with a minus sign for almost all global stock indices, with the exception of the US market.

The S&P 500 index ended the year flat, after a 5% gain at the end of June. On the other hand, overall performance of the major Eurozone stock markets was highly negative: DAX closed the year down 14.7%; the French CAC recorded a slightly higher loss (-16.7%); the EuroStoxx index ended the year down 17.7%, after recording +2% at half-year. Outside the Eurozone, the UK stock market decline on the previous year was far more moderate, with FTSE 100 closing the year at -5.5%.
The Italian stock market showed worse performance than the major European markets, reflecting the growing concerns of investors regarding the sustainability of Italian sovereign debt, economic stagnation and the high weight of financial securities on the index. FTSE Italia All Shares and FTSE MIB closed 2011 with heavy losses (-24.3% and -25.2% respectively) after posting flat mid-year results. The performance of mid-cap stocks was less negative than that of blue chip: the STAR index ended the year down by 18.9%.
The corporate bond market also posted negative year-end results: it was affected across all sectors by growing risk aversion and a confirmed flight-to-quality trend. Despite relatively sound corporate fundamentals and low insolvency rates, generalised spread growths occurred in both the cash and the derivative sectors, with exceptional bouts of volatility and with the strongest negative impact on the corporate securities of peripheral countries and on financial securities.
The cash segment was marked by better performance of the securities with the best credit ratings; moreover, industrial securities outperformed financial securities. The speculative bond market also suffered the consequences of growing risk aversion with lower performance than the investment grade bond sector, especially in the lower rating classes (CCC & lower rated).
The derivative segment also posted heavy losses: it was affected by the steep rise in insolvency risk hedging costs, and its overall performance was lower than that of the cash segment. Among iTraxx (credit default swap) the worst performing indices were the financial CDS, followed by Crossover CDS, which showed an inversion in spread curves typical of the phases of heightened market tensions.

## The emerging economies and markets

In 2011 the emerging economies slowed down compared with the previous year, while maintaining a growth rate above the global average. According to the latest estimates, GDP growth in emerging countries was 6.2% in 2011 (+7.3% in 2010) against a global average of 3.8%.
The emerging economies of Asia, with an estimated growth of 7.9% in 2011 (+9.5% in 2010) have remained the most dynamic, followed by Latin American countries at 4.6%. In particular, CIS countries (Commonwealth of Independent States) reached an estimated GDP growth rate of 4.5% in 2011 thanks to the positive cyclic phase of the commodity market. Due to their close commercial and financial links with the advanced European economies, Central Eastern and South Eastern European countries were particularly affected by the economic slowdown of their Western partners and by the volatility of their financial markets. In most of the CEE/SEE countries, GDP growth is estimated to range between 1% and 3%, with Poland and the Slovak Republic standing above the range and Croatia and Slovenia below it.
In the North African countries, the impact of the political turmoil experienced during the year on production activities and financial inflows from abroad (from tourism, remittances and direct foreign investment) has led to an overall drop in economic activity, especially in Egypt, where according to the latest estimates GDP fell by about 1% in 2011, and, albeit to a lesser degree, in Tunisia. The interruption of oil production has been particularly severe in Libya. In Middle-eastern oil producing countries, less affected by political tensions, public spending plans and salary and subsidy rises in response to popular unrest, coupled with the still positive oil cycle, have boosted the economy, pushing estimated GDP growth to over 4%, a modest improvement on 2010.
The economic slowdown and the drop in commodity prices have favoured a gradual reduction of inflationary pressures. The annualised inflation rate, after rising from 6.1% in December 2010 to 6.7% in June, slowed down to 5.2% in December.
The different performance of the real economy and inflation in 2011 has influenced the Monetary Authorities' action. While in the first half-year to counter inflationary pressures the Central Banks of Latin America and Asia were still following a restrictive policy, in the second part of the year, growth concerns prevailed.
The action of the Central-Eastern European authorities was highly diversified. In Russia, the Central Bank launched in February a bull cycle raising the reference interest rate from 7.75% to 8.25% but in December it lowered it again to 8%. In parallel, in Serbia the Authorities, after raising rates at the end of 2010 and in the first months of 2011, cut the reference rate in various stages from June to December bringing it down to 9.75%. In Romania, where inflation stood within the target 2% - 4% range, in November the Central Bank cut rates to 6%. On the other hand, in Hungary the monetary authority raised rates in both the first half of the year, to 6%, and in the last six months, to 7% to curb inflationary pressures caused by exchange rate depreciation.
In Egypt, in November the Central Bank raised the reference interest rate by 100 basis points, bringing the overnight lending rate to 10.25% and that on deposits to 9.25%, mainly to support the exchange rate and stem the currency reserves drain.

The stock markets of emerging countries experienced bear pressures starting from the second quarter. Year end results show an overall drop of 14.9%, outperformed by the US S&P index (unchanged), but with lower losses than those posted by Eurostoxx (-17.7%) and Nikkei (-17.3%). The decline in stock prices has occurred across the board: the worst losses were recorded in Egypt (-48.9%), affected by political uncertainties, and in Ukraine (-45.5%), where strained relations with the International Monetary Fund (on lending issues) and with Russia (on the price of gas) have created tensions on the financial markets.
In parallel, bond market spreads widened. EMBI+ (Emerging Markets Bond Index) composite spread rose by 129 basis points, closing the year at 377 basis points, down however from its peak of 440 basis points in early October. The widening of the spread was greater for EMBI+ Europa, affected by the fears of a spread of the debt crisis of some Eurozone countries. The cost of hedging default risk (CDS) increased in all the emerging countries; in this case too, the strongest increases were recorded in Croatia, Poland, Russia, Ukraine and Egypt.
Exchange rates displayed high volatility. In the first half of the year, appreciation trends prevailed, driven by the relatively high yields offered by domestic financial instruments and by the favourable economic outlook. From the third quarter strong downward pressures set in, largely as a result of the fear that the mature economies' slowdown and market turmoil would also be reflected in the emerging areas.
This reversal was most acutely felt in Central and Eastern Europe. The Hungarian forint depreciated 12.5% against the euro. This result was influenced by a strong need for foreign funding and the relatively low coverage offered by currency reserves, but also by the adoption of a tax policy and other measures, which were received unfavourably by market investors. In Ukraine, to

defend the national currency the monetary authority intervened on the market for substantial amounts and pushed the money market rates to 20%.
The different economic and market dynamics are reflected in the judgments of rating agencies. On one side, Bosnia, Hungary (which lost its investment grade rating) and Slovenia were downgraded, on the other Serbia, the Czech Republic and Lithuania were upgraded, in recognition of their improved public accounts and external performance. The concerns as to the impact of the current political unrest has led to the downgrading of several MENA countries (Middle East and North Africa), including Egypt.

## The Italian banking system

### Rates and spreads

Along 2011 bank rates followed an upward trend, first as a consequence of the hikes in money rates and ECB reference rates, and later reflecting the increase in risk premiums on Italian government securities.
Starting from the summer, the sovereign debt crisis led to a funding squeeze for banks, restricting their access to wholesale and medium-/long-term debt markets, where the availability of funding contracted and its cost increased. For time deposits and bonds, the marginal cost of funding shot up considerably. The rate paid to households on new time deposits rose over 12 months by an impressive 2.15 percent, while the rate on new repurchase agreements with households and businesses came close to 3% at year-end, up 1.4 percent over its 2010 year-end value. For new fixed-rate bond issues, the average rate curve partially reflected the tensions that affected the wholesale markets. On the other hand, the average interest rate on current accounts only rose slightly, with more marked increases for the accounts of non-financial companies. The rise in the marginal cost of funding was very gradually reflected on the average rates on existing deposits.
The rising cost of funding led to the review of loan rates carried out during 2011. The rate on new loans to businesses increased, in annual average terms by almost one percent, reaching their three-year record high at the end of 2011. From the summer onward, spurred by the spillover to the economy of the mammoth increase in sovereign debt risk premiums, rates on new loans to businesses rose above the Eurozone average after a long period in which below-average values had benefited Italian borrowers. The rates on new home-purchase loans to households also rose, albeit more gradually. Rates on current loans were also affected, albeit very gradually, by the rises on new loans. The average rate on loans to households and non-financial companies rose slowly to levels last seen in mid 2009, reflecting especially the rate hikes on short-term loans to non-financial companies.
Margins on lending and deposit collecting activities remained moderate, but showed some signs of improvement. The upward revision of loan interest rates set against the slower increase in the average cost of current funding, especially in current accounts slightly widened the spread between the average rates on current loans and on funding in the second half of 2011, picking up from the lows which had characterised the whole first half of the year (2.22% in the last six months of 2011 compared with 2.09% in the first half). However, in annual average terms, the spread remained almost unchanged (2.16% against an average 2.15% in 2010). An improvement was however recorded in the spread on funding, measured on short-term interest rates, which in the third quarter of 2011 rose to levels last seen in early 2009, to narrow down again in the last part of the year (the mark-down[1] on the 1-month Euribor rate rose to an annual average of 0.68% in 2011, from 0.27% in 2010). Conversely, the mark-up[2] on the 1-month Euribor on the other hand underwent a strong rebound in the last quarter of 2011, driven by the revision of bank rates in response to the exceptional rise in spreads on Italian government debt (3.86% in the last quarter of 2011, compared with 3.21% in the first nine months of the year). However, in annual average terms, the mark-up fell slightly below the average recorded in 2010 (3.37% in 2011, 3.46% in 2010). Thanks to the improvements in contribution margins recorded during the year, the short-term spread gradually widened, coming close to 4.7% in December and closing the year with an annual average in excess of 4% (4.69% in December, 4.06% was the 2011 average, up from 3.73% in 2010).

### Loans

The year opened with a strong pickup in loans to non-financial companies, driven by the demand for short-term loans to meet working capital requirements. The good performance of short-term lending continued into November, followed by a sudden slowdown in December. Medium-/long-term lending to non-financial companies also had a rebound in 2011 from the stagnation experienced in 2010. However, growth was modest, reflecting the sluggish demand for investment loans, and the upward trend slowed down in the second half of the year. Taken overall, loans to non-financial companies showed a good growth rate in annual average terms, after the slight contraction recorded in 2010.
During the year, a slight slowdown was also experienced in loans to households, partly as a consequence of the drop in home purchase mortgage loans. Nevertheless, the growth in loans to households remained on good levels, starting to slowdown before loans to companies, but with a more gradual contraction according to the data corrected for securitisations.
In comparison with the rest of Europe, the growth of the Italian banks' lending activity was stronger than the Eurozone average, a trend present since 2009, both for loans to households and for loans to non-financial companies.
Overall, loans to households and businesses continued to grow at a fair pace, indicating that, at least up to October, the impact on the economy of the tensions on sovereign debt and of bank funding conditions remained limited. However, at year-end the growth trend in bank loans to the private sector underwent a slowdown compared with the average in the first ten months of 2011. This change could well have been influenced by the recommendation issued by the European Banking Authority (EBA), which asked 31 of the main banks in EU countries, including four Italian banks, to strengthen their capitalisation by June 2012, to counter the risks of sovereign debt. The EBA also asked the banks to reach a 9% Core Tier ratio, including a temporary capital buffer. The EBA's recommendation, issued at a time when the sovereign debt crisis was peaking and the Italian economy was falling back into recession has prompted further tightening of the credit offer, already under strain due to the banks' funding

[1] Difference between the one-month Euribor and interest rates on household and company current accounts.
[2] Difference between the interest rates applied to households and companies on loans with maturity under one year and the one-month Euribor.

difficulties. The measures adopted in early December by the ECB to boost bank lending and money market liquidity have warded off a stronger credit crunch. Already in January 2012, surveys on credit access conditions among companies have shown a slight improvement in opinions.

## Direct deposits

2011 was a complex year for the Italian bank's deposit-collection activity, not only due to the impact on the cost of funding caused by the steep rise in risk premiums on sovereign debt, but also as a consequence of the diminished willingness of bank counterparties and institutional investors to supply liquidity and medium-long term funding on the international wholesale market. Once again, the Italian banks were able to withstand the heavy market dysfunctions through direct deposit from domestic retail customers, coupled with careful and cautious management of their liquidity.
However, as expected, a steady slowdown in deposits was experienced, especially due to the weakening of current accounts, while bank bonds made a recovery, thanks to the intense issuance activity performed in the first half of 2011 but also to the stability of domestic bond placements in the second half-year despite the almost complete shutdown of wholesale markets. In 2011, Italian banks' bond issues exceeded repayments by 102 billion euro: of these, almost 46 billion euro were issued in December, and consisted of public-guarantee backed bonds placeable through the Eurosystem. Thanks to these positive results, the trend in Italian bank bonds remained substantially better than the Eurozone average, marked by stagnating performance.
As to deposits, stagnation continued all along 2011, with a slight drop in annual average terms. On the bright side, consumer household deposits held up constantly, albeit with moderate growth rates. Aggregate deposit performance was negatively affected by the contraction in current accounts, which deepened slightly in the last quarter, presumably reflecting the decline in the deposits of non-financial companies. The weakness recorded in current accounts was countered by the success of time deposits, which gained strong momentum in the last quarter of the year, with two-digit growth rates. Starting from July 2011, as market funding difficulties increased, Italian banks made increasing recourse to the Eurosystem to meet their refinancing needs. According to the Bank of Italy's financial report, as at December 2011 the total amount of refinancing operations was more than four times higher than the value at the end of 2010.

## Assets under management

As regards assets under administration, the year saw a recovery in debt securities deposits of households and businesses (debt securities at nominal value and inclusive of bank bonds). In particular, the growth in debt securities under custody on behalf of consumer households accelerated further in the last quarter of 2011, reaching the highest level since the first half of 2009. The performance of securities deposits of non financial companies and family businesses was also good. These trends confirm the current re-composition of household portfolios in the direction of higher-yield instruments, on the one hand, and the positive contribution from bank customers in absorbing bond issues and government securities, on the other.
With regard to assets under management, during 2011 the Italian market for open-ended mutual funds was marked by negative performance of the balance between subscriptions and redemptions, due to the heavy outflows from Italian mutual funds and, in the second half of the year, also from foreign mutual funds. On an annual basis, the total funding deficit of open-ended mutual funds amounted to 33 billion euro. Outflows were recorded across investment categories, the hardest hit being liquidity and bond funds. As a consequence of these outflows and of the negative performance of financial markets, the total stock managed by the open-ended mutual funds industry dropped to 419 billion euro at the end of 2011, down from the 460 billion euro registered in December 2010.
Life insurance production fell 27.8% percent in 2011 compared with the previous year, with slightly less than 53 billion euro of collected premiums. The slowdown in production was experienced across the board, including both low-risk products (-27.4% for Class I policies) and those with a higher financial component (-22% for "linked" policies). In terms of breakdown by distribution channel, in 2011 the share of premiums collected through bank and post offices remained stable at slightly more than 70.4% of total premiums (with more than 37 billion euro), while the remaining 26% off the market was roughly equally split between agents and financial advisors (with about 7 billion euro collected by each distribution channel).

## Forecast for the whole 2012

2012 promises to be a year of stagnation for the Eurozone. Several countries, including Italy, will experience a phase of recession in their economic cycle. Italy's GDP is expected to contract by at least one percent, and signs of recovery are predicted to set in only in the second half of the year. The weak economic cycle and financial tensions will prompt expansionary monetary policy, with official interest rates at low levels in historical terms and an easing of liquidity conditions. The progress already seen in risk premiums is expected to strengthen, thanks to the decrease in refinancing risk and improved public finances. However, there will continue to be various crisis hotbeds, with the result that temporary flare-ups of tensions cannot be ruled out.
In emerging countries, economic growth is expected to slow down further. Projections by the foremost centres call for a growth rate slightly above 5%. Asian economies are expected to show growth rates of around 7%, only slightly slower than in 2011. In Latin America and the CIS countries, growth is projected to fall within a range of 3-4%, depending on the phase of the related slowdown in the commodities cycle. The slowdown of growth in the euro area will result in a considerable decline in GDP growth rates in CEE and SEE countries, where the combined average value for the two areas is expected to be around 1%. CEE countries are especially exposed to the dynamics of the manufacturing cycle in major European countries. SEE countries will also be affected by the ongoing process of adjustment between current account imbalances and private-sector indebtedness.
In the MENA (Middle East and North Africa) countries with diversified exports the growth prospects appear brighter compared to 2011, albeit with margins of uncertainty, for instance in Egypt, linked to the political transition process still under way. In oil-producing countries, the slowdown in the commodities cycle will result in more moderate growth rates.

The operating scenario in the Italian banking industry will remain strongly influenced by the development of the sovereign debt crisis. Only a considerable, lasting reduction in the risk premium on Italian debt will result in a gradual normalisation of the cost of bank funding and, on trickle-down basis, loan rates, consistent with the accommodating monetary policy conditions and low level of market rates. Conversely, it is expected that lending rates will continue to be affected by detrimental funding conditions, although moderated by the extraordinary measures implemented by the Eurosystem in order to stimulate credit and provide liquidity to the money market. Loan trends will also be influenced by the recessionary phase of the Italian economy and the restrictive tax measures affecting households. Customer deposits will see a lively competitive environment, continuing to reflect the shift in investors' portfolios towards higher-yield investments, such as time deposits and government bonds.

# INCOME STATEMENT AND BALANCE SHEET AGGREGATES

# Economic results

## General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the year. To enable consistent comparison, the figures for the previous quarters of 2011 and 2010 income statement figures 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 reflect the significant effects of such changes retroactively. 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 where 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.

The restatement of the 2010 figures involved the line-by-line consolidation of Intesa Vita, Banca Monte Parma, Banca Sara (subject to a total spin-off to Banca Fideuram and Sanpaolo Invest Sim in 2011) and the branches acquired from Banca Monte dei Paschi di Siena, the sale of Cassa di Risparmio della Spezia and the branches to Crédit Agricole and, lastly, the sale of Fideuram Bank Suisse. The 2011 figures have been restated to include the results before the acquisition of Banca Monte Parma and Banca Sara (spun off, as mentioned above) and to exclude the contribution before the disposal of branches sold to Crédit Agricole and Fideuram Bank Suisse during the year.

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 have been recorded under a specific caption, and the effect of the adjustment of the technical reserve – with respect to the component attributable to policyholders – associated with the impairment of securities available for sale held in the portfolios 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 owing to the close correlation;
- fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
- profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
- Profits (Losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from Administrative expenses, instead of being included among Other operating income;
- 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 have 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 also includes Net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- impairment losses on Greek government bonds and the bonds of other Greek public entities were recognised to Net impairment losses on other assets, regardless of their balance sheet classification (Financial assets available for sale or loans);
- 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;
- Taxes on income from continuing operations, to which the portions of deductible interest expense associated with the application of settlement procedures for the tax dispute, along with the amounts of the related fines, recognised among Other operating expenses, have been attributed;
- Charges (net of tax) for integration and exit incentives, which have been reclassified from Personnel expenses, Administrative expenses and, to a lesser extent, other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent 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.

  Lastly, it should be noted that effective from the 2011 Financial statements, in the interest of providing a more accurate representation of ordinary operations, Goodwill impairment, which includes the considerable impairment losses on intangible assets, is presented, net of tax, among "non-current" income components, as was already the case for the Effect of purchase price allocation (net of tax).

## Reclassified income statement

(millions of euro)

| | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Net interest income | 9,780 | 9,700 | 80 | 0.8 |
| Dividends and profits (losses) on investments carried at equity | 72 | 29 | 43 | |
| Net fee and commission income | 5,466 | 5,652 | -186 | -3.3 |
| Profits (Losses) on trading | 920 | 460 | 460 | |
| Income from insurance business | 540 | 654 | -114 | -17.4 |
| Other operating income (expenses) | 7 | 34 | -27 | -79.4 |
| **Operating income** | **16,785** | **16,529** | **256** | **1.5** |
| Personnel expenses | -5,419 | -5,528 | -109 | -2.0 |
| Other administrative expenses | -3,080 | -3,174 | -94 | -3.0 |
| Adjustments to property, equipment and intangible assets | -638 | -602 | 36 | 6.0 |
| **Operating costs** | **-9,137** | **-9,304** | **-167** | **-1.8** |
| **Operating margin** | **7,648** | **7,225** | **423** | **5.9** |
| Net provisions for risks and charges | -218 | -366 | -148 | -40.4 |
| Net adjustments to loans | -4,243 | -3,170 | 1,073 | 33.8 |
| Net impairment losses on other assets | -1,069 | -95 | 974 | |
| Profits (Losses) on investments held to maturity and on other investments | -99 | 273 | -372 | |
| **Income (Loss) before tax from continuing operations** | **2,019** | **3,867** | **-1,848** | **-47.8** |
| Taxes on income from continuing operations | 910 | -1,372 | 2,282 | |
| Charges (net of tax) for integration and exit incentives | -552 | -72 | 480 | |
| Effect of purchase price allocation (net of tax) | -321 | -396 | -75 | -18.9 |
| Goodwill impairment (net of tax) | -10,233 | - | 10,233 | - |
| Income (Loss) after tax from discontinued operations | - | 694 | -694 | |
| Minority interests | -13 | -16 | -3 | -18.8 |
| **Net income (loss)** | **-8,190** | **2,705** | **-10,895** | |

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

## Quarterly development of the reclassified income statement

(millions of euro)

| | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fourth quarter | Third quarter | Second quarter | First quarter | Fourth quarter | Third quarter | Second quarter | First quarter |
| Net interest income | 2,541 | 2,479 | 2,368 | 2,392 | 2,408 | 2,453 | 2,442 | 2,397 |
| Dividends and profits (losses) on investments carried at equity | 5 | 26 | 34 | 7 | 11 | -5 | 26 | -3 |
| Net fee and commission income | 1,339 | 1,322 | 1,410 | 1,395 | 1,517 | 1,328 | 1,404 | 1,403 |
| Profits (Losses) on trading | 173 | -74 | 541 | 280 | 120 | 126 | -4 | 218 |
| Income from insurance business | 205 | 50 | 165 | 120 | 126 | 173 | 151 | 204 |
| Other operating income (expenses) | 2 | -3 | -3 | 11 | 14 | -4 | 2 | 22 |
| **Operating income** | **4,265** | **3,800** | **4,515** | **4,205** | **4,196** | **4,071** | **4,021** | **4,241** |
| Personnel expenses | -1,348 | -1,324 | -1,375 | -1,372 | -1,430 | -1,364 | -1,365 | -1,369 |
| Other administrative expenses | -841 | -752 | -766 | -721 | -898 | -751 | -786 | -739 |
| Adjustments to property, equipment and intangible assets | -177 | -159 | -153 | -149 | -170 | -142 | -148 | -142 |
| **Operating costs** | **-2,366** | **-2,235** | **-2,294** | **-2,242** | **-2,498** | **-2,257** | **-2,299** | **-2,250** |
| **Operating margin** | **1,899** | **1,565** | **2,221** | **1,963** | **1,698** | **1,814** | **1,722** | **1,991** |
| Net provisions for risks and charges | -106 | -18 | -80 | -14 | -148 | -32 | -100 | -86 |
| Net adjustments to loans | -2,043 | -695 | -823 | -682 | -895 | -713 | -808 | -754 |
| Net impairment losses on other assets | -360 | -635 | -57 | -17 | -47 | -5 | -38 | -5 |
| Profits (Losses) on investments held to maturity and on other investments | -139 | 7 | 19 | 14 | 262 | - | 1 | 10 |
| **Income (Loss) before tax from continuing operations** | **-749** | **224** | **1,280** | **1,264** | **870** | **1,064** | **777** | **1,156** |
| Taxes on income from continuing operations | 976 | 894 | -464 | -496 | -280 | -416 | -315 | -361 |
| Charges (net of tax) for integration and exit incentives | -53 | -483 | -12 | -4 | -18 | -11 | -27 | -16 |
| Effect of purchase price allocation (net of tax) | -67 | -83 | -85 | -86 | -102 | -102 | -100 | -92 |
| Goodwill impairment (net of tax) | -10,233 | - | - | - | - | - | - | - |
| Income (Loss) after tax from discontinued operations | - | - | - | - | 3 | - | 663 | 28 |
| Minority interests | 7 | -25 | 22 | -17 | 32 | -25 | 4 | -27 |
| **Net income (loss)** | **-10,119** | **527** | **741** | **661** | **505** | **510** | **1,002** | **688** |

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

2011 was characterised by the sovereign debt crisis, which influenced the performance of the economy at a global level, in the Eurozone and especially in Italy. In fact, after modest growth early in the year, Italy's economic performance slowed and then fell into a recession in the second half of the year.
Within this scenario, the Intesa Sanpaolo Group achieved appreciable operating results through attentive management of its lending and deposit collection operations and strict operating cost control. Those results led to an increase in the operating margin of 5.9%, from 7,225 million euro to 7,648 million euro. Nonetheless, due to the considerable impairment losses required by the gradual deterioration of credit quality and the impairment of Greek government bonds held in the portfolio, income before tax from continuing operations came to 2,019 million euro, down by nearly 48% compared to the previous year.
Affected by non-recurring income and charges of considerable amounts, and in particular the effects of the tax realignment of recognised intangible assets and, most significantly, the impairment losses on intangible assets with indefinite useful lives brought on by the challenging macroeconomic scenario, the net loss amounted to 8,190 million euro, compared to a net income of 2,705 million euro in 2010.

## Operating income

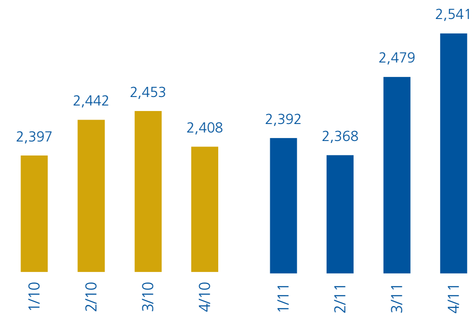
In 2011, the Group's operating income amounted to 16,785 million euro, up by 1.5% compared to the previous year.
The trend that emerges from the comparison was the result of the increase in profits on trading and, to a lesser extent, net interest income, only partly softened by the decline in fee and commission income and income from insurance business.
In further detail, operating income came to 4,265 million euro in the fourth quarter of 2011, up by 12.2% compared to the third quarter. This improvement may be ascribed to the recovery of trading operations and income from insurance business, accompanied by a moderate increase in net interest income and net fee and commission income.

## *Net interest income*

(millions of euro)

| | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Relations with customers | 11,922 | 10,589 | 1,333 | 12.6 |
| Securities issued | -5,526 | -5,239 | 287 | 5.5 |
| Differentials on hedging derivatives | 1,209 | 2,279 | -1,070 | -47.0 |
| **Customer dealing** | **7,605** | **7,629** | **-24** | **-0.3** |
| Financial assets held for trading | 624 | 700 | -76 | -10.9 |
| Investments held to maturity | 108 | 124 | -16 | -12.9 |
| Financial assets available for sale | 758 | 477 | 281 | 58.9 |
| **Financial assets** | **1,490** | **1,301** | **189** | **14.5** |
| **Relations with banks** | **-115** | **125** | **-240** | |
| **Non-performing assets** | **881** | **737** | **144** | **19.5** |
| **Other net interest income** | **-81** | **-92** | **-11** | **-12.0** |
| **Net interest income** | **9,780** | **9,700** | **80** | **0.8** |

**Quarterly development of net interest income**




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

Net interest income resumed growth after the gradual decline that began in the fourth quarter of 2010. Net interest income stood at 9,780 million euro at the end of 2011, up 0.8% compared to 2010. Interbank market rates showed signs of recovery compared to the minimum levels recorded in the previous year, resulting in an increase in the mark-down, only partly offset by a narrowing of the margin on loans.

Net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, stood at 7,605 million euro, essentially stable compared to 2010, despite higher interest expense on securities issued. The decrease in hedging differentials was offset by the positive performance of margins on relations with customers.

Interest on financial assets increased 14.5% owing to the growth of assets available for sale (+281 million euro), which contained the negative effects of the decline in financial assets held for trading (-76 million euro) and investments held to maturity (-16 million euro).

Net interest on the interbank market reported a negative balance of 115 million euro, compared to net interest income of 125 million euro in 2010, as exposure to that market, and to the ECB in particular, increased beginning in the third quarter.

(millions of euro)

| | 2011 | | | | Changes % | | |
|---|---|---|---|---|---|---|---|
| | **Fourth quarter** (A) | **Third quarter** (B) | **Second quarter** (C) | **First quarter** (D) | (A/B) | (B/C) | (C/D) |
| Relations with customers | 3,164 | 3,105 | 2,895 | 2,758 | 1.9 | 7.3 | 5.0 |
| Securities issued | -1,423 | -1,381 | -1,395 | -1,327 | 3.0 | -1.0 | 5.1 |
| Differentials on hedging derivatives | 238 | 220 | 318 | 433 | 8.2 | -30.8 | -26.6 |
| **Customer dealing** | **1,979** | **1,944** | **1,818** | **1,864** | **1.8** | **6.9** | **-2.5** |
| Financial assets held for trading | 146 | 167 | 164 | 147 | -12.6 | 1.8 | 11.6 |
| Investments held to maturity | 26 | 28 | 26 | 28 | -7.1 | 7.7 | -7.1 |
| Financial assets available for sale | 256 | 201 | 162 | 139 | 27.4 | 24.1 | 16.5 |
| **Financial assets** | **428** | **396** | **352** | **314** | **8.1** | **12.5** | **12.1** |
| **Relations with banks** | **-81** | **-54** | **9** | **11** | **50.0** | | **-18.2** |
| **Non-performing assets** | **231** | **217** | **211** | **222** | **6.5** | **2.8** | **-5.0** |
| **Other net interest income** | **-16** | **-24** | **-22** | **-19** | **-33.3** | **9.1** | **15.8** |
| **Net interest income** | **2,541** | **2,479** | **2,368** | **2,392** | **2.5** | **4.7** | **-1.0** |

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

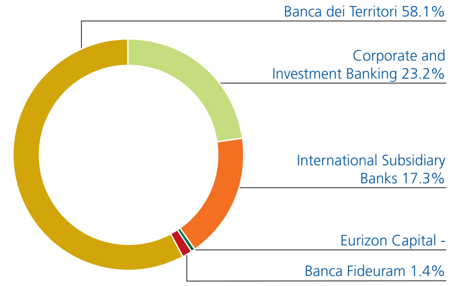
Net interest income recovered by 2.5% in the fourth quarter compared to the third, which had already seen an improvement compared to previous quarters. This was due to the recovery of spreads, which was reflected in an improvement in the component related to operations with customers and net interest income on financial assets. Net interest income in the fourth quarter was the highest of the last eight quarters.

(millions of euro)

| | 2011 | 2010 | Changes amount | Changes % |
|---|---|---|---|---|
| Banca dei Territori | 5,820 | 5,881 | -61 | -1.0 |
| Corporate and Investment Banking | 2,318 | 2,253 | 65 | 2.9 |
| International Subsidiary Banks | 1,736 | 1,665 | 71 | 4.3 |
| Eurizon Capital | 2 | 1 | 1 | |
| Banca Fideuram | 141 | 124 | 17 | 13.7 |
| **Total business areas** | **10,017** | **9,924** | **93** | **0.9** |
| Corporate Centre | -237 | -224 | 13 | 5.8 |
| **Intesa Sanpaolo Group** | **9,780** | **9,700** | **80** | **0.8** |

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 58% of business area results, recorded a 1% decrease in net interest income, mainly due to the lesser contribution by loans to customers caused by an increase in market rates not fully transferred to lending rates. This effect was partly offset by an increase in the mark-down on deposits, despite the presence of more limited benefits of the hedging of demand loans and deposits. By contrast, increases in net interest income were reported by the International Subsidiary Banks (+4.3%) and Corporate and Investment Banking (+2.9%). The latter was mainly attributable to the increase in average volumes of loans driven by the operations of the factoring and leasing product companies, structured finance and global banking and transactions, in addition to the positive contribution of the assets relating to Banca IMI's HFT & AFS portfolio, which benefited from higher interest and active management of the finance and capital management segment, as well as the increase in average spreads for public entities. A positive contribution was also provided by Banca Fideuram (+13.7%), owing to the increase in interest income generated by the rise in rates early in the year, particularly on the floating-rate securities portfolio, which allowed an improvement in the spread between yields and the cost of funding.

### *Dividends and profits on investments carried at equity*

In 2011 dividends and profits on investments carried at equity came to 72 million euro and were attributable to the dividend on the investment in the Bank of Italy and the valuation of associates, an area in which positive performances were shown by SGR (Società Gestione per il Realizzo), Bank of Qingdao and Penghua. The item showed an increase compared to the 29 million euro in profits reported in the previous year. The dividends relate to companies not consolidated line-by-line. Those on shares held for trading and securities available for sale were reclassified to Profits (Losses) on trading.

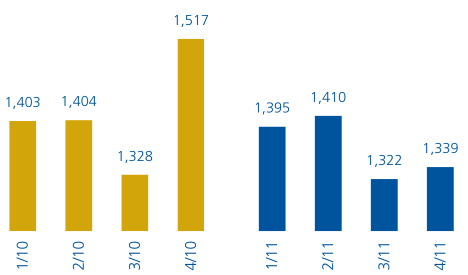
### *Net fee and commission income*

(millions of euro)

| | 2011 | 2010 | Changes amount | Changes % |
|---|---|---|---|---|
| Guarantees given | 378 | 342 | 36 | 10.5 |
| Collection and payment services | 345 | 344 | 1 | 0.3 |
| Current accounts | 872 | 897 | -25 | -2.8 |
| Credit and debit cards | 465 | 454 | 11 | 2.4 |
| **Commercial banking activities** | **2,060** | **2,037** | **23** | **1.1** |
| Dealing and placement of securities | 386 | 446 | -60 | -13.5 |
| Currency dealing | 57 | 56 | 1 | 1.8 |
| Portfolio management | 1,179 | 1,238 | -59 | -4.8 |
| Distribution of insurance products | 667 | 763 | -96 | -12.6 |
| Other | 110 | 92 | 18 | 19.6 |
| **Management, dealing and consultancy activities** | **2,399** | **2,595** | **-196** | **-7.6** |
| **Other net fee and commission income** | **1,007** | **1,020** | **-13** | **-1.3** |
| **Net fee and commission income** | **5,466** | **5,652** | **-186** | **-3.3** |

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 makes up approximately one-third of operating income, came to 5,466 million euro, down 3.3% on 2010.

Fees and commissions on commercial banking activities increased by 1.1%. The positive performance of fee and commission income on guarantees given and on debit and credit cards more than offset the downturn in commissions on current accounts, partly attributable to the promotion of modular accounts with more favourable conditions for customers.

Overall, management, dealing and consultancy activities generated net fee and commission income of 2,399 million euro, against 2,595 million euro recorded in 2010. The more modest growth of other management and dealing commissions was not sufficient to offset the decline in fee and commission income from the distribution of insurance products (-96 million euro), due to a drop in new business written, financial product dealing and placement (-60 million euro), relating to the decision to privilege the placement of own bond issues, and individual and collective portfolio management schemes (-59 million euro), as a consequence of the decrease in operations with customers and the reduced volume of assets under management.

Other net fee and commission income, whose key factors are represented by commissions on loans issued and on factoring services, showed a decline of 13 million euro compared to 2010, falling to 1,007 million euro.

(millions of euro)

| | 2011 | | | | Changes % | | |
|---|---|---|---|---|---|---|---|
| | Fourth quarter (A) | Third quarter (B) | Second quarter (C) | First quarter (D) | (A/B) | (B/C) | (C/D) |
| Guarantees given | 98 | 96 | 88 | 96 | 2.1 | 9.1 | -8.3 |
| Collection and payment services | 89 | 89 | 90 | 77 | - | -1.1 | 16.9 |
| Current accounts | 227 | 217 | 216 | 212 | 4.6 | 0.5 | 1.9 |
| Credit and debit cards | 120 | 120 | 118 | 107 | - | 1.7 | 10.3 |
| **Commercial banking activities** | **534** | **522** | **512** | **492** | **2.3** | **2.0** | **4.1** |
| Dealing and placement of securities | 83 | 82 | 115 | 106 | 1.2 | -28.7 | 8.5 |
| Currency dealing | 15 | 14 | 14 | 14 | 7.1 | - | - |
| Portfolio management | 269 | 291 | 305 | 314 | -7.6 | -4.6 | -2.9 |
| Distribution of insurance products | 154 | 147 | 162 | 204 | 4.8 | -9.3 | -20.6 |
| Other | 24 | 26 | 34 | 26 | -7.7 | -23.5 | 30.8 |
| **Management, dealing and consultancy activities** | **545** | **560** | **630** | **664** | **-2.7** | **-11.1** | **-5.1** |
| **Other net fee and commission income** | **260** | **240** | **268** | **239** | **8.3** | **-10.4** | **12.1** |
| **Net fee and commission income** | **1,339** | **1,322** | **1,410** | **1,395** | **1.3** | **-6.2** | **1.1** |

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

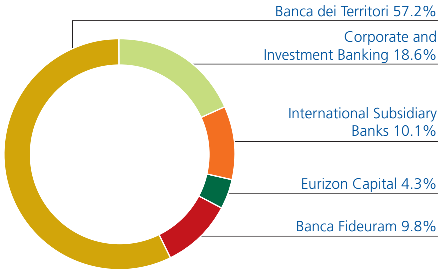
On a quarterly basis, net fee and commission income in the fourth quarter of 1,339 million euro was up 1.3% compared to the third quarter, chiefly due to the increase in fees and commissions on commercial banking activities, and especially fees and commissions on current accounts (+4.6%), owing in part to the effect typically seen at year-end, yet to a significantly lesser extent than in previous years, associated with fees on operations that exceed the allowance, and in other net fee and commission income (+8.3%). By contrast, the decline in fees and commissions on management, dealing and consultancy activities (-2.7%) was primarily a result of the negative performance by fees and commissions on portfolio management schemes (-7.6%) due to adverse market conditions.

(millions of euro)

| | 2011 | 2010 | Changes amount | Changes % |
|---|---|---|---|---|
| Banca dei Territori | 3,234 | 3,370 | -136 | -4.0 |
| Corporate and Investment Banking | 1,053 | 1,029 | 24 | 2.3 |
| International Subsidiary Banks | 572 | 576 | -4 | -0.7 |
| Eurizon Capital | 243 | 261 | -18 | -6.9 |
| Banca Fideuram | 556 | 543 | 13 | 2.4 |
| **Total business areas** | **5,658** | **5,779** | **-121** | **-2.1** |
| Corporate Centre | -192 | -127 | 65 | 51.2 |
| **Intesa Sanpaolo Group** | **5,466** | **5,652** | **-186** | **-3.3** |

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

**Business areas**



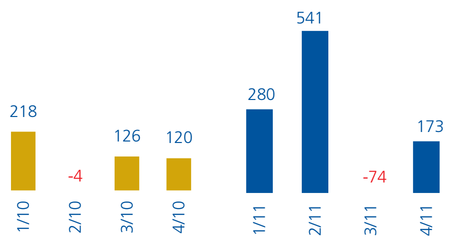

By business sector, the most significant decline in absolute terms may be attributed to Banca dei Territori (-4%), which accounts for 57% of operating units' fee and commission income. In further detail, there were decreases in fees and commissions on asset management and bancassurance products, up-front fees and commissions on bond placements and fees and commissions on current accounts. A downtrend was reported by Eurizon Capital (-6.9%), which was penalised by the negative performance effect and redemptions of Italian mutual funds and retail portfolio management schemes, resulting in a reduction in the volume of assets under management, as well as the greater weight of insurance products under management mandate compared to retail funds and management schemes. The fee and commission income reported by the International Subsidiary Banks showed a more moderate decline by amount (-4 million euro). Conversely, a good performance in net fee and commission income was recorded by Corporate and Investment Banking Division (+2.3%), due to higher income related to commercial banking services, and particularly loans, guarantees and factoring, while investment banking fees and commissions remained stable, as well as by Banca Fideuram (+2.4%), owing to the increase in recurring fees and commissions related to the development of average assets under management, as well as the reduction of fee and commission expense paid to the network of private bankers to provide incentives for inflows.

### *Profits (Losses) on trading*

(millions of euro)

| | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Interest rates | -245 | -153 | 92 | 60.1 |
| Equity instruments | -53 | 118 | -171 | |
| Currencies | 224 | 269 | -45 | -16.7 |
| Structured credit products | 49 | 96 | -47 | -49.0 |
| Credit derivatives | 95 | -5 | 100 | |
| Commodity derivatives | 12 | 28 | -16 | -57.1 |
| **Trading result** | **82** | **353** | **-271** | **-76.8** |
| **Trading on AFS securities and financial liabilities** | **838** | **107** | **731** | |
| **Profits (Losses) on trading** | **920** | **460** | **460** | |

**Quarterly development of profits (losses) on trading**




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

In 2011 trading activities yielded a profit of 920 million euro, compared to the 460 million euro recognised in the previous year. The positive performance was chiefly a result of the increase in operations on AFS securities and financial liabilities (+731 million euro), which benefited from significant capital gains on the sale of the investments in Prada (272 million euro), Findomestic (154 million euro) and Banco di Patagonia (56 million euro) and on the repurchase of own debt securities on the market (180 million euro). These effects are offset by a negative contribution from interest rate transactions in debt securities and interest rate derivatives, which include:

– the residual loss on hedging derivatives for Greek assets, reclassified due to the loss of hedge effectiveness, of -73 million euro;
– the effects on the income statement of the measurement of OTC derivatives considering the various parameters required by the new EONIA discounting approach of -80 million euro;
– the effect of the deterioration of the creditworthiness of the counterparties to derivative contracts (known as the "credit risk adjustment") of -75 million euro.

Transactions in equities, including the dividends collected, also provided a negative contribution despite the positive results of ordinary operations, owing to the decrease in the fair value of the derivative separated from the Risanamento convertible loan (-43 million euro) and the capital losses recorded on the hedge fund portfolio (-116 million euro).
Currency trading and structured credit products were down. Gains on credit derivatives (95 million euro) should be interpreted jointly with the interest rate segment, as these were mainly transactions put in place to hedge credit risk on investments in debt securities.
For a more detailed illustration of structured credit products, reference should be made to Part E of the Notes to the Consolidated financial statements.
It should be noted that transactions in AFS securities and in financial liabilities incorporate, in addition to dividends and proceeds on the trading of securities classified as available for sale, the effects of the measurement at fair value of financial liabilities issued associated with an assessment of creditworthiness related to the fair value option.

(millions of euro)

| | 2011 | | | | Changes % | | |
|---|---|---|---|---|---|---|---|
| | Fourth quarter (A) | Third quarter (B) | Second quarter (C) | First quarter (D) | (A/B) | (B/C) | (C/D) |
| Interest rates | -206 | -254 | 22 | 193 | -18.9 | | -88.6 |
| Equity instruments | 41 | -124 | -10 | 40 | | | |
| Currencies | 47 | 93 | 59 | 25 | -49.5 | 57.6 | |
| Structured credit products | 32 | -20 | 11 | 26 | | | -57.7 |
| Credit derivatives | 11 | 142 | -26 | -32 | -92.3 | | -18.8 |
| Commodity derivatives | 5 | 1 | -3 | 9 | | | |
| **Trading result** | **-70** | **-162** | **53** | **261** | **-56.8** | | **-79.7** |
| **Trading on AFS securities and financial liabilities** | **243** | **88** | **488** | **19** | | **-82.0** | |
| **Profits (Losses) on trading** | **173** | **-74** | **541** | **280** | | | **93.2** |

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

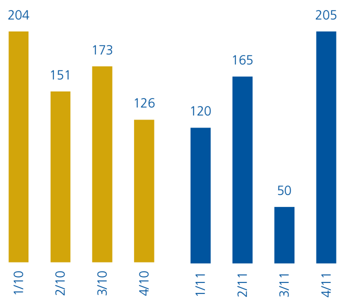
On a quarterly level, the result for the fourth quarter of 2011 was 173 million euro, compared to a loss of -74 million euro in the third quarter.

## *Income from insurance business*

(millions of euro)

| **Captions** (a) | **2011** | | | **2010** | | | **Changes** | |
|---|---|---|---|---|---|---|---|---|
| | Life | Non-life | **Total** | Life | Non-life | **Total** | **amount** | **%** |
| **Technical margin** | **83** | **42** | **125** | **128** | **24** | **152** | **-27** | **-17.8** |
| Net insurance premiums (b) | 9,093 | 167 | 9,260 | 11,065 | 159 | 11,224 | -1,964 | -17.5 |
| Net charges for insurance claims and surrenders (c) | -6,718 | -47 | -6,765 | -6,237 | -58 | -6,295 | 470 | 7.5 |
| Net charges for changes in technical reserves (d) | -3,019 | - | -3,019 | -5,629 | - | -5,629 | -2,610 | -46.4 |
| Gains (losses) on investments pertaining to insured parties on insurance products (e) | 966 | - | 966 | 1,281 | - | 1,281 | -315 | -24.6 |
| Net fees on investment contracts (f) | 116 | - | 116 | 131 | - | 131 | -15 | -11.5 |
| Commission expenses on insurance contracts (g) | -381 | -76 | -457 | -510 | -74 | -584 | -127 | -21.7 |
| Other technical income and expense (h) | 26 | -2 | 24 | 27 | -3 | 24 | - | - |
| **Net investment result** | **401** | **14** | **415** | **488** | **14** | **502** | **-87** | **-17.3** |
| Operating income from investments | 838 | 14 | 852 | 2,727 | 14 | 2,741 | -1,889 | -68.9 |
| *Net interest income* | *2,057* | *12* | *2,069* | *1,592* | *9* | *1,601* | *468* | *29.2* |
| *Dividends* | *87* | - | *87* | *94* | - | *94* | *-7* | *-7.4* |
| *Gains/losses on disposal* | *-119* | *2* | *-117* | *1,117* | *5* | *1,122* | *-1,239* | |
| *Valuation gains/losses* | *-1,005* | - | *-1,005* | *206* | - | *206* | *-1,211* | |
| *Portfolio management fees paid (i)* | *-151* | - | *-151* | *-144* | - | *-144* | *7* | *4.9* |
| *Profit/loss pertaining to third party underwriters of mutual funds (j)* | *-31* | - | *-31* | *-138* | - | *-138* | *-107* | *-77.5* |
| Gains (losses) on investments pertaining to insured parties | -437 | - | -437 | -2,239 | - | -2,239 | -1,802 | -80.5 |
| *Insurance products (k)* | *-1,062* | - | *-1,062* | *-1,286* | - | *-1,286* | *-224* | *-17.4* |
| *Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)* | *96* | - | *96* | *5* | - | *5* | *91* | |
| *Investment products (m)* | *529* | - | *529* | *-958* | - | *-958* | *1,487* | |
| **Income from insurance business** | **484** | **56** | **540** | **616** | **38** | **654** | **-114** | **-17.4** |

**Quarterly development of income from insurance business**




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

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes profit/loss pertaining to third party underwriters of consolidated mutual funds which are not wholly-owned by the Group.

(k) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(l) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(m) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

In 2011, income from insurance business, which includes the revenue captions of the Group's life and non-life companies, was 540 million euro, down 114 million euro compared to the previous year. The decrease in revenues attributable to the life business was primarily due to the unfavourable performance of net investment result attributable to the deterioration of financial market quotations, which resulted in the recognition of realised and unrealised losses on investments. The technical margin showed a better performance, despite being penalised by lesser net insurance premiums and greater charges for insurance claims and surrenders. It should be recalled that the 2010 figure had benefited from capital gains on the sale of securities.
The result for non-life business increased, mainly due to the increase in net premiums and to lower claim-related expense.

(millions of euro)

| **Captions** (a) | **2011** | | | | **Changes %** | | |
|---|---|---|---|---|---|---|---|
| | **Fourth quarter** (A) | **Third quarter** (B) | **Second quarter** (C) | **First quarter** (D) | (A/B) | (B/C) | (C/D) |
| **Technical margin** | **42** | **5** | **34** | **44** | | -85.3 | -22.7 |
| Net insurance premiums (b) | 1,768 | 1,824 | 2,237 | 3,431 | -3.1 | -18.5 | -34.8 |
| Net charges for insurance claims and surrenders (c) | -2,307 | -1,435 | -1,622 | -1,401 | 60.8 | -11.5 | 15.8 |
| Net charges for changes in technical reserves (d) | 232 | -312 | -865 | -2,074 | | -63.9 | -58.3 |
| Gains (losses) on investments pertaining to insured parties on insurance products (e) | 422 | -15 | 363 | 196 | | | 85.2 |
| Net fees on investment contracts (f) | 5 | 42 | 37 | 32 | -88.1 | 13.5 | 15.6 |
| Commission expenses on insurance contracts (g) | -88 | -105 | -125 | -139 | -16.2 | -16.0 | -10.1 |
| Other technical income and expense (h) | 10 | 6 | 9 | -1 | 66.7 | -33.3 | |
| **Net investment result** | **163** | **45** | **131** | **76** | | -65.6 | 72.4 |
| Operating income from investments | 742 | -584 | 483 | 211 | | | |
| *Net interest income* | *625* | *499* | *509* | *436* | *25.3* | *-2.0* | *16.7* |
| *Dividends* | *13* | *15* | *47* | *12* | *-13.3* | *-68.1* | |
| *Gains/losses on disposal* | *-203* | *-256* | *82* | *260* | *-20.7* | | *-68.5* |
| *Valuation gains/losses* | *305* | *-731* | *-70* | *-509* | | | *-86.2* |
| *Portfolio management fees paid (i)* | *-34* | *-38* | *-40* | *-39* | *-10.5* | *-5.0* | *2.6* |
| *Profit/loss pertaining to third party underwriters of mutual funds (j)* | *36* | *-73* | *-45* | *51* | | *62.2* | |
| Gains (losses) on investments pertaining to insured parties | -579 | 629 | -352 | -135 | | | |
| *Insurance products (k)* | *-434* | *-70* | *-340* | *-218* | | *-79.4* | *56.0* |
| *Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)* | *12* | *85* | *-23* | *22* | *-85.9* | | |
| *Investment products (m)* | *-157* | *614* | *11* | *61* | | | *-82.0* |
| **Income from insurance business** | **205** | **50** | **165** | **120** | | **-69.7** | **37.5** |

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

For notes, see the previous table

The insurance business showed growth in the fourth quarter of 2011 compared to the previous quarters, most markedly in comparison with the third quarter, rising from 50 to 205 million euro, owing in part to the new shadow-accounting method adopted by the Group's insurance companies. Overall, income in the second half of the year, amounting to 255 million euro, returned to levels near those of the first half of the year (285 million euro).

(millions of euro)

| | 2011 | | | | 2010 |
|---|---|---|---|---|---|
| | **Periodic premiums** | **Single premiums** | **Total** | *of which new business* | |
| **Life insurance business** | **802** | **8,292** | **9,094** | ***8,291*** | **11,066** |
| Premiums issued on traditional products | 661 | 8,024 | 8,685 | *8,024* | 10,504 |
| Premiums issued on unit-linked products | 101 | 57 | 158 | *57* | 204 |
| Premiums issued on capitalisation products | 1 | 1 | 2 | *1* | 13 |
| Premiums issued on pension funds | 39 | 210 | 249 | *209* | 345 |
| **Non-life insurance business** | **48** | **126** | **174** | ***78*** | **171** |
| Premiums issued | 47 | 175 | 222 | *126* | 198 |
| Change in premium reserves | 1 | -49 | -48 | *-48* | -27 |
| **Premiums ceded to reinsurers** | **-3** | **-5** | **-8** | ***-3*** | **-13** |
| **Net premiums from insurance products** | **847** | **8,413** | **9,260** | ***8,366*** | **11,224** |
| Business on index-linked contracts | - | - | - | *-* | - |
| Business on unit-linked contracts | 219 | 3,394 | 3,613 | *3,395* | 4,490 |
| **Total business from investment contracts** | **219** | **3,394** | **3,613** | ***3,395*** | **4,490** |
| **Total business** | **1,066** | **11,807** | **12,873** | ***11,761*** | **15,714** |

Figures restated, where necessary, to account for changes in the scope of consolidation.

The total business of the insurance segment reached premiums of 12.9 billion euro compared to total inflows of 15.7 billion in 2010. New business came to 11.8 billion euro, over 70% of which was attributable to net premiums on insurance products.

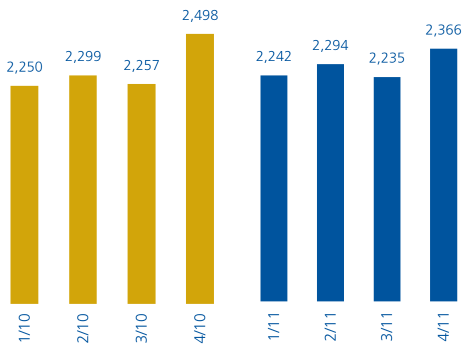
***Other operating income (expenses)***
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. In 2011 this caption recorded a positive balance of 7 million euro compared to the 34 million euro recognised in 2010, which included non-recurring sums.

## Operating costs

(millions of euro)

| | 2011 | 2010 | Changes amount | Changes % |
|---|---|---|---|---|
| Wages and salaries | 3,834 | 3,948 | -114 | -2.9 |
| Social security charges | 982 | 996 | -14 | -1.4 |
| Other | 603 | 584 | 19 | 3.3 |
| **Personnel expenses** | **5,419** | **5,528** | **-109** | **-2.0** |
| Information technology expenses | 702 | 753 | -51 | -6.8 |
| Management of real estate assets expenses | 749 | 762 | -13 | -1.7 |
| General structure costs | 375 | 396 | -21 | -5.3 |
| Professional and legal expenses | 452 | 455 | -3 | -0.7 |
| Advertising and promotional expenses | 166 | 171 | -5 | -2.9 |
| Indirect personnel costs | 127 | 130 | -3 | -2.3 |
| Other costs | 420 | 400 | 20 | 5.0 |
| Indirect taxes and duties | 663 | 628 | 35 | 5.6 |
| Recovery of expenses and charges | -574 | -521 | 53 | 10.2 |
| **Administrative expenses** | **3,080** | **3,174** | **-94** | **-3.0** |
| Property and equipment | 385 | 379 | 6 | 1.6 |
| Intangible assets | 253 | 223 | 30 | 13.5 |
| **Adjustments** | **638** | **602** | **36** | **6.0** |
| **Operating costs** | **9,137** | **9,304** | **-167** | **-1.8** |

**Quarterly development of operating costs**




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

Operating costs amounted to 9,137 million euro, down 1.8% on the figure recorded in 2010.
Personnel expenses decreased by 2% to 5,419 million euro. Policies aimed at reducing the rise in average costs, associated with a decrease in the average number of employees (-0.6%), contributed to the reduction in expenses.

Administrative expenses were 3,080 million euro, down 3%: this result was shaped in particular by the decrease in information technology expenses (-6.8%), general structure costs (-5.3%) and property management costs (-1.7%).
Amortisation and depreciation for 2011 amounted to 638 million euro, up 6% on the previous year, mainly due to higher investments in intangible assets, particularly in software application components.
As a result of the combined performance of revenues and costs, the cost/income ratio for the period was 54.4%, down compared to the 56.3% recognised for 2010.

(millions of euro)

| | 2011 | | | | Changes % | | |
|---|---|---|---|---|---|---|---|
| | Fourth quarter (A) | Third quarter (B) | Second quarter (C) | First quarter (D) | (A/B) | (B/C) | (C/D) |
| Wages and salaries | 949 | 937 | 984 | 964 | 1.3 | -4.8 | 2.1 |
| Social security charges | 238 | 241 | 253 | 250 | -1.2 | -4.7 | 1.2 |
| Other | 161 | 146 | 138 | 158 | 10.3 | 5.8 | -12.7 |
| **Personnel expenses** | **1,348** | **1,324** | **1,375** | **1,372** | **1.8** | **-3.7** | **0.2** |
| Information technology expenses | 184 | 171 | 171 | 176 | 7.6 | - | -2.8 |
| Management of real estate assets expenses | 196 | 192 | 178 | 183 | 2.1 | 7.9 | -2.7 |
| General structure costs | 88 | 94 | 96 | 97 | -6.4 | -2.1 | -1.0 |
| Professional and legal expenses | 135 | 100 | 117 | 100 | 35.0 | -14.5 | 17.0 |
| Advertising and promotional expenses | 61 | 31 | 45 | 29 | 96.8 | -31.1 | 55.2 |
| Indirect personnel costs | 34 | 25 | 42 | 26 | 36.0 | -40.5 | 61.5 |
| Other costs | 122 | 113 | 93 | 92 | 8.0 | 21.5 | 1.1 |
| Indirect taxes and duties | 183 | 169 | 160 | 151 | 8.3 | 5.6 | 6.0 |
| Recovery of expenses and charges | -162 | -143 | -136 | -133 | 13.3 | 5.1 | 2.3 |
| **Administrative expenses** | **841** | **752** | **766** | **721** | **11.8** | **-1.8** | **6.2** |
| Property and equipment | 101 | 95 | 95 | 94 | 6.3 | - | 1.1 |
| Intangible assets | 76 | 64 | 58 | 55 | 18.8 | 10.3 | 5.5 |
| **Adjustments** | **177** | **159** | **153** | **149** | **11.3** | **3.9** | **2.7** |
| **Operating costs** | **2,366** | **2,235** | **2,294** | **2,242** | **5.9** | **-2.6** | **2.3** |

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

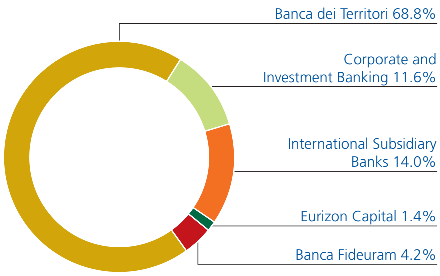
At the quarterly level, operating costs increased by 5.9% in the fourth quarter compared to the third quarter, reaching 2,366 million euro. The performance is mainly attributable to administrative expenses, which traditionally present elements of seasonality: the most significant differences were in professional and legal expenses, advertising and promotional expenses and information technology expenses.

(millions of euro)

| | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Banca dei Territori | 5,733 | 5,903 | -170 | -2.9 |
| Corporate and Investment Banking | 968 | 965 | 3 | 0.3 |
| International Subsidiary Banks | 1,171 | 1,169 | 2 | 0.2 |
| Eurizon Capital | 120 | 132 | -12 | -9.1 |
| Banca Fideuram | 347 | 362 | -15 | -4.1 |
| **Total business areas** | **8,339** | **8,531** | **-192** | **-2.3** |
| Corporate Centre | 798 | 773 | 25 | 3.2 |
| **Intesa Sanpaolo Group** | **9,137** | **9,304** | **-167** | **-1.8** |

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

**Business areas**




The virtuous trend in Group operating costs (-1.8%) was driven by Banca dei Territori (-2.9%), which recorded 69% of total business areas costs, Banca Fideuram (-4.1%) and Eurizon Capital (-9.1%). Savings in these business areas were related to both personnel expenses and other administrative expenses. Essentially stable costs were reported by the International Subsidiary Banks (+0.2%) and Corporate and Investment Banking (+0.3%). The Corporate Centre's costs were up (+3.2%) due to greater amortisation and depreciation.

## Operating margin

The operating margin came to 7,648 million euro in 2011, up 5.9% compared to the previous year. This trend was generated by increased revenues (+1.5%), accompanied by a decrease in operating costs (-1.8%). The trend was even more positive at the quarterly level, translating into an increase of 21.3% on the previous quarter.

## Adjustments to/write-backs on assets

### *Net provisions for risks and charges*

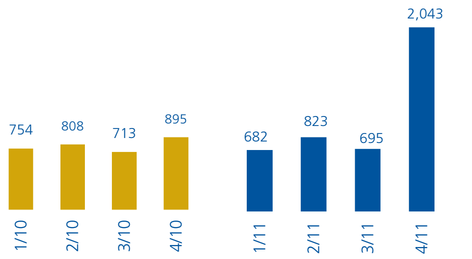
In 2011 net provisions for risks and charges amounted to 218 million euro, attributable to provisions for legal proceedings, revocatory actions and other existing risks mainly concerning the Parent Company. That amount is compared to the 366 million euro reported in 2010, which included allocations attributable to the revision of existing consumer credit product contracts and tax disputes.

### *Net adjustments to loans*

(millions of euro)

| | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Doubtful loans | -2,227 | -1,815 | 412 | 22.7 |
| Substandard loans | -991 | -993 | -2 | -0.2 |
| Restructured loans | -387 | -32 | 355 | |
| Past due loans | -209 | -207 | 2 | 1.0 |
| Performing loans | -416 | -124 | 292 | |
| **Net impairment losses on loans** | **-4,230** | **-3,171** | **1,059** | **33.4** |
| **Net adjustments to guarantees and commitments** | **-13** | **1** | **-14** | |
| **Net adjustments to loans** | **-4,243** | **-3,170** | **1,073** | **33.8** |

**Quarterly development of net adjustments to loans**




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

During 2011, the gradual deterioration of the general economic situation, which only became clear late in the year with a decrease in GDP and the beginning of a recessionary phase in Italy, resulted in a further significant decline in credit quality, with a consequent rise in net adjustments to loans, which amounted to 4,243 million euro, up 33.8% compared to 2010. Doubtful positions required total net adjustments of 2,227 million euro, up 22.7% compared to the previous year, with an average coverage ratio of 64%. Conversely, net adjustments to substandard positions of 991 million euro remained virtually unchanged with a coverage ratio of 20.6%. Adjustments to restructured loans increased significantly from 32 million euro in 2010 to 387 million euro in 2011.

The significant amount of adjustments to loans may be attributed both to a general deterioration in the solvency of borrowers and to the deterioration of certain loan portfolios or specific positions.

In further detail, within the non-performing loan category (doubtful loans and substandard loans), especially negative results were shown by the portfolios of Mediocredito Italiano (medium- and long-term loans to SMEs) and Neos (consumer loans).

In the restructured loans category, it was necessary to apply considerable adjustments to positions already subject to previous debt restructuring agreements, which showed, during the year, a deterioration of the assets serving as collateral for the exposures as a result of the financial market and real-estate sector crisis.

Lastly, with regard to performing loans, there was a significant increase in "collective" adjustments, with portfolio coverage rising from 0.7% to 0.8%, as a consequence of the worsening of the economic situation, especially in the latter part of the year. The adjustments to this loan portfolio also include those applied by the Hungarian subsidiary CIB Bank due to the enactment by the government of measures aimed at transferring to the banking system a portion of the foreign exchange losses of customers who have contracted mortgage loans denominated in foreign currencies, which entered into effect in the fourth quarter.

(millions of euro)

| | 2011 | | | | Changes % | | |
|---|---|---|---|---|---|---|---|
| | Fourth quarter (A) | Third quarter (B) | Second quarter (C) | First quarter (D) | (A/B) | (B/C) | (C/D) |
| Doubtful loans | -868 | -388 | -576 | -395 | | -32.6 | 45.8 |
| Substandard loans | -289 | -261 | -210 | -231 | 10.7 | 24.3 | -9.1 |
| Restructured loans | -358 | -3 | -18 | -8 | | -83.3 | |
| Past due loans | -63 | -43 | -56 | -47 | 46.5 | -23.2 | 19.1 |
| Performing loans | -425 | 7 | 6 | -4 | | 16.7 | |
| **Net losses/recoveries on impairment of loans** | **-2,003** | **-688** | **-854** | **-685** | | **-19.4** | **24.7** |
| **Net adjustments to/recoveries on guarantees and commitments** | **-40** | **-7** | **31** | **3** | - | - | - |
| **Net adjustments to loans** | **-2,043** | **-695** | **-823** | **-682** | | **-15.6** | **20.7** |

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

Quarterly analysis also shows a strong increase in net adjustments to loans, which rose from 695 million euro in the third quarter to 2,043 million euro in the fourth quarter, consistently with financial market performance and the economic cycle, which reached peak tension levels in the latter part of the year. In further detail, there were increases in adjustments to doubtful loans (+480 million euro) and restructured loans (+355 million euro) and coverage was increased for performing loans (+432 million euro), consistently with the cyclical effect of "collective adjustments" and taking account of provisions recognised by the Hungarian subsidiary CIB Bank, as illustrated above.

### *Net impairment losses on other assets*

During 2011, net impairment losses on other assets totalled 1,069 million euro, 939 million euro of which was attributable to the impairment of Greek government bonds held by the Group. The residual amount refers to the impairment loss on equity instruments and bonds available for sale. This figure compares to the 95 million euro recorded in the previous year.
As mentioned previously, and to be illustrated in greater detail later in this Report, it was deemed appropriate to reclassify the full effect of impairment losses on Greek government bonds and bonds issued by other Greek public entities to this caption, regardless of their balance sheet classification (AFS or L&R) to avoid distortion effects on the cost of credit.
In particular: AFS securities were measured at fair value, recognising the entire negative reserve (532 million euro, net of amounts allocated to insurance products under separate management) and lesser impairment losses related to financial guarantees of 7 million euro to the income statement, while for securities classified as L&R, a haircut of approximately 78% was applied to the contractual inflows and said inflows were discounted at the effective interest rate, taking into account interest rate hedging, as required by IAS 39. The methodology described above resulted in the recognition of total adjustments of 414 million euro.
Note that the Greek securities classified as held for trading (of a marginal amount) are systematically designated at fair value through profit and loss.
In the fourth quarter of 2011, adjustments declined compared to the previous quarter, falling from 635 to 360 million euro. This amount is almost entirely attributable to the impairment of the Greek bonds held by BIIS (249 million euro), Banca Fideuram (27 million euro) and the Group’s insurance companies (44 million euro).

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

Losses on investments held to maturity and on other investments amounted to 99 million euro in 2011. This result is essentially due to the impairment of the investment in Telco (251 million euro), only partially offset by capital gains realised on the sale of branches to Crédit Agricole (123 million euro), a historical property of CR Firenze (16 million euro) and Serenissima Partecipazioni (11 million euro). This figure is compared to the 273 million euro in profits reported in 2010.

### *Income before tax from continuing operations*

Income before tax from continuing operations came to 2,019 million euro in 2011, down 47.8% from 2010. Given an increase in the operating margin, the trend was primarily due to a strong increase in net adjustments to loans and other assets, only partially counterbalanced by a decrease in net provisions for risks and charges. The result for the fourth quarter, penalised by said adjustments, decreased significantly compared to the result for the third quarter, coming to a negative balance of 749 million euro.

## Other income and expense captions

### *Taxes on income from continuing operations*

Income tax for 2011 based on current and deferred tax was a positive 910 million euro, against the 1,372 million euro provisioned for 2010. Income taxes for the year benefited from the realignment of goodwill included in the consolidated financial statements, as permitted by Article 23 of Law Decree no. 98 of 6 July 2011. Specifically, as previously illustrated, the rule permits the realignment (i.e., tax recognition) of intangible assets (goodwill, trademarks and other intangible assets) recognised in the consolidated financial statements and related to the higher values of controlling interests - which must be understood as those included in the scope of consolidation based on the IAS/IFRS - recorded in the separate financial statements as a result of extraordinary transactions that are tax-neutral (business contribution, merger, spin-off) or executive (sale of companies and interests).
The provision allowed recognition for tax purposes of the above assets, by paying a 16% substitute tax and performing tax deduction for the related value, off balance sheet, in ten years, starting from 2013.
Exercise of this option results in the recognition of future tax benefits expected from deduction of the tax value of the realigned assets from corporate income, represented by deferred taxes relating to the new temporary deductible difference.
The application of the statute in the preparation of the 2011 financial statements resulted in the recognition of deferred tax assets and the release of tax liabilities of 4,199 million euro and a substitute tax charge of 2,069 million euro, with a net benefit to the income statement for the year of 2,130 million euro.
The caption was also affected by the settlement of disputes with Agenzia delle Entrate (Italian Revenue Agency) concerning the misuse of a right to which the Group was a party through recourse to dispute settlement mechanisms, as described in further detail in Part E of the Notes, resulting in the use of the pre-established allowance with a total charge recognised in the income statement of 158 million euro (147 million euro net of the deductibility of the associated interest expense).
In addition, the recent increase in the base IRAP tax rate entailed an increase in taxes for the year of approximately 86 million euro.

### *Charges (net of tax) for integration and exit incentives*

This caption rose to 552 million euro, mainly due to the inclusion of costs relating to the exit of personnel pursuant to the Framework Agreement of 29 July 2011, which has already been mentioned, amounting to 506 million euro net of discounting and the tax effect.

### *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 321 million euro in 2011, down from 396 million euro recorded in 2010. The caption also includes the recognition of badwill of 16 million euro on the acquisition of Banco Emiliano Romagnolo.

### *Goodwill impairment (net of tax)*

As mentioned above, the negative results of impairment tests on the carrying amounts of goodwill resulted in the recognition of impairment losses of a total of 10,233 million euro in 2011. Of this amount, 6,390 million euro was associated with the Banca dei Territori CGU, 2,318 million euro with the Corporate and Investment Banking CGU, 373 million euro with the Eurizon Capital CGU and 122 million euro with the International Subsidiary Banks CGU, to which foreign exchange differences of 21 million, entirely adjusted, are also attributable. Bank of Alexandria, the goodwill associated with which, of 1,009 million euro, was fully impaired, was separated from the International Subsidiary Banks CGU for reasons solely relating to the institutional and economic situation in the country in which it is located, Egypt.

### *Income (Loss) from discontinued operations (net of tax)*

No income or loss on discontinued operations was recorded in 2011. Conversely, 694 million euro in income was recorded in the previous year, mostly due to the results of securities services business on completion of the sale to State Street Co.

## Net income (loss)

The net result for 2011, which, as mentioned above, was affected by non-recurring income and charges of considerable amounts, came to a net loss of 8,190 million euro, compared to a net income of 2,705 million euro in 2010.

# Balance sheet aggregates

### General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of the Group's assets and liabilities. 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 reflect the significant effects of such changes retroactively. 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 where 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.

The most significant restatements involved the line-by-line consolidation of Banca Monte Parma and Banca Sara (subject to a total spin-off to Banca Fideuram S.p.A. and Sanpaolo Invest Sim in 2011), the sale of Cassa di Risparmio della Spezia and the branches to Crédit Agricole and, lastly, the sale of Fideuram Bank Suisse.

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 | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Financial assets held for trading | 59,963 | 71,945 | -11,982 | -16.7 |
| *of which: Insurance Companies* | *1,341* | *1,836* | *-495* | *-27.0* |
| Financial assets designated at fair value through profit and loss | 34,253 | 35,550 | -1,297 | -3.6 |
| *of which: Insurance Companies* | *33,391* | *34,538* | *-1,147* | *-3.3* |
| Financial assets available for sale | 68,777 | 61,835 | 6,942 | 11.2 |
| *of which: Insurance Companies* | *39,194* | *39,197* | *-3* | *-* |
| Investments held to maturity | 2,621 | 3,858 | -1,237 | -32.1 |
| Due from banks | 35,865 | 41,494 | -5,629 | -13.6 |
| Loans to customers | 376,744 | 378,827 | -2,083 | -0.5 |
| Investments in associates and companies subject to joint control | 2,630 | 2,712 | -82 | -3.0 |
| Property, equipment and intangible assets | 20,577 | 31,076 | -10,499 | -33.8 |
| Tax assets | 14,702 | 8,769 | 5,933 | 67.7 |
| Non-current assets held for sale and discontinued operations | 26 | 75 | -49 | -65.3 |
| Other assets | 23,063 | 20,884 | 2,179 | 10.4 |
| **Total Assets** | **639,221** | **657,025** | **-17,804** | **-2.7** |

| Liabilities and Shareholders' Equity | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Due to banks | 78,644 | 52,972 | 25,672 | 48.5 |
| Due to customers and securities issued | 357,410 | 399,177 | -41,767 | -10.5 |
| *of which: Insurance Companies* | *403* | *211* | *192* | *91.0* |
| Financial liabilities held for trading | 48,740 | 45,044 | 3,696 | 8.2 |
| *of which: Insurance Companies* | *29* | *48* | *-19* | *-39.6* |
| Financial liabilities designated at fair value through profit and loss | 22,653 | 26,144 | -3,491 | -13.4 |
| *of which: Insurance Companies* | *21,955* | *24,906* | *-2,951* | *-11.8* |
| Tax liabilities | 4,064 | 3,253 | 811 | 24.9 |
| Liabilities associated with non-current assets held for sale and discontinued operations | - | - | - | - |
| Other liabilities | 24,225 | 20,941 | 3,284 | 15.7 |
| Technical reserves | 50,761 | 50,188 | 573 | 1.1 |
| Allowances for specific purpose | 4,966 | 4,644 | 322 | 6.9 |
| Share capital | 8,546 | 6,647 | 1,899 | 28.6 |
| Reserves | 49,982 | 45,235 | 4,747 | 10.5 |
| Valuation reserves | -3,298 | -1,054 | 2,244 | |
| Minority interests | 718 | 1,129 | -411 | -36.4 |
| Net income (loss) | -8,190 | 2,705 | -10,895 | |
| **Total Liabilities and Shareholders' Equity** | **639,221** | **657,025** | **-17,804** | **-2.7** |

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

Intesa Sanpaolo's consolidated assets recorded a moderate decrease in 2011: total assets were down 2.7%.
The significant reduction in financial assets held for trading (-12 billion euro), property, equipment and intangible assets (-10.5 billion euro) due to the impairment of goodwill and, to a lesser extent, amounts due from banks (-5.6 billion euro) and loans to customers (-2.1 billion euro) was partially offset by the increase in financial assets available for sale (+6.9 billion euro) and tax assets (+5.9 billion euro). As regards liabilities, there was a shift in the composition of customer deposits (-41.8 billion euro of amounts due to customers and securities issued) towards bank funding (+25.7 billion euro), owing in part to recourse to refinancing with the European Central Bank, capital and reserves (+6.6 billion euro ) as a result of the capital increase, financial liabilities held for trading (+3.7 billion euro) and other liability captions (+3.3 billion euro).

## Quarterly development of the reclassified balance sheet

(millions of euro)

| **Assets** | **2011** | | | | **2010** | | | |
|---|---|---|---|---|---|---|---|---|
| | **31/12** | **30/9** | **30/6** | **31/3** | **31/12** | **30/9** | **30/6** | **31/3** |
| Financial assets held for trading | 59,963 | 69,934 | 60,584 | 61,141 | 71,945 | 90,565 | 98,522 | 84,023 |
| *of which: Insurance Companies* | *1,341* | *1,371* | *1,625* | *1,690* | *1,836* | *1,855* | *2,299* | *1,400* |
| Financial assets designated at fair value through profit and loss | 34,253 | 35,212 | 36,303 | 36,349 | 35,550 | 33,253 | 32,974 | 33,432 |
| *of which: Insurance Companies* | *33,391* | *34,345* | *35,354* | *35,230* | *34,538* | *32,301* | *32,059* | *32,517* |
| Financial assets available for sale | 68,777 | 70,950 | 69,007 | 64,845 | 61,835 | 60,541 | 55,199 | 55,627 |
| *of which: Insurance Companies* | *39,194* | *40,733* | *41,837* | *41,137* | *39,197* | *39,638* | *36,341* | *36,735* |
| Investments held to maturity | 2,621 | 2,872 | 2,865 | 3,021 | 3,858 | 4,224 | 4,326 | 4,365 |
| Due from banks | 35,865 | 40,449 | 43,258 | 40,449 | 41,494 | 44,132 | 46,975 | 46,275 |
| Loans to customers | 376,744 | 381,192 | 374,979 | 377,252 | 378,827 | 378,157 | 374,901 | 370,968 |
| Investments in associates and companies subject to joint control | 2,630 | 2,732 | 2,694 | 2,817 | 2,712 | 2,360 | 2,348 | 2,328 |
| Property, equipment and intangible assets | 20,577 | 30,876 | 30,798 | 30,903 | 31,076 | 30,589 | 30,779 | 30,671 |
| Tax assets | 14,702 | 11,259 | 7,886 | 8,079 | 8,769 | 7,861 | 8,133 | 7,564 |
| Non-current assets held for sale and discontinued operations | 26 | 30 | 38 | 35 | 75 | 48 | 35 | 7,741 |
| Other assets | 23,063 | 21,816 | 19,182 | 20,703 | 20,884 | 23,853 | 26,291 | 27,552 |
| **Total Assets** | **639,221** | **667,322** | **647,594** | **645,594** | **657,025** | **675,583** | **680,483** | **670,546** |

| **Liabilities and Shareholders' Equity** | **2011** | | | | **2010** | | | |
|---|---|---|---|---|---|---|---|---|
| | **31/12** | **30/9** | **30/6** | **31/3** | **31/12** | **30/9** | **30/6** | **31/3** |
| Due to banks | 78,644 | 72,978 | 50,182 | 51,087 | 52,972 | 47,326 | 49,753 | 45,503 |
| Due to customers and securities issued | 357,410 | 369,459 | 389,511 | 392,736 | 399,177 | 406,472 | 410,986 | 403,229 |
| *of which: Insurance Companies* | *403* | *368* | *389* | *405* | *211* | *216* | *230* | *237* |
| Financial liabilities held for trading | 48,740 | 53,952 | 38,216 | 37,431 | 45,044 | 58,139 | 56,413 | 48,349 |
| *of which: Insurance Companies* | *29* | *76* | *43* | *42* | *48* | *65* | *67* | *51* |
| Financial liabilities designated at fair value through profit and loss | 22,653 | 23,558 | 24,729 | 25,201 | 26,144 | 26,357 | 26,430 | 27,692 |
| *of which: Insurance Companies* | *21,955* | *22,814* | *23,969* | *24,403* | *24,906* | *24,617* | *24,646* | *25,393* |
| Tax liabilities | 4,064 | 4,857 | 3,299 | 3,342 | 3,253 | 3,032 | 2,857 | 3,772 |
| Liabilities associated with non-current assets held for sale and discontinued operations | - | - | - | - | - | - | - | 9,375 |
| Other liabilities | 24,225 | 26,697 | 24,330 | 23,765 | 20,941 | 26,062 | 26,537 | 24,704 |
| Technical reserves | 50,761 | 52,217 | 52,887 | 51,896 | 50,188 | 49,585 | 48,612 | 47,947 |
| Allowances for specific purpose | 4,966 | 4,978 | 4,405 | 4,561 | 4,644 | 4,557 | 4,612 | 4,791 |
| Share capital | 8,546 | 8,546 | 8,546 | 6,647 | 6,647 | 6,647 | 6,647 | 6,647 |
| Reserves | 49,982 | 49,906 | 49,924 | 47,920 | 45,235 | 45,265 | 45,317 | 46,358 |
| Valuation reserves | -3,298 | -2,827 | -937 | -766 | -1,054 | -1,134 | -1,120 | -339 |
| Minority interests | 718 | 1,072 | 1,100 | 1,113 | 1,129 | 1,075 | 1,749 | 1,830 |
| Net income (loss) | -8,190 | 1,929 | 1,402 | 661 | 2,705 | 2,200 | 1,690 | 688 |
| **Total Liabilities and Shareholders' Equity** | **639,221** | **667,322** | **647,594** | **645,594** | **657,025** | **675,583** | **680,483** | **670,546** |

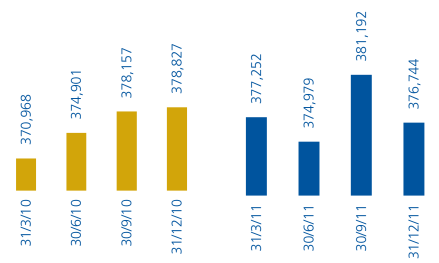
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

## Loans to customers

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | | Changes | |
|---|---|---|---|---|---|---|
| | | % breakdown | | % breakdown | amount | % |
| Current accounts | 33,832 | 9.0 | 30,713 | 8.1 | 3,119 | 10.2 |
| Mortgages | 164,845 | 43.7 | 165,702 | 43.7 | -857 | -0.5 |
| Advances and other loans | 131,783 | 35.0 | 132,449 | 35.0 | -666 | -0.5 |
| **Commercial banking loans** | **330,460** | **87.7** | **328,864** | **86.8** | **1,596** | **0.5** |
| **Repurchase agreements** | **5,302** | **1.4** | **10,703** | **2.8** | **-5,401** | **-50.5** |
| **Loans represented by securities** | **18,286** | **4.9** | **18,022** | **4.8** | **264** | **1.5** |
| **Non-performing loans** | **22,696** | **6.0** | **21,238** | **5.6** | **1,458** | **6.9** |
| **Loans to customers** | **376,744** | **100.0** | **378,827** | **100.0** | **-2,083** | **-0.5** |

**Quarterly development Loans to customers**




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

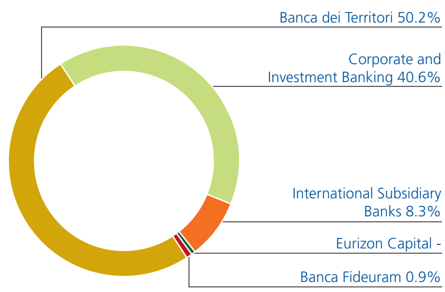
As at 31 December 2011, Intesa Sanpaolo Group loans to customers amounted to approximately 377 billion euro, down slightly (-0.5%) on the figure of the end of the previous year.
This trend was due to the decrease of 5.4 billion euro in repurchase agreements, which were halved, owing to the unwinding of several transactions of significant amounts with the counterparty Cassa di Compensazione e Garanzia, partially offset by the rise in commercial banking loans (+0.5%). In further detail, the latter aggregate was positively affected by the increase in current accounts of 3.1 billion euro (+10.2%), which more than offset the decrease of 0.9 billion euro in mortgages (-0.5%) and of 0.7 billion euro in advances and other loans (-0.5%). In relation to the portfolio's risk level, an increase was seen in non-performing loans and their greater impact on total loans.
In the domestic medium-/long-term loan market, in 2011 disbursements to households (including the small business and non-profit segments) totalled 14.8 billion euro and those to businesses covered by Banca dei Territori amounted to approximately 10 billion euro. During the same period, medium/long-term disbursements to Mid Corporate and Large Corporate Italia customers reached 15.4 billion euro.
As at 31 December 2011, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was 15.7% for total loans, down by one-tenth of a percentage point compared to December 2010.

(millions of euro)

| | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Banca dei Territori | 186,414 | 183,240 | 3,174 | 1.7 |
| Corporate and Investment Banking | 150,701 | 151,287 | -586 | -0.4 |
| International Subsidiary Banks | 30,881 | 30,926 | -45 | -0.1 |
| Eurizon Capital | 109 | 153 | -44 | -28.8 |
| Banca Fideuram | 3,439 | 2,851 | 588 | 20.6 |
| **Total business areas** | **371,544** | **368,457** | **3,087** | **0.8** |
| Corporate Centre | 5,200 | 10,370 | -5,170 | -49.9 |
| **Intesa Sanpaolo Group** | **376,744** | **378,827** | **-2,083** | **-0.5** |

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

**Business areas**




Breaking down loans by business areas, Banca dei Territori, which accounts for half the aggregate of the Group's business areas, increased loans to customers by 1.7% compared to the end of the previous year, specifically to businesses and, to a lesser extent, retail customers. Essentially stable loans were reported by the International Subsidiary Banks (-0.1%) and Corporate and Investment Banking (-0.4%). The reduction in the use of cash by Large Corporate Italy, International Corporate and Financial Institutions counterparties and the decline in reverse repurchase transactions with institutional operators and financial intermediaries by Banca IMI were almost fully absorbed by the increase in loans to the public works and infrastructure sector, handled by BIIS, as well as the growth in operations of factoring and leasing product companies and structured finance. Banca Fideuram loans, of an overall modest amount, expanded (+20.6%) as a result of the increase in facilities granted in current accounts, debt securities and repurchase agreements with institutional customers.
The decrease in Corporate Centre loans (-49.9%) was mainly driven by the unwinding of repurchase agreements entered into by the Treasury with Cassa di Compensazione e Garanzia.

## Loans to customers: loan portfolio quality

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | | Change |
|---|---|---|---|---|---|
| | Net exposure | % breakdown | Net exposure | % breakdown | Net exposure |
| Doubtful loans | 8,998 | 2.4 | 7,394 | 2.0 | 1,604 |
| Substandard loans | 9,126 | 2.4 | 8,966 | 2.3 | 160 |
| Restructured loans | 3,425 | 0.9 | 3,338 | 0.9 | 87 |
| Past due loans | 1,147 | 0.3 | 1,540 | 0.4 | -393 |
| **Non-performing loans** | **22,696** | **6.0** | **21,238** | **5.6** | **1,458** |
| Performing loans | 335,762 | 89.1 | 339,567 | 89.6 | -3,805 |
| Loans represented by performing securities | 18,286 | 4.9 | 18,022 | 4.8 | 264 |
| **Loans to customers** | **376,744** | **100.0** | **378,827** | **100.0** | **-2,083** |

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

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | | Changes |
|---|---|---|---|---|---|---|---|
| | Gross exposure | Total adjustments | Net exposure | Gross exposure | Total adjustments | Net exposure | Net exposure |
| Doubtful loans | 24,961 | -15,963 | 8,998 | 20,666 | -13,272 | 7,394 | 1,604 |
| Substandard loans | 11,486 | -2,360 | 9,126 | 11,337 | -2,371 | 8,966 | 160 |
| Restructured loans | 4,032 | -607 | 3,425 | 3,637 | -299 | 3,338 | 87 |
| Past due loans | 1,319 | -172 | 1,147 | 1,694 | -154 | 1,540 | -393 |
| **Non-performing loans** | **41,798** | **-19,102** | **22,696** | **37,334** | **-16,096** | **21,238** | **1,458** |
| Performing loans | 338,467 | -2,705 | 335,762 | 342,062 | -2,495 | 339,567 | -3,805 |
| Performing loans represented by securities | 19,220 | -934 | 18,286 | 18,504 | -482 | 18,022 | 264 |
| **Loans to customers** | **399,485** | **-22,741** | **376,744** | **397,900** | **-19,073** | **378,827** | **-2,083** |

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

At the end of 2011, as mentioned above, the Group recorded an increase in non-performing loans, net of adjustments, of 6.9% on an annual basis. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 5.6% to 6%. Coverage of non-performing loans came to a total of approximately 46%, a level higher than that recorded at the end of 2010 (43%) and deemed adequate to account for expected losses, also considering the guarantees that secure the positions.
In particular, as at 31 December 2011, doubtful loans totalled 8,998 million euro, with a 1.6 billion euro rise (+21.7%) on the end of the previous year; the incidence on total loans was 2.4%, with a coverage ratio of 64%.
Substandard loans were up slightly (+1.8%) compared to 31 December 2010 to reach 9,126 million euro, coming to 2.4% of total loans to customers, with a coverage ratio of approximately 21%.
Restructured loans of 3,425 million euro increased by 2.6% on an annual basis, with a coverage ratio of 15%, almost twice that of the previous year. Past due loans amounted to 1,147 million euro, down by more than 25% compared to the end of December 2010 and showing a coverage ratio of 13%.
The increase in total adjustments to loans represented by securities may be attributed to the impairment of Greek securities.

## Customer financial assets

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | | Changes | |
|---|---|---|---|---|---|---|
| | | % breakdown | | % breakdown | amount | % |
| Direct deposits from banking business | 359,991 | 47.0 | 402,202 | 48.5 | -42,211 | -10.5 |
| Direct deposits from insurance business and technical reserves | 73,119 | 9.5 | 75,305 | 9.1 | -2,186 | -2.9 |
| Indirect customer deposits | 405,727 | 53.0 | 427,067 | 51.6 | -21,340 | -5.0 |
| Netting [(a)] | -73,009 | -9.5 | -75,958 | -9.2 | -2,949 | -3.9 |
| **Customer financial assets** | **765,828** | **100.0** | **828,616** | **100.0** | **-62,788** | **-7.6** |

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, life business technical reserves and fund-based bonds designated at fair value issued by Group companies and placed with its customers).

Customer financial assets came to approximately 766 billion euro as at 31 December 2011, down by 7.6% on an annual basis, mainly due to the decline in direct deposits from banking business (-10.5%) and, to a lesser extent, indirect deposits (-5%) and direct deposits from insurance business and technical reserves (-2.9%). The trend in direct deposits from banking business is attributable to a general decline in all components of the aggregate, with the exception of bonds, which recorded positive performance compared to the end of December 2010. The decrease in indirect customer deposits was driven by the negative performance effect, which impacted both assets under administration and assets under management. The decrease in assets under management was mainly attributable to the stock of mutual funds.

## Direct deposits from banking business

The table below sets out amounts due to customers, securities issued, including those designated at fair value, and securitised capital-protected certificates.

(millions of euro)

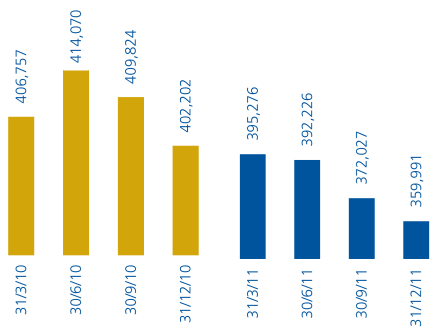
| | 31.12.2011 | | 31.12.2010 | | Changes | |
|---|---|---|---|---|---|---|
| | | % breakdown | | % breakdown | amount | % |
| Current accounts and deposits | 183,773 | 51.0 | 195,778 | 48.7 | -12,005 | -6.1 |
| Repurchase agreements and securities lending | 4,640 | 1.3 | 13,111 | 3.3 | -8,471 | -64.6 |
| Bonds | 132,480 | 36.8 | 121,427 | 30.2 | 11,053 | 9.1 |
| *of which designated at fair value (*)* | *698* | *0.2* | *1,238* | *0.3* | *-540* | *-43.6* |
| Certificates of deposit | 6,425 | 1.8 | 19,844 | 4.9 | -13,419 | -67.6 |
| Subordinated liabilities | 19,481 | 5.4 | 24,134 | 6.0 | -4,653 | -19.3 |
| Other deposits | 13,192 | 3.7 | 27,908 | 6.9 | -14,716 | -52.7 |
| *of which designated at fair value (**)* | *2,286* | *0.6* | *1,998* | *0.5* | *288* | *14.4* |
| **Direct deposits from banking business** | **359,991** | **100.0** | **402,202** | **100.0** | **-42,211** | **-10.5** |

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.

(**) Figures included in the Balance sheet under Financial liabilities held for trading.

**Quarterly development**
**Direct deposits from banking business**



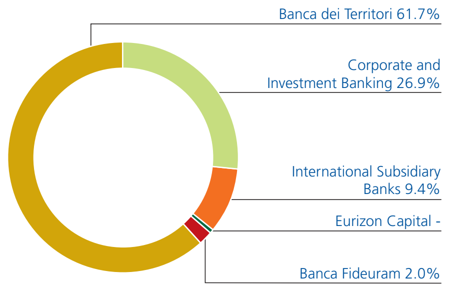

Direct deposits from banking business amounted to 360 billion euro, down (-10.5%) compared to the end of December 2010, mainly due to the reduction in certificates of deposit and other deposits, replaced by an increase in interbank funding through refinancing with the ECB.
In further detail, there were declines of 13.4 billion euro in certificates of deposit (-67.6%), of 14.7 billion euro (-52.7%) in other deposits, owing mainly to the maturity of commercial paper, and of 8.5 billion euro in repurchase agreements (-64.6%), largely attributable – as in the case of loans – to the maturity of transactions with institutional counterparties (Cassa di Compensazione e Garanzia). The drop in the demand component within current accounts and deposits (-12 billion euro or -6.1%) should be viewed in light of both the decrease in wholesale funding from institutional counterparties and a partial shift in customer demand towards higher-return investment products, and bonds in particular. Bonds reported sustained growth of over 11 billion euro (+9.1%), confirming their importance within both investors' portfolios and the Group's overall funding. At the end of 2011, the Group's share of direct customer deposits on the domestic market (according to the harmonised ECB definition) was 16.9%, down by one-tenth of a percentage point on the figure reported at the end of December 2010 owing to the downtrend in the demand component and repurchase agreements, only partially offset by the improvement in the share of other time deposits and bonds.

(millions of euro)

| | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Banca dei Territori | 200,574 | 201,449 | -875 | -0.4 |
| Corporate and Investment Banking | 87,591 | 102,783 | -15,192 | -14.8 |
| International Subsidiary Banks | 30,678 | 30,259 | 419 | 1.4 |
| Eurizon Capital | 9 | 12 | -3 | -25.0 |
| Banca Fideuram | 6,367 | 6,586 | -219 | -3.3 |
| **Total business areas** | **325,219** | **341,089** | **-15,870** | **-4.7** |
| Corporate Centre | 34,772 | 61,113 | -26,341 | -43.1 |
| **Intesa Sanpaolo Group** | **359,991** | **402,202** | **-42,211** | **-10.5** |

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

**Business areas**



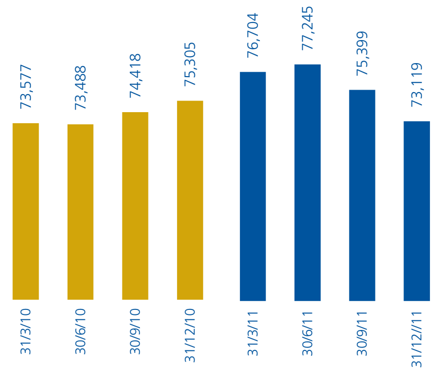

The breakdown by Group business areas shows that Banca dei Territori, which made up over half of the aggregate attributable to the Group's total operating business areas, remained virtually stable on an annual basis (-0.4%): the decrease in amounts due to retail customers was offset by the increase in funding through securities. Corporate and Investment Banking reported negative development (-14.8%) due to less bond placement by Banca IMI and the drop in liquidity from short-term deposits of major customers, as a result of the economic recession. Banca Fideuram's funding declined (-3.3%) as a result of the decrease in amounts due to ordinary customers associated with the shift in liquidity towards assets under administration in the latter part of the year. Conversely, International Subsidiary Banks achieved an increase in funding during the year (+1.4%) attributable to securities transactions and, to a lesser extent, the increase in amounts due to customers. The contraction recorded in Corporate Centres (-43.1%) is due to the maturity of time deposits, certificates of deposit and commercial paper issued by the Treasury Department, including through foreign vehicles on international markets and the unwinding of repurchase agreements with Cassa di Compensazione e Garanzia.

## Direct deposits from insurance business and technical reserves

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | | Changes | |
|---|---|---|---|---|---|---|
| | | % breakdown | | % breakdown | amount | % |
| **Financial liabilities of the insurance business designated at fair value (*)** | **21,955** | **30.0** | **24,906** | **33.1** | **-2,951** | **-11.8** |
| *Index-linked products* | *1,564* | *2.1* | *4,454* | 5.9 | *-2,890* | *-64.9* |
| *Unit-linked products* | *20,391* | *27.9* | *20,452* | 27.2 | *-61* | *-0.3* |
| **Technical reserves** | **50,761** | **69.4** | **50,188** | **66.6** | **573** | **1.1** |
| Life business | 50,419 | 69.0 | 49,902 | 66.3 | 517 | 1.0 |
| *Mathematical reserves* | *44,895* | *61.4* | *38,982* | *51.8* | *5,913* | *15.2* |
| *Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds* | *9,053* | *12.4* | *10,574* | *14.0* | *-1,521* | *-14.4* |
| *Other reserves* | *-3,529* | *-4.8* | *346* | *0.5* | *-3,875* | |
| Non-life business | *342* | 0.4 | *286* | 0.3 | 56 | 19.6 |
| **Other insurance deposits (***)** | **403** | **0.6** | **211** | **0.3** | **192** | **91.0** |
| **Direct deposits from insurance business and technical reserves** | **73,119** | **100.0** | **75,305** | **100.0** | **-2,186** | **-2.9** |

**Quarterly development**
**Direct insurance deposits and technical reservese**




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.

(**) This caption includes unit- and index-linked policies with significant insurance risk.

(***) Figures included in the Balance sheet under Due to customers and securities issued.

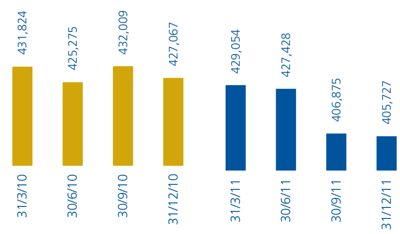
Direct deposits from insurance business came to 73 billion euro at the end of December 2011, down 2.9% compared to the end of the previous year. This performance may be attributed to the decrease in the financial liabilities of the insurance business designated at fair value by nearly 3 billion euro (-11.8%), most markedly of index-linked products. Conversely, technical reserves, which represent the amount owed to customers who have contracted traditional policies, showed a net increase of 0.6 billion euro (+1.1%) as the result of an increase in technical reserves associated with traditional insurance products (+4.4 billion euro), largely offset by the value of deferred liabilities to policyholders (-3.8 billion euro) included among Other reserves.

## Indirect customer deposits

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | | Changes | |
|---|---|---|---|---|---|---|
| | | % breakdown | | % breakdown | amount | % |
| Mutual funds (*) | 58,310 | 14.4 | 70,280 | 16.5 | -11,970 | -17.0 |
| Open-ended pension funds and individual pension plans | 2,939 | 0.7 | 3,084 | 0.7 | -145 | -4.7 |
| Portfolio management | 73,279 | 18.1 | 74,249 | 17.4 | -970 | -1.3 |
| Life technical reserves and financial liabilities | 77,322 | 19.0 | 77,136 | 18.1 | 186 | 0.2 |
| Relations with institutional customers | 10,039 | 2.5 | 9,180 | 2.1 | 859 | 9.4 |
| **Assets under management** | **221,889** | **54.7** | **233,929** | **54.8** | **-12,040** | **-5.1** |
| **Assets under administration and in custody** | **183,838** | **45.3** | **193,138** | **45.2** | **-9,300** | **-4.8** |
| **Indirect customer deposits** | **405,727** | **100.0** | **427,067** | **100.0** | **-21,340** | **-5.0** |

**Quarterly development**
**Indirect deposits**




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

(*) The caption includes mutual funds established and managed by Eurizon Capital, Banca Fideuram and several international companies. The caption does not include funds held by Group insurance companies and managed by Eurizon Capital, whose values are included in technical reserves, or the contribution of funds established by third parties and managed by Banca Fideuram, whose value is included in assets under administration and in custody.

As at 31 December 2011, indirect customer deposits came to approximately 406 billion euro, highlighting declining performance (-5%) compared to the end of 2010, due to both assets under management (-5.1%) and assets under administration (-4.8%). Both segments were impacted by the performance effect of assets in the portfolio, both for the stock and bond components, penalised by the sovereign debt crisis in peripheral countries of the eurozone and the ensuing decline in stock markets.

Assets under management, which account for more than half of the aggregate, came to 222 billion euro: the decrease compared to the end of December 2010 was primarily due to mutual funds (-17%), affected by significant redemptions and the aforementioned performance effect and, to a lesser extent, portfolio management (-1.3%). With regard to mutual funds, it should be noted that increases were recorded in the funds held by Group insurance companies (included in the table under Technical reserves) and in the funds established by third parties (included in the table under Assets under administration and in custody). The decrease of mutual funds and portfolio management was only partially mitigated by the positive performance of relations with institutional customers (+9.4%) and the stability of life insurance policies (+0.2%), the value of which is determined according to national accounting principles and thus does not include the amount of deferred liabilities to policyholders. In the insurance business, new life insurance business written by Intesa Sanpaolo Vita (the company formed by the merger of the insurance companies Intesa Sanpaolo Vita – formerly Intesa Vita, EurizonVita, Sud Polo Vita and Centro Vita Assicurazioni), and Fideuram Vita, including pension products, amounted to 11.7 billion euro in 2011.

The contraction in assets under administration on an annual basis, which was only partly offset by the increase in positions in securities attributable to institutional customers, affected both retail segments and corporate counterparties.

## Financial assets and liabilities

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | | Changes | |
|---|---|---|---|---|---|---|
| | | *of which Insurance Companies* | | *of which Insurance Companies* | amount | % |
| Financial assets held for trading | 59,963 | *1,341* | 71,945 | *1,836* | -11,982 | -16.7 |
| *of which derivatives at fair value* | *41,789* | *25* | *38,940* | *88* | *2,849* | *7.3* |
| Financial assets designated at fair value through profit and loss | 34,253 | *33,391* | 35,550 | *34,538* | -1,297 | -3.6 |
| Financial assets available for sale | 68,777 | *39,194* | 61,835 | *39,197* | 6,942 | 11.2 |
| Investments held to maturity | 2,621 | - | 3,858 | - | -1,237 | -32.1 |
| **Total financial assets** | **165,614** | ***73,926*** | **173,188** | ***75,571*** | **-7,574** | **-4.4** |
| **Financial liabilities held for trading (*)** | **-46,454** | ***-29*** | **-43,046** | ***-48*** | **3,408** | **7.9** |
| *of which derivatives at fair value* | *-44,172* | *-29* | *-40,282* | *-48* | *3,890* | *9.7* |

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

(*) The amount of the item does not include capital protected securitised derivatives (certificates) which are included in the direct customer deposits table.

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, certain bond issues designated at fair value and capital-protected certificates, are not represented as these are included in the direct deposits aggregates.
Total financial assets decreased by 4.4% owing to the differentiated performance of the various components. Assets available for sale increased from 62 billion euro to 69 billion euro (+11.2%) due to the rise in bonds and other debt securities held by the Parent Company and Banca IMI. Conversely, a downturn was recorded in assets designated at fair value (-3.6%), investments held to maturity (-32.1%) and assets held for trading (-16.7%). The decrease in the latter captions is due to the contraction in bonds and other debt securities, partly offset by the increase in trading derivatives.

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

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | | Changes | |
|---|---|---|---|---|---|---|
| | | *of which Insurance Companies* | | *of which Insurance Companies* | amount | % |
| Bonds and other debt securities held for trading and designated at fair value through profit and loss | 38,823 | *22,469* | 53,255 | *22,706* | -14,432 | -27.1 |
| *of which designated at fair value* | *22,083* | *21,403* | *22,117* | *21,312* | *-34* | *-0.2* |
| Equities and quotas of UCI held for trading and designated at fair value through profit and loss | 13,320 | *11,955* | 15,269 | *13,549* | -1,949 | -12.8 |
| *of which designated at fair value* | *11,887* | *11,705* | *13,402* | *13,195* | *-1,515* | *-11.3* |
| Other assets designated at fair value through profit and loss | 284 | *283* | 31 | *31* | 253 | |
| **Securities, assets held for trading and financial assets designated at fair value through profit and loss** | **52,427** | ***34,707*** | **68,555** | ***36,286*** | **-16,128** | **-23.5** |
| **Financial liabilities held for trading (*)** | **-2,282** | - | **-2,764** | - | **-482** | **-17.4** |
| Net value of financial derivatives | -1,774 | *-4* | -1,180 | *40* | 594 | 50.3 |
| Net value of credit derivatives | -609 | - | -162 | - | 447 | |
| **Net value of trading derivatives** | **-2,383** | ***-4*** | **-1,342** | ***40*** | **1,041** | **77.6** |
| **Financial assets / liabilities, net** | **47,762** | ***34,703*** | **64,449** | ***36,326*** | **-16,687** | **-25.9** |

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

(*) The amount of the item does not include capital protected securitised derivatives (certificates) which are included in the direct customer deposits table.

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss amounted to almost 48 billion euro, down 25.9% compared to the end of 2010. In detail, the decrease was due to the reduction in the stock of bonds and other debt securities, which more than offset the slight decrease in financial liabilities held for trading, including short-selling.

## Financial assets available for sale

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | | Changes | |
|---|---|---|---|---|---|---|
| | | *of which Insurance Companies* | | *of which Insurance Companies* | amount | % |
| Bonds and other debt securities | 64,051 | *37,578* | 56,371 | *37,531* | 7,680 | 13.6 |
| Equities and quotas of UCI | 4,689 | *1,616* | 5,431 | *1,666* | -742 | -13.7 |
| **Securities available for sale** | **68,740** | ***39,194*** | **61,802** | ***39,197*** | **6,938** | **11.2** |
| **Loans available for sale** | **37** | **-** | **33** | **-** | **4** | **12.1** |
| **Financial assets available for sale** | **68,777** | ***39,194*** | **61,835** | ***39,197*** | **6,942** | **11.2** |

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

Financial assets available for sale amounted to nearly 69 billion euro, up by 11.2% compared to the figure as at 31 December 2010.
The caption consists primarily of bonds and other debt securities not held for trading and, to a marginal 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

Net interbank position came to a negative 42.8 billion euro as at 31 December 2011, compared to a negative 11.5 billion euro at the end of 2010. The negative imbalance between amounts due from/due to banks is essentially related to loans entered into by the Parent Company with the European Central Bank intended to replace part of funding from institutional customers with a view to optimising the Group's cost of funding.
As at 31 December 2011, Intesa Sanpaolo's exposure to the ECB amounted to 37.5 billion euro.

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

(millions of euro)

| | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Investments in associates and companies subject to joint control | - | - | - | - |
| Property and equipment | 26 | 75 | -49 | -65.3 |
| Other | - | - | - | - |
| **Individual assets** | **26** | **75** | **-49** | **-65.3** |
| **Discontinued operations** | **-** | **-** | **-** | **-** |
| *of which: loans to customers* | - | - | - | - |
| **Liabilities associated with non-current assets held for sale and discontinued operations** | **-** | **-** | **-** | **-** |
| **Non-current assets held for sale and discontinued operations and related liabilities** | **26** | **75** | **-49** | **-65.3** |

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. As at the end of December 2011, the sole component of the aggregate was property and equipment of 26 million euro, down 65.3% compared to the figure for the end of 2010.

## Sovereign risk exposure

The economic and financial environment during 2011 was severely affected by the sovereign debt crisis. The European Union and International Monetary Fund intervened on several occasions to provide financial support to the countries in greatest difficulty. Such actions involved Greece, Ireland and Portugal, however it is only in relation to Greece that the action envisaged involvement of the private sector. The most significant exposure, which is illustrated in further detail in the following paragraph, is towards the Greek government. Regarding exposures to Ireland and Portugal, it is considered that, also as a result of the aforementioned public aid, at present there are no conditions to consider a write-down of the exposures as there has been no breach of contracts. The Intesa Sanpaolo Group has a total of 98 billion euro in exposure to sovereign debtors, of which 74 billion euro is represented by debt securities and 24 billion euro by other loans. In further detail, the exposure to the Italian government came to 82 billion euro as at 31 December 2011, of which 60 billion euro was represented by securities and 22 billion euro by other loans.
The following table illustrates the book value of Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

| | DEBT SECURITIES | | | | | | LOANS |
|---|---|---|---|---|---|---|---|
| | Loans and Receivables | Financial assets available for sale | Investments held to maturity | Financial assets designated at fair value through profit and loss | Financial assets held for trading | Total | |
| **EU Countries** | **8,092** | **51,609** | **1,762** | **786** | **6,353** | **68,602** | **22,795** |
| Austria | - | 61 | 2 | - | 52 | 115 | - |
| Belgium | - | 84 | - | - | 10 | 94 | - |
| Bulgaria | - | - | - | - | - | - | - |
| Cyprus | 19 | - | - | - | - | 19 | - |
| Czech Republic | - | 27 | - | - | 25 | 52 | 24 |
| Denmark | - | - | - | - | - | - | - |
| Estonia | - | - | - | - | - | - | - |
| Finland | - | 17 | - | - | - | 17 | 16 |
| France | 112 | 255 | - | - | 55 | 422 | 10 |
| Germany | 105 | 1,484 | - | - | 373 | 1,962 | - |
| Greece | 64 | 153 | - | - | 2 | 219 | - |
| Hungary | 221 | 500 | 20 | - | 28 | 769 | 203 |
| Iceland | - | - | - | - | 2 | 2 | - |
| Ireland | - | 232 | - | - | 1 | 233 | - |
| Italy | 6,951 | 46,521 | 633 | 703 | 4,852 | 59,660 | 21,621 |
| Latvia | 25 | - | - | - | - | 25 | 60 |
| Liechtenstein | - | - | - | - | - | - | - |
| Lithuania | - | 19 | - | - | 1 | 20 | - |
| Luxembourg | - | 322 | - | - | 307 | 629 | - |
| Malta | - | - | - | - | - | - | - |
| Netherlands | - | 173 | 3 | 83 | 2 | 261 | - |
| Norway | - | - | - | - | 67 | 67 | - |
| Poland | 74 | 28 | - | - | 183 | 285 | - |
| Portugal | - | 40 | - | - | - | 40 | 35 |
| Romania | 10 | 114 | - | - | 3 | 127 | 15 |
| Slovakia | - | 1,272 | 1,104 | - | 30 | 2,406 | 127 |
| Slovenia | - | 124 | - | - | - | 124 | 83 |
| Spain | 511 | 151 | - | - | 93 | 755 | 601 |
| Sweden | - | 27 | - | - | 10 | 37 | - |
| United Kingdom | - | 5 | - | - | 257 | 262 | - |
| **North African Countries** | **19** | **124** | **14** | **-** | **1,173** | **1,330** | **39** |
| Algeria | - | - | - | - | - | - | 39 |
| Egypt | - | 124 | 14 | - | 1,173 | 1,311 | - |
| Libya | - | - | - | - | - | - | - |
| Morocco | 19 | - | - | - | - | 19 | - |
| Tunisia | - | - | - | - | - | - | - |
| **Japan** | **-** | **-** | **-** | **-** | **51** | **51** | **-** |
| **Other Countries** | **2,193** | **506** | **362** | **266** | **617** | **3,944** | **1,174** |
| **TOTAL** | **10,304** | **52,239** | **2,138** | **1,052** | **8,194** | **73,927** | **24,008** |

## Exposure to Greece

As at 31 December 2011 the total exposure to the Greek government amounted to 858 million euro in terms of nominal value and 844 million euro in terms of amortised cost, with a book value of 219 million euro, after accounting for impairment of 870 million euro.

In addition to this direct exposure to Greece, the Group has an exposure of 200 million euro (with a book value of 50 million euro) to Hellenic Railways and an exposure of 57 million euro (with a book value of 36 million euro) to other public and private Greek entities.

The constant intensification of the Greek debt crisis led Heads of State and Government of eurozone countries to approve a structured plan of aid for Greece which envisages involvement of the European Union, through the European Financial Stability Facility (the "EFSF"), the International Monetary Fund (IMF) and private institutional investors. As part of this plan, in the second half of 2011 and first few months of 2012 banks and insurance companies, under the direction of the Institute of International Finance (IIF), defined a number of support options for Greece (Private Sector Involvement – PSI), which were crystallised in an agreement dated 21 February 2012.

That agreement calls for the Greek government to issue new bonds and securities linked to the gross domestic product (GDP) of the Hellenic Republic having the following characteristics:

- the nominal value of each bond eligible for exchange held by private creditors (GGB) shall be decreased by 53.5%;
- the residual value shall be distributed as follows:
  - 31.5% shall be exchanged with 20 new Greek bonds (new GGBs) set to mature within 11 to 30 years, so as to replicate a 5% amortisation plan starting in 2023;
  - 15% shall be exchanged with short-term securities (maximum of two to three years) issued by the EFSF;
- the new Greek securities shall be part of a co-financing structure with the loan of 30 billion euro disbursed by the EFSF: the payment dates for interest and principal shall be aligned with the foregoing in order to permit equal standing for the new Greek securities and the EFSF loan;
- the interest accrued through the time of the exchange on existing securities shall be paid with short-term EFSF notes;
- the coupon on new Greek bonds shall be structured so as to increase over time in order to limit the debtor's borrowing costs: the planned rate is 2% for the three years from February 2013 to February 2015, and then 3% for the following five years (from 2016 to 2020), 3.65% for the coupon set to mature in 2021 and 4.3% for the periods from 2022 to 2042;
- each subscriber shall also be attributed securities separated from the new government bond indexed on Gross Domestic Product, which could provide a moderate increase in yield if Greece's growth outperforms current estimates. A cap shall also be established in order to avoid excessive costs for the borrower over time;
- the new bonds, securities linked to Greek GDP and EFSF loan shall be governed by English law in order to protect the new bonds from unilateral actions by the sovereign debtor. The new Greek bonds and securities linked to Greek GDP shall enjoy the same ranking in the reimbursement as all the Hellenic Republic's debts.

The combination of these elements results in an assessment of the loss, in terms of present value, at approximately 74.1% of the nominal value of the bonds of the Greek government and other public issuers currently outstanding.

Given the agreement of 21 February 2012, in the financial statements for the year ended 31 December 2011 the Intesa Sanpaolo Group has adopted an approach that has aligned the overall carrying amounts of the securities with their exchange value under the agreement, considering both the haircut and the value of the securities received in exchange determined on the basis of the yield established in the agreement.

The Intesa Sanpaolo Group has thus opted to adjust for impairment all Greek government bonds and the Hellenic Railways bond (also included in the agreement) by an average of approximately 75% of the nominal value of the securities, essentially in line with the valuation resulting from the restructuring agreement.

In particular, for bonds included in the available for sale portfolio, the bonds were adjusted for impairment by aligning their carrying amount to the fair value expressed by the market at 31 December 2011, eliminating the cumulative AFS reserve and posting it to the income statement.

For bonds included in the loan portfolio, in line with the provisions of IAS 39 for the measurement of captions in this category, the present value of the cash flows from the securities was determined in light of the terms of the new agreement. It was also considered that in the fourth quarter of 2011 many hedging relationships were discontinued because they were no longer effective due to impairment, inasmuch as impairment had caused an imbalance between the cash flows from the security and the interest rate hedge for the purposes of hedge effectiveness testing. The cumulative fair value delta of the security for the purposes of determining the original effective interest rate is as determined during the most recent effectiveness test that yielded a positive result (30 September 2011).

The derivatives have thus been reclassified to the portfolio held for trading and the difference between the fair value of the derivative as at the date of the most recent positive effectiveness test and the fair value as at 31 December 2011, or the amount settled with the counterparty in the event of the early unwinding of the derivatives, has been recognised under "Profits (Losses) on trading – caption 80," with an impact of 73 million euro in 2011.

The table below shows the Intesa Sanpaolo Group's exposure to the Greek government and Hellenic Railways, and the measurements made in the financial statements as at 31 December 2011. In brief, the measurements performed resulted in the recording of a total of 1,046 million euro of impairment of the bonds in 2011 (939 million euro net of amounts allocated to insurance products under separate management), of which 312 million in the fourth quarter of 2011 (321 million euro net of amounts allocated to insurance products under separate management). The carrying amount of said bonds, after impairment, is 269 million euro. The fair value of these securities, measured based on the prices as at 31 December 2011, came to 234 million euro.

(millions of euro)

| | Nominal value as at 31.12.2011 | Amortised cost | Adjustment on security due to fair value hedge | Book value before valuation (net of accruals) | Profits (losses) on trading/Income from insurance business (*) | Impairment as at 31.12.2011 | Book value as at 31.12.2011 (net of accruals) |
|---|---|---|---|---|---|---|---|
| **Government bonds** | | | | | | | |
| Loans and receivables | 192 | 180 | 110 | 290 | -63 (1) | -238 (2) | 64 |
| Financial assets available for sale | 654 | 664 | 128 | 792 | -8 (1) | -632 (3) | 153 |
| Financial assets held for trading | 12 | - | - | 8 | - (4) | - | 2 |
| **TOTAL GOVERNMENT BONDS** | **858** | **844** | **238** | **1,090** | **-71** | **-870** | **219** |
| | | | | | | | |
| **Bonds issued by public entities** | | | | | | | |
| *Hellenic Railways* | | | | | | | |
| Loans and receivables | 200 | 203 | 23 | 226 | -2 (1) | -176 | 50 |
| **TOTAL OTHER SECURITIES** | **200** | **203** | **23** | **226** | **-2** | **-176** | **50** |
| | | | | | | | |
| **GRAND TOTAL** | **1,058** | **1,047** | **261** | **1,316** | **-73** | **-1,046** | **269** |
| | | | | | | | |
| **TOTAL IMPAIRMENT (net of amounts allocated to insurance portfolios under separate management)** | | | | | | **-939** | |

(*) Includes -69 million euro comprised in Profits (Losses) on trading and -4 million euro in Income from insurance business in the reclassified income statement.

(1) Amounts referring to derivatives reclassified in the trading portfolio.

(2) Includes 12 million euro adjustment for the elimination of the AFS reserve, "crystallised" when reclassifying the security pursuant to IAS 39 amendment (October 2008).

(3) The amount of impairment takes into account the presence of income from collateral of 7 million euro.

(4) Includes impairment of trading securities of -6 million euro and realised net income of +6 million euro.

In addition to the above exposures, as stated, the Group has exposures in bonds of other public and private entities resident in Greece for a nominal value of 57 million euro, with a book value of 36 million euro (21 million euro among Loans and receivables, 15 million euro as Financial assets available for sale) and with a fair value of 36 million euro, for which the measurement criteria applied as at previous reporting dates remained unchanged without impairment loss recognition. Furthermore, loans to Greek parties (banks and other customers) have been disbursed for 125 million euro, in addition to margins available on irrevocable credit lines of 34 million euro.

## Shareholders' equity

As at 31 December 2011, the Group's shareholders' equity came to 47,040 million euro, compared to 53,533 million euro at the end of 2010. The change in shareholders' equity reflects the opposite effects of the capital increase completed in June, the distribution of the dividend on 2010 earnings, the negative trend in valuation reserves, as illustrated below, and the net result for 2011.

## Valuation reserves

(millions of euro)

| | Valuation reserves as at 31.12.2010 | Change in the period | Valuation reserves as at 31.12.2011 | |
|---|---|---|---|---|
| | | | | % breakdown |
| Financial assets available for sale | -662 | -1,690 | -2,352 | 71.3 |
| *of which: Insurance Companies* | *-283* | *-692* | *-975* | *29.6* |
| Property and equipment | - | - | - | - |
| Cash flow hedges | -494 | -439 | -933 | 28.3 |
| Legally-required revaluations | 343 | 1 | 344 | -10.4 |
| Other | -241 | -116 | -357 | 10.8 |
| **Valuation reserves** | **-1,054** | **-2,244** | **-3,298** | **100.0** |

As at 31 December 2011, the negative balance of the Group's valuation reserves increased to -3,298 million euro from -1,054 million euro at the end of 2010. The change during the year is attributable to the decrease in value of financial assets available for sale (-1,690 million euro), most markedly debt securities, cash flow hedges (-439 million euro) and other reserves (-116 million euro).

## Regulatory capital

(millions of euro)

| Regulatory capital and capital ratios | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **Regulatory capital** | | |
| Tier 1 capital | 37,295 | 31,175 |
| *of which: instruments not included in Core Tier 1 ratio (*)* | *4,498* | *5,016* |
| Tier 2 capital | 12,201 | 16,348 |
| Minus items to be deducted (**) | -3,144 | -3,721 |
| **REGULATORY CAPITAL** | **46,352** | **43,802** |
| Tier 3 subordinated loans | - | - |
| **TOTAL REGULATORY CAPITAL** | **46,352** | **43,802** |
| **Risk-weighted assets** | | |
| Credit and counterparty risks | 277,498 | 289,172 |
| Market risks | 17,488 | 15,385 |
| Operational risks | 24,825 | 27,175 |
| Other risks (***) | 5,395 | 426 |
| **RISK-WEIGHTED ASSETS** | **325,206** | **332,158** |
| **Capital ratios %** | | |
| Core Tier 1 ratio | 10.1 | 7.9 |
| Tier 1 ratio | 11.5 | 9.4 |
| Total capital ratio | 14.3 | 13.2 |

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

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

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

At the end of 2011, total regulatory capital came to 46,352 million euro, compared to risk-weighted assets of 325,206 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
Regulatory capital takes into account the dividend distribution that the Management Board will propose to the Shareholders' Meeting, i.e. 0.05 euro per savings share and ordinary share, for a total dividend disbursement of 822 million euro.
All capital ratios improved compared to 31 December 2010. The total capital ratio stood at 14.3%, while the Group's Tier 1 ratio was 11.5%. The ratio of Tier 1 capital net of preferred shares to risk-weighted assets (Core Tier 1) was 10.1%.
In addition to ordinary operations, the increase in the ratios compared to 31 December 2010 derives from the capital increase resolved and subscribed during the second quarter of 2011 (approximately +150 basis points on Core Tier 1), the sale of Cassa di Risparmio della Spezia and of 96 branches to Crédit Agricole (+20 basis points on Core Tier 1), the sale of the second tranche of Findomestic (+11 basis points on Core Tier 1), the sale of part of the investment in Prada (+8 basis points on Core Tier 1), the removal of negative filters on the effects deriving from the realignment of goodwill during the last few years (+14 basis points on Core Tier 1), based on the specific notification of the Bank of Italy as a result of the provisions of the so-called "Milleproroghe Decree" on the matter of deferred tax assets, and from the realignment of goodwill envisaged by Law Decree no. 98/2011 (+52 basis points on Core Tier 1). These increases were partially offset by the acquisition of Banca Monte Parma (-9 basis points on Core Tier 1), the impairment of Greek bonds (-22 basis points on Core Tier 1) and the charges for staff exit plans relating to the agreement of 29 July 2011 (-16 basis points on Core Tier 1).
Lastly, in a Regulation published on 18 May 2010, the Bank of Italy provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among "Financial assets available for sale". In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 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 had elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 31 December 2011 account for this measure (the effect on the Core Tier 1 ratio is +31 basis points).

## Reconciliation of the Parent Company's shareholders' equity and net income (loss) with consolidated shareholders' equity and net income (loss)

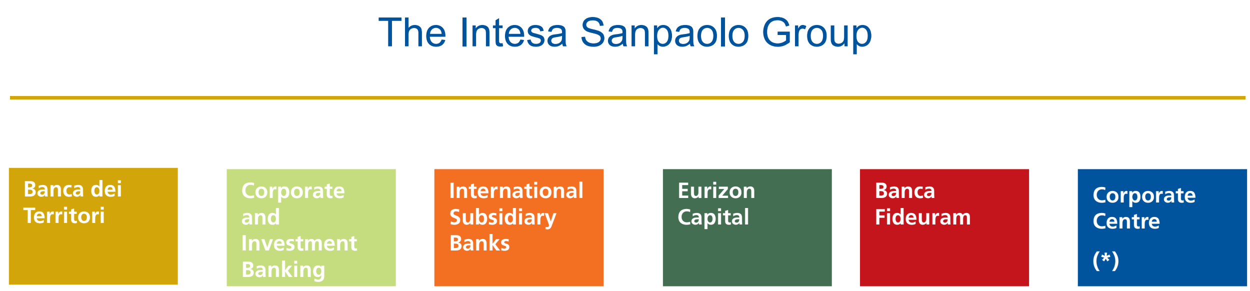
(millions of euro)

| | Shareholders' equity | *of which Net income (loss) as at 31.12.2011* |
|---|---|---|
| **Parent Company's balances as at 31 December 2011** | **44,271** | ***-7,679*** |
| Effect of consolidation of subsidiaries subject to control | 1,716 | *1,216* |
| Effect of valuation at equity of companies subject to joint control and other significant equity investments | 18 | *45* |
| Elimination of adjustments to equity investments and recognition of impairment of goodwill | 1,164 | *142* |
| Dividends collected during the period | - | *-1,912* |
| Other | -129 | *-2* |
| **Consolidated balances as at 31 December 2011** | **47,040** | ***-8,190*** |

# BREAKDOWN OF CONSOLIDATED RESULTS BY BUSINESS AREA AND GEOGRAPHICAL AREA

# Breakdown of consolidated results by business area and geographical area

The organisational model of the Intesa Sanpaolo Group is based on five 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's Treasury.

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.

Compared to 2010, the subsidiary Banca Infrastrutture Innovazione e Sviluppo (BIIS), created to serve public and private entities participating in the construction of large infrastructures and the improvement of public services, was placed under the direct responsibility of the General Manager and Head of the Corporate and Investment Banking Division. The new placement of BIIS will allow it to pool its skills with those of the Corporate and Investment Banking Division and increase the efficiency of collaboration with the Division's "product companies", specifically that with the Investment banking and the international network.
As a result of this relocation, figures of the former division Public Finance are shown under the results of the Corporate and Investment Banking Division. However, separate evidence is also maintained for the purpose of continuity with the representation used in the interim reports.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2011.
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 year; it also illustrates income statement figures, the main balance sheet aggregates as well as the most significant profitability ratios.
It should be noted that Division figures for the comparative periods have been restated to reflect the new scopes, where necessary.

Allocated capital was determined in accordance with the instructions issued by the Bank of Italy in compliance with Basel 2 regulatory provisions.
Value creation, expressed in terms of EVA, was calculated net of charges for integration and exit incentives, of the economic effects of purchase price allocation pursuant to IFRS 3 and goodwill impairment.

(millions of euro)

| | Banca dei Territori | Corporate and Investment Banking | International Subsidiary Banks | Eurizon Capital | Banca Fideuram | Corporate Centre | Total |
|---|---|---|---|---|---|---|---|
| **Operating income** | | | | | | | |
| 2011 | 9,654 | 3,928 | 2,383 | 266 | 771 | -217 | 16,785 |
| 2010 | 9,929 | 3,842 | 2,302 | 288 | 757 | -589 | 16,529 |
| % change [(a)] | -2.8 | 2.2 | 3.5 | -7.6 | 1.8 | -63.2 | 1.5 |
| **Operating costs** | | | | | | | |
| 2011 | -5,733 | -968 | -1,171 | -120 | -347 | -798 | -9,137 |
| 2010 | -5,903 | -965 | -1,169 | -132 | -362 | -773 | -9,304 |
| % change [(a)] | -2.9 | 0.3 | 0.2 | -9.1 | -4.1 | 3.2 | -1.8 |
| **Operating margin** | | | | | | | |
| 2011 | 3,921 | 2,960 | 1,212 | 146 | 424 | -1,015 | 7,648 |
| 2010 | 4,026 | 2,877 | 1,133 | 156 | 395 | -1,362 | 7,225 |
| % change [(a)] | -2.6 | 2.9 | 7.0 | -6.4 | 7.3 | -25.5 | 5.9 |
| **Net income (loss)** | | | | | | | |
| 2011 | -6,412 | -1,797 | -763 | -297 | 89 | 990 | -8,190 |
| 2010 | 734 | 1,552 | 378 | 77 | 133 | -169 | 2,705 |
| % change [(a)] | | | | | -33.1 | | |
| **Loans to customers** | | | | | | | |
| 31.12.2011 | 186,414 | 150,701 | 30,881 | 109 | 3,439 | 5,200 | 376,744 |
| 31.12.2010 | 183,240 | 151,287 | 30,926 | 153 | 2,851 | 10,370 | 378,827 |
| % change [(b)] | 1.7 | -0.4 | -0.1 | -28.8 | 20.6 | -49.9 | -0.5 |
| **Direct deposits from banking business** | | | | | | | |
| 31.12.2011 | 200,574 | 87,591 | 30,678 | 9 | 6,367 | 34,772 | 359,991 |
| 31.12.2010 | 201,449 | 102,783 | 30,259 | 12 | 6,586 | 61,113 | 402,202 |
| % change [(b)] | -0.4 | -14.8 | 1.4 | -25.0 | -3.3 | -43.1 | -10.5 |

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 2011 and 2010.

[(b)] The change expresses the ratio between 31.12.2011 and 31.12.2010.

# BUSINESS AREAS

## Banca dei Territori

(millions of euro)

| Income statement/Alternative performance indicators | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Net interest income | 5,820 | 5,881 | -61 | -1.0 |
| Dividends and profits (losses) on investments carried at equity | 1 | - | 1 | - |
| Net fee and commission income | 3,234 | 3,370 | -136 | -4.0 |
| Profits (Losses) on trading | 99 | 84 | 15 | 17.9 |
| Income from insurance business | 492 | 578 | -86 | -14.9 |
| Other operating income (expenses) | 8 | 16 | -8 | -50.0 |
| **Operating income** | **9,654** | **9,929** | **-275** | **-2.8** |
| Personnel expenses | -3,285 | -3,356 | -71 | -2.1 |
| Other administrative expenses | -2,436 | -2,537 | -101 | -4.0 |
| Adjustments to property, equipment and intangible assets | -12 | -10 | 2 | 20.0 |
| **Operating costs** | **-5,733** | **-5,903** | **-170** | **-2.9** |
| **Operating margin** | **3,921** | **4,026** | **-105** | **-2.6** |
| Net provisions for risks and charges | -72 | -111 | -39 | -35.1 |
| Net adjustments to loans | -2,334 | -2,127 | 207 | 9.7 |
| Net impairment losses on other assets | -107 | -17 | 90 | |
| Profits (Losses) on investments held to maturity and on other investments | - | -1 | -1 | |
| **Income (Loss) before tax from continuing operations** | **1,408** | **1,770** | **-362** | **-20.5** |
| Taxes on income from continuing operations | -764 | -737 | 27 | 3.7 |
| Charges (net of tax) for integration and exit incentives | -456 | -51 | 405 | |
| Effect of purchase price allocation (net of tax) | -210 | -249 | -39 | -15.7 |
| Goodwill impairment (net of tax) | -6,390 | - | 6,390 | - |
| Income (Loss) after tax from discontinued operations | - | 1 | -1 | |
| Minority interests | - | - | - | - |
| **Net income (loss)** | **-6,412** | **734** | **-7,146** | |
| **Allocated capital** | **9,381** | **10,433** | **-1,052** | **-10.1** |
| **Profitability ratios (%)** | | | | |
| Cost / Income ratio | 59.4 | 59.5 | -0.1 | -0.2 |
| ROE | n.m. | 7.0 | | |
| EVA® adjusted [(a)] (millions of euro) | -132 | 157 | -289 | |

(millions of euro)

| | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Loans to customers | 186,414 | 183,240 | 3,174 | 1.7 |
| Direct deposits from banking business | 200,574 | 201,449 | -875 | -0.4 |
| Direct deposits from insurance business and technical reserves | 63,458 | 64,976 | -1,518 | -2.3 |
| Indirect customer deposits | 230,340 | 244,718 | -14,378 | -5.9 |

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

[(a)] Net of charges for integration and exit incentives, effect of purchase price allocation, as per IFRS 3 and of goodwill impairment.

In 2011, the scope of the Division was changed as a result of the disposal of CR La Spezia to the Cariparma FriulAdria Group on 3 January, and an additional 96 branches (11 of Banca CR Firenze and 85 of Intesa Sanpaolo and CR Veneto) sold between the end of March and the middle of May, as part of business line disposals and in compliance with the Italian Competition Authority's provisions. On 26 July 2011, Intesa Sanpaolo completed the purchase from Fondazione Monte Parma and Banca Sella Group respectively of 51% and 9.8% of the shares of Banca Monte Parma, and as a result now (after the exercise of the option existing with Fondazione Monte Parma) holds 64.05% of the bank's share capital. Note that the figures shown above and commented on below have been restated, with effect from 1 January 2010, to exclude the contributions of the branches sold and to include the figures of Banca Monte Parma.
Banca dei Territori's operating income was 9,654 million euro in 2011, amounting to 57.5% of the Group's consolidated operating income, down 2.8% on the previous year. In further detail, there was a reduction in net interest income (-1%) which

had as one of its main causes the smaller benefits from loans to customers following an increase in market interest rates which was not completely transferred to lending rates. This effect was partly offset by the expansion of the mark-down on deposits, though in the presence of smaller benefits deriving from hedging activities on core deposits. Net fee and commission income was also down (-4%), in particular, that from asset management and bancassurance products, which was affected by the negative performance of the markets, specifically in the second half of 2011, up-front commissions on bond placements, relating to the decision to privilege the placement of own bond issues in 2011, and fees and commissions on current accounts. Decreases were also seen in other income items including income from the insurance business, down from 578 million euro to 492 million euro, due to a reduction in net investment result. Operating costs, amounting to 5,733 million euro, decreased (-2.9%) compared with those of 2010. Operating margin amounted to 3,921 million euro, down 2.6% from the previous year. Following higher net adjustments to loans (+207 million euro), lower net provisions for risks and charges (-35.1%) and higher adjustments to other assets (+90 million euro) primarily relating to the impairment of the Greek bonds held in the portfolios of the insurance companies, income before tax from continuing operations came to 1,408 million euro, down 20.5%. Net result, which was affected by considerable goodwill impairment caused by the difficult macroeconomic scenario, after the attribution of charges for integration of 456 million euro and the economic effects of purchase price allocation of 210 million euro to the Division, came to -6,412 million euro.

On a quarterly basis, the fourth quarter showed an increase in operating margin of 20.2% compared to the third quarter, driven by an increase in revenues, in particular, in income from insurance business and, to a lesser extent, in net fee and commission income and net interest income. Income before tax from continuing operations decreased significantly (-50.9%), mainly due to higher net adjustments to loans.

The Division absorbed 38% of Group capital, which is lower than in 2010. The capital, amounting to 9,381 million euro, fell in absolute terms (10.1%) due to the containment of assets at risk correlated with the retail, small business and business segments. EVA was negative (-132 million euro).

The balance sheet figures at the end of December 2011 showed loans to customers of 186,414 million euro, up 1.7% on the previous year end, mainly as a result of business customers and, to a lesser extent, retail customers. Direct customer deposits from banking business, amounting to 200,574 million euro, remained substantially stable (-0.4%): the fall in amounts due to retail customers was offset by the increase in funding through securities. Direct deposits from insurance business showed a decrease on an annual basis (-2.3%), due to lower liabilities of the insurance segment designated at fair value. Indirect customer deposits reached 230,340, down 5.9% from the end of 2010, due to the negative performance of the financial markets, which eroded the value of assets under management and administration, as well as to outflows from mutual funds and portfolio management.

| | |
|---|---|
| **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:<br>– widespread local coverage<br>– a focus on the specific qualities of local markets<br>– 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<br>– exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit |
| **Organisational structure** | |
| Retail Marketing Department | Manages 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 businesses with a turnover under 2.5 million euro and Group loan facilities under 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 private customers whose financial assets exceed 1 million euro |
| Non divisionalised banks and Product companies (*) | (*) Specialised in medium-term credit (Mediocredito Italiano), consumer credit (Moneta and Neos Finance), the management of electronic payments (Setefi) and trust services (Sirefid) |
| Banca Prossima | Serves non-profit organisations |
| Insurance and Pension companies | Specialised in offering pension and personal and asset protection services |
| **Distribution structure** | Over 5,400 branches, including retail, business and private-banking branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres (8 at the end of 2011) that coordinate 28 Areas/Network Banks (27 at 31 December 2011), designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned |

During 2011, in order to strengthen oversight of operations and relations with the reference territory, the scope of responsibility of the Areas under the Regional Governance Centres was redefined, creating new Territorial Areas, which increased to 27 at the end of December 2011 from 22 at the end of December 2010.
At the beginning of 2012, as an important step in the strategy of reorganisation of the Banca dei Territori brands, which will involve a single brand at local level and the simplification of operational units, the redefinition of the scope of the Territorial Areas (increased to 28) and the Regional Governance Centres (decreased to 7) continued.

## Retail Marketing Department

**Investment**

During 2011, the offering of investment products has been expanded with the launch of:

- a new sub-fund of the mutual fund "Eurizon Focus Capitale Protetto", which enables modest growth of invested capital over a time span of six years, with capital protection on maturity; "Eurizon Strategia Flessibile – Obbligazioni 06/2016", a new sub-fund of the Luxembourg mutual fund Eurizon Strategia Flessibile, which aims at obtaining an expected yield to maturity higher than that of a basket of fixed-rate government bonds in the eurozone, thanks to the use of active strategies to exploit market opportunities; "Eurizon Strategia Protetta III Trimestre 2011", an Italian registered fund created as a continuation of the "Eurizon Focus Garantito I semestre 2006" which, through active selection of the weightings of the various components of the portfolio, aims to provide capital protection at maturity and moderate growth in invested capital over a time span of six years; a new class of income accumulation units for the "Eurizon Obbligazioni Euro Breve Termine", "Eurizon Obbligazioni Cedola" and "Eurizon Rendita" funds; three new sub-funds of the Luxembourg fund Investment Solution By Epsilon. The first, called "Soluzione Attiva Protetta", has a twofold purpose of protecting capital at maturity, by investing in a basket of government bonds with high creditworthiness, and participating in the potential growth of stock markets, through a dynamic investment strategy in the Euro Stoxx 50 index, optimised through the use of a quantitative model. The second, "Cedola x 4", aims at achieving an annual average return, over the recommended investment horizon, higher than the six-year swap rate set at the beginning of the investment period and distributing an annual coupon estimated at the beginning of the investment period. Lastly, "Forex Coupon", focused on investing in foreign currencies, mainly emerging currencies, with the twofold objective of achieving an expected return, over a five-year investment horizon, higher than the five-year swap rate and distributing an annual coupon estimated at the beginning of the period of exposure to foreign currencies;
- two new portfolio management lines, "GP Strategia Valore Azioni Più", designed to create value through a flexible approach in the selection of the weightings to be assigned to the various asset classes according to the market scenarios, for affluent customers, whose main objective is to increase their capital in the medium/long-term 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, and "GP Linea Cedola 12/2015", offering diversified investment in bond markets with the aim, at the end of the investment period, of achieving an average annual rate of return at maturity higher than the "Barclays Euro Treasury Bond Dec 2015" index (a customised index denominated in euro) made up of three government bonds in euro issued respectively by the Italian, French and German governments, and also providing for the potential payment of an annual coupon;
- four new components of the GP Linea Dedicata: "Obbligazionario Euro Tasso Variabile" and "Obbligazionario Governativo Italia", distribution and accumulation components;
- a new unit-linked policy known as "Intesa Sanpaolo Life Prospettiva 07/2011" which, through a wide range of investment profiles available to the investor, offers a flexible investment that can be tailored to customer needs in terms of risk level and time horizon.

As regards the activities supporting the Progetto Risparmio (Savings Project), the communication initiatives in collaboration with the newspaper "Il Sole 24 Ore", aimed at strengthening the Group's position as the leader in asset management, continued during the year. Alongside the cooperation on the dedicated portal "24 Ore di Risparmio", conceived as a qualified, authoritative informational and educational service on issues regarding saving, starting from February 2011 the monthly newsletter for retail customers who signed up for the service on the Internet, also included contributions on issues regarding the world of saving edited by the staff of Il Sole 24 Ore.

**Current accounts**

With regard to current accounts, "Conto Facile" was launched, the first "tailor-made" product which is part of a new modular range of banking services for retail customers, which uses a single sales platform to customise the offer based on the customer's characteristics, specific needs and operations. With "Conto Facile" customers can select the set of products and services most suitable to their needs, for a total monthly charge which includes the fees for the individual products and services activated, taking into account promotions and discounts which will be added to the offer.

**Superflash**

One of the main initiatives during the year was the launch of "Superflash", which has evolved from being just a banking product into an "umbrella brand" focused on young people aged between 18 and 35 with a new offer range, a new service model and a new language of communication.

The range has been restructured for each of the 6 "areas of need" identified (Card, Account, Loan, Mortgage, Savings and Mobile Telephone) to meet the demands of the target market with specific products at favourable conditions, designed to keep costs to the customer at a minimum.

In September the first branch with the "Superflash" brand was inaugurated in Milan, an Intesa Sanpaolo flagship store with an environment specifically conceived and designed to meet the needs of young people. In October branches were opened in Torino and Napoli, in December those in Firenze and Bologna, and in the coming months branches are due to be opened in the other major Italian cities.

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| **Cards** | By virtue of an exclusive agreement with Alitalia, starting from February 2011, the "Intesa Sanpaolo Alitalia" card is available to customers that are members of the MilleMiglia loyalty programme, to facilitate the accumulation of miles and offer discounts and benefits on flight with the airline. |
| **Services** | As a result of an agreement with Western Union Company, the world leader in money transfer services, to offer Western Union® Money Transfer℠ services, starting from June, customers holding an account or a prepaid card can remit money abroad using the Group's ATMs, 24-hours a day, at advantageous prices. From autumn, 700 internet workstations will also be set up at branches, and the service will also be extended to the web and mobile banking channels.<br><br>To simplify the administrative and operational management of inheritance matters, and improve relations with heirs, the new "Inheritance Process" was launched, with the establishment of an Inheritance Competence Centre for Banca dei Territori, in charge of managing several phases of cases forwarded by the branches, and providing assistance on administrative aspects and basic legal and tax information.<br><br>At the end of the year, the first Italian Mobile Proximity Payment project was presented, aimed at increasing the number of electronic transactions as opposed to using cash: associating a smartphone with a payment card and a suitably enabled telephone SIM, customers can pay for their purchases at merchants equipped with contactless POS, by using their mobile phones. |
| **Mortgages** | The new modular range of banking services for retail customers was expanded to mortgages, through "Mutuo Domus", a single fixed or floating-rate mortgage which can be customised thanks to the multiple combinations of repayment plans, flexibility options and accessories. |
| **Loans** | As part of the "Prestito Multiplo", the loan to finance personal and/or household expenses, the "Prestito Auto" was launched. This is a loan for purchasing a car, for amounts from 2,000 euro to 30,000 euro, with a term of from 24 to 72 months, with no preliminary investigation of application fees, with the possibility of repaying the amount in personalised instalments and an attractive interest rate compared to standard rates.<br>Moreover, in December, the "Prestito Multiplo Garantito" was made available, with the same features as the "Prestito Multiplo" and dedicated economic conditions, for customers who provide a pledge on their Securities Deposit to support the assessment of their creditworthiness.<br><br>In favour of the households and economic operators in the Province of Messina damaged by the flood, a credit line with a ceiling of 10 million euro has been allocated for medium/long-term loans at favourable conditions, to restore flooded structures. Moreover, a 12-month moratorium was granted on mortgage instalments for properties devastated by the flood, and current account credit lines were granted to finance emergency expenses, with a maximum term of 12 months. |
| **Protection** | The insurance offer was enriched with the new "Polizza ProteggiSalute" policy, to cover medical expenses for illness or accidents. This new, simple and innovative product is modular, offering the possibility to select various levels of guarantees based on financial resources and propensity for insurance. |
| **Environment** | Confirming the Bank's commitment in terms of environmental sustainability and protection, as well as innovation, the "Progetto Filiale Paperless" was launched, aimed at significantly reducing the use of paper at the branches, simplifying transactions for customers and increasing security.<br>The new "Electronic signature on digital pads" service allows customers to view the banking documentation and sign electronically on the screen of a tablet, eliminating the need to print out hard copy receipts. |

### Small Business Marketing Department

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| **Deposit products** | For newly-acquired Small Business customers and those who contribute new financial assets, the "Soluzione Business" has been set up. This is a time deposit on the customer's current account which meets the need to optimise corporate liquidity management, keeping temporary excess liquidity under custody and increasing its value over a defined time span, to then allocate it, at preset maturities, to the production cycle or to investment programmes, which are expected to last for several months.<br>The new product is marked by simplicity, accessibility and flexibility. It provides a gross return in line with the best market offerings on the amounts deposited for 13 months, without deposit opening, management or closure fees, an entrance threshold of 50,000 euro and a maximum subscription ceiling of 5 million euro, with the security of a base interest rate of 1%, in the event of early withdrawal. |
| **Superflash** | In December, the "Superflash Commercial" prepaid, rechargeable card was launched for professionals, small enterprises, businesses and public entities, with a limit of up to 60,000 euro, to be assigned to employees and contract workers, to manage expenses related to business and professional activities. |

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| **Loans** | The range of loan products was enriched with the introduction of "Tandem Impresa Più" and "Tandem Condominio Più", dedicated to Business and Small Business customers (short and medium-term loans) and condominiums (medium-term loans).<br>"Tandem Impresa Più" is a loan repaid in instalments, for companies purchasing goods or services with suppliers that have an agreement with or are approved by the bank, which provides advantages for both parties: customer companies may receive a loan of up to 100% of the invoice, with zero interest, repaying only the principal in monthly instalments, as the interest portion is paid by the supplier that has an agreement or is approved by the bank. The supplier receives support for its sales and collects the entire amount of the supply in a lump sum, net of the interest paid in advance.<br>"Tandem Condominio Più" is a fixed-rate, medium-term loan repaid in monthly instalments. The principal is borne by the condominium, which can benefit from tax deductions provided by law on building renovations, while the interest is charged to the company providing the services.<br><br>The range of products was also expanded with "Finanziamento Sostenibilità Business", an ordinary medium-term loan to favour investments in sustainable development of local areas, environmental protection and improvements in safety in the workplace. The loan covers up to 100% of the investment, for a maximum amount of 750,000 euro, cumulative within the limit of expenses documented through public works, with a minimum duration of 2 years and a maximum duration of 5 years.<br><br>In the area of microcredit, "Prestito della Speranza Business" was launched. This is a new type of loan with amounts of up to 25,000 euro, reserved for families which intend to launch a business or work as freelance professionals, and have been accepted for the guarantees provided by the Italian Episcopal Conference Fund.<br><br>In the area of farming credit, the "Progetto Radici" was launched, which involves the creation of "Agribusiness Points" within branches, as an element of attention and confidence for customers in the agrifood and agroenergy sectors. To support this project, the "A tutto Business! Agricoltura" initiative was launched, providing advantageous conditions for operators in the primary sector.<br><br>With a view to launching specific initiatives in the area of environmental sustainability and energy savings, Intesa Sanpaolo has entered into a partnership agreement with the Italian environmental organisation Legambiente. In addition to awareness raising campaigns and training projects, the programme will involve jointly identifying the main types of energy saving measures and related financial solutions to be offered to individuals, businesses and public entities.<br>The agreement will be implemented through a series of operating protocols, the first of which is "Eternit Free", which governs the financial support from Intesa Sanpaolo within Legambiente's project for the replacement and disposal of constructions made from asbestos.<br>The financial products on offer include the following loans: "Finanziamento Sostenibilità Business", for the removal of Eternit, "Finanziamento Energia Business", for the implementation and purchase of photovoltaic installations, and "Finanziamento Gestione Business – Anticipo Imposte", designed to provide short-term funding to meet tax payment deadlines. The offer also includes "Prestito Ecologico", a loan for salaried and freelance workers who invest in the area of energy outside their work activities.<br><br>In support of the agricultural enterprises of the provinces of Como, Varese, Lecco and Sondrio affected by the exceptional bad weather that struck North Lombardia in July, Intesa Sanpaolo made 15 million euro available and designed a number of specific financing instruments. |
| **Protection products** | A new catalogue of protection products for Small Business loans was launched. With a view to rationalising and streamlining the range of products and services, previous coverage was replaced by two new policies: "BusinessSempre" and "Business5". The former, with a duration equal to that of the loan, can be combined with all categories of loans which entail repayment in instalments and with leasing; the latter, with a duration of 5 years, to cover short-term credit lines.<br><br>The "BusinessFotovoltaico" policy offers small enterprises and professionals applying for loans for the purchase and set up of a photovoltaic plant a set of guarantees to protect the plant and its capacity to generate electricity.<br><br>The offer was also expanded with the "Business Gemma" policy, for women business owners and freelance professionals, to support them with a wide range of insurance and welfare coverage concerning maternity, welfare, healthcare, legal protection and assistance at difficult times. |
| **Agreements** | For 2011, Intesa Sanpaolo renewed the national collaboration agreement with the Italian trade association Confcommercio, signed in 2009. The goal of this initiative is to continue guaranteeing support to enterprises that operate in the commerce, tourism and service sectors by ensuring that they have the liquidity they need to meet their cash flow needs and flexible financing, and also fostering the creation of recapitalisation programmes and new projects.<br>The agreement confirms total loans up to 3 billion euro to member companies and offers the possibility of customising the commercial proposal, implementing the framework agreement at local level by entering into agreements with Confcommercio local associations and, possibly, Credit Guarantee Consortia. |

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|---|---|
| **Agreements** | Intesa Sanpaolo entered into an agreement with Rete Imprese Italia, an association which coordinates the leading Italian Business Confederations (Confcommercio, Confartigianato, CNA, Casartigiani and Confesercenti), for the purpose of ensuring the utmost support to small businesses in a difficult economic climate. The agreement, which involves 2.6 million companies operating in retail and wholesale, services and crafts sectors, and provides 5 billion euro in loans, was modulated by the Area structures in the various local areas, adjusting the terms and contents to specific local needs.<br><br>Intesa Sanpaolo has been involved in the creation of the R.I.S.E.E. network, which brings together businesses in Lombardia operating in the area of energy efficiency and savings, particularly in the renewable energy sector.<br>Two agreements have been signed in favour of the network's businesses and customers that, with the aid of Mediocredito Italiano's specialist unit, have established financing products for the businesses and a range of banking products and services for their customers to cover the costs of supply of goods and services by the R.I.S.E.E. network or its member businesses. The R.I.S.E.E. network represents a model of financial structure for the Group that can be repeated in similar situations for other enterprises. |

### Business Marketing Department

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| **Loans** | As regards short-term loans, the measures under the "SME Guarantee Fund", set up by law 662/96 to facilitate access to credit by small and medium enterprises through the granting of a public guarantee, were extended to facilities for the purpose of divesting portfolios and advances on invoices. The pro-tempore total amount guaranteed per individual company may not exceed 1.5 million euro, with coverage varying from 60% to 85% of the loan.<br><br>"Filiera Più", an innovative instrument to support production chains, is also available. This instrument aims at financing supplies of raw materials, semi-finished products, goods and services, and involves the joint contribution of the supplier and the customer to paying interest. The loan, targeted to all businesses with group turnover exceeding 2.5 million euro or Group credit limits exceeding 1 million euro, has a term of 3 to 12 months, and can finance up to 100% of invoices of a minimum amount of 30,000 euro. |
| **Internationalisation** | A new innovative product "Export Facile" has been launched in support of export companies, which provides for the purchase without recourse of foreign receivables from invoices with due dates of up to 150 days, without any amount limits or minimum number of foreign debtors to be assigned, which offers the companies a hedge against the risk of default on the receivables together with the possibility of freeing the receivables up to meet their working capital needs.<br><br>In January 2011 Banca CR Firenze and Promofirenze entered into an agreement to provide local companies interested in expanding abroad with operational, IT and financial support in the internationalisation process. |
| **Agreements** | The agreement with Compagnia delle Opere was renewed, based on which the over 34,000 profit and non-profit member companies and their employees can receive banking products and services at advantageous conditions: current accounts dedicated to private individuals, microbusinesses and SMEs and loans set up based on varying needs, from "Presto Business" to loans for liquidity and investment management, to recapitalisation products.<br><br>Confirming the partnership with Confindustria Piccola Industria launched in 2009, a new agreement was signed for the purpose of supporting the re-launch and growth of SMEs, also by championing their specific local characteristics, through operational instruments including a wide range of advisory services and financial products, including non-traditional products for the segment.<br>The new agreement offers a ceiling of 10 billion euro, specifically targeted at strategic investments to boost the competitiveness of Italian companies: growth in size, also by organising companies in business networks, internationalisation, innovation and research, enhancement of human capital, energy efficiency and ecosustainability.<br><br>The renewed agreement with the Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (the Italian accounting profession council) envisages, alongside significant involvement of the Bank's local structures in creating local synergies, the council's collaboration in creating the Intesa Sanpaolo Group's new "Neo Impresa" portal, on-line since December. This portal is aimed at assisting those who intend to develop an "entrepreneurial" idea, supporting them through all the necessary steps and identifying available private and public loans.<br><br>To favour the aggregation and competitiveness of small and medium-sized enterprises, Intesa Sanpaolo, through Mediocredito Italiano, has equipped its commercial structure with a complete range of financial services and specialist advice in support of the launch of the business networks and participating businesses. Specifically, the offer involves consulting during the pre-incorporation phase, the search for business partners, oversight of institutional and association relations, advisory services and traditional banking services for the management of collections and payments and company liquidity. |

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| **Agreements** | In view of the positive outcome from the previous experience, Intesa Sanpaolo renewed the agreement it entered into in June 2009, aimed at promoting the structural reinforcement and competitiveness of the Italian tourism industry.<br>Through this initiative, which is part of the "Italia & Turismo" project implemented by the Italian Ministry of Tourism together with the national tourism industry associations and the banks, Intesa Sanpaolo has made a maximum amount of 1 billion euro available to small and medium enterprises in the tourism segment to facilitate access to credit.<br>The funds available are aimed at financing investments to upgrade and develop enterprises in the tourism sector, with a specific focus on business combinations, commercial enhancement, generational turnover and energy savings. The financing, with a duration of between 2 and 20 years, will cover up to 80% of the investment without any amount limits.<br>The offer has been built around the specific needs of tourist enterprises, taking into account the longer periods of return on investment than other sectors and the seasonality of cash flows in the industry. |
| **Non-life policies** | At the start of 2011, distribution of the "Protezione Patrimonio Executive & Company" policy was launched by the insurance company Arch Insurance Europe Ltd. This policy, which is targeted to all corporations, cooperative companies, consortiums, associations and foundations, insures the company and its directors, protecting company, personal and family assets. This offers directors, statutory auditors and executives protection from losses deriving from illegal acts committed in carrying out their duties, and covers the costs of legal assistance, expenses for participating in investigations, and damage to image. |
| **Remote Banking** | Inbiz, the new portal for small and medium-sized enterprises, which allows customers to use a wide range of on-line transactional services (cash management, electronic invoicing, trade services, factoring) through a single point of access, is available to all Group customers in Italy and other nine European countries. |

## Intesa Sanpaolo Private Banking

In 2011, Intesa Sanpaolo Private Banking's activities continued according to the consolidated strategies: innovating commercial offerings, developing customers and synergies with other markets, accurate management of resources, and brand promotion communications.
The customer offering was enriched with the launch of the for-pay Private Advisory service (specifically dedicated to customers with a high net worth) and Securities Lending service, which were significantly appreciated by customers. The product range was also expanded, thanks to the strengthening of the partnership with Epsilon SGR and the launch of Franklin Templeton mutual funds. During the year, the Intesa Sanpaolo Private Banking Alitalia credit card was also launched. "Private Advisory", which many customers have already signed up for, consists of providing an analysis of the customer's portfolio (held at the Bank or, upon specific request, at third party intermediaries) followed by the formulation of proposals for optimising the portfolio's allocation. The service also provides customers with the opportunity to interact with the central assets management structure, through their private banker. By subscribing to Securities Lending, customers authorise the bank to borrow securities owned by the customer without any operating restrictions, as the customer may operate on their securities at any time, and retains the economic benefits related to the securities lent. On maturity of the loan, which has a term of one day, the customer receives a consideration as compensation for making the securities available. Less than one year from its launch, over 7,000 customers have already signed up for this service.
Commercial operations featured the successful public offerings of Enel and GE Capital, in addition to the usual placement of Group bonds and certificates in collaboration with Banca IMI. Intesa Sanpaolo Private Banking asset management (funds and portfolio management) recorded positive inflows, in a year in which the Italian asset management industry produced decisively negative results in terms of net inflows.
In 2011 initiatives aimed at developing synergies with the Retail segment of Banca dei Territori and exploiting potential new business opportunities for the Group, especially in the Business and Corporate segments, were expanded.
The commitment of Intesa Sanpaolo Private Banking continued by way of the constant improvement of service levels through a policy of promoting the value of human resources, who are subject to continuous training.
Intesa Sanpaolo Private Banking is also investing in projects aimed at strengthening knowledge sharing processes. These initiatives include "Remote Communications" and the company "Web Community".
Lastly, brand promotion activities continued in 2011, through intense press activity, organisation of local events and selected sponsorships.
In 2011 Intesa Sanpaolo Private Banking earned income before tax from continuing operations of 164 million euro, up 15.8% compared to the previous year, as a result of the growth in operating income (+4.7%) driven by the interest margin (+20.6%).

## Non-divisionalised Banks and Product Companies

Banca Monte Parma, included in the scope of the Division following acquisition of control by Intesa Sanpaolo at the end of July 2011, is not divisionalised, but represented in its legal nature within the scope of Banca dei Territori.
In 2011 the activities leading up to the IT migration of the company were implemented, leading to the adoption, on 20 February 2012, of the organisational, internal regulatory, operational and IT processes of Intesa Sanpaolo, as well as the distribution and organisational model of the banks in the Banca dei Territori Division.
The economic results of Banca Monte Parma in 2011 were affected by significant adjustments to loans, made as a result of the worsening of the economic trend and the deterioration of credit quality of leading economic groups in the real estate sector and companies with purposes related to local authorities.

In 2011 Mediocredito Italiano confirmed its role in providing support to the production system, granting 3.4 billion euro in loans, marking an increase of 12% compared to 2010. The transactions channelled through Intesa Sanpaolo networks represented 98% of the total amount disbursed. Operations of the Specialised Desks continued to be intense during the period with disbursements of 1.3 billion euro, of which 65% in the renewable energy segment. With regard to support for Innovation and Research, a total of 489 million euro for the dedicated product Nova+ were disbursed.
During the year, the trend of sharp growth in transactions backed by the Guarantee Fund continued, reaching 492 million euro, an increase of 57% compared to 2010.
Commercial operations were initially highly intense, while the second half of the year recorded a slowdown in disbursements, caused by tensions on the financial markets triggered by the sovereign debt crisis in August. In response to the unfavourable economic scenario, an intensive programme of local business development was implemented, with events held at all the branches of Mediocredito Italiano and at the Regional Governance Centres of the Banca dei Territori.
In 2011 Mediocredito Italiano reported an operating margin of 177 million euro, up compared to the previous year (+9.4%), primarily owing to higher net interest income. Income before taxes from continuing operations was negative (-104 million euro), mainly due to higher net adjustments to loans (+136 million euro). This increase occurred in a context of worsening general economic conditions, which made it necessary to adjust expected losses to take into account the impairment of real estate collateral lodged to protect said loans. Moreover, in relation to the negative economic trend, generic provisions on performing loans were increased.

Consumer credit activities are carried out through Moneta and Neos Finance.
At the end of December 2011 the volume of disbursements by Moneta reached 1.8 billion euro, down 9% compared to the previous year. Specifically, the personal loans segment recorded a decrease of 7.7% in volumes disbursed, while the loans against assignment of one-fifth of salary fell 4.8%. The decrease in volumes disbursed for credit cards (-74.8%) is the result of the decision taken during the year to interrupt the issue of these instruments.
Moneta’s operating margin amounted to 103 million euro, compared to 61 million euro in 2010 (excluding dividends received from the former subsidiary Setefi in 2010, amounting to 70 million euro).
In 2011 a project was launched involving Moneta in a larger repositioning of the Intesa Sanpaolo Group as a leader in consumer credit. The project, entitled “Con.cre.to”, aims at revising the personal loan management process, defining a new model for customer profiling (risk/appetite) specific for consumer credit, boosting demand with innovative, modular products, developing and integrating physical and remote channels to increase Moneta's brand awareness and maximise the effectiveness of customer acquisition and management. In November, the project was launched in a pilot area comprising 77 branches in the Milano and Province Area, to test process and product innovations with considerable interaction and collaboration with the Network, to be subsequently extended to the entire country.

Neos Finance closed 2011 with a total amount financed of 1.8 billion euro, down 3.8% compared to the previous year. In the various segments, car loans, leasing and credit cards reported decreases, while personal loans, special-purpose loans and assignment of one-fifth of salary reported increases (+9.3%, +4.5% and +30.8%, respectively).
Neos Finance's operating margin came to 97 million euro, up 9.2% on 2010. The income before tax from continuing operations was considerably negative (-164 million euro) due to the higher net adjustments to loans, attributable to the change in the method of calculating the cost of risk, following specific due diligence conducted by the Parent Company.

Setefi specialises in managing electronic payment systems. On 22 February 2011 it was registered in the new Payment Institutes Registry kept by the Bank of Italy. The resumption of direct control over the company by Intesa Sanpaolo was finalised on 27 June 2011. Strategic choices result in defining the company as an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS.
In 2011 Setefi reported an increase in operating margin, which rose to 174 million euro (+18.7% compared to 2010).
Almost all the 10.6 million cards managed by Setefi as at 31 December 2011 were issued directly by the Parent Company and the Group banks, and their number increased by 11.6% compared to the previous year. The number of POS at the end of 2011 amounted to approximately 283,000, growth of 16% on 31 December 2010. The total number of transactions handled (transactions at Setefi POS and transactions on cards issued by Group banks on other POS) increased 20% (from 463 million transactions as at 31 December 2010 to 556 million transactions as at 31 December 2011); the total amount transacted was up around 17% (from 36.5 billion euro to 42.7 billion euro). In 2011, Setefi continued to concentrate on the process of efficiency enhancement and improvement of its operations, maintaining a constant focus on costs. The initiatives during the year included the launch, under the “Superflash” offering, of the “Move and Pay” platform (an innovative system enabling money transfer and payment for goods and services by mobile telephone), developed with the contribution of Setefi. The “Move and Pay” was successfully upgraded with the presentation, in partnership with MasterCard, of the first Italian “Mobile Proximity Payment” project, which, by associating a smartphone with a payment card and a telephone SIM, allows users to pay for their purchases at merchants equipped with contactless POS, using their mobile phones. The cross-border acquiring project was developed, with the activation of sales points in France and Spain, after activation in Switzerland (the foreign language versions of the monetaonline site have also been released). During the year, an important commercial agreement - the first of its kind in Italy - was finalised, permitting the acceptance of payment using Diners and Discover cards via POS terminals installed with partner merchants of Setefi, and an additional strategic agreement was signed with China Union Pay (CUP) to permit the use of CUP cards at ATMs managed by Setefi and to expand the current acceptance network. Development continued of the project aimed at concentrating the activities relating to the Bancomat/Pagobancomat card authorisation system (including ATM withdrawals) within Setefi. Lastly, the implementation and upgrading of the channel and e-commerce services (internet portals of card holders, merchants and for electronic commerce) continued.

SIREFID, which specialises in trust services for business leaders and private investors, held assets under administration of 8.8 billion euro as at 31 December 2011, equal to approximately 25,500 mandates.

Agriventure is the Intesa Sanpaolo Group company which provides advisory services in the agrifood, agroindustrial and agroenergy sectors, and operates throughout the country to meet both technical needs of the Group bank network and the needs of companies operating in the various stages of these production chains.
The company constitutes a new service model for agribusiness in Italy. At national level, it is positioned as a qualified, innovative market leader for its sector, supporting strategic investments and promoting the most innovative business projects in the agricultural chain.

## Banca Prossima

Banca Prossima operates in the non-profit sector through 65 local branches and 140 specialists distributed throughout Italy.
During the year, in order to further reinforce its role as the bank of reference for the Non-Profit Sector, the Bank's commercial action focused on acquiring new customers and developing existing customers. As at 31 December 2011 Banca Prossima had 16,700 customers. Customer financial assets amounted to 3.6 billion euro, of which almost 850 million euro in direct customer deposits and approximately 200 million euro in Group bonds. As at the same date, lending operations had achieved an approved amount of over 1.1 billion euro. In 2011, the company almost doubled its revenues (amounting to 29 million euro) compared to 2010, achieving operating income of 8.4 million euro and income before tax from continuing operations of 4.6 million euro.
In 2011 new products, services and initiatives aimed exclusively at non-profit firms were created. Specifically, the "Salvastipendi" initiative stands out, targeted at socially-oriented enterprises and cooperatives to guarantee regular payment of salaries to employees. This is a range of financial solutions (factoring receivables and/or cash credit lines) guaranteed by Cooperfidi Italia, requiring the amounts made available to be used to pay salaries.
The "Terzo Valore" internet platform was also issued, which can be used by non-profit organisations to contact individuals and legal persons to raise the funds necessary to implement their projects. During the year, the new current account "Conto Prossima Menù" was launched, which offers non-profit organisations the opportunity to select, from a wide range of options, the account conditions that best meet their needs. The completion of the insurance range continued, with three new policies ("Prossima Sicura – Volontariato", "Prossima Sicura – Mandato di prodotto" and "Prossima Sicura - Polizza Protezione Patrimonio Executive & Company"). Moreover, new investment opportunities were offered through bonds targeted to legal persons and products aimed at optimising organisations' liquidity and equity (Liquidità Stars Cash Fund). Lastly, two new loans, one short-term and one medium-/long-term, have been set up, targeted to socially-oriented enterprises, with direct guarantees from the SME Guarantee Fund pursuant to Law 662/96 as well as the marketing of "Ricap per le ONP", a loan to support the recapitalisation of cooperatives and socially-oriented enterprises, which is disbursed in an amount linked to the capital increase effectively subscribed by the shareholders. Under "Superflash", Banca Prossima contributed to the development of the "Impegno Sociale" (social commitment) area, and was responsible for the development of the sections dedicated to Terzo Set-ORE, a new initiative enabling young people to offer their services as volunteers for the non-profit organisations involved in the project, and Terzo Valore.

## Insurance and Pension companies

In the first part of 2011 the reorganisation of the insurance segment of the Intesa Sanpaolo Group was relaunched as a result of the decisions of the Italian Competition Authority, which revised the measures for the life business segment of the insurance market as a result of the merger between Banca Intesa and Sanpaolo IMI. In particular, the Competition Authority revoked the obligation to sell the insurance company Sud Polo Vita to third parties, and established that the distribution restrictions set for EurizonVita and Intesa Vita no longer apply. Within this context, the authorisation process was completed in September 2011 and shareholder approval was obtained, on 17 October, for the merger plan. On 31 December 2011, the plan led to the integration of the four companies EurizonVita, Sud Polo Vita, Intesa Sanpaolo Vita and Centrovita Assicurazioni, effective for accounting and tax purposes as of 1 January 2011, and the creation of the new company Intesa Sanpaolo Vita, operational from 1 January 2012.
In 2011 the companies operating in the insurance segment reported a total of 233 million euro in income before tax from continuing operations, down 45.2% compared to 2010, mainly due to the poor performance of financial management, attributable to the worsening of listings on the financial markets, which resulted in the accounting of losses and valuation effects on investments. It should be recalled that the 2010 figure had benefited from capital gains on the sale of securities. At the end of December 2011 the portfolio of policies came to 67,371 million euro, up 1.2% on an annual basis. In 2011, gross life premiums underwritten for both insurance products and policies with investment content amounted to 11,493 million euro, down 23.6% on 2010. New life business amounted to 10,713 million euro in premiums underwritten (-26.5% on the previous year).
It is noted that insurance activity within the Group is carried out also by Fideuram Vita (a company belonging to the Banca Fideuram business unit).

As at 31 December 2011 the assets managed by Intesa Sanpaolo Previdenza (formerly Intesa Previdenza) came to 1,380 million euro, of which over 80% consisted of open-ended pension funds established by the company (+3.2% compared to the end of December 2010) and the remainder of management mandates for closed-end funds (increasing by 14.2% on an annual basis). Net inflows for 2011 were positive for both types of funds.
At the end of December 2011, Intesa Sanpaolo Previdenza Sim had almost 247,000 pension positions under management, of which approximately 143,000 attributable to administration mandates granted by third parties.

## Corporate and Investment Banking

(millions of euro)

| Income statement/Alternative performance indicators | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Net interest income | 2,318 | 2,253 | 65 | 2.9 |
| Dividends and profits (losses) on investments carried at equity | -4 | -29 | -25 | -86.2 |
| Net fee and commission income | 1,053 | 1,029 | 24 | 2.3 |
| Profits (Losses) on trading | 534 | 548 | -14 | -2.6 |
| Income from insurance business | - | - | - | - |
| Other operating income (expenses) | 27 | 41 | -14 | -34.1 |
| **Operating income** | **3,928** | **3,842** | **86** | **2.2** |
| Personnel expenses | -403 | -425 | -22 | -5.2 |
| Other administrative expenses | -559 | -533 | 26 | 4.9 |
| Adjustments to property, equipment and intangible assets | -6 | -7 | -1 | -14.3 |
| **Operating costs** | **-968** | **-965** | **3** | **0.3** |
| **Operating margin** | **2,960** | **2,877** | **83** | **2.9** |
| Net provisions for risks and charges | -18 | -15 | 3 | 20.0 |
| Net adjustments to loans | -943 | -465 | 478 | |
| Net impairment losses on other assets | -747 | -19 | 728 | |
| Profits (Losses) on investments held to maturity and on other investments | -265 | 12 | -277 | |
| **Income (Loss) before tax from continuing operations** | **987** | **2,390** | **-1,403** | **-58.7** |
| Taxes on income from continuing operations | -435 | -827 | -392 | -47.4 |
| Charges (net of tax) for integration and exit incentives | -34 | -7 | 27 | |
| Effect of purchase price allocation (net of tax) | 3 | -4 | 7 | |
| Goodwill impairment (net of tax) | -2,318 | - | 2,318 | - |
| Income (Loss) after tax from discontinued operations | - | - | - | - |
| Minority interests | - | - | - | - |
| **Net income (loss)** | **-1,797** | **1,552** | **-3,349** | |
| **Allocated capital** | **10,132** | **9,923** | **209** | **2.1** |
| **Profitability ratios (%)** | | | | |
| Cost / Income ratio | 24.6 | 25.1 | -0.5 | -2.0 |
| ROE | n.m. | 15.6 | | |
| EVA® adjusted [(a)] (millions of euro) | -437 | 590 | -1,027 | |

(millions of euro)

| | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Loans to customers | 150,701 | 151,287 | -586 | -0.4 |
| Direct deposits from banking business [(b)] | 87,591 | 102,783 | -15,192 | -14.8 |

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

[(a)] Net of charges for integration and exit incentives, effect of purchase price allocation, as per IFRS 3 and of goodwill impairment.

[(b)] The item includes capital protected securitised derivatives (certificates) classified under financial liabilities held for trading.

The Corporate and Investment Banking Division (including Public Finance) operated 2011 with increased competencies and a broad diversification of the related business portfolio and activities, and achieved 3,928 million euro in operating income (representing 23% of the Group's consolidated figure), up on 2010 (+2.2%).
In detail, net interest income amounted to 2,318 million euro, representing an increase of 2.9% on the previous year. This positive performance was mainly attributable to the increase in average volumes of loans, driven in particular by the operations of the factoring, leasing, structured finance and global banking & transaction product companies, in addition to the positive contribution of the assets relating to Banca IMI's HFT & AFS portfolio, which benefited from higher interest and active management in the finance and capital management segment, as well as the increase in the average spreads for Public Finance customers. Net fee and commission income, amounting to 1,053 million euro, improved by 2.3%, due to higher income linked to commercial banking services, particularly loans, guarantees and factoring, in relation to stable investment banking fees and commissions. Profits on trading, amounting to 534 million euro, showed a decrease of 2.6% compared to 2010, attributable to the negative valuation effects recorded by Public Finance in relation to interest rate risk hedging on impaired Greek securities and the credit risk

adjustment, which more than offset the higher revenues from the private equity operations of the Merchant Banking Division and, significantly, the considerable capital gains generated by the securities and investments portfolio (particularly the sale of 4% of Prada) as well as dividends from trading collected. Operating costs amounted to 968 million euro, essentially stable compared to 2010 (+0.3%), reflecting the careful control of costs. The cost/income ratio, equal to 24.6%, decreased by 0.5 percentage points, benefiting from the expansion of revenues, and is consistent overall with the mix of transactions, lending/funding and investment banking managed by the Division. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,960 million euro, grew 2.9%. Conversely, income before tax from continuing operations, amounting to 987 million euro, reported a sharp decrease (-58.7%), due to greater net adjustments to loans, mainly due to the strengthening of hedging of restructured loans, and greater impairment of Greek government securities and financial assets and investments (Telco). Lastly, net result, which was penalised by considerable goodwill impairment caused by the difficult macroeconomic situation, came to -1,797 million euro.

In quarterly terms, the fourth quarter of 2011 showed a decrease in operating income (-9.4%) compared to the third quarter, attributable to the decrease in profit/(loss) on trading due to the negative valuation effects of derivatives on Greek bonds, as well as to the capital markets segment, which had generated significant revenues in the previous quarter. The decrease in revenues was reflected in a drop in the operating margin (-17.5%). Income before tax from continuing operations was negative due to the write-downs recorded in relation to the impairment of securities issued or guaranteed by the Greek government and higher net adjustments to loans and financial assets and other investments.

The Division absorbed 41% of the Group’s capital, up compared to 2010. Capital allocated, amounting to 10,132 million euro, grew (+2.1%) mainly due to greater risks related to structured finance and capital markets operations. EVA came to -437 million euro.

The Division’s intermediated volumes were down compared to the end of December 2010 (-6.2%). Specifically, direct deposits from banking business fell by 14.8%, affected by the lower growth in transactions in securities, particularly in relation to the placement of bonds by Banca IMI, and the decline in liquidity in short-term deposits of leading customers, as a result of the recession. Loans to customers were substantially stable (-0.4%): the reduction in the use of cash by Large Corporate Italy, International Corporate and Financial Institutions counterparties and the decline in reverse repurchase transactions with institutional operators and financial intermediaries by Banca IMI were almost fully absorbed by the increase in loans to the public works and infrastructure sector, handled by BIIS in relation to new operations developed during the period and the accounting valuation effects, as well as the growth in operations of factoring, leasing and structured finance product companies.

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| **Business** | Corporate, Investment Banking and Public Finance, 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<br><br>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 by pursuing international growth opportunities in countries of strategic interest to the Group |
| **Organisational Structure** | |
| Large Corporate Italia (formerly Large & International Corporate) | The Department is charged with managing relationships with Italian large corporate customers through identification, development and launch of wholesale products and services, commercial banking, cash management, corporate banking, investment banking and capital markets |
| Mid Corporate | The Department is responsible for handling companies with turnover in excess of 150 million euro by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies |
| International | The Department is charged with managing relationships with international customers and international large corporate customers with subsidiaries in Italy and 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 |
| Global Banking & Transaction (formerly Financial Institutions) | The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade ed export finance products and services, custody and settlement of Italian securities (local custody) |
| Merchant Banking | The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-/long-term investments (of an institutional and development nature with a business logic), of privaty equity companies and specialist funds (restructuring, mezzanine, venture capital) |
| Structured Finance | 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 Market and primary market | 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 companies Leasint and Centro Leasing |
| Public Finance | Public Finance serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers |
| **Distribution structure** | In Italy it draws on 56 branches dedicated to corporate customers and 18 branches serving public customers. At the international level, the Corporate and Investment Banking Division operates in 29 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; the Division has 3 representative offices abroad (Istanbul, London and Paris) to support Public Finance operations |

(millions of euro)

| Income statement/Alternative performance indicators | Corporate and Investment Banking | | Public Finance | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net interest income | 2,018 | 1,973 | 300 | 280 |
| Dividends and profits (losses) on investments carried at equity | -4 | -29 | - | - |
| Net fee and commission income | 998 | 960 | 55 | 69 |
| Profits (Losses) on trading | 626 | 557 | -92 | -9 |
| Income from insurance business | - | - | - | - |
| Other operating income (expenses) | 26 | 39 | 1 | 2 |
| **Operating income** | **3,664** | **3,500** | **264** | **342** |
| Personnel expenses | -369 | -387 | -34 | -38 |
| Other administrative expenses | -517 | -488 | -42 | -45 |
| Adjustments to property, equipment and intangible assets | -6 | -7 | - | - |
| **Operating costs** | **-892** | **-882** | **-76** | **-83** |
| **Operating margin** | **2,772** | **2,618** | **188** | **259** |
| Net provisions for risks and charges | -18 | -15 | - | - |
| Net adjustments to loans | -886 | -421 | -57 | -44 |
| Net impairment losses on other assets | -26 | -19 | -721 | - |
| Profits (Losses) on investments held to maturity and on other investments | -265 | 12 | - | - |
| **Income (Loss) before tax from continuing operations** | **1,577** | **2,175** | **-590** | **215** |
| Taxes on income from continuing operations | -574 | -753 | 139 | -74 |
| Charges (net of tax) for integration and exit incentives | -33 | -7 | -1 | - |
| Effect of purchase price allocation (net of tax) | 3 | -1 | - | -3 |
| Goodwill impairment (net of tax) | -2,290 | - | -28 | - |
| Income (Loss) after tax from discontinued operations | - | - | - | - |
| Minority interests | - | - | - | - |
| **Net income (loss)** | **-1,317** | **1,414** | **-480** | **138** |
| **Allocated capital** | **8,879** | **8,730** | **1,253** | **1,193** |
| **Profitability ratios (%)** | | | | |
| Cost / Income ratio | 24.3 | 25.2 | 28.8 | 24.3 |
| ROE | n.m. | 16.2 | n.m. | 11.6 |
| EVA® adjusted [(a)] (millions of euro) | 132 | 563 | -569 | 27 |

(millions of euro)

| | Corporate and Investment Banking | | Public Finance | |
|---|---|---|---|---|
| | 31.12.2011 | 31.12.2010 | 31.12.2011 | 31.12.2010 |
| Loans to customers | 108,785 | 110,779 | 41,916 | 40,508 |
| Direct deposits from banking business [(b)] | 82,094 | 97,026 | 5,497 | 5,757 |

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

[(a)] Net of charges for integration and exit incentives, effect of purchase price allocation, as per IFRS 3 and of goodwill impairment.

[(b)] The item includes capital protected securitised derivatives (certificates) classified under financial liabilities held for trading.

In detail, the Corporate and Investment Banking Division earned 3,664 million euro in operating income, up 4.7% on 2010.
Net interest income amounted to 2,018 million euro, representing an increase of 2.3% on the previous year. This positive performance was mainly attributable to the increase in average volumes of loans, driven in particular by the operations of the factoring, leasing and structured finance product companies and global banking & transaction, in addition to the positive contribution of the assets relating to Banca IMI's HFT & AFS portfolio, which benefited from higher interest and active management in the finance and capital management segment. Net fee and commission income, amounting to 998 million euro, improved by 4%, due to higher income linked to commercial banking services, particularly loans, guarantees and factoring, in relation to stable investment banking fees and commissions. Profits on trading, amounting to 626 million euro, showed an

increase of 12.4% on 2010, attributable to higher revenues from the private equity operations of the Merchant Banking Department and, significantly, to the considerable capital gains generated by the securities portfolio and investments (particularly the sale of 4% of Prada), as well as dividends from trading collected. Operating costs amounted to 892 million euro, a slight increase compared to 2010 (+1.1%), reflecting the careful control of costs. The cost/income ratio of 24.3%, was down almost 1 percentage point, benefiting from the improvement in revenues. As a result of the trend in revenues and costs described above, the operating margin, amounting to 2,772 million euro, grew 5.9%. Conversely, income before tax from continuing operations, amounting to 1,577 million euro, reported a decrease (-27.5%), due to greater net adjustments to loans and impairment of financial assets and investments. Lastly, net result, which was penalised by significant goodwill impairment caused by the difficult macroeconomic situation, came to -1,317 million euro.

Public Finance closed 2011 with a net loss of 480 million euro, resulting from the effects of impairment on Greek bonds.
In detail, net interest income, amounting to 300 million euro, grew 7.1% compared to the previous year, as a result of the average spreads for customers and the substantial strength of operations in Italy and abroad. Net fee and commission income, amounting to 55 million euro, was down 20.3% due to the continuation of the structuring of several operations beyond the end of the year. Overall, interest, fee and commission income showed an increase of 1.7%, confirming the stability of ordinary activities provided to customers. Result of trading, amounting to a loss of 92 million euro, were impacted by the negative valuation effects recorded in relation to interest rate risk hedging on impaired Greek bonds (-73 million euro) and the credit risk adjustment (-29 million euro). These effects resulted in operating income of 264 million euro, down 22.8% compared to 2010. Average loans to customers decreased slightly (-0.8%, including securities), and include new disbursements of approximately 4 billion since the beginning of 2011. Operating costs amounted to 76 million euro, sharply decreasing (-8.4%) compared to 2010, reflecting effective cost containment measures. The cost/income ratio rose from 24.3% to 28.8%, penalised by the downtrend in revenues. As a result of the above trends, operating margin was 188 million euro, down 27.4%.
Income before tax from continuing operations, amounting to -590 million euro, was impacted by the impairment on Greek government bonds totalling 721 million euro in relation to a nominal exposure of 697 million euro, and by the write-downs of the related hedges.

## Large Corporate Italy (formerly Large & International Corporate) and Mid Corporate

At the end of December 2011, volumes used by corporate customers increased slightly, as a result of the positive contribution of long-term loans and short-term export credit lines, also due to the implementation of the Division's project favouring internationalisation, both in terms of operational support to customers and in terms of greater availability of credit. The level of use of these credit lines was higher than the industry average, both for the Mid Corporate and Large Corporate Italy segments, confirming the preference for the Group shown by corporate firms. Constant assessment of risk, as well as a balanced policy of development in loans to customers, resulted in an increase in the total share of wallet to over 26% for the amounts used.
In 2011, 90 structured finance and investment banking transactions were undertaken in the Mid Corporate Department, compared to 70 transactions undertaken in 2010, confirming the recovery of extraordinary corporate finance activity, specifically concentrated on debt transactions (structured finance).
The initiatives launched during 2011 included: implementation of a new commercial approach to the Division's customers, by segmenting customers of all Departments based on the historically generated EVA and the outlook on cross-selling; continuation of the "Start-Up Initiative", through which the Group intends to confirm its role in supporting the development of Italian and international technology companies, as an impartial player able to coordinate energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions whilst reducing the costs and timing of research and development processes. Since the launch of the initiative in September 2009, 26 editions have been held, in Italy, the United Kingdom, Germany, France and the United States, involving thousands of business owners and investors operating in various areas of technological innovation. Finalisation of the Technology Opportunity Proposal (T.O.P.) and Technology Transfer Advisory (T.T.A.) projects, created and implemented during the previous year, continued. The development of customer relationship management instruments was finalised, for use by the commercial units, aimed at encouraging synergies and generating cross-business between the Division's various products, including a commercial monitoring system that promotes collaboration between the various product areas and monitors the generation of cross-selling among products, together with a management dashboard which, in addition to data on the Division's earnings and operating performance, also shows the results generated by the interaction between various products. Lastly, in order to confirm Intesa Sanpaolo's role as the partner of choice for companies, a project was developed which involves the logistics concentration of all internal product skills and relations for all customer segments into physical points within the current 7 Regional Governance Centres, which will be supported by the branches of the Banca dei Territori and the pre-existing Mid and Large-Corporate branches. The pilot project was successfully concluded in January 2012 in the Triveneto area, and the roll-out to the other Regional Governance Centres is currently being defined.

## International

The International Unit directly covers 29 countries through 12 wholesale branches, 17 representative offices, 2 subsidiary banks and one advisory firm. In 2011 the internationalisation strategy was strengthened by moving the Department's head office to London, while international coverage was pursued by fostering the internationalisation of Italian firms and building relationships with major multinationals through a model for managing international network customers that is consistent throughout the Group's international network. During the period, two projects which were created and finalised during 2010 moved forward: internationalisation strategy and international account management. The pilot project on financial institutions (emerging markets) of Banca Intesa Russia was also launched. Lastly, a HUB branch for the Middle East & North Africa Area (MENA) was established in Dubai, which will coordinate all offices of the Division currently located in the area. The Dubai branch thus becomes the fourth HUB of the Department in addition to the HUB branches in London, Hong Kong and New York and is the first of the measures planned during the year for opening new branches to strengthen the existing structures in countries of high strategic importance.

The Department is responsible for:
- Société Européenne de Banque, which recorded income before tax from continuing operations of 105 million euro in 2011, up (+7.1%) on 2010, thanks to growth in revenues (+14.2%), attributable to the positive trend in net interest income and profits on trading, and the reduction in costs (-0.6%), which more than offset greater adjustments to loans (+10 million euro);
- Intesa Sanpaolo Bank Ireland, which showed income before tax from continuing operations of 102 million euro, down 19.5% compared to 2010, due to the fall in operating income (-25%), penalised by lower net interest income, and the increase in operating costs (+8.8%).

## Global Banking & Transaction (formerly Financial Institutions)

In a scenario characterised by liquidity tensions which caused a sharp decrease in interbank trade, the Bank's lending activities remained highly conservative and carefully focused on counterparties' risk profiles, and transactions were completed aimed at promoting the cross-selling of high added value products. On the marketing front, a campaign was promoted to develop capital market products, intensifying the creation of new relationships with target customers. In Trade Finance, actions were conducted to increase foreign-on-foreign operations, benefiting from the Group's presence in strategic countries of the Far East, India and South America. Cross-selling initiatives were also undertaken with Banca IMI, specifically in Eastern Europe, in the Retail Sales, Market Hub and ECM (capital increases) sectors. In the Trade and Structured Export Finance segment, structured export finance operations were strengthened and, specifically, the first transaction to finance Chinese exports backed by the Chinese Export Credit Agency Sinosure was concluded. Support was also provided for Italian exports, including Nordstream Phase 1 and Nordstream Phase 2 and, along with UniCredit, an export financing agreement was finalised for UTair Aviation for the purchase of ATR regional aircraft with the support of Coface and Sace. In Transaction Banking, a package of new added value services was promoted, targeted to insurance customers, which increases the level of security relating to policy liquidation and the disbursement of loans, and provides a set of reporting information to supplement customers' accounting systems. In the second half of the year, liquidity funding activities were developed through securitisation transactions promoted by third party Italian banks, in particular two MPS transactions relating to mortgages and lease instalments. In terms of international banks, cooperation agreements were signed with several global players to manage volumes of payments in Non-EU countries, and a request for information was submitted to six major local players on the British market for GDP clearing management. Marketing initiatives on securities services customers of the Local Custody Department concentrated on cross-selling with Banca IMI to acquire integrated execution and custody mandates, on managing several one-off transactions such as Crediop, MPS and UBI, on renewing the local custody mandate of Crédit Agricole CIB and ABN AMRO Global Custody Services N.V., on launching new services and operations for several customers, such as State Street Bank Milano, Banca Mediolanum, ABN AMRO and KAS Bank.

## Merchant Banking

As at 31 December 2011, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 2.8 billion euro, of which 2.5 billion euro invested in companies and 0.3 billion euro in private equity mutual funds.
With an approach marked by great selectivity and careful risk assessment, in 2011 the Department finalised significant investment initiatives, such as the acquisition of an investment in GWM Renewable Energy II, a company that controls the renewable energy operations of the GWM Group, with an investment of 12.5% for over 20 million euro, and investment in the shareholding structure of VEI Capital, an investment holding promoted by Palladio Finanziaria for the purpose of taking on and managing corporate investments with a view to private equity investments, with a total commitment of 60 million euro. The Department also signed a commitment for 27.2 million euro in the DGPA & TATO' mutual investment fund, specialised in investment in the venture capital of enterprises, which are mainly unlisted, and are in situations of financial difficulty or crisis or need restructuring.
Through the subsidiary IMI Investimenti, the Department participated in the share capital increase of CISFI for a total of 10 million euro and participated in the capital of F2i Reti TLC, with a commitment of 17 million euro. Moreover, with stake of 10%, equal to an investment of over 8 million euro, it entered the shareholding structure of Pavan, and, lastly, invested in the capital of Savio Macchine Tessili, with an investment of over 12 million euro. The subsidiary also continued its support to the Italian cinematographic industry, through partnership agreements in four new films.
Relating to disinvestment of the equity investment portfolio, the Department sold 4% of the capital of Prada, acquired in 2006, for an amount of approximately 360 million euro. Intesa Sanpaolo remains in the company's shareholding structure with a share of 1% of the capital.
As regards private equity fund promotion and management activity, carried out by the subsidiary IMI Fondi Chiusi SGR, fund-raising for the Atlante Private Equity fund was closed, as it reached 200 million euro of total commitment. In 2011 a new project was launched to create a reserved fund named "Atlante Seed", dedicated to direct or indirect investments in start ups, in order to strengthen or expand the network of connection between companies and investors. The project is part of the initiatives supporting the development of Italian business innovation and involves the contribution of new capital to invest in the seed capital market, which is significantly undersized in relation to those of the leading European countries.

## Structured Finance

In the syndicated loans segment, Banca IMI, as global coordinator, mandated lead arranger (MLA) and bookrunner, finalised transactions for Prysmian, Ansaldo Energia, Assiteca, Aran World, Snai, Metroweb, Stroili, Coin, La Gardenia, Tirrenia, Savio Macchine Tessili, Transitgas and Business Beauty Holding, and completed the syndication process for Fiat Auto. Internationally, as MLA, it participated in the Compagnie Europeenne de Prevoyance transaction.
In 2011 Banca IMI confirmed its leadership in the structuring of loans in all market segments, by offering a comprehensive range of financial products dedicated to real estate and providing specialist advisory services for the property segment. Acting as MLA, Banca IMI granted credit facilities to NH Italia, in support of the corporate operations and the plan for increasing the value of its

real estate assets, to the Borio Mangiarotti Group, for residential property development in the south-west suburbs of Milano, to Immobiliare 20M, for the acquisition of a portfolio of 20 properties located in Italy, to the Conero fund, for the acquisition of bank branches leased to Banca delle Marche and, lastly, to the RHO Fund, for the acquisition of a portfolio of former Enasarco office buildings.
In terms of the structuring of acquisition finance loans, Banca IMI, acting as MLA, completed the structuring and disbursement of credit facilities to fund: refinancing of the total debt of SNAI and Stroili Oro and the acquisitions of the Vesevo/Rosso Pomodoro Group by the Change Capital private equity fund, Wall Street Systems Holding (USA) by ION Trading Ireland Limited (Ireland), Gruppo COIN by BC Partners, Ansaldo Energia by Finmeccanica, GTS Group by the Beauty & Business Holding Group, and Compagnie Europeenne de Prevoyance by J.C. Flowers. The bank also supported the refinancing of the debt of La Gardenia Beauty and the acquisitions of DNCA Finance by T.A. Associates, SPIE (France) by the Clayton, Dubilier & Rice e AXA Private Equity funds, Savio Macchine Tessili by Alfa Group, and Balconi Industria Dolciaria by Clessidra. In Project & Acquisition Finance, in 2011 Banca IMI continued using its selective approach in the assessment of transactions and finalised credit facilities: to support the acquisition of 100% of the capital of E.On Rete by a consortium of private equity funds; to refinance a solar farm located in the Campania Region; for the acquisition of Metroweb by F2i and IMI Investimenti; to refinance Enel Rete Gas and 2iGas Infrastruttura Italiana Gas (formerly E.On Rete) and the concurrent acquisition of G6 Rete Gas by the F2i infrastructural fund. Support was also provided to finance the working capital of Gasplus and Aes Torino.
The following is also noted: the arrangement of staple financing to support ENI's sale of its investment in Transitgas; the issue of a guarantee to the Municipality of Milano as part of the sale of SEA share capital; the subscription of a financial advisory mandate to arrange as part of a loan transaction for Genshipping Corporation (Slovenia). Lastly, on the international market, as MLA, Banca IMI finalised credit facilities in the Energy sector, for OJS Severneftgazprom (Russia), Acciona Saltos de Agua and Corporacion Acciona Eolica (Spain) (Acciona SA Group) and Planta Termosolar de Extremadura 1&2 (Spain) and, in the Infrastructures sector, for Atlandes SA (Project A63 – France), Ecomouv SAS (Project Ecotaxe - France) and SalikOne SPC Limited (Dubai).

## Proprietary Trading

In 2011 Proprietary Trading recorded a negative contribution in terms of the income statement, both for structured credit products, which were penalised by the negative market conditions, though with a significantly reduced risk exposure (from 3,715 million euro as at 31 December 2010 to 2,772 million euro as at 31 December 2011), and for the hedge fund portfolio, which amounted to 665 million euro at the end of December 2011, down by 149 million euro since the beginning of the year.

## Investment Banking, Capital Market and Primary Markets

In the debt capital market, in 2011 Banca IMI confirmed both its leadership in Italy and its capacity for international penetration, with 35 transactions closed for domestic issuers and 17 transactions structured for international issuers. With regard to Italian corporate customers, the Bank acted as bookrunner for two of the three issues of Telecom Italia, for Pirelli's inaugural bond and for both of Enel's dual tranche transactions. Following the spin-off of Fiat's industrial operations into Fiat Industrial, the Bank assisted both companies on the public debt market, and assisted FGA Capital with an issue.
On the international market, the Bank acted as bookrunner for the issue by Gas Natural Fenosa, for RCI Banque, for CEZ (a company operating in the generation, distribution and sale of electricity in the Czech Republic), for Anheuser-Busch Inbev, for Banque PSA, Carrefour and for Eutelsat. It is worth noting the coordination of the placement syndicate for a bond offering by General Electric European Funding, guaranteed by General Electric Capital Corporation and by ENI. Lastly, in the high yield market, it is important to note the issues by Guala Closures Group and Heidelberg Cement.
With regard to financial institutions issuers, Banca IMI confirmed its leadership in the placement of bonds issued by Italian banks, further improving its positioning with European customers. On the domestic market, it is worth noting the issues of Banca delle Marche, Banca Popolare dell'Emilia Romagna, Banca Popolare di Vicenza, Banca Sella, Cassa di Risparmio di Bolzano, Cassa di Risparmio di Cesena, Credito Valtellinese, Iccrea Banca, Ubi Banca, Veneto Banca and Intesa Sanpaolo. For international financial institution issuers, the bank acted as bookrunner for the first euro issue of the year by National Australia Bank, as joint lead manager for Goldman Sachs and for the covered bond of Barclays. In the sovereign supranational & agencies segment, Banca IMI organised a private placement of a 10-year inflation- linked security by Italy and participated in four issues of the European Financial Stability Fund (EFSF). Lastly, it acted as sole placement agent for the placement of units of the blind pool real estate fund named "Caesar", sponsored by AXA REIM SGR and specialising in investment in office buildings located outside of Italy.
In the equity capital market, significant activities were conducted in share capital increases offered in option, such as those of Intesa Sanpaolo, Banca Monte dei Paschi di Siena and Commerzbank. In November Banca IMI participated in the UniCredit capital increase, concluded at the beginning of 2012. It also managed the IPOs of Prada and Ferragamo and, at international level, participated in the placement syndicates for Cemex and Celesio convertible bonds and Danaher shares. The bank also confirmed its positioning in the takeover bid segment, overseeing the mandatory takeover bid on SNAI shares and the sell-out of Fastweb and Socotherm shares, as the intermediary responsible for coordinating subscriptions. At the end of 2011, Banca IMI was specialist or corporate broker for 39 companies listed on the Italian market, confirming its leadership in this market segment.
In its M&A Advisory activity, Banca IMI achieved highly positive results in 2011, completing 38 transactions for a total value of approximately 37 billion euro, ranking first place in Italy and eighteenth in Europe in the Financial Advisor league table. The bank's activities were especially intense in the Energy & Utilities sector, where it advised Eni, F2i, Axa and Api. In the Telecom, Media & Technology sector, Banca IMI provided advisory services for Wind Telecomunicazioni, F2i, Mediaset, Il Sole 24 Ore, Cerved, Buongiorno, Investindustrial, Palladio and Prysmian. In the Industrial sector, it provided services to Finmeccanica, Saceccav Depurazioni, Came and Fondo Alpha; in the Consumer & Retail sector, to Carlyle, PAI, Finanziere Tintoretto, the shareholders of Vesevo, the Tuo Group, Bridgepoint, ZeisExcelsa and Riso Gallo. In the Pharma sector, it provided services to Mandarin Fund and Euticals in the acquisition of Archimica; and in the Financial Institution sector, to the J. Hirsch & Co fund in the sale of 31% of Comifin and to the Parent Company in the acquisition of 52% of Banco Emiliano Romagnolo.

## Factoring and Leasing

In 2011 Mediofactoring reported a turnover of 49.6 billion euro, a 47.3% increase on 2010, allowing it to remain the number-one domestic factoring provider by turnover, with a market share of 31.8%, significantly up on the end of 2010. This performance may be attributed to its transactions without recourse, up by 57.3% on the previous year. Compared to 31 December 2010, the outstanding receivables, equal to 11.8 billion euro, increased by 13%, period-end loans came to 9.8 billion euro, up 17.3% and average loans grew to 6,6 billion euro (+20.8%). In terms of income statement figures, the operating margin for 2011, amounting to 159 million euro, was up 23% compared to 2010 as a result of the increase in operating income (+17.5%), driven by net interest income which benefited from the positive performance of volumes and net fee and commission income.

Through Leasint and Centro Leasing, Intesa Sanpaolo is the second largest leasing provider in the Italian market with a share of 17.9%, stable compared to the end of December 2010.
In 2011 Leasint entered into 9,326 new contracts, for a total amount of 3,535 million euro, stable compared to 2010; with an increase in the outstanding amount, equal to 18.4 billion euro (+6.4%). The composition of the portfolio was influenced by the considerable growth of Leasenergy (+14.3%), the product devoted to power generation attributable to the Instrumental and Property segments, which represent 39.1% of the total portfolio. The property segment also recorded an increase (+4.1%). Conversely, there were declines in the automotive (-8%) and securities segments (-18.3%). Income before tax from continuing operations came to 97 million euro, up 31.4% compared to 2010, thanks to slightly increased revenues (+0.6%) and the reduction in net adjustments to loans (-18%).
In 2011 Centro Leasing achieved an operating margin of 60 million euro, down 14.7% due to the reduction in operating income (-14.7%), penalised by lower net interest income. Income before tax from continuing operations amounted to -1 million euro, compared to -50 million euro in 2010, due to lower net adjustments to loans (-49%).

## Public Finance

With the aim of promoting and financing the development of large infrastructure projects in Italy, in 2011 Public Finance continued supporting large motorway projects, such as the Milano East outer ringroad, the BreBeMi project (Brescia-Bergamo-Milano motorway), with the structuring of the operation and the inauguration of worksites, and the Pedemontana Lombarda, supported via a bridge loan for the start up of works. A loan was also granted to Strada dei Parchi for maintenance and upgrading works on the A24/A25 motorway, as well as a bridge loan to Autostrada Brescia-Verona-Vicenza-Padova for the creation of the South section of the "Valdastico" A31 motorway.
To finance public and private healthcare services, universities and scientific research, Public Finance continued the factoring without recourse of receivables due to contracted healthcare facilities and suppliers by the Local Healthcare Authorities of the Lazio and Campania Regions. As part of initiatives supporting education, the modernisation of the buildings of the Università degli Studi di Bologna was financed and, as part of a financial consultancy project, an agreement was signed for the purchase without recourse of certified receivables from Università Cattolica del Sacro Cuore.
Measures supporting investment in public services and utilities included loans supporting the water, waste management and energy sectors, to various utilities including: AGSM Verona, the municipality-owned company AIMAG, operating in the provinces of Modena and Mantova, and Emilian company Hera. Public Finance also promoted the development of a plant to manage the integrated cycle in the province of Grosseto, through project financing. In the transport sector, the Bank granted a loan to Ferrovie dello Stato to implement projects relating to the development of the high-speed line, and to the Municipality of Milano for extraordinary maintenance on vehicles used for public transport. In relation to alternative low environmental impact energies, Public Finance is participating in numerous wind and photovoltaic energy projects throughout Italy. Among these, it is worth mentioning the project financing loans for the construction of wind farms in Puglia and Sicilia, the "David Project", organised in pool with other banks, involving six companies for the purchase of the same number of photovoltaic plants (four located in Sicilia, one in Puglia and one in Campania), and financing through a financial lease of public property for a photovoltaic plant which will allow the Consenergia Green Consortium, established by the province of Perugia and other associated local authorities, to benefit from the economic returns on the sale of part of the energy generated. There were also multiple interventions for the creation of photovoltaic plants on greenhouses to generate clean energy while preserving the local area's agricultural role.
Disbursements continued for the funding of the long-term investment expenses of various local entities (including the province of Pesaro Urbino and the Municipalities of Genova, Monza and Como). Moreover, a loan was granted to the Commissioner's Office of the Municipality of Rome to support a repayment plan for the entity's past debt. In order to alleviate the financial pressure on local entities and make financial resources available to businesses, the support to the Public Administration and their suppliers was confirmed through advances on considerations owed to local entities by these parties. Pursuant to the Anti-crisis Decree, 85 agreements were signed during the year to factor without recourse the receivables due to suppliers of goods and services to municipalities, provinces and regions throughout Italy, including the Basilicata and Sardegna regions, the municipalities of Milano, Brescia, Modena, Pescara, Imperia, Nuoro and the provinces of Torino, Varese, Alessandria, La Spezia, Milano, Treviso, Firenze and Potenza.
As part of loans that benefit from State subsidies, short-term loans were granted to the special commissioners of Tirrenia and Siremar and support continued to be provided to suppliers as part of priority investment programmes for national defence.
In the harbour and airport logistics sector, loans were granted to upgrade infrastructures to the Port Authorities of La Spezia, Napoli and Livorno, to develop the new headquarters of the Ravenna freight terminal and to the Firenze Airport and the SEA Group, which operates the Milanese airports, to expand the airport system. In the area of public urban development, disbursements to projects of national scope continued, such as the EUR Congress Centre, and the finalisation of the loan for the construction of an integrated shopping centre in Pompei was finalised, which will result in the redevelopment of a disused industrial area, the loan for the construction of a home for senior citizens in the province of Padova, as well as the loans to Azienda Lombarda per l'Edilizia Residenziale della Provincia di Bergamo (ALER), the Istituto Trentino per l'Edilizia Abitativa (ITEA) and the Azienda Casa Emilia Romagna-Parma, for social housing projects.

With regard to international activities, Public Finance continued structuring the Gebze-Orhangazi-Izmir motorway project, one of the main works launched in Turkey with the contribution of Italian builders, with which Public Finance is coordinating the works as part of the Turkish government's wider investment programme. Among financing operations, a bond loan was subscribed as part of the inaugural issue for the "Spanish Electricity Deficit", the first transaction in a five-year issue programme which allowed Spain to begin paying the receivables owed to utilities companies in the electricity system (Enel is one of the main beneficiaries of the programme, through its subsidiary Endesa), as well as the guarantee provided to Stadtwerke Frankfurt am Main Holding GmbH, which operates in the water, energy and waste management sectors.

## International Subsidiary Banks

(millions of euro)

| Income statement/Alternative performance indicators | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Net interest income | 1,736 | 1,665 | 71 | 4.3 |
| Dividends and profits (losses) on investments carried at equity | 19 | 14 | 5 | 35.7 |
| Net fee and commission income | 572 | 576 | -4 | -0.7 |
| Profits (Losses) on trading | 101 | 97 | 4 | 4.1 |
| Income from insurance business | - | - | - | - |
| Other operating income (expenses) | -45 | -50 | -5 | -10.0 |
| **Operating income** | **2,383** | **2,302** | **81** | **3.5** |
| Personnel expenses | -598 | -584 | 14 | 2.4 |
| Other administrative expenses | -440 | -447 | -7 | -1.6 |
| Adjustments to property, equipment and intangible assets | -133 | -138 | -5 | -3.6 |
| **Operating costs** | **-1,171** | **-1,169** | **2** | **0.2** |
| **Operating margin** | **1,212** | **1,133** | **79** | **7.0** |
| Net provisions for risks and charges | -11 | 2 | -13 | |
| Net adjustments to loans | -693 | -589 | 104 | 17.7 |
| Net impairment losses on other assets | -19 | -19 | - | - |
| Profits (Losses) on investments held to maturity and on other investments | 4 | 5 | -1 | -20.0 |
| **Income (Loss) before tax from continuing operations** | **493** | **532** | **-39** | **-7.3** |
| Taxes on income from continuing operations | -104 | -153 | -49 | -32.0 |
| Charges (net of tax) for integration and exit incentives | - | -1 | -1 | |
| Effect of purchase price allocation (net of tax) | - | - | - | - |
| Goodwill impairment (net of tax) | -1,152 | - | 1,152 | - |
| Income (Loss) after tax from discontinued operations | - | - | - | - |
| Minority interests | - | - | - | - |
| **Net income (loss)** | **-763** | **378** | **-1,141** | |
| **Allocated capital** | **2,319** | **2,436** | **-117** | **-4.8** |
| **Profitability ratios (%)** | | | | |
| Cost / Income ratio | 49.1 | 50.8 | -1.7 | -3.3 |
| ROE | n.m. | 15.5 | | |
| EVA® adjusted [(a)] (millions of euro) | 82 | 75 | 7 | 9.3 |

(millions of euro)

| | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Loans to customers | 30,881 | 30,926 | -45 | -0.1 |
| Direct deposits from banking business | 30,678 | 30,259 | 419 | 1.4 |

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

[(a)] Net of charges for integration and exit incentives, effect of purchase price allocation, as per IFRS 3 and of goodwill impairment.

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.

In 2011, the Division's operating income was up by 3.5% on 2010 to 2,383 million euro. A detailed analysis shows that net interest income came to 1,736 million euro, an increase on the 1,665 million euro in 2010 (+4.3%), owing chiefly to the Privredna Banka Zagreb Group (+47 million euro), the VUB Banka Group (+32 million euro), Banca Intesa Beograd (+23 million euro), Bank of Alexandria (+13 million euro) and Pravex Bank (+10 million euro), only partly absorbed by the decrease of the CIB Bank Group (-61 million euro). Net fee and commission income recorded a slight decrease (-0.7%), largely attributable to the CIB Bank Group (-12 million euro) and Bank of Alexandria (-6 million euro). Conversely, profits on trading, amounting to 101 million euro, reported growth compared to the previous year (+4.1%) due to greater contributions from the CIB Bank Group (+13 million euro) and Banca Intesa Beograd (+4 million euro), which more than offset the decreases of the VUB Bank Group (-5 million euro), Banka Koper (-4 million euro) and Bank of Alexandria (-2 million euro).

Operating costs, amounting to 1,171 million euro, were substantially stable (+0.2%) compared to 2010. Due to the trends in revenues and costs described above, the operating margin came to 1,212 million euro, up 7%. Conversely, income before tax from continuing operations of 493 million euro was down 7.3%, due to higher net adjustments to loans, increasing from 589 million euro to 693 million euro. The latter were affected by the losses on mortgages in foreign currency in Hungary, relating to measured issued by the local government which burdened the banking system with part of the foreign exchange risk. The Division closed 2011 with a net loss of 763 million euro, affected by the considerable goodwill impairment caused by the difficult macroeconomic scenario.
On a quarterly basis, the fourth quarter of 2011 reported an operating margin down 7.5% on the third quarter, due to higher costs (+9.5%), while revenues were stable. The income before tax from continuing operations decreased sharply, penalised by the posting of higher net adjustments to loans.
Capital allocated, which represents 9.5% of the Group's total, fell compared to 2010, coming to 2,319 million euro. Value creation, expressed in terms of EVA®, came to 82 million euro, up compared to 75 million euro in the previous year.
The Division's intermediated volumes showed a slight increase compared to the end of December 2010 (+0.6%). This trend is the result of the positive performance of direct deposits (+1.4%), thanks to the development of securities transactions and, to a lesser extent, the increase in amounts due to customers and stable loans to customers.

| | |
|---|---|
| **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 | Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia |
| Central-Eastern Europe | Presence in Slovakia, Slovenia and Hungary |
| Commonwealth of Independent States & South Mediterranean | Presence in Egypt, the Russian Federation and Ukraine |
| **Distribution structure** | 1,646 branches in 12 countries |

## South-Eastern Europe

In 2011, the operating income of the Privredna Banka Zagreb Group, including ISP Card, amounted to 523 million euro (+11.5% compared to the previous year) mainly due to the increase in net interest income and net fee and commission income. Operating costs remained substantially stable at 239 million euro. This resulted in an operating margin which reached 284 million euro, up 22.7% on 2010. Income before tax from continuing operations totalled 215 million euro, up 24.4%.

Banca Intesa Beograd, including Intesa Leasing Beograd, recorded an operating margin of 154 million euro, a 16.5% increase on 2010. Operating income grew by 13.2%, mainly as a result of the performance of net interest income (+13.2%), which benefited from the growth in average volumes and spread, in net fee and commission income (+6%) and in profits on trading (+39.2%). Operating costs were up 8.6%, owing to the increase in personnel and administrative expenses, the latter associated with the installation of the new data centre and advertising costs. Income before tax from continuing operations came to 106 million euro compared to 84 million euro in the previous year (+26.7%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended 2011 with an operating margin of 13 million euro, up 19.6% on 2010. This trend is due to higher revenues (+9.8%) and, in particular, to net interest income (+10.7%) due to the lower cost of funding, the increase in average volumes and net fee and commission income (+13.2%). Operating costs rose by 4.2% in the personnel expenses and amortisation and depreciation components. Income before tax from continuing operations rose to 11 million euro, more than double compared to 2010, benefiting from lower net adjustments to loans.

Intesa Sanpaolo Bank Albania reported an operating margin of 26 million euro, up 13% on the previous year, benefiting from the favourable development of revenues (+1.9%) and the decrease in operating costs (-13.8%) mainly attributable to savings on personnel and administrative expenses. Income before tax from continuing operations amounted to 18 million euro, up 15.3% compared to 2010, despite higher net adjustments to loans (+3.9%).

The companies operating in Romania (Intesa Sanpaolo Bank Romania, Banca CR Firenze Romania and ISP Leasing Romania) recorded a total operating margin of 12 million euro, up 48.2% on 2010. Specifically, operating income increased 1.2%, mainly due to the growth in net fee and commission income (+8.4%) and the reduction in other operating expenses. The reduction in operating costs (-7.8%) was mainly due to lower administrative expenses. The companies recorded a loss before tax from continuing operations of 33 million euro, worse than 2010 due to greater net adjustments to loans (+28 million euro).

### Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 94 million euro, up 0.5% on 2010. The increase was mainly due to the higher interest income and net fee and commission income, which more than absorbed the reduction in profits from trading. Operating costs grew slightly due to the increase in other administrative expenses. Income before tax from continuing operations came to 23 million euro, up 3.2% compared to the previous year.

The VUB Banka Group achieved an operating margin of 292 million euro, up 11.1% on the previous year, benefiting from an increase in operating income (+7%), attributable to net interest income (+8.7%) and net fee and commission income (+0.7%), which more than offset the growth in operating costs (+2%), particularly administrative and personnel expenses. Income before tax from continuing operations, amounting to 223 million euro, increased 17.7% on 2010, benefiting from the reduction in net adjustments to loans (-4.7%).

The CIB Bank Group showed operating income of 421 million euro, down 12.7% on 2010. This performance was attributable to the decreases in net interest income (-18%) and net fee and commission income (-9.6%), which absorbed the growth in profits on trading (+59.1%). Operating costs decreased by 8.1% as a result of savings on all expense items. The increase in net adjustments to loans was affected by the write-downs to the mortgages portfolio after the Hungarian government issued measures, which became effective in the fourth quarter, aimed at burdening the banking system with part of the foreign exchange losses of customers holding mortgages in foreign currency. Income before tax from continuing operations showed a negative balance of 146 million euro, compared with a loss of 26 million recorded in the previous year.

### Commonwealth of Independent States & South Mediterranean Area

Banca Intesa Russia posted income before tax from continuing operations of 30 million euro, compared to 14 million euro in 2010. Operating income rose (+2.9%) due to the increases in net interest income (+1.6%) and in net fee and commission income (+4.8%) and the containment of other operating expenses, partially offset by the losses on trading (-9.9%). Operating costs were up 2.6%, mainly due to the amortisation charges relating to the launch of the new information technology system. Net adjustments to loans of 27 million euro were down 36.6% compared to 2010, when the loan portfolio deteriorated severely in connection with the Russian market crisis.

The operating margin of Pravex Bank in 2011 amounted to 11 million euro (3 million euro in 2010) thanks to growth in operating income (+16.4%) and, in particular, in net interest income, up 36.4% due to growth in the total spread attributable to the lower cost of funding. Operating costs increased 2.1% due to higher amortisation charges. Following lower net adjustments to loans (-6.1 million euro), Pravex Bank achieved income before tax from continuing operations of 4 million euro (-9.6 million euro in 2010).

Bank of Alexandria achieved an operating margin of 100 million euro, down 1.2% on 2010 (net of the exchange-rate effect, the change would have been +9.2%). Operating income rose 1.7% mainly due to the increase in net interest income (+7.9%) which more than offset the losses on trading (-21.2%) and net fee and commission income (-13.5%). Operating costs showed an increase (+4.2%) attributable to the expansion of operations. Following net adjustments to loans of 40 million euro, up on the previous year due to the country's political and financial crisis, income before tax from continuing operations amounted to 59 million euro compared to 95 million in 2010.

## Eurizon Capital

(millions of euro)

| Income statement/Alternative performance indicators | 2011 | 2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Net interest income | 2 | 1 | 1 | |
| Dividends and profits (losses) on investments carried at equity | 14 | 15 | -1 | -6.7 |
| Net fee and commission income | 243 | 261 | -18 | -6.9 |
| Profits (Losses) on trading | 5 | 7 | -2 | -28.6 |
| Income from insurance business | - | - | - | - |
| Other operating income (expenses) | 2 | 4 | -2 | -50.0 |
| **Operating income** | **266** | **288** | **-22** | **-7.6** |
| Personnel expenses | -49 | -53 | -4 | -7.5 |
| Other administrative expenses | -70 | -78 | -8 | -10.3 |
| Adjustments to property, equipment and intangible assets | -1 | -1 | - | - |
| **Operating costs** | **-120** | **-132** | **-12** | **-9.1** |
| **Operating margin** | **146** | **156** | **-10** | **-6.4** |
| Net provisions for risks and charges | -2 | -4 | -2 | -50.0 |
| 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** | **144** | **152** | **-8** | **-5.3** |
| Taxes on income from continuing operations | -29 | -35 | -6 | -17.1 |
| Charges (net of tax) for integration and exit incentives | - | - | - | - |
| Effect of purchase price allocation (net of tax) | -38 | -38 | - | - |
| Goodwill impairment (net of tax) | -373 | - | 373 | - |
| Income (Loss) after tax from discontinued operations | - | - | - | - |
| Minority interests | -1 | -2 | -1 | -50 |
| **Net income (loss)** | **-297** | **77** | **-374** | |
| **Allocated capital** | **60** | **68** | **-8** | **-11.8** |
| **Profitability ratios (%)** | | | | |
| Cost / Income ratio | 45.1 | 45.8 | -0.7 | -1.5 |
| ROE | n.m. | 113.2 | | |
| EVA® adjusted [(a)] (millions of euro) | 106 | 108 | -2 | -1.9 |

(millions of euro)

| | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|
| | | | amount | % |
| Assets under management | 130,497 | 136,426 | -5,929 | -4.3 |

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

[(a)] Net of charges for integration and exit incentives, effect of purchase price allocation, as per IFRS 3 and of goodwill impairment.

Overall, total assets managed by Eurizon Capital as at the end of December 2011 stood at 130.5 billion euro (net of duplications), down 4.3% on an annual basis, mainly due to the poor performance of the financial markets, which eroded the value of assets under management by over 4 billion euro. Net outflows for the twelve months came to -1.8 billion euro, due to outflows from Italian mutual funds and retail portfolio management schemes, only partly offset by net inflows achieved by Luxembourg funds and captive insurance products. Eurizon Capital’s share of assets under management was 17% as at 31 December 2011 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking’s portfolio) compared to 16.2% at the end of December 2010, due to a volume effect and a performance effect that was less penalising than that for the sector nationally.

Operating income for 2011, amounting to 266 million euro, recorded a decrease of 7.6% on the previous year. Specifically, net fee and commission income decreased (-6.9%), due to a higher incidence of insurance products under management mandates compared to retail funds and portfolio management, of average assets under management lower than 2010 and of lower over-performance commissions. Declines were also posted by other operating expense which in 2010 had included income deriving from the charge back to Intesa Sanpaolo of costs for the “Action Plan Fund” project, by profits (losses) on trading, in relation to

lower capital gains posted as at 31 December 2011 on investments in funds, as well as the contribution of the subsidiary Penghua Fund Management Company Limited, consolidated at equity. Operating costs fell (-9.1%) thanks to cost containment measures, and the cost/income ratio decreased from 45.8% in 2010 to 45.1% in 2011. As a result of the above revenue and cost trends, the operating margin came to 146 million euro, down 6.4% on 2010. Eurizon Capital closed 2011 with a net loss of 297 million euro, affected by the high levels of goodwill impairment caused by the difficult macroeconomic scenario.
On a quarterly basis, the fourth quarter of 2011 showed an improvement in income before tax from continuing operations of 7.9% compared to the third quarter, mainly due to an increase in operating income (+4.5%) and, significantly, in profits (losses) on trading, and a fall in operating costs (-7.8%).
Capital absorbed amounted to 60 million euro, down on the amount for 2010. EVA®, which measures value creation, amounted to 106 million euro compared to 108 million euro in the previous year.

| | |
|---|---|
| **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 (Luxembourg) | Specialised in managing Luxembourg mutual funds |
| Epsilon Associati SGR | Specialised in managing structured credit products and 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 |

In the framework of significant events, in December, the merger by incorporation of subsidiary Eurizon A.I. SGR into Eurizon Capital SGR was finalised, with effect from 1 January 2011.
At the end of September, the "Asset Management HUB Estero" project was approved, as well as the corporate transactions required for its implementation. The aim of the project is to develop asset management operations in the Eastern European market by creating a regional hub, which will act as a centre of excellence for the handling of asset management products targeted at retail and institutional customers.

As regards managed products, during the year several Italian mutual funds were restructured simplifying the offer through the reduction of the number of funds with similar investment strategies or low levels of assets. Following the maturity of the "Eurizon Focus Garantito I semestre 2006" sub-fund at the end of June, the fund's name was changed to "Eurizon Strategia Protetta – III trimestre 2011", the investment policy and the classification of the fund were changed from "guaranteed" to "protected", and the functions of promoting and managing company were centralised within Eurizon Capital SGR.
For the "Eurizon Obbligazioni Euro Breve Termine", "Eurizon Obbligazioni Cedola" and "Eurizon Rendita" funds, two classes of units were created, one distribution class (Class D) and one income accumulation class (Class A).
With regard to international mutual funds, as part of the strengthening of the joint venture Epsilon SGR established between Eurizon Capital and Banca IMI, a new range of capital protected products was created within the "Investment Solution by Epsilon" fund to be managed by Epsilon SGR. The twelve sub-funds of this new line were marketed from May to December with the objective of pursuing growth of invested capital while guaranteeing protection of the subscribed value. Since the beginning of 2011, an additional sub-fund in the range of capital protected products "Eurizon Focus Capitale Protetto" was marketed, entitled "Protezione 3/2017":
by adopting sophisticated management techniques, these products aim at protecting the highest value between the highest unit value reached in the subscription period and 95% of the highest unit value of the sub-fund recorded from the day following the end of said period.
Moreover, the range of the fund "Eurizon Strategia Flessibile" was expanded through the launch of two new sub-funds ("Obbligazioni 03/2016" and "Obbligazioni 06/2016"), which are part of the new generation of flexible bonds.
Lastly, as regards the development of non-captive operations, Eurizon Capital S.A. was designated as the management company of the umbrella fund "Rossini Lux Fund".
The range of asset management products was also reorganised to simplify the offering based on only the lines currently marketed. The operation involved 21 lines and 244 customers. The migration involved maintaining the same risk profile and the same service level for all customers concerned. The range of asset management products offered by Banca dei Territori was enriched in 2011 with the launch of two new lines: "GP Strategia Valore Azioni Più", targeted to the personal segment, replicates the management

methods developed on "GP Investimento Private" and completes the range composed of the "GP Strategia Valore" and "GP Strategia Valore Più" lines. This line features a growing exposure to stock markets and, as a result, a higher risk profile and recommended term. "GP Linea Cedola 12/2015", targeted to retail customers, replicates the management methods developed on bond funds at maturity and aims to distribute a coupon for each calendar year of the investment period and to achieve, on maturity, an average annual return higher than that of a basket of European government securities. Lastly, the offering of "GP Dedicata" was expanded with the launch of two new sub-funds, "Obbligazionario Euro Tasso Variabile" and "Obbligazionario Governativo Italia", which offer managers the opportunity to optimise bond placement in the current interest rate scenario.

## Banca Fideuram

(millions of euro)

| Income statement/Alternative performance indicators | 2011 | 2010 | Changes amount | Changes % |
|---|---|---|---|---|
| Net interest income | 141 | 124 | 17 | 13.7 |
| Dividends and profits (losses) on investments carried at equity | - | -2 | -2 | |
| Net fee and commission income | 556 | 543 | 13 | 2.4 |
| Profits (Losses) on trading | 26 | 22 | 4 | 18.2 |
| Income from insurance business | 44 | 76 | -32 | -42.1 |
| Other operating income (expenses) | 4 | -6 | 10 | |
| **Operating income** | **771** | **757** | **14** | **1.8** |
| Personnel expenses | -138 | -145 | -7 | -4.8 |
| Other administrative expenses | -194 | -201 | -7 | -3.5 |
| Adjustments to property, equipment and intangible assets | -15 | -16 | -1 | -6.3 |
| **Operating costs** | **-347** | **-362** | **-15** | **-4.1** |
| **Operating margin** | **424** | **395** | **29** | **7.3** |
| Net provisions for risks and charges | -38 | -72 | -34 | -47.2 |
| Net adjustments to loans | - | - | - | - |
| Net impairment losses on other assets | -139 | -11 | 128 | |
| Profits (Losses) on investments held to maturity and on other investments | 7 | - | 7 | - |
| **Income (Loss) before tax from continuing operations** | **254** | **312** | **-58** | **-18.6** |
| Taxes on income from continuing operations | -62 | -82 | -20 | -24.4 |
| Charges (net of tax) for integration and exit incentives | -10 | -4 | 6 | |
| Effect of purchase price allocation (net of tax) | -94 | -103 | -9 | -8.7 |
| Goodwill impairment (net of tax) | - | - | - | - |
| Income (Loss) after tax from discontinued operations | - | - | - | - |
| Minority interests | 1 | 10 | -9 | -90 |
| **Net income (loss)** | **89** | **133** | **-44** | **-33.1** |
| **Allocated capital** | **460** | **549** | **-89** | **-16.2** |
| **Profitability ratios (%)** | | | | |
| Cost / Income ratio | 45.0 | 47.8 | -2.8 | -5.9 |
| ROE | 19.3 | 24.2 | -4.9 | -20.1 |
| EVA® adjusted [(a)] (millions of euro) | 143 | 174 | -31 | -17.8 |

(millions of euro)

| | 31.12.2011 | 31.12.2010 | Changes amount | Changes % |
|---|---|---|---|---|
| Assets under management | 51,977 | 53,500 | -1,523 | -2.8 |
| Direct deposits from banking business | 6,367 | 6,586 | -219 | -3.3 |
| Direct deposits from insurance business and technical reserves | 9,661 | 10,299 | -638 | -6.2 |

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

[(a)] Net of charges for integration and exit incentives, effect of purchase price allocation, as per IFRS 3 and of goodwill impairment.

The figures shown in the table and commented on below include the results of Fideuram Vita, the company dedicated to the management of the portfolio of policies distributed by the financial advisors of the Fideuram Group, spun-off from EurizonVita and acquired by Banca Fideuram (19.99% of the capital) on 29 July 2010. The restated figures also include the consolidation of Banca Sara, which came under Banca Fideuram, following the acquisition of total control from Sara Assicurazioni, and the deconsolidation of Fideuram Bank (Suisse), as a result of the sale of the investment to Banca Credinvest. Both transactions were completed in June 2011.

Assets managed by Banca Fideuram Group at the end of December 2011 amounted to 70.9 billion euro (of which 52 billion euro in assets under management and 18.9 billion euro in assets under administration), slightly down (-0.9%) on an annual basis. This result was attributable to the poor performance of the markets and was only partially offset by the new assets obtained through the acquisition of Banca Sara (2.1 billion euro) and the net inflows for the period (1.7 billion euro). In detail, assets under management, which represent almost three quarters of the aggregate, were down 2.8%, despite the growth in the mutual fund segment. Conversely, assets under administration showed an increase on the volume as at 31 December 2010 (+4.9%). In 2011 net inflows of assets under management, amounting to 1.7 billion euro, decreased by 184 million euro compared to the flows in the previous year which, however, included 356 million euro for the repatriation of financial assets held abroad under the "Third Tax Amnesty". A breakdown by aggregate shows that assets under management reported a negative balance of 31 million euro compared to a positive balance of 4.2 billion euro in 2010, which had benefited from the repositioning of customer portfolios towards assets under management. Assets under administration showed a positive balance of 1.7 billion euro, compared to a negative balance of 2.3 billion euro in 2010.

Direct deposits from banking business amounted to 6,367 million euro, down 3.3% on an annual basis, due to the reduction in amounts due to ordinary customers, connected to the repositioning of liquidity towards assets under administration in the last part of the year.

Direct deposits from insurance business, amounting to 9,661 million euro, also decreased (-6.2%) attributable to the declining trend in technical reserves and financial liabilities of the insurance segment designated at fair value.

The number of private bankers rose from 4,349 at the end of 2010 to 4,850 as at 31 December 2011 (including the 296 professionals acquired through the purchase of Banca Sara).

The operating margin for 2011 came to 424 million euro, up 7.3% compared to the previous year, driven by the growth in operating income (+1.8%) and a fall in operating costs (-4.1%).

The revenue performance was essentially attributable to the increases in net fee and commission income (+2.4%) and net interest income (+13.7%). In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, rose compared to 2010 owing to the growth in average assets under management. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents 9% of net fee and commission income, decreased, mainly due to the effect of lower volumes in receipt and transmission of orders and in the placement of third-party financial and insurance products, as well as lower profitability of bonds. Fee and commission expense, essentially related to incentives for the network for attracting new money, decreased compared to 2010 due to fewer incentives paid and allocated to the network of private bankers during the period. Conversely, the positive performance of the interest margin (+13.7%) is attributable to the growth in interest income generated by the rise in rates in the first half of the year, specifically on the portfolio of securities index-linked to the floating rate, which resulted in an improvement in the yield spread on the cost of funding. Net interest income maintained its positive trend, despite the decline in rates in the last part of 2011, through rotation of the securities portfolio, which resulted in an increase in total profitability. This result was confirmed by the quarterly analysis of the interest margin, which reached a peak in the fourth quarter compared to the last eight quarters, with an increase of 11.7% on the third quarter. Among other income components, positive performance was also reported by other operating income (+10 million euro) due to lower charges for legal disputes and compensation to customers and the benefits related to the termination of loyalty plans for the private banker network, as well as by profits on trading (+4 million euro) in relation to capital gains on sales of bonds in the portfolio. Conversely, income from insurance business, attributable to the insurance company Fideuram Vita, showed a decline in 2011 (-42.1% compared to the previous year). Provisions for risks and charges almost halved (-47.2%) mainly due to the closure of disputes with lower costs than estimated and the termination of a loyalty plan for the networks at the end of 2010. Profits on investments held to maturity and on other investments included the capital gain of 7 million euro realised on the sale of the investment in Fideuram Bank (Suisse).

In view of the worsening of the Greek sovereign debt crisis, the adjustments to other assets included the recognition of the impairment on four Greek government bonds classified in the available for sale portfolio, for a total of 134 million euro. As a result, income before tax from continuing operations came to 254 million euro compared to 312 million euro in 2010 (-18.6%). Banca Fideuram closed 2011 with net income of 89 million euro (-33.1%).

The capital absorbed by Banca Fideuram amounted to 460 million euro, down compared to 2010. ROE was 19.3%, a decrease attributable to the performance of net income. EVA®, which measures value creation, was down at 143 million euro.

| | |
|---|---|
| **Business** | Asset-gathering activity 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 Italy with 4,850 private bankers |

The development of new products and services by Banca Fideuram in 2011 was focused on consolidating its leadership on the reference market, by exploiting the product companies and paying careful attention to increasing the level of service provided to customers. These activities involved the entire range of products and services, from financial assets under management to insurance assets, to assets under administration to banking. This resulted in an expansion of funding and increased loyalty of customers.

With regard to the Bank's funds, the revision of the range of flexible funds with Fonditalia continued, with the launch of two new sub-funds: "Fonditalia Flexible Strategy", sub-delegated to PIMCO for management and featuring an active strategy based on the

diversification of risk factors; "Fonditalia Flexible Bond", sub-delegated to Franklin Templeton Investment Management for management, to benefit from their well-known expertise in bond management and, in particular, in the currency asset class. Several solutions in the SICAV Interfund were revised, including "Interfund Equity Global Emerging Markets".
Within the scope of "Fideuram Multibrand" (third party funds), the existing range was revised, also in light of the acquisition of Banca Sara, which took the form of investments in new sub-funds, new price classes within existing relationships and the new SICAV Julius Baer Multipartner of Swiss & Global Asset Management.
In terms of portfolio management, the Symphonia offering was updated with the marketing of the new uniform management contract "Symphonia Electa Plus" which offers a single investment solution providing choices differentiated by type of underlying, exposure to the stock market and geographical breakdown, and builds sophisticated solutions for Private customers. Moreover, on the Omnia uniform management contract by Fideuram Investimenti, the access thresholds for the investment lines were reduced to facilitate the reallocation of customer portfolios.
In the insurance business, "Fideuram Vita Insieme", the first unit-linked policy in Italy which combines internal insurance funds with traditional investment funds, was created. In line with the search for value for customers, several optional automatic reallocation services were introduced in Skandia unit-linked policies. Lastly, two versions of policies with entry bonuses were offered, "Fideuram Vita Insieme Premium" from Fideuram Vita and "Fideuram In Persona Premium" from Skandia Vita.
With regard to initiatives relating to assets under administration, Banca Fideuram participated in over twenty placements on the primary market implemented by the Intesa Sanpaolo Group, mainly on the 2-year fixed-rate segment, took part in a floating-rate subordinated issue by Intesa Sanpaolo, with a term of seven years, exclusively created for the networks of the Banca Fideuram Group and those of Intesa Sanpaolo Private Banking, and requested five exclusive placements, mainly 2-year minimum floating rate placements. Lastly, Banca Fideuram joined the consortiums for the public offerings of GE Capital European Funding six-year fixed and floating rate senior bonds and Ferragamo ordinary shares.
As regards the offering of banking products, in 2011 the actions promoting the acquisition of new customers continued, in particular through the implementation of three campaigns linked to the offering of "Fideuram Plus" new current accounts, which match a competitive interest rate with low fees.
Over two years from the introduction of the new SEI advanced advisory service, which offers customised solutions to meet all investment needs and evolve with them as they change over time, around 30,000 customers had subscribed to the service, with assets under administration of over 11 billion euro.

## Corporate Centre

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

The Corporate Centre Departments (essentially the Treasury Department) generated an operating loss of 217 million euro in 2011, compared to a loss of 589 million euro in the previous year. This improvement was mainly due to profits on trading, which benefited from a marked capital gain from disposal of investments (Findomestic, Banco di Patagonia) and the acquisition of own debt securities on the market. Income before tax from continuing operations amounted to -1,267 million euro (-1,289 million euro in 2010) due to the significant increase in "collective" impairment to the "performing" portfolio, as a result of the worsening of the economic situation. Net income amounted to 990 million euro, thanks to the recording of a tax benefit of 2,130 million euro deriving from the realignment of goodwill included in the consolidated financial statements, as permitted by art. 23 of Law Decree no. 98 of 6 July 2011. The figure for 2011 compares with a loss of 169 million euro for the previous year.

### Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. Intesa Sanpaolo is a direct member and provider of settlement services for both Group banks and third-party banks: in 2011 it maintained a leading role within the euro wholesale payment systems, stabilising its market share in Target2 at Italian and European levels. In particular, the ECB officially reconfirmed the Bank's status as a "critical participant" in the Target2 system also for the year 2012. This status entails a commitment to the annual self-certification of the presence of security and business continuity measures adopted by the Bank and their compliance with internationally recognised standards. This allowed us to close the year with improved volumes on 2010, evidence of our central role in the world of payments, even in the current difficult economic scenario. The Treasury Department of the Parent Company continued to devote considerable attention to various working groups within the ECB, Bank of Italy and Italian Banking Association concerning the development of new international settlement systems. With the Target2-Securities and CCBM2 projects, the Eurosystem will establish a single European platform for securities settlement and centralised cross-border management of collateral. Also as regards planning, Intesa Sanpaolo has signed up as a pilot bank to the new "X-COM" platform of Triparty Repo, managed by Monte Titoli. The project aims at developing a Triparty Collateral Management service also in Italy, along the lines of those already offered by international Custodians in other Eurozone countries. Lastly, the Parent Company continued its commitment towards eliminating settlement risk in foreign exchange transactions through direct subscription to the CLS (Continuous Linked Settlement) system.

The money market was characterized by uneven performance: the tensions on the markets of government securities of peripheral countries in the Eurozone, which arose at the start of the year, were followed by a short phase of moderate stability near the end of the first quarter. Conversely, from the start of the second quarter, Greece's difficulties worsened, and continued through the entire month of June and ended up having a negative impact on various market segments, including the currency market, due to concerns whether the Euro could concretely hold on. From August to September, the crisis worsened, causing contagion that extended to Spain and Italy and took the form of an additional deterioration of the situation in Greece.
In this scenario, rating agencies repeatedly downgraded sovereign ratings and, as a result, those of banks, highlighting the problems in the "Financial" segment. In the last part of the year, the tensions on government securities of peripheral countries in the Eurozone deteriorated further, with a low point observed a few days from the establishment of the new technical Italian government headed by Prof. Mario Monti. Thus, the market situation began to gradually improve, confirmed by the slow decrease in the spread between Italian and German securities.
As part of its two-pillar strategy, the ECB clearly separated decisions regarding policy rates from those aimed at ensuring liquidity to the European financial system. In this context, in April, in order to confirm the strict approach to expectations of medium/long-term inflation, the European Central Bank opted to initially increase the official rates, from 1% to 1.25% (first rise since May 2009), which was followed by a second increase which raised the main refinancing rate to 1.5%. The worsening of the market framework starting from August led the European Central Bank to intervene through two subsequent reductions in official rates, in November and December, returning rates to the levels of the beginning of 2011 (1%). In the US, there continued to be an excess of structural liquidity, caused by the quantitative easing policy implemented by the Federal Reserve. Recent statements by the Fed suggest a focus on stability of the official US rates over the medium term.
In terms of system liquidity, the European Central Bank continuously undertook open market transactions with the full allotment method, implementing weekly, monthly and quarterly auctions (all index-linked to the "main refinancing operations" rate).
At the end of August, an extraordinary 6-month liquidity injection operation was carried out. Additional extraordinary measures were implemented at the end of the year, through refinancing operations of up to 3 years. These decisions, along with the confirmation of the full allotment fixed rate auctions and the option of expanding collateral (immediately with the possibility of issuing covered bonds guaranteed by the government and, in future, by expanding the criteria for eligibility of bank loans), allowed banks to use considerable amounts of financing from the Central Bank. Of significant importance was the participation in the first 3-year auction conducted in December, in which the banking system was awarded approximately 490 billion euro. As the tensions on the USD money market renewed, the Federal Reserve decided to halve the cost of outstanding FX swap lines with the leading global central banks, from 100 to 50 bps. During the year, the central bankers' decisions guaranteed liquidity to the market. The constant excess of liquidity which emerged at industry level permitted banks to maintain very short-term rates at levels significantly lower than the official rates.
During the year, money market operations remained fully concentrated on very short-term maturities, in line with the general market trend. The situation of excess liquidity triggered by the full allotment auction mechanisms of the ECB did not provide the interbank market with a boost. By virtue of the general risk aversion and lack of confidence among counterparties, this market remained largely confined to very short-term maturities. Securities issues, traditionally the Group's main source of funding, were negatively affected by the increased perception of "counterparty risk", also by institutional investors in relation to short-term debt instruments. There was a generalised reduction in the duration of this form of funding, both due to regulatory reasons (which force increasingly prudential liquidity risk profiles on investors) and due to high risk aversion to issuers not included in the

"core Europe" area. Thus, significant segmentation occurred in the pricing of these instruments, among banks from countries outside the Eurozone and, starting from August, there was an almost complete freeze on purchases of short-term issues by US investors. Intesa Sanpaolo dealt with these phenomena by refinancing with the Central Bank in the summer, through the partial use of the Group's system of eligible collateral, in order to guarantee a level of liquidity in line with current needs. In parallel, actions were launched on the Group's commercial divisions, adjusting internal transfer rates to the changed funding conditions and in line with the objectives for the management of the deposit/loan imbalance. In autumn, the Bank started to participate in the auctions for investment of unassigned funds of the Ministry for the Economy and Finance, held at the Bank of Italy. These transactions involve the injection of funds on very short-term maturities, in which the Bank also participated as specialist in the auctions for placement of sovereign debt by the Ministry for the Economy and Finance. Overall, Intesa Sanpaolo's liquidity position remained on average in excess of its current needs and constantly stayed positive beyond the period of survival required by the regulators.

With regard to the securities portfolio, the first part of the year was marked by a tightening in spreads of Italian government securities both compared to Bunds and to Swaps. As a result, the desk's sovereign portfolio, considerably concentrated on the short-term part of the Italian curve, was subject to generous profit taking.
Conversely, during the second half, the escalation of the European sovereign debt crisis drove the spread on Italian ten-year securities to systematically trade between 400 and 500 bps, increasingly worrisome levels difficult for the government to sustain.
Not even the mass purchases by the ECB under the Securities Markets Programme (SMP), the aid programmed for the countries in most difficulty, the austerity measures approved in several steps by the governments involved (and, in some cases - such as for Italy - the change of governments), were able to slow down the haemorrhage of sales in the segment, driven by considerable uncertainty about the timescales and methods for the monetary and political resolution of the crisis.
In this environment, the desk concentrated mainly on purchases in the primary market of Italian securities with up to a 5-year maturity.
The covered bond segment was strongly affected by the trend in the spread on sovereign debt, especially for banks operating in peripheral countries. In the first half of the year, the primary market was highly active, also due to the favourable regulatory framework, and the strategy of increasing the dedicated portfolio continued. Investment was focused on Italian securities providing high yields in relation to the type of asset class and, at the same time, it was attempted to maintain efficient diversification of portfolio risk, participating, even though to a lesser extent, in the issues of several UK and French banks. Conversely, in the second half, the widening of spread on sovereign debt resulted in the closure of the primary market, except for a short window at the end of August. Given the high level of uncertainty and illiquidity in the market, a prudent approach has been adopted with only a marginal increase in the portfolio.
Conversely, in the senior segment, in view of the regulatory tightening of liquidity ratios, existing positions with maturities of less than 2 years and still significant carry values were maintained, while a further reduction was made to the exposure to Portuguese banks downgraded to "speculative" level by the rating agencies and efficient diversification of risk was re-established.
Positions in Financials maturing in 2010 were not renewed and those outstanding - all with maturities of less than 2 years - will not be increased.

## 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 fact that short-term interest rates remain low, the reduction in mark-down on demand deposits was significantly offset by the decisions made to protect the interest margin, benefiting the business units. 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

Medium-/long-term funding transactions were affected by the general situation described above. The continuing tensions in terms of European sovereign risk, the lowering of the rating of the Republic of Italy, the downgrade of the Italian banking system with resulting high costs of international funding suggested a more cautious funding policy, on both the domestic and international markets.
In the domestic market, the total issues of Group securities placed in 2011 through its own and third-party networks amounted to 28.9 billion euro, 63,7% of which through plain vanilla securities and the remaining 36.3% through structured bonds (mainly structured interest rate securities).
There was also a slowdown in transactions in the international markets, especially in the second half: in 2011 approximately 10.7 billion euro of unsecured institutional funding transactions were completed, 8.5 billion euro of which in the form of bond issues offered on the Euromarket and 3 billion dollars (for a value of 2.2 billion euro) on the US market.
In structured funding, in 2011 Intesa Sanpaolo issued Covered Bonds (CB) as part of the issue programme secured by mortgages of 10.6 billion euro, more than 8 billion of which was floating rate with maturity of 2-3 years, subscribed by Banca IMI and to be used for Eurosystem refinancing operations. The balance of 2.5 billion euro represents a 5.5-year, fixed rate public issue placed

with institutional investors. The securities are listed on the Luxembourg Stock Exchange with a triple A rating from Moody's on issue. From 6 October 2011 the ratings of all CB issued were downgraded from Aaa to Aa1.
In the private placement segment, under said Programme, three long-term registered series were issued for a total value of 610 million euro, also rated by Moody's, but not listed, subscribed by Deutsche Bank Frankfurt.
As part of the second programme of covered bonds secured by assets from the public sector originated by the subsidiary BIIS 8.3 billion euro in securities were issued, 6.8 billion euro of which was fully underwritten by BIIS. This was also to be used for Eurosystem refinancing. The balance of 1.5 billion euro represents a 10-year, fixed rate public issue placed with institutional investors. The securities are listed on the Luxembourg Stock Exchange and rated Aa3.
Within the area of securitisations, in November a portfolio of residential mortgages held by family businesses/consumers and enterprises was sold to the vehicle company Adriano Finance 2 for a sale price of 5.3 billion euro. This transaction will be finalised in the first quarter of 2012 with the issue of the securities.

## Business continuity

During 2011 business continuity solutions were updated and tested, continuing the measures for strengthening the procedures in place.
In particular, the Corporate & Investment Banking and International Subsidiary Banks Divisions achieved the objectives, set in 2011, of raising the level of business continuity procedures of the branches and international subsidiaries. The initiatives included the integration of the London and Hong Kong Hub branches into the Group BCM (Business Continuity Management) model and the adoption by 5 international banking subsidiaries of the verification methods and processes applied by the Parent Company.
As regards the Crisis Management Organisational Model - CMOM, a simulation was conducted in June – directed by the Bank of Italy – to check the coordination procedures and channels of communication between key operators in the domestic financial system under emergency conditions, as well as the complete activation of the company command lines in the event of a crisis. The complexity of the crisis scenario dealt with in the simulation required the involvement of an extensive number of company functions and structures, allowing for the verification of the mechanisms for involving officers and accurately activating all the extraordinary operating structures set forth in the model (Group Risk Governance Committee, General Crisis Manager, Crisis Manager and Crisis Unit). Numerous accurate tests of business continuity procedures of the Group's Italian and international companies were also carried out. In November, the annual test of business continuity technological solutions (disaster recovery) was performed. Checks were also conducted to ensure that the systems of buildings that host systemic processes, critical processes and/or IT centres meet applicable reliability requirements.
Lastly, general crisis management mechanisms were extensively used on various occasions, such as the people's uprisings in Egypt, the earthquake in Japan and the flooding in Italy. In this regard, specific agreements were defined with the Ministry of Foreign Affairs for the management and monitoring of crisis events involving countries where Group Banks/Companies are located.
Significant attention was dedicated to monitoring IT security levels of services for customers, specifically regarding mobile banking, dematerialisation of branch accounting documents and reporting via certified electronic mail (CEM) for customers of Mediocredito Italiano. In the area of digitalisation, PEC addresses were activated for all Group companies, and the scope for storing documents was extended as part of management of Inventory Books and the purchasing cycle.
Lastly, the Security Policy Document, provided for by Section 34, paragraph 1, letter g) of Legislative Decree 196 of 30 June 2003, "Personal Data Protection Code", was prepared and updated in accordance with the instructions provided by Rule 19 of the Technical Specifications, Annex B of the Decree.

## Information technology systems

Also in 2011 Intesa Sanpaolo Group Services – the consortium company which centralises the structures providing IT, operational, real estate, organisational services and other auxiliary services supporting Group business – developed significant project tasks to support Group Business and Governance functions, and played a primary role in efficiency, consolidation and rationalisation of application and technology platforms, in addition to supporting the preparatory activities for the creation of the Group's new insurance business structure.
Important projects realised in collaboration with the Business functions aimed at optimising the operating model, developing new products and services, improving customer relations, and achieving compliance with new regulatory developments.
The most important projects implemented for the Banca dei Territori Division met various needs: from the expansion of the modular range of mortgages and current accounts, to the enrichment and integration of the CRM (Customer Relationship Management) platform used by managers to support customers relations and sales, to the upgrading of the functions of the internet banking platform, to the development of a new system for monitoring the quality of services provided to customers at branches.
The branch and ATM network continued to be rationalised and modernised, and the range of pre-paid cards continued to be upgraded, both for the Retail segment (Flash People and Pay Way), and the Business segment (Superflash Commercial).
For the Small Business segment, the creation of new services for customers continued, such as the range of insurance products and focusing credit products on the applicants characteristics in order to speed up disbursement times and increase marketing efficacy.
In the Corporate and Investment Banking Division, the ICT Systems Department was involved in developing tools to improve marketing efficacy and rationalise the main application chains. CRM solutions were extended and customised for various customer segments; the development of the entire Structured Finance value chain and the Financial Value Chain program continued, with new functions added to the InBiz business portal.
In order to support operations on capital markets and ensure a quick time-to-market in the delivery of new solutions, the entire application architecture of Banca IMI was upgraded and revised.
In 2011 activities aimed at achieving compliance with applicable regulations continued, such as the action plans for Basel II and Basel III, compliance with Bank of Italy's instructions in connection with Banking Transparency and significant exposures, the

improvement of the map for monitoring and supervising compliance controls and the "Progetto Risparmio" in the area of adequacy and risk profiles.

In 2011, the commitment to simplifying both the services provided externally and the internal operating model (production process and related controls, operational management and administrative processes) continued in order to reduce costs and increase efficiency. The measures aimed at improving the operating model regarded both applications, through the re-engineering of the main applications (i.e. tax/pension payment and management of medium and long-term credit), and infrastructures, through significant operations such as the development of the new Group Telecommunications network.

As regards external simplification, the commitment took shape in various areas, such as the improvement of controls, increased automation, facilitation of processing for back office centres and attention to new opportunities presented by regulatory compliance required. The development and consolidation of the Macchina dei Numeri programme for the rationalisation, reporting and monitoring of performance and quality of data and information flows continued.

Activities aimed at facilitating and simplifying the sharing and dissemination of the information required for day-to-day operations, upgrading monitoring and traceability of processing and increasing the transparency to customers of the main operating processes continued. Moreover, many initiatives proposed by network colleagues through the Listening channels were also realised.

The commitment to innovation was confirmed. Exploiting innovation ideas deriving from internal studies and external benchmarks, activities have been implemented in order to upgrade existing technological architecture and to create new opportunities for working with Business. In 2011, the dissemination of web collaboration and corporate social network tools continued, and various infrastructure projects were launched to reduce the number of servers used at branches. Cloud Computing solutions were adopted to provide services internally, and night-time processing was upgraded in order to facilitate the extension of branch operating hours. With a view to effectively supporting the Business' increasingly innovative approach, Superflash branches have been created, representing a window on the new range dedicated to young people. These branches offer a service model, language and opening hours different from traditional branches. In traditional branches, with a view to environmental sustainability, the use of electronic signatures has been implemented. Customers sign using a tablet, no longer on hard copy accounting documents. The commitment to updating and improving marketing strategies also continued, setting up the new Marketing Automation platform of Banca dei Territori, integrated with the banking (branch, internet, phone and internet banking) and communications channels (post, e-mail and text messaging), and implementing new geomarketing tools which provide the Bank with new support for setting up and implementing marketing campaigns.

## GEOGRAPHICAL AREAS

(millions of euro)

| | Italy | Europe | Rest of the World | Total |
|---|---|---|---|---|
| **Operating income** | | | | |
| 2011 | 12,923 | 3,280 | 582 | 16,785 |
| 2010 | 12,732 | 3,187 | 610 | 16,529 |
| % change [(a)] | 1.5 | 2.9 | -4.6 | 1.5 |
| **Loans to customers** | | | | |
| 31.12.2011 | 325,929 | 41,156 | 9,659 | 376,744 |
| 31.12.2010 | 327,362 | 40,631 | 10,834 | 378,827 |
| % change [(b)] | -0.4 | 1.3 | -10.8 | -0.5 |
| **Direct deposits from banking business** | | | | |
| 31.12.2011 | 310,909 | 41,270 | 7,812 | 359,991 |
| 31.12.2010 | 320,924 | 55,872 | 25,406 | 402,202 |
| % change [(b)] | -3.1 | -26.1 | -69.3 | -10.5 |

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 2011 and 2010.

[(b)] The change expresses the ratio between 31.12.2011 and 31.12.2010.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy accounted for 77% of revenues and over 86% of direct deposits from banking business and 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).
As regards the performance of operations in 2011, the decrease in deposit volumes was smaller in Italy and larger in foreign countries, while loans to customers, substantially stable overall, showed an increasing trend in European countries.

# CORPORATE GOVERNANCE AND REMUNERATION POLICIES

# Corporate Governance and remuneration policies

## Corporate Governance

Intesa Sanpaolo adheres to the objectives and guidelines of the Corporate Governance Code, and its governance system is in line with the principles contained therein (for which a report is provided, describing the adjustments deemed appropriate) as well as, in general, with national and international best practices, which aim to ensure, also in accordance with the Supervisory Authority provisions, adequate distribution of responsibilities and powers through a proper balance of strategic supervision, management and control functions.

### Shareholder base

Following completion of the capital increase resolved by Intesa Sanpaolo's Shareholders' Meeting of 10 May 2011, according to records in the Shareholders' Register and the most recent available information as at 31 December 2011, shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (Article 120 of the Consolidated Law on Finance "TUF") – are as follows.

| Shareholder | Ordinary shares (*) | % held on ordinary share capital |
|---|---|---|
| Compagnia di San Paolo | 1,506,372,075 | 9.718% |
| Fondazione Cariplo | 767,029,267 | 4.948% |
| Fondazione C.R. di Padova e Rovigo | 750,092,011 | 4.839% |
| Crédit Agricole S.A. (**) | 592,000,000 | 3.819% |
| Assicurazioni Generali | 590,924,220 | 3.812% |
| Ente C.R. Firenze | 514,655,221 | 3.320% |
| Blackrock Inc. (***) | 376,688,882 | 2.430% |
| Fondazione C.R. in Bologna | 313,656,442 | 2.023% |

(*) held directly or indirectly.

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

(***) held as assets under management.

### The dual model

Intesa Sanpaolo adopts the dual management and control model, consisting of a Supervisory Board and a Management Board, pursuant to Articles 2409-octies et seq. of the Italian Civil Code and Articles 147-ter et seq. of the Consolidated Law on Finance.
The decision to use the dual model - which is widespread in other countries of the European Union, particularly in large companies and in companies with widely-distributed shares - is based on a number of reasons.
First of all, this model more clearly separates the functions of ownership and management, with the Supervisory Board acting as a filter between shareholders and the management body - namely the Management Board - and therefore appears to respond more effectively than the traditional model to the need for greater transparency and reduction of potential conflict of interest risk.
Furthermore, the role assigned by law to the Supervisory Board emphasises the distinction between the control function and the strategic guidelines on the one hand, and the management function on the other, permitting a clearer definition of the roles and responsibilities of the corporate bodies, also to ensure sound and prudent management of the Bank. In particular, the Supervisory Board, which takes on several of the powers typically assigned to the Shareholders' Meeting, functions of the board of statutory auditors and some of the "executive administration" powers, performs a broader steering and control function, also in terms of performance, with respect to management of the Company than that normally carried out by the board of statutory auditors.

### The Shareholders' Meeting

The Shareholders' Meeting is the body deemed to represent all Shareholders and its resolutions, passed in accordance with the law and the Articles of Association, are binding on all Shareholders, irrespective of their attendance or dissent. At Intesa Sanpaolo, a company that has adopted the dual management and control model, the Shareholders' Meeting is amongst other things expected to resolve upon:

- the appointment, removal and remuneration of members of the Supervisory Board and the election of the Chairman and two Deputy Chairmen;
- the responsibilities of members of the Supervisory Board and, without prejudice to the concurrent duties of the Supervisory Board, of members of the Management Board;
- the allocation of net income;
- appointment and revocation of the independent auditors;
- the approval of financial statements unless approved by the Supervisory Board;

- the approval of remuneration policies for Management Board Members and financial instrument-based plans, in keeping with the provisions of law and regulations in force;
- transactions reserved by the law to resolution of the Extraordinary Shareholders' Meeting.

## The Supervisory Board

The Supervisory Board is composed of a minimum of 15 and a maximum of 21 members, including non-shareholders, appointed by the Shareholders' Meeting, who remain in office for three financial years.
Pursuant to the provisions of Article 23 of the Articles of Association, Intesa Sanpaolo's ordinary Shareholders' Meeting, held on 30 April 2010, appointed the Supervisory Board for the financial years 2010/2011/2012, with 19 members, appointing Giovanni Bazoli as Chairman and Mario Bertolissi and Elsa Fornero as Deputy Chairmen (the latter left office on 16 November 2011 to take on a government position).
Pursuant to the Articles of Association, election of the supervisory body took place on the basis of lists of candidates with the integrity, professional and independence requisites envisaged by law and by the Articles of Association, presented by Shareholders holding at least 0.5% of the ordinary share capital.
The Supervisory Board performs steering, strategic supervision and control duties. Therefore, in addition to the supervisory functions of the board of statutory auditors under the traditional management and control model, it is also charged with certain duties traditionally attributed to the Shareholders' Meeting, such as the appointment and removal of Management Board members, actions against members of the Management Board and approval of the financial statements.
In its meetings of 4 and 7 May 2010, the Supervisory Board established three internal Technical Committees, as envisaged by the Articles of Association:

- The Control Committee, which proposes, advises and investigates on matters regarding internal control, risk management and the IT accounting system. The Committee also performs the duties and tasks of a Surveillance Body pursuant to Italian Legislative Decree 231/2001 on the administrative responsibility of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank;
- The Nomination Committee, which is responsible for selecting and proposing appointments to the Management Board;
- The Remuneration Committee, which is responsible for proposing and advising on remuneration, in accordance with law and the Articles of Association;

and two additional Technical Committees:

- The Strategy Committee, responsible for supporting the Supervisory Board and Chairman in examining proposals received from the Management Board on general programmes and strategic guidelines, business and/or financial plans, and strategic transactions;
- The Financial Statements Committee, which supports the Supervisory Board and Chairman in studying issues relating to preparation of the Parent Company's and consolidated financial statements, making, amongst other things, recommendations regarding approval of the financial statements and independently requesting, on behalf of the Supervisory Board, additional information and clarification to the management bodies;

In the meeting of 26 November 2010, the Supervisory Board established the internal Related Party Transactions Committee, which is also responsible for providing a motivated opinion in the process for approval of the transactions in question.

## The Management Board

The Management Board - in charge of managing the Company - is composed of a minimum of 7 and a maximum of 11 members, including non-shareholders, appointed by the Supervisory Board, which determines their number at the time of appointment.
The Supervisory Board of 7 May 2010 determined the number of members to be 9, appointing Andrea Beltratti as Chairman, Marcello Sala as Senior Deputy Chairman and Giovanni Costa as Deputy Chairman. Corrado Passera was indicated as Managing Director and CEO (appointed by the Management Board in its meeting of 10 May 2010).
On 24 November 2011, the Supervisory Board appointed Enrico Tommaso Cucchiani as Member of the Management Board, effective from 22 December 2011, indicating him to the Management Board as Managing Director and CEO to replace Corrado Passera (who resigned on 16 November 2011 in order to take on a government position). In its meeting on the same date, the Management Board appointed Enrico Tommaso Cucchiani as Managing Director and CEO, effective from 22 December 2011.
The Management Board remains in office for three financial years, until the date of the Supervisory Board meeting called to approve the 2012 financial statements.
The Management Board has sole responsibility for management of the Bank in compliance with general, programme-related and strategic guidelines approved by the Supervisory Board, with which it however cooperates, to the extent of its own duties, in performing the strategic supervisory role. For this purpose, the Board resolves on all transactions – relating to both ordinary and extraordinary administration – necessary, useful or appropriate in achieving the corporate purpose.

In its meeting of 14 May 2010, the Management Board established, in accordance with the Articles of Association, three specialised internal Commissions (the Business Plan and Extraordinary Transactions Commission, the Capital Adequacy and Financial Statements Commission and the Lending and Risks Commission), consisting of executive Board Members appointed by the Supervisory Board with preparatory and advisory duties aimed at making an active and systematic contribution to the exercise of management functions. A Coordinating Member was appointed for each Commission, responsible for organising and planning activities and ensuring the appropriate coordination with both the Chairman and Managing Director.

## Head Office Departments

Intesa Sanpaolo's Head Office Departments are organised according to a model that is in line with international best practices in terms of Corporate Governance. The majority of Head Office Departments are structured under the following governance areas, reporting directly to the Managing Director and CEO:

### *Chief Operating Officer (COO)*
The COO is responsible for:
- defining, in accordance with corporate strategies and objectives, the Group's organisational, IT, logistic, operational and security guidelines and policies, working with Intesa Sanpaolo Group Services;
- coordinating the implementation of said guidelines and policies by the relevant Group business units, and in other corporate departments as appropriate;
- verifying, through the appropriate control methods and in collaboration with Intesa Sanpaolo Group Services, compliance with the guidelines and policies in the aforementioned areas, ensuring, in accordance with the Business Plan, the achievement of cost synergies and excellent quality service.

### *Chief Financial Officer (CFO)*
The CFO is responsible for:
- defining, in accordance with corporate strategies and objectives, the guidelines and policies in terms of research, planning, capital management, credit strategies, management control, financial statements, tax obligations, and relations with investors and rating agencies;
- facilitating value creation within the Group and ensuring the relative controls, through integrated monitoring of study and research activities, planning, management control and capital management, and optimisation of the financial and credit portfolios;
- coordinating the implementation of guidelines and policies on planning, capital management, management control, financial statements and tax obligations by the relevant Group business units, and in other corporate departments as appropriate;
- verifying the implementation of said guidelines and policies, also through monitoring of the Group's planning and capital management process, budget development and management control activities;
- ensuring the accurate and timely presentation of income statement and balance sheet results of the Bank and of the entire Group, as well as compliance with the relative accounting and supervisory obligations, performing quality control of the processes governing administrative and financial reporting disclosures to the market, pursuant to the appropriate regulations;
- verifying, through the appropriate control methods, compliance with the guidelines and policies defined and ensuring the pursuit of effectiveness and efficiency in the service level offered.

### *Chief Lending Officer (CLO)*
The CLO is responsible for:
- making material lending decisions, or submitting them to the relevant Bodies, and supervising non-performing loans;
- coordinating the implementation of credit guidelines and strategies by the relevant Bank and Group business units, and in other corporate departments as appropriate;
- participating, in accordance with the corporate strategies and objectives, in the definition of the Bank's and Group's guidelines in terms of lending strategy and credit risk acceptance and management, directly authorising pertinent matters;
- managing, monitoring and coordinating the recovery of Group positions classified as doubtful and not outsourced to external collection companies.

### *Chief Risk Officer (CRO)*
The CRO is responsible for:
- consistent with corporate strategies and objectives, defining guidelines and policies on risk management, compliance and legal matters;
- coordinating the implementation of guidelines and policies on risk management, compliance and legal matters by the relevant Group business units, and in other corporate departments as appropriate;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- guaranteeing the monitoring of credit quality and the observance of credit-related guidelines and strategies through the constant monitoring of risk, and submitting proposals on the structure of delegated powers of the Corporate Bodies;
- supervising the identification and monitoring of any misalignment of current regulations, and arranging consulting, support and sensitisation as appropriate on regulations to the corporate departments.

The following are not part of the aforementioned governance areas:
- The ***Internal Auditing Department***, which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board and is responsible for:
  - ensuring constant and independent auditing of the regular performance of Bank operations and processes for the purpose of preventing or identifying any anomalous or risky conduct or situation, assessing the overall operations of the internal control system and its adequacy in guaranteeing the effectiveness and efficiency of company processes, safeguarding asset value and loss protection, and the reliability and completeness of accounting and management reports, and the compliance of transactions with corporate governance policies and with internal and external regulations;
  - providing consulting to the Bank's and the Group's departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management and governance processes of the organisation;
  - ensuring supervision of the internal control systems of the Group's subsidiaries, also by exercising governance of and providing guidelines to the respective internal audit departments;
  - supporting corporate governance and ensuring that Top Management, the Corporate Bodies and the competent Authorities (Bank of Italy, Consob, etc.) promptly and systematically receive information on the status of the control system and on the outcome of activities performed.

- The ***Corporate Affairs Department***, which reports to the Managing Director and CEO and to the Chairman of the Management Board, and is responsible for:
  - ensuring assistance and advice to the corporate bodies of the Parent Company and to Top Management in terms of proper implementation of corporate law and for the supervisory regulatory profiles at Group level;

- providing assistance in all corporate transactions involving the Parent Company and Group companies;
- handling the obligations connected to the corporate governance of all Group companies, Management Board operations and the shareholders' meeting;
- ensuring that the Group's interests are safeguarded in all specifically assigned subsidiaries;
- handling the Group's Corporate Relations, promoting and steering relations with Public Administration, with control and supervisory Authorities, with Trade and other associations and with international bodies.

– The ***External Relations Department***, which reports directly to the Managing Director and CEO, to the Chairman of the Management Board and to the Chairman of the Supervisory Board, and is responsible for:
  - managing and coordinating the Group's external communications, in order to promote competitiveness, quality and innovation with respect to the targets of the various business lines, uphold the Group's reputation with media and with the financial community and develop its image as perceived by opinion makers and Italian and foreign public opinion;
  - spreading the ethical, social and cultural values that form part of the Group's identity;
  - handling relations with the press and with media in general;
  - monitoring the perception of the group and the effectiveness of external communications.

– The ***Human Resources Department***, which reports to the Managing Director and CEO and is responsible for:
  - contributing, consistently with corporate strategies and objectives, to the definition of guidelines and policies on human resources of the Group;
  - managing internal communications initiatives aimed at encouraging the development of Group values and culture;
  - promoting the professional development of human resources through the planning, implementation and management of adequate systems and operating processes;
  - defining, in accordance with the Business Units and other Departments, the training guidelines and policies for the Group, monitoring their implementation;
  - ensuring, in accordance with the Business Units and other Departments, proper qualitative-quantitative coverage of required staff to achieve the strategic objectives of the Group;
  - defining the employment and trade union relations policies;
  - managing the pension aspects and employment-related disputes;
  - coordinating and handling administrative, accounting, tax and social security obligations for Group personnel;
  - coordinating the operations of the Human Resource units of the Departments, Business Units and Group Companies.

For a detailed description of Intesa Sanpaolo's Corporate Governance system, see the "Report on Corporate Governance and Ownership Structures", contained in the separate file "Report on Corporate Governance and Ownership Structures - Report on Remuneration", drawn up in accordance with the provisions of Art. 123-bis of the Consolidated Law on Finance, approved by the Management Board and Supervisory Board and available under the "Governance" section of the Bank's website (www.group.intesasanpaolo.com).

## Remuneration policies

The issue of remuneration of listed companies and financial intermediaries has been gaining growing attention by international bodies and regulators, aiming to guide issuers and intermediaries towards the adoption of remuneration systems that are consistent with the principles - intensified following the economic and financial crisis - governing the process for drawing up and approving the remuneration policies, their compensation structure and their transparency.
In particular, according to these principles, remuneration systems must take into account current and future risks and the level of capitalisation of each intermediary, and guarantee remuneration based on results actually achieved.
In 2011, Italian Authorities defined a set of key rules, also in accordance with the European Community regulations adopted on this issue.
By regulation dated 30 March 2011, the Bank of Italy issued new provisions dictating harmonised rules and regulations to govern the remuneration policies, systems and practices in banks, in terms of the relative process of drawing up and control, compensation structure and disclosure obligations. The Supervisory Authority further intensified monitoring of this last issue by including remuneration systems and practices among the information to be disclosed under Pillar 3 reporting.
Moreover, ISVAP, with regulation no. 39 of 9 June 2011, dictated the principles regarding the decision-making processes, structure and disclosure obligations of the remuneration policies of insurance companies.
In its resolution no. 18049 of 23 December 2011, Consob regulated implementation of the provisions contained in Article 123-ter of the Consolidated Law on Finance, which require issuers to draw up and publicly disclose a report on remuneration.
Finally, several important updates have been introduced on the self-governance level as well. After being initially modified (March 2010) in the part regarding remuneration, the Corporate Governance Code underwent a complete overhaul that resulted in the publication of a new edition in December 2011.
In fact, the Bank of Italy recently revisited the topic of remuneration policies with a communication on 2 March 2012, highlighting in general the opportunity for banks to define a strategy that is consistent with the objective of preserving, with a view to the future, the equilibrium of the company's position, as well as maintaining the conditions of capital adequacy and prudent management of liquidity risk.
Consequently, based on the provisions of the aforementioned Art. 123-ter of the Consolidated Law on Finance, a specific Report on Remuneration was drawn up and published together with the Report on Corporate Governance and Ownership Structures. This Report also takes into account the obligations of disclosure to the Shareholders' Meeting, in accordance with the supervisory provisions issued by the Bank of Italy. Furthermore, as part of Basel 2 Pillar 3, extensive qualitative and quantitative information has been provided in Table 15, recently introduced into the document by the Bank of Italy.
Intesa Sanpaolo has always focused extensively on the issue of remuneration, observance of the relative regulations and utmost transparency on the market. The above information updates and integrates the methods followed until now, gathering into a single, well-organised and structured document and, in a specific Pillar 3 chapter, all of the qualitative and quantitative information which, in prior years, depending on their type, was contained in the Report on Corporate Governance and Ownership

Structures, in the Supervisory Board’s report submitted to the Meeting, pursuant to Article 153 of the Consolidated Law on Finance, and in the financial statement documentation.
Both documents are available at www.group.intesasanpaolo.com. See these documents for a complete and detailed analysis of the remuneration and incentive systems and practices and for the relative quantitative information.

## Procedures for adoption and implementation of the remuneration policies

At Intesa Sanpaolo, company that adopts the dual management and control system, the remuneration policies are partly resolved upon by the Shareholders’ Meeting and partly by the Supervisory Board, with involvement of the Management Board in matters regarding the employee remuneration policies.
More specifically, in accordance with Article 2364-bis, paragraph 1, no. 2) of the Italian Civil Code and pursuant to the provisions of the Articles of Association, the Shareholders’ Meeting is responsible for determining the remuneration amount for Supervisory Board Members appointed by the same and for Members appointed to special offices. The Shareholders’ Meeting is also responsible for approving the remuneration policy for Management Board Members and the financial-instrument based remuneration schemes.
The Supervisory Board – in accordance with the remuneration policies resolved by the Shareholders’ Meeting and with the support of the Remuneration Committee – is responsible for determining the remuneration for Management Board Members, also in relation to the offices and duties attributed to them (Chairman, Deputy Chairman, Managing Director, Executive Board Member).
The Supervisory Board is also responsible for approving, upon proposal by the Management Board, the remuneration policies for employees, including General Managers and Key Managers, and for other staff not bound to the company by an employment agreement.
The Management Board, in accordance with the Articles of Association, has the exclusive responsibility for making decisions regarding:
- determination of the compensation for General Managers, after consultation with the Supervisory Board;
- determination, further to the mandatory opinion of the Supervisory Board, of the compensation for the Manager responsible for preparing the Company's financial reports;
- definition of the remuneration for the managers of internal control functions, including internal audit, compliance to regulations and risk management, pursuant to the applicable laws or regulations and with approval from the Supervisory Board.

The remuneration policies for employees and other staff not bound to the company by an employment agreement are drawn up by the Human Resources Department, which involves the relevant company functions in order to guarantee, among other things, their consistency with the strategic objectives and the level of capitalisation and liquidity of the companies and of the Group, as well as their compliance with the Group’s rules, regulations, codes of ethics and standards of conduct.
On an annual basis, the Internal Auditing Department, in accordance with the guidelines of the Supervisory Authority, verifies the compliance of the remuneration implementation procedures to the relevant policies, informing the Supervisory Board and the Shareholders' Meeting on the results of the verifications conducted.

## Remuneration of the Supervisory Board Members

The Bank’s Articles of Association envisage that members of the Supervisory Board be entitled, in addition to the reimbursement of expenses sustained due to their office, to a fixed remuneration for the services rendered, which is determined for the entire period of their office by the Shareholders’ Meeting at the time of their appointment, also taking into account the remunerations due to Board Members appointed to special offices (Chairman, Deputy Chairman and Secretary of the Board).
In terms of the activities that the Members are called upon to carry out as members of the Committees established within the Supervisory Board also pursuant to the Articles of Association, the Shareholders' Meeting has envisaged recognition of an additional remuneration amount for the Committees’ Chairmen and an attendance fee to each Supervisory Board Member designated to participate in the Committees, based on actual attendance at each meeting. An attendance fee based on actual attendance at each meeting of the Management Board is also envisaged for members of the Control Committee, required by the Articles of Association to participate in the meetings of the Management Board.

## Remuneration policy for Management Board Members

Pursuant to the Articles of Association, the Shareholders’ Meeting approves the remuneration policy for Management Board Members and the Supervisory Board, upon consultation with the Remuneration Committee, determines the relative remuneration amount.
According to the policy in force, the remuneration of Management Board Members consists of a fixed portion and a variable portion.
In terms of the fixed portion, all Management Board Members, being members of the Bank’s management body, shall receive an annual remuneration for each year of their term of office. Management Board Members holding special offices (Chairman, Deputy Chairman, Managing Director, Executive members who are part of specialised Commissions) shall receive an additional remuneration consisting of a fixed annual amount for each year of their term of office (in the event of more than one office, only the highest fixed remuneration will be assigned).
The variable portion is reserved exclusively for the executive members, namely the Managing Director and the members of the specialised Commissions.

## Remuneration policy for employees and other staff not bound by an employment agreement

The remuneration policy of the Intesa Sanpaolo Group is based on the following principles:

a) alignment of the conduct of management and employees to the interests of shareholders, to company targets and to the medium and long-term strategies, as part of the set of rules aimed at accurate monitoring of the current and future corporate risks and maintenance of an adequate level of liquidity and capitalisation;
b) merit, to guarantee better matching with actual performance and the management quality shown through:
   - remunerative flexibility via the variable component linked to results achieved;
   - a focus on key staff members demonstrating high management quality, to whom the most competitive salary brackets, aligned to the market of reference, are reserved;
c) equality, in order to promote proper conduct and standardise treatment in terms of remuneration, through:
   - the correlation of a person's fixed salary to the weight of the role held;
   - the differentiation of salary brackets and the proportion of variable pay components on global remuneration, on the basis of professional categories;
d) external competitiveness of overall annual remuneration with respect to the levels in the large European banking groups, obtained through periodic specialist surveys, in order to attract and retain the best management and professional resources on the market;
e) sustainability, to limit expense deriving from application of the policy to values compatible with the Business Plan objectives, via:
   - selective reviews of fixed pay;
   - the use of objective parameters when reviewing pay;
   - alignment of costs to company performance, by varying the amount of remuneration paid to management;
   - determination of the appropriate caps on the amount of pay and mechanisms to adjust allocations to the overall incentive provisions according to the company's profitability and to the results achieved, also with respect to the reference peer;
f) compliance with the national and European legal and regulatory provisions and the consequent focus on Top Executives, Management, Risk Takers and Control Functions.

The Supervisory Board is responsible for approving the policies on remuneration of employees and other staff not bound to the company by an employment agreement, upon proposal of the Management Board and with the involvement of the Remuneration Committee[1].
These Bodies also have the option of resolving on updates, amendments and/or derogations to the policy.
The Human Resources Department is responsible for drawing up the remuneration policies that undergo the aforementioned approval procedure, involving the following, to the extent of their responsibilities, as envisaged by the Regulations:

– the Risk Management Department, in order to ensure consistency of the remuneration policies and consequent incentive systems with the Group's risk appetite/strategy;
– the Planning and Control Department and the Active Value Management and Strategies (Strategic Planning) Service, in order to ensure consistency of the remuneration policies and consequent incentive systems with:
   - the strategic short and medium-long term objectives of the Companies and of the Group;
   - the level of capitalisation and liquidity of the Companies and of the Group;
– the Compliance Department, in order to verify compliance of the remuneration policies and consequent incentive systems with the Group's rules, regulations, codes of ethics and standards of conduct.

On an annual basis, the Internal Auditing Department, in accordance with the guidelines of the Supervisory Authority, verifies compliance of the remuneration implementation procedures to the relevant policies, informing the Supervisory Board and the Shareholders' Meeting on the results of the verifications conducted.
The guidelines of the remuneration policy are applicable to all companies of the Intesa Sanpaolo Group, which are required to adopt them – in coordination with the respective Divisions and with the governance structures of the Parent Company which, to the extent of their responsibilities, duly carry out steering and control duties – in specific implementation mechanisms that also take into account the local regulatory and governance restrictions of the sector, making any necessary adaptations.
In this respect, the aforementioned functions of the Divisions and Companies of the Group define, to the extent of their responsibilities and in accordance with the corresponding governance structures, the incentive systems to apply to personnel of the relative perimeter.
To ensure uniform application, the Chief Executive Officer is responsible for implementing the remuneration policies for "Key personnel", other members of the Top Executive Group, Middle Management and Strategic Professionals, as described below, in collaboration with the Human Resources Department, except for the specific duties of the Management and Supervisory Boards as regards Key Managers and the Heads of Internal Control Functions of the Parent Company.

Employee remuneration is broken down into the following:

a) fixed component, defined based on the contractual position, the role held, any responsibilities assigned, and the specific experience and expertise acquired by the employee, including any indemnity;
b) variable component, linked to employee's performance and aligned to the short and long-term results actually achieved, and consisting of:
   - specific incentive systems, as described further on, that provide for bonuses in line with market standards, as reported by periodic specialist surveys such as the Italian Banking Association's annual salary survey, focusing on personnel of the commercial network;
   - company bonus, envisaged by the Italian collective labour agreement and designed to reward employees for productivity increases, on the basis of their respective job profiles;

1 For greater detail on the roles, responsibilities, composition, duties and operation of the Shareholders' Meeting, Supervisory Board, Management Board and respective Committees, see the Articles of Association and the document "Report on Corporate Governance and Ownership Structures - Report on Remuneration", available on the Group's website.

c) any benefits designed to increase employee motivation and loyalty; these may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group adopts a pay mix (weight of the fixed and variable components expressed as a percentage of total remuneration) that is appropriately balanced, in order to:

- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question;
- discourage behaviours focused on the achievement of short-term results, particularly if these involve taking on greater risk.

In order to achieve the above objectives, ex ante limitations were established in terms of maximums for variable remuneration, through the definition of specific caps on the increase of bonuses in relation to any over-performance.
Moreover, the pay mix was differentiated with respect to the following:

- the various categories of personnel, with particular focus on "Key personnel", in order to adequately reflect the level of impact on risk and performance, limiting the weight of the variable component for personnel of the internal control functions;
- professional categories, i.e. by business unit, consistently with the results obtained from specific benchmark analysis of the leading European banking groups that also guarantee observance of the internal equality principle, given the use of common benchmarks for each statistical population;
- key staff members demonstrating high management quality, in order to support meritocracy and retention of these resources.

The adequacy of the amounts is further verified in comparison to market practices, with ongoing participation in national and international remuneration surveys; for management roles and other specific business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with a certain reference market.
In relation to market data, the Intesa Sanpaolo Group aims to align the overall remuneration to median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

The correlation between remuneration, performance and risk and the consequent awarding of incentives is ensured for all employees through:

- use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below;
- introduction, based on the so-called sustainability principle, of a mechanism that reduces, and in extreme cases eliminates, the total allocations to provisions for variable remuneration - and consequently the amount of bonuses - should a specific critical point in the Group's profitability indicators be identified;
- use of a solidarity mechanism between Group and Division/Business Unit results, according to which the amount of total bonuses paid to the employees of each Business Unit depends in part on the Group's overall performance and in part on the performance of the specific Organisational Unit;
- compliance with the principle of symmetry, according to which the amount of bonuses paid is closely linked to the results achieved by the Group, the Business Unit and the individual, and may be reduced significantly, even down to zero, in the event of results not in line with the company's objectives and expectations. Furthermore, through multiplication/reduction factors, the total bonus pool amount is correlated to the achievement of pre-established budget levels and, where possible, to relative performance compared to the reference peer group;
- use of accurate performance indicators, with different weightings for each structure, which consider the following objectives: i) economic-financial (e.g. operating income, revenues on deposits, net inflows, etc.), ii) efficiency (e.g. cost/income), iii) risk containment (market risk, credit risk and/or liquidity risk), iv) sustainability, considering the risks taken and the cost of capital (e.g. ratio of profit and capital, ratio of revenues and RWA, EVA®);
- evaluation of individual performance and conduct, carried out by the respective Head, through which the level of achievement of the qualitative and quantitative objectives assigned to Management and to the remaining personnel is certified, integrated with the appropriate adjustments following the Audit results of the relative unit, as well as any opinions, even of a nature that impedes the assignment of bonuses, expressed by the Chief Executive Officer.

Guaranteed bonuses to personnel are not envisaged. However, in accordance with the aforementioned reference regulations, they may be used in limited cases and only for the first year for new employees.

The termination of service of personnel with state pension or seniority pension rights and/or A.G.O. pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred. In all other cases, the company has the right to award any amounts, depending on the specific situations, also through consensual retrenchment agreements providing termination indemnities.
In any case, observance of the principles contained in the Group's Code of Ethics excludes the possibility of "golden parachutes" to its managers and employees.
In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all grades, including executives, which also governs the treatment of sums payable to personnel on termination of service.

# SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

# Social and environmental responsibility

The commitment to social and environmental responsibility becoming a distinguishing mark of Intesa Sanpaolo activities continued in 2011. The social responsibility management model, implemented to ensure that the principles and values always characterise business operations, is divided into two implementation environments: the Code of Ethics and the Social Report.
The Code of Ethics also defines the implementation and control mechanisms, ensuring that the Governance bodies receive ongoing communication regarding ordinary operations as well as the management of unforeseen situations. In this way, Top management are guaranteed rapid identification of possible critical areas and the definition of any improvement measures so that corporate values remain strongly operative in the life of the Bank. The Code of Ethics is inspired by a model based on departments' self-governance, pursuing and defending the Bank's reputation through socially responsible conduct. In this respect, the "CSR Contacts", delegated by the Heads of Departments collaborating with the CSR Unit, reporting to the Managing Director, are crucial in innervating the principles of sustainability in their various areas of operation.
The steps forward made in 2011 regard implementation of the decentralised management system for reporting non-compliance with the Code. The Group's international subsidiaries now have full autonomy in answering to reports of non-compliance from their stakeholders, through action taken by the Contacts in each bank. A periodic report is sent to the Parent Company CSR Unit and is taken into account in the annual report of the Control Committee of the Supervisory Board. A number of policies were also issued to integrate sustainability criteria into company activities. The regulations, disclosed to the public on the Group website, call for an annual report on their implementation status and concern:

– rules on the granting of credit in the armament sector. This regulation follows that issued in 2007 specifying the operating procedures to manage the delivery of financial services to companies involved in the production and trade of weapons, and identifies some of the particularly controversial area which the Intesa Sanpaolo Group intends to abstain;
– rules for the environmental and energy policy. In the context of the environmental policy issued in 2007, this regulation outlines the approach of Intesa Sanpaolo in preventing, managing and, where possible, reducing environmental impacts, including those related to energy consumption;
– purchases and use of paper and derivative materials which outline the Bank's commitment to purchasing, using and recycling paper in a responsible manner;
– sustainability rules for the purchase of office machines, which define the criteria for reducing energy consumption, associated pollutant emissions, the use of hazardous substances and pollutants, waste generation and consumption of auxiliary materials (paper and toner);
– event organisation with a view to improving environmental sustainability of internal and external communications and training activities.

The Social Report informs the community and all stakeholders of the activities and firm commitment of the Bank based on values expressed in the Code of Ethics and the 2011 - 2013/2015 Business Plan objectives. The process that forms the basis for preparation of this report stems from listening and dialogue with stakeholders periodically involved in an engagement path. The listening allows the identification of improvement goals and important topics which are then assessed, taking into consideration company strategies and the operating context in order to define project development opportunities and any reputation risk. In 2011 the engagement involved employees with 13 focus groups covering all of Italy and a questionnaire (approximately 3,200 people involved), interviews with customers and the introduction of specific questions in the customer satisfaction questionnaires (over 1,100 customers involved), a questionnaire targeting suppliers (over 300 companies) and interviews with the leading Italian NGOs.
The picture emerging from this involvement offered an evaluation of the "materiality" of topics of interest to stakeholders and to the Bank, and also the implementation of a major review of the Social Report: more summarised and accessible content without losing sight of its capacity to inform. The document guides the reader to further study on the website, making numerous hyperlinks available. The appendix contains all the numeric indicator tables illustrating progress made in the three-year period. In the fourth edition of the CSR Online Awards Italy 2011, the website developments won Intesa Sanpaolo the "Best Improver" award, ranking ninth with a score of 71.5/100 and climbing the rankings by 11 places compared to the 2010 edition.
Another important sphere of activity characterised management in 2011: the dissemination of sustainability awareness in the knowledge that the defined regulatory environments must always be accompanied by sensitisation and a daily commitment to employees, customers and the main stakeholders.
Periodic meetings of the Italian operating structures and the Group's International subsidiary banks with the CSR Contacts continued. Three meetings were held during the year - two for Italian colleagues and one for the international delegates. With the help of the Training Department, a new formula was tested during the meetings with Italian Contacts which combined the more operations-related aspects - discussing experiences, sharing good practices and proposing ideas and points for consideration - with thinkshop sessions on social responsibility topics and on the work of those responsible for sustainability. The workshop with the International subsidiary bank Contacts offered the chance to learn from the good practices developed in the various areas of reference.
Another important training environment was implemented alongside the dissemination of internal regulations on application of the Equator Principles in assessing loans as part of project financing. The training laboratories have already been created in Milano, London, Roma and New York. A specific distance learning project on environmental sustainability - "Ambientiamo" - was designed to increase colleagues' awareness and is available to around 60,000 personnel on the company Intranet training platform.

In 2011 Intesa Sanpaolo gained numerous awards for its activities in the various areas of action: inclusion for the third year running in the world's 100 most sustainable companies, prepared by Corporate Knights, a prestigious Canadian magazine specialised in clean capitalism. This achievement was announced at the World Economic Forum in Davos. In environmental matters, the Green Globe Banking Award for the "Finanza Verde innovativa" project on new "Sustainable Loans", support to ESCOs (Energy Service Company) and training of colleagues via the "Ambientiamo" multimedia platform.
At the fifth edition of the "Banca e Territorio" award established by AIFIn (Italian Association of Financial Innovation), Intesa Sanpaolo took 2nd place for its Social Initiatives through the "Prossima Terzo Valore" project presented by Banca Prossima and for its environmental protection initiatives. Also in terms of human resource enhancement, Intesa Sanpaolo received the "HR Innovation Award" for the innovation of human resource management and development processes through the Training Department project "Learning Experience Design". Another prestigious recognition came in the third edition of the "Premio Famiglia Lavoro" award, a competition launched by the Lombardia Regional Government and ALTIS (High School of Business and Society at the Università Cattolica) which awards the most interesting work-family conciliation programmes. For the fourth year running the "Recent Graduate Survey" commissioned by Cesop Communication confirmed Intesa Sanpaolo as among the most sought-after places of employment for graduates.
Lastly, our Bank's commitment to sustainability was recognised by its admission to the Dow Jones Sustainability Indexes and reconfirmation of its place in the FTS4Good and Ethibel Register Investment indexes.

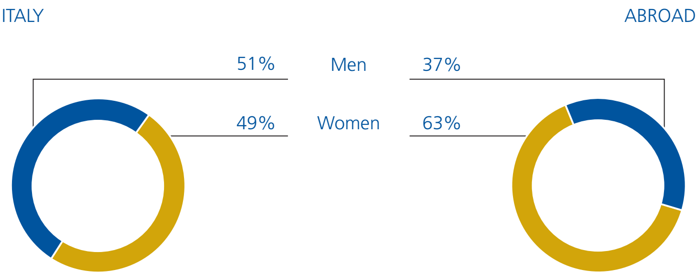
## Relations with stakeholders

***Employees***

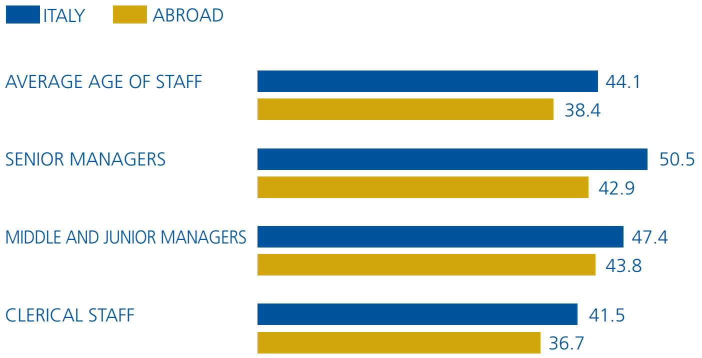
For implementation of the 2011-2013/2015 Business Plan in a general context of economic crisis, the Bank's capacity to focus and adapt its action with a view to sustainability and the motivation of its personnel to share and pursue goals with determination, perceiving the Bank as a common interest to sustain and develop, are factors that determine its success.
In this context, strategic guidelines and policies regarding personnel involve:

- developing human resources and merit, through an understanding and respect for diversity, particularly gender and age, to encourage pro-active behaviour and opportunities for growth;
- promoting new career development, reassignment and requalification projects through innovative training;
- involving and listening to employees and sharing skills;
- developing an integrated company welfare and people care system capable of combining company efficiency objectives and human resource balance to improve the quality of life in the company and the level of job wellbeing.

BREAKDOWN OF STAFF BY GENDER (%)




AVERAGE AGE OF STAFF BY POSITIONS HELD




Average age of staff group 42.3

| **Staff breakdown by type of contract (%)** | **Italy** | **Abroad** | **Total** |
|---|---|---|---|
| Permanent contracts | 97.1 | 92.0 | 95.5 |
| Restart contracts - permanent | 0.2 | - | 0.1 |
| Non-permanent contracts | 0.3 | 7.8 | 2.6 |
| Apprenticeship contracts | 1.7 | 0.2 | 1.3 |
| New starter contracts - apprenticeship | 0.5 | - | 0.4 |
| New personnel contracts | 0.2 | - | 0.1 |
| Temporary workers (in Italy: Supply contracts and Project workers) - (number) | 110 | 237 | 347 |

The "Jobs & Careers" section of the group website has been further enhanced and enriched with new contents on group culture and on scholarships offered to deserving students and graduates.
As part of our recruitment policy, particular attention has been paid to seek out human resources falling under the protected classes, both through monitoring resumes from orientation sessions, as well as those submitted by candidates on the Bank's website.
The Bank's keen focus and close ties to young people was confirmed in 2011 both through ongoing cooperation with the main Italian Universities and Business Schools with speeches and participation in lessons by the Bank's managers, and through internal listening processes such as the "I Giovani di Intesa Sanpaolo si raccontano" initiative which stemmed from the need to redesign the new employer branding image with the direct involvement of Group colleagues closest in age to the project target, young graduates seeking employment.
Regarding employment, in 2011 the Group recruited 4,013 staff (942 in Italy and 3,071 abroad). At Group level the number of women reached 54% and the investment in the future through the introduction of new resources continued in line with company objectives.

| **Recruitments during the year (by type of contract)** | **Italy** | **Abroad** | **Total** |
|---|---|---|---|
| Permanent contracts | 559 | 1,601 | 2,160 |
| *of which restart contracts* | - | - | - |
| Non-permanent contracts | 230 | 1,382 | 1,612 |
| Apprenticeship contracts | 73 | 67 | 140 |
| *of which new starter contracts* | - | - | - |
| New personnel contracts | 80 | 21 | 101 |

With the trade union agreement reached in February 2010 the company was committed to arranging 400 new recruitments by 31 March 2011 and further additions to replace any personnel accepting staff leaving incentives, having already met the minimum retirement requirements. New recruitments were arranged from among those who had worked at least 9 months on a short-term contract with one of the Group companies, thereby relieving these resources of the worry of job insecurity.

| | **Turnover rate** |
|---|---|
| Italy | -1.80% |
| *Men* | *-2.72%* |
| *Women* | *-0.85%* |
| Abroad | -1.84% |
| *Men* | *-0.57%* |
| *Women* | *-2.56%* |

The Group workforce turnover rate recorded a 1.81% drop, in line with the structural action envisaged in the Business Plan.

The objectives set by the Business Plan, including the regulation of operating and labour costs, more than ever before important in ensuring solidity of the company, were pursued by the Intesa Sanpaolo Group with a constant focus on involving the Trade union organisations and making decisions with a view to minimising social impact. A major occasion in this respect was the trade union agreement reached in July 2011 which agreed on the exit incentives for up to 5,000 staff with related decrease in the reassignments envisaged in "Progetto 8000" which will be supported by considerable reassignment and connected requalification of resources designated to strengthen the network commercial structures. The trade union is involved periodically to follow the implementation stage of the various aspects of the project and the effects of the pension system reform launched at the end of 2011. Amongst other things, in the same agreement the company confirmed it would create stable employment, arranging new recruitments from 2013 if the numbers leaving confirmed the trend forecast.

Considerable importance was given to targeted listening to staff, so as to fully enhance and guide their careers, verifying opportunities for growth and development and introducing the logics of transfer within the country or between different businesses.
In order to carefully plan resources and given the expected departure of staff in positions of responsibility, parameters were defined for the composition of a pool of candidates that could be trained to cover managerial positions. Among the criteria adopted, the most fundamental was ensuring at least 50% women among the proposed candidates.
The projects dedicated to human resource enhancement were developed this year starting from definition of the Group reference model governing professional development. The implementation was finalised through the "ON Air" project, the distinguishing features of which are the emphasis on individual motivation, enhancement of diversity and creation of "high potential pools of talent", i.e. groups of motivated, talented staff to guarantee that business needs can be covered efficiently. In 2011 the model was implemented in three pilot areas of the Banca dei Territori Division, involving over 6,000 employees testing self-candidacy as a means of expressing individual motivation and providing guidance on important branch-offs in the road to professional growth using pooling logic and the activation of career paths.
As part of female talent enhancement, the second edition of the Mentorship programme was launched, targeting 30 young women managers and characterised by the transversal nature of organisational sources and by structuring dedicated occasions for listening and development.
The systems for appraising potential were innovated and structured according to three types of Assessment Centre responding to the target profiles envisaged in the professional branch-offs in the Group model.
The performance appraisal system "Performer", introduced in 2010, was further refined to better respond to the specific nature of the various Group businesses, simplifying and streamlining processes and procedures with adequate technology support and tools. The two main areas of action regarded strengthening and extending the option of performing appraisals for both Heads and Employees and extension of the Performer system to around 700 colleagues in the international centres of the Corporate Division.
The incentive systems were also further enhanced to reinforce their alignment with the risks assumed and their relationship to multi-year goals. Our incentive systems have always been based on the use of indicators and rules that promote sustainable performance, envisage minimum result thresholds below which no bonuses are given and apply the principle of symmetry by which the extent of incentives is associated with results actually achieved at Group level, Business Unit level and individual level.
The career enhancement projects for young and talented staff continue to follow a Community logic with initiatives of an international nature also targeting colleagues in the International Subsidiary Banks. The goal is to support professional growth in the Group's future manager pools. The specialist technical training courses (Master in Banking and the Executive Program in Business Administration, in cooperation with the Bocconi Business Management School) are integrated with individual training and empowerment action.
With regard to training, the guidelines followed by Intesa Sanpaolo are based on disseminating awareness and accompaniment into the future. The entire training programme has been amplified in relation to learning methods, formats and content to guarantee efficiency in terms of learning times and venues.
More than 150 "made to measure" training programmes are flanked by the usual 250 courses always available on the "MiaFormazione" intranet portal, and have involved over 95% of staff, contributing to the professional growth of every employee in the Group.
To complete the channels available to the Training Department, new learning formats and channels have been developed to ensure that training is always accessible: storytelling, community, social networking, TV education and audio-learning through the new "educast" channel.
In terms of strategically important contents, specific "topic threads" regarding training and development ("easymanager") dedicated to the Group's managerial community have been organised.
The role-oriented training programmes have been expanded and the Academies dedicated to the more important professional segments (Organisation, IT and Compliance in addition to HR already in operation since 2009) were enhanced.
The focus on external/internal exchange and contamination was confirmed through consolidation of the partnerships with universities and by making company know-how available in support of "employability" (OFFicine Formative project).
Lastly, for the process of changing the distribution model as envisaged in the Business Plan, a department dedicated to the requalification/reassignment of professional staff was created.

| **Training** | **Italy** | **Abroad** |
|---|---|---|
| Training days during the year (classroom + distance learning) (*) | 870,982 | 116,244 |
| Training days per employee | 12.9 | 3.9 |

(*) the figure excludes the use of Web TV

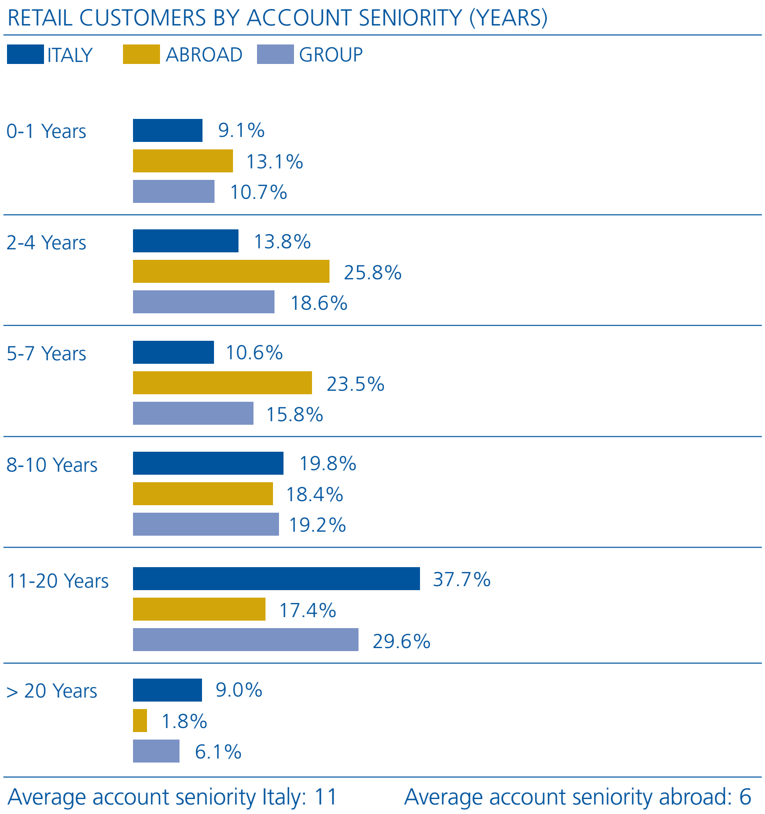
As regards health and safety, the new Supplementary Health Fund of the Intesa Sanpaolo Group became operative from 1 January 2011 with over 210,000 beneficiaries subscribed. The Fund leverages the principles of solidarity, mutual aid and sustainability in providing health cover to employees, for those subscribing to the early retirement plans and for pensioners.

| **Total accidents throughout the year** | **Italy** | **Abroad** | **Total** |
|---|---|---|---|
| Total accidents throughout the year | 857 | 195 | 1,052 |
| *Accidents inside the company* | *228* | *39* | *267* |
| *Accidents outside the company* | *629* | *156* | *785* |
| Percentage of accidents out of the total number of employees | 1.3 | 0.6 | 1.1 |

2011 saw the reconfirmation of numerous initiatives launched in previous years on health and safety in the workplace.
Monitoring of the conditions of wellbeing and safety perceived in the workplaces continued, also through an information-gathering questionnaire prepared with consulting support from the University of Milan. The reports on air quality, microclimate, lighting, acoustics, comfort and approval of the workplace were processed by the Occupational Health Department of the University of Milan to complete a specific survey to identify any improvement action required in relation to corporate design standards and system maintenance.
Health observation activities to monitor staff health conditions also continued in line with the plan prepared by the qualified doctors who, in consultation with the Occupational Health Department of the University of Milan, prepared the periodic epidemiology report.
Post-robbery support activity continued for bank robbery victims with help from psychology specialists at the University of Milan.
Workshops were organised on health and safety issues (particularly the so-called work-related stress), and the classroom course for Operators and new recruits, the distance learning course for all staff and classroom courses for Workers' representatives in charge of safety were also updated.
Activities performed by the Company Safety Unit involved around 1,400 "site inspections" of workplaces with a view to assessing health and safety risks, and approximately 5,000 "health observation" visits were conducted. In addition, in accordance with annual planning, asbestos and radon test monitoring was performed and, where necessary, tests of indoor air quality. In this respect, a specific project in collaboration with the Occupational Health Department of the University of Milan and the University of Insubria is at completion stage.
The Risk Assessment Document on health and safety in the workplace was updated, amongst other things including the results of the "work-related stress risk assessment". The methodology adopted - taken from the 2011 INAIL manual - involves two macro steps: one mandatory (preliminary assessment) and one optional (in-depth assessment). The application of this method was performed by a special multi-business work group which planned, coordinated and applied the entire assessment procedure envisaged.
The format of the Risk Assessment Document was also updated by introducing a specific appendix describing the actual methods adopted by Intesa Sanpaolo - inspired by the content of the UNI-INAIL "Guidelines for a Health and Safety in the Workplace Management System" - in implementing its own System, identifying the responsibilities, procedures, processes and resources within the company organisation to apply the company prevention policy in compliance with current health and safety regulations.

### *Customers*

In a persistent macroeconomic context in which businesses and households continued to feel the impact of the crisis, Intesa Sanpaolo remained true to its commitment to supporting households and the country's economy with a constant focus on local businesses and production. With regard to customer service, the process quality management system was further consolidated with optimisation of the quality indicators for the service provided by branches and central structures, and streamlining of the product mix, optimisation of listening tools and the ability to offer qualified advice focusing on the real needs of customers continued.



To meet the needs of households in difficulty as a result of critical situations such as job loss and temporary lay-off, in relation to suspending mortgage payments - in addition to continued implementation of the "Household Plan" promoted by the Italian Banking Association and the consumer associations - since 2008 the Bank has been offering mortgages to its customers that include flexible options in the agreement (such as suspension of repayments and duration flexibility). Households in temporary difficulty have also been able to access the deferral scheme envisaged by the Solidarity Fund for first-home mortgages that offers repayments suspension up to two times for a total period of 18 months.
To render repayments sustainable and guarantee that a dignified standard of living is maintained, new methods for fixed-rate mortgages have been introduced, alongside the already available option of rescheduling solutions for floating-rate mortgages, which allow a reduction in the charges on the mortgage, retaining the safety of a constant repayment amount through the option of reviewing the rate terms and duration of the loans (up to a total of 40 years).
In 2011 there was a particular focus on young people, for which the new Superflash product and services mix with subsidised conditions was developed. Amongst other things, an account with no annual fee for the 18-26 age class, a loan with no application fees and stamp duties, savings products with limited operating costs compared to traditional investment plans, a mortgage with dedicated rates, no application fees and a policy free of charge for employees with non-standard contracts which commits the insurance company to the payment of the monthly mortgage repayments in the event of job loss.
The focus on the most vulnerable areas of society led Intesa Sanpaolo to completing its range of services dedicated to the financial inclusion of new Italians. In addition to a new prepaid card, an agreement has been signed with Western Union to offer money transfer services that allow transfer of funds anywhere in the world, even to areas without banking services, through a network of over 400,000 authorised agents. The service is made available through the ATM network (more than 7,100 in Italy), the Internet Banking channel open 24/7 and via mobile banking for holders of the Noverca Sim card.

For business, too, Intesa Sanpaolo has aimed to offer support able to maintain the economic and corporate fabric of different local businesses. With regard to micro businesses, the suspension of loan repayments envisaged in the joint Italian Banking Association and Ministry of the Economy and Finance notice has been extended, as has the deferral scheme specifically prepared by Intesa Sanpaolo for freelance professionals.
In relation to SMEs, in 2011 Intesa Sanpaolo and Confindustria Piccola Industria continued their partnership started in past years to provide the enterprises with tools to overcome the crisis and begin their recovery.
Under the new Agreement, a common line of action has been put in place for the relaunch of Italian industrial SMEs and the plafond of 10 billion euro for action and investments associated with numerous areas of intervention touching upon the main "hot topics" for companies, has been confirmed: growth in size, human resources development, energy efficiency, internationalisation, innovation and research, business network organisation and other forms of alliance. Action under the cooperation agreement signed with Confcommercio in 2009 has also continued. The new agreement confirms the overall plafond of 3 billion euro in financing to continue to support recovery, satisfy short and medium/long term financial needs and encourage the launch of recapitalisation projects.
An additional agreement signed in February 2011 between Intesa Sanpaolo and Rete Imprese Italia has made available a fund of 5 billion euro to small enterprises who are members of Confartigianato, CNA, Casartigiani, Confcommercio and Confesercenti, which seeks to cover a series of priority interventions: support for short-term working capital, recapitalisation, debt restructuring and liquidity support. The involvement of Credit Guarantee Consortia has been a determining factor in this agreement. In this context a Credit Guarantee Consortia Portal was created, i.e. a web interface allowing Credit Guarantee Consortia members to monitor the performance of the loans guaranteed.
Aware that the relaunch of companies' competitiveness can make use of the synergies offered by innovative business combination tools, Intesa Sanpaolo has optimised a service model dedicated to the creation of business networks. A team of specialists operating in each of the bank's regional governance centres has the task of facilitating bank-to-business dialogue and has set up a "growth observatory" that aims to understand the phenomenon of business networks, disseminate accurate information on its development and to strengthen the Group supply model. This activity led to the start-up of R.I.S.E., the first business network in Lombardia operating in the renewable energies sector, and Ribes in the biomedical industry.
In terms of innovation, 2011 was a year of consolidation and expansion of services. Basic guidelines on the development of existing activities covered expansion to international contexts and extension of the specialist product mix to new industry sectors and new contact segments.
In particular, the Intesa Sanpaolo Start Up Initiative continued; in 2011 this project has been one of the most important initiatives in the promotion of innovative start-ups in Italy, promoting the bringing together of innovators and financing partners. 19 events were held in 2011, in Italy, France, Germany, the UK and the USA. Against approximately 1,000 start-ups involved, 231 took part in training courses and 156 met with 2,200 Italian and international investors. For the start-up businesses, these meetings generated over 2,000 statements of interest from potential investors, and identified no less than 41 "success stories" among the businesses involved.

With regard to equities, in 2011 a number of activities saw the creation of development aid with direct investments or the investment of funds promoted and/or subscribed by our bank. In this context our investee Novamont, a world leader in the biodegradable plastics market (Mater Bi), has launched a joint venture with a company in the ENI Group to build an innovative green chemicals complex in Porto Torres (Sardinia), with an upstream integrated production chain planned using plant-based raw materials and the construction of a research centre focusing on the green chemicals sector, safeguarding and increasing employment levels. As part of the building projects for households, in 2011 the "Fondo Investimenti per l'Abitare" (housing investment fund, also called Social housing) began operations with the implementation of an initial investment and the set-up of a firm range of opportunities. 2011 was also a year of developments in the venture capital project, both for the general Atlante Venture fund, established with the aim of putting innovative small businesses into contact with each other, and that dedicated to Southern Italy (Atlante Venture Mezzogiorno) with the definition of 5 new investments (one of which relating to energy efficiency).
The support of public and private players that participate in the creation of large infrastructures and the improvement of public services continued in 2011 through Banca Infrastrutture Innovazione e Sviluppo (BIIS) whose activities are dedicated to this type of customer. The bank has been involved in the promotion of large infrastructural works of national interest. In parallel with this type

of financing, significant support has been provided for projects that satisfy the needs of the weaker classes, the implementation of which help to sustain the labour market and the new jobs generated by new constructions, in particular: the loan for the construction of a home for senior citizens in the province of Padova and loans granted to Azienda Lombarda per l'Edilizia Residenziale della Provincia di Bergamo (ALER), the Istituto Trentino per l'Edilizia Abitativa (ITEA) and Azienda Casa Emilia Romagna-Parma for social housing projects. Ever active in the education field, BIIS contributed to the modernisation of the buildings of the Università degli Studi di Bologna and supported the activity of the Università Cattolica del Sacro Cuore in the purchase without recourse of receivables.

### *Shareholders*

In 2011 the objective of sustainable growth continued to form the core of the Intesa Sanpaolo strategy, in a macro-economic scenario still unstable due to the prolonged crisis. The strategic decisions were confirmed in the 2011 - 2013/2015 Business Plan which sets out the priority objective of assuring sustainable profitability in the medium term through developing long lasting client relationships, fine-tuning cost discipline and investments while at the same time monitoring asset quality and strengthening liquidity and capital base.
In a still very difficult economic scenario, in 2011 communications with the financial community continued to focus on sustainable profitability. We are convinced that the Bank's capacity to generate continuous growth in profitability also depends on high liquidity, low leverage, strong capital solidity and a low risk profile. The Group is a solid reference for investors and a reliable partner for companies, based on indicators among the most positive for the sector at international level.
Financial disclosures focused on the objectives of the 2011 - 2013/2015 Business Plan, presented on 6 April 2011, the priority goal of which is to project the Group's capacity for solid creation of value for all stakeholders.
To guarantee access to all, again in 2011 this information was made available quickly, easily and economically through a number of channels: Internet, conference calls via a toll-free number, brochures and the free distribution of financial statements on request. The Investor Relations section of the website has a well-organised content and thematic updates providing stakeholders with extensive, systematic information.
To aid the creation of sustainable long-term value, regular and frequent meetings were held with the financial community that consolidated lasting relations based on trust.
With regard to Intesa Sanpaolo's inclusion in the ethical indexes, characterised by selection criteria based not only on financial performance but also on conduct marked by corporate social responsibility (environmental sustainability, employee rights in the company, in the supplier chain and distributor chain, respect for human rights, relations with the various stakeholders, anti-corruption policies), Intesa Sanpaolo has been present on the FTSE4Good and ASPI Eurozone indexes and on the Ethibel Investment Register since 2007. From 2011 Intesa Sanpaolo is also present on the DJSI index.

### *Suppliers*

BREAKDOWN OF 2011 ADMINISTRATIVE EXPENSES BY CATEGORY

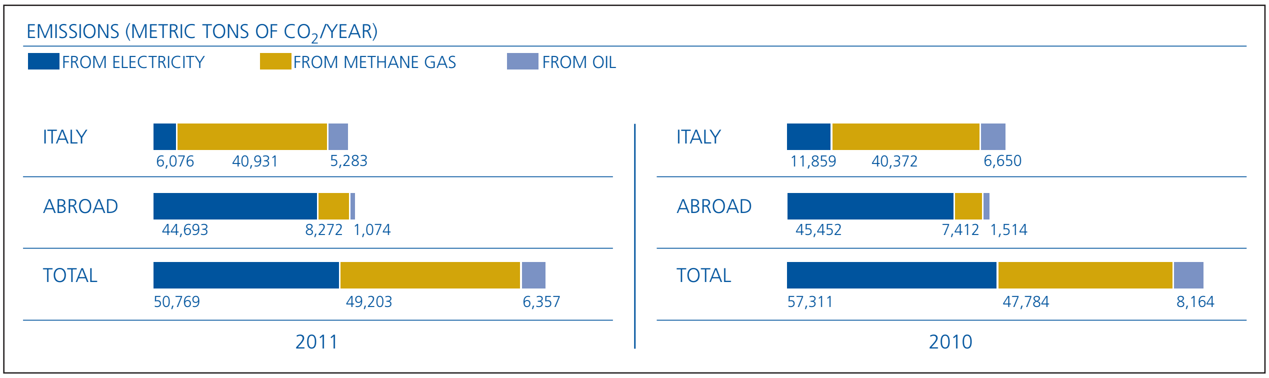

Transparency and efficiency in relations with suppliers have been the key words in 2011 developments of the Suppliers Portal of the Parent Company. The portal enables tracking and management of all phases of negotiations: from the supplier selection process to organisation of the negotiation itself; from publication of bid specifications to the invitations to tender issued to potential suppliers; from collection and analysis of the bids to the reports and announcements of the results.
With a view to improve knowledge of the suppliers, their social responsibility and environmental policies and to guarantee relations transparency, in 2011 a new registration was made available both to known suppliers and to those seeking to become new suppliers for the Group. During the year there was substantial continuity in the product categories used and new registrations on the portal of over 1,600 suppliers.
The choice of suppliers is based on an overall technical, economic and sustainability evaluation. At on-line registration stage, the questionnaire includes a specific section on this issue and candidates are required to read the Organisational, management and control model (Italian Legislative Decree 231/2001), the Internal Code of Conduct of the Group and the Code of Ethics, failing which registration on the portal is not possible. The answers to the questionnaire are used to form a social responsibility rating, the project for which is at implementation stage.
Of the 1,600 suppliers that are entered on the portal, over 400 have completed the registration procedure. Of these: 14% confirm that they publish a social and environmental report; 7% have SA 8000 certification; 26% have a code of ethics or policies relating to their social commitment; 21% have environmental certification; 15% have an environmental policy; 47% are regular Intesa Sanpaolo suppliers.

Developments in the invoice management process, launched in 2010, have also been completed. Through practices adopted thus far, activity monitoring has improved, offering greater document traceability, together with a more timely monitoring of the various processing stages, leading to stronger compliance with agreed payment terms.
With regard to procurement, Intesa Sanpaolo's e-procurement platform has been in operation for several years, guaranteeing savings on various fronts and offering costs and materials optimisation through scrupulous replenishment handling. This procedure is a model of sustainable consumption, as it makes it possible to eliminate warehouses and inventories. In 2011 the Bank took action to address and stimulate its suppliers into introducing a green products catalogue to replace the existing catalogues. There was a particular focus on the short chain for stationery and forms purchases.
In relation to IT purchases, as part of a project to reduce paper consumption, digital signatures were introduced for the products issued and, later, this tool was also extended to orders sent to the suppliers. The project has improved the quality and efficiency of communications, has introduced significant savings in the quantity of paper used and in $CO_2$ emissions. As a result of this positive experience, the use of digital signatures is being extended to all sourcing activities.

### *Environment*

The Intesa Sanpaolo Group has for some time been committed to the prevention, management and reduction of environmental impact generated by either its own activities (direct impact) or those of customers and suppliers (indirect impact), through application of its Environmental Policy.
The Group's commitment in this sector revolves around the almost exclusive use of renewable source energy, the achievement of energy savings and gradual improvement in terms of energy efficiency, with a subsequent decrease in $CO_2$ emissions. The monitoring of such activities is performed by a dedicated Environmental Sustainability office, coordinated by the Group's Energy Manager, and by the Mobility Manager, in turn supported by five Area Mobility Contacts.
The Environmental Management System (the SGAE), ISO 14001 and UNI EN 16001 certified, was applied to a significant sample - which remained stable in 2011 - of around 180 geographically distributed sites, expansion of which is planned in 2012. Through the SGAE the company has a real pilot series on which to monitor, measure and manage performance and quality levels, using integrated procedures and appropriate indicators, of the management of the most significant environmental and energy aspects with a view to constant improvement.
The Group's electricity consumption in Italy represents approximately 20% of the national credit and insurance sector's entire consumption.

| **Energy consumption by source** (million kWh) | **2011** | | | **2010** | | |
|---|---|---|---|---|---|---|
| | **Italy** | **Abroad** | **Total** | **Italy** | **Abroad** | **Total** |
| Heat energy | 217 | 45 | 262 | 222 | 43 | 265 |
| Electricity | 472 | 111 | 583 | 508 | 110 | 618 |
| *of which hydroelectric-powered electricity from renewable sources* | *419* | *-* | *419* | *440* | *-* | *440* |
| *of which energy from other renewable sources* | *26* | *2* | *28* | *29* | *-* | *29* |
| *of which cogeneration* | *12* | *-* | *12* | *12* | *-* | *12* |
| *of which traditional* | *15* | *109* | *124* | *27* | *110* | *137* |




On all sites possible, the Intesa Sanpaolo Group uses energy from renewable sources for approximately 94% of its electricity consumption in Italy. Consequently it is estimated that 185,000 metric tons of $CO_2$ emissions have been avoided.
2011 saw the fine-tuning of energy consumption monitoring through increasingly wider use of web-managed electricity consumption measurement systems. This is essential to improving awareness of the main aspects of energy (lighting, air conditioning, office machines and other services), differentiated according to geographic area, site dimensions and the type of system installed, and elements indispensable to launching successful energy efficiency initiatives also in relation to system management.
Overall, in Italy the savings in electricity consumption alone (the energy most used in the Group due to the high level of automation and widespread use of heat pumps) amounted to 6.9%, potentially corresponding to around 14,600 metric tons of $CO_2$ emissions avoided. The energy savings particularly regard heat consumption, as a result of the growing use of heat pump systems and management efficiency improvements, in addition to the less rigid winter months.

As part of a multi-year programme and through management activity, a first series of optimisation initiatives on the technological systems (applicable to around 84% of Group electricity consumption) have allowed annual electricity savings of 2.4% more than in 2010. Adding this to previous years' energy savings, Intesa Sanpaolo has achieved a cumulative energy saving of 10% more than in 2008.

In 2011 an internal policy was adopted on office machine purchases which defines the minimum environmental criteria and operating procedures required, allowing assessment at purchasing stage of the environmental impact generated - either directly or indirectly - by office machines. Through the gradual replacement of office machines with others that are more efficient in energy terms, in 2011 it was possible to achieve further electricity savings of 1% compared to 2010 (cumulative energy savings of 3.1% compared to 2008). These energy savings are in addition to the results achieved by the procedure (adopted some time ago) involving the remote switch-off of almost all PCs in the branches during the night and on holidays (approximately 2,000 metric tons of $CO_2$ emissions avoided).

Fittings in renovated or newly-built sites (around 170 in 2011) are arranged with energy saving and operating efficiency improvement systems. The updated technical requirements for construction works and system installations have been enhanced with green solutions.

In addition to achieving significant energy savings, this action leads to the availability of 55% tax deductions, recognised for works to improve building energy performance and confirmed by related Energy Certificates. In this context, in relation to lighting systems, around 500 of the Bank's sites are qualified under the European GreenLight Programme which places the Intesa Sanpaolo Group among the best performing companies at European level.

An internal policy was also issued in 2011 on gradual adoption of the use of environment-friendly and/or certified paper and on reducing consumption. The use of recycled paper or paper of certified forest origin and with chlorine-free bleaching (ECF/TCF) has reached 74% of the total in Italy.

The installation of terminals with Internet access for customers in all branches to view the "Information Sheets" has reduced paper consumption by a further 170 metric tons. Paper savings (assigned to outsourced services) in communications to customers, resulting from extension of the initiatives associated with Online Reporting, the dematerialisation of printed documents and optimisation of internal datasheets have allowed the Group to avoid the use of an additional 860 metric tons of paper. These initiatives further reduced the $CO_2$ emissions by almost 2,500 metric tons.

In 2011 an across-the-board reduction in the quantities of waste produced was recorded (-18%), attributable both to gradual improvement of the municipal separated waste collection system and near total elimination of toner disposal.

The overall costs incurred for environmental protection decreased as a result of more careful routine systems maintenance. Regarding compliance with environmental regulations, there have been no reports of damage to the environment from the Bank's operations, or significant fines related to such events.

In terms of staff training, the modular course "Ambientiamo" has again been widely used, aiming to increase awareness, not only in the office, of the consequences of individual behaviour on the environment.

Furthermore, Intesa Sanpaolo takes part each year in many sensitisation initiatives, for example RAI's Radio2 broadcast "M'illumino di meno" and the "World Environment Day", with communication campaigns that target customers through the use of IT tools available on the ATM machines, the web site and at Branches.

The Mobility Management Department is responsible for defining the strategies and guidelines on sustainable mobility, and their coordination at Group level in line with social responsibility and environmental policies. Cooperation with Public Administrations was as always active, and this year - in reference to 11 areas involved in the Home-to-Work Travel Plans – they received the preparation as planned of the Update Report. This document highlights the results achieved in terms of implementation and efficiency of initiatives defined in the previous Plan and the action to be promoted in 2012. Continuing the commitment to mobility management, a further tool is the direct listening process for stakeholders, promoted by the CSR Unit in close partnership with the People Care Office of the Human Resources Department. The search for new corporate mobility pilot projects also continued with the supply of practical solutions for employees (Bicinbanca, shuttle system, public transport passes), also through the Mobility Office portal available on the company Intranet.

Through these and other projects, some of which particularly innovative, the Group has achieved prestigious recognition at national and international level. Not to be forgotten is the fact that in 2011 the Cooperation agreement with the Italian Ministry of the Environment, to intensify and increasingly strengthen cooperation in relation to energy savings and the promotion of renewable sources in Italy, was renewed. A cooperation agreement was also signed with Legambiente with a view to launching specific environmental sustainability and energy saving initiatives, starting with the removal of asbestos from all roofs.

In 2011 Intesa Sanpaolo continued to offer loans to customers targeting companies, small businesses and individuals intending to invest in energy savings and renewable resources. Two new products were launched: "Sostenibilità Business" and "Sostenibilità a Breve Termine" under the terms of the agreement with Legambiente. Also in 2011 the first ESCO (Energy Service Companies) loan transactions were launched for various energy-related projects (photovoltaic, solar heating, other energy efficiency action) with a particular focus on public investments.

In terms of personal loans of individuals, in 2011 about 10,000 "Prestito Ecologico" loans were allocated for a total of approximately 180 million euro.

With reference to the small business segment, "Energia Business" loans were disbursed in 2011 for a total of around 103 million euro.

For companies, 2011 saw disbursements of medium and long term loans for approximately 1,224 million euro in support of projects involving the use of photovoltaic panels, biomass plants, hydroelectric plants and energy efficiency-related action ("Fotovoltaico Imprese" and "Energia Imprese").

A considerable number of loans for plants producing renewable source energy were handled through Leasint, the Intesa Sanpaolo Group's dedicated leasing company. In 2011, 386 contracts were signed through the "Leasenergy" product, for a total value of around 1.38 billion euro. As part of its activities in support of green energy development, Leasint has contributed to the construction of over 1,000 renewable source energy production plants totalling more than 1.5 Gigawatt.

The Bank counts upon the contribution of Agriventure, a company dedicated to the agricultural, agro-food and agro-energy sectors, providing consulting services to businesses in the production chain, from the primary industry to initial transformation.

Agriventure activities are intrinsic to environmental protection issues, as companies in this sector are those mainly responsible for maintaining environmental balance and for the promotion of rural areas, so much so that the bank's loans often integrate EU contributions for rural promotion purposes. Not to be forgotten is also the support to the third sector through Banca Prossima, the operations of which - unlike a simple financial partner - also include the role of energy manager, completing project verification to confirm the validity of the installer's proposal.
With regard to support for business owners planning renewable energy investments, the Mediocredito Italiano Energy Desk continues to provide a full service ranging from credit aspects to advice on the new technology ideas that now invest in new energies and to energy efficiency.
The field of renewable energies is that focused upon by Banca IMI and BIIS, which take considerable action in the sector with project financing in Italy and abroad for photovoltaic, wind energy and hydroelectricity applications.
The Corporate and Investment Banking Division has increased its presence in the Cleantech sector with new editions of the Start Up Initiative in London and Paris and with the Milan edition of the Cleantech Growth Arena. In addition, the selection of start-up candidates for the Cleantech Start Up Initiative in September 2011 was performed through a new channel, the European Cleantech Challenge, which allowed the identification and participation of a high number of foreign start-ups. In February 2011 Intesa Sanpaolo also became an associate partner of Desertec Industrial Initiative. This partnership includes a number of the leading industrial and financial companies in Europe and the MENA countries (Middle East and North Africa).
Another action in relation to renewables is that of Equiter, the Group company dedicated to equity investments in the environmental, infrastructure and utility sectors. Equiter provides specific support in the photovoltaic sector through Enerpoint and the joint venture Enerpoint Energy, two companies that install photovoltaic plants and produce renewable source energy, and through Fondo PPP Italia which operates in the infrastructures sector according to the "Public-Private Partnership" model managed by Fondaco Sgr and for which Equiter acts as advisor. Enerpoint Energy and Fondo PPP Italia have invested in 16 photovoltaic plants for a total installed capacity of almost 100 MW. In the renewable energies sector Equiter has made investments for a total of around 36 million euro: 16 million euro invested directly and 19.7 million euro through infrastructural funds. In addition, Equiter has investments in the carbon credits market through GICA (Green Initiative Carbon Assets), a company in which Equiter and another three industrial partners are shareholders and which holds an Emission Rights portfolio acquired through flexible mechanisms envisaged in the Kyoto Protocol (CDM).
As part of the environmental and social risk monitoring of project financing, a strong driver has been the implementation of the Equator Principles, adopted by Intesa Sanpaolo since the Group was formed, through firm application of the Operating Guidelines issued in 2010. The Guidelines, referring to the World Bank standards on which the same Equator Principles are based, details the roles and activities to be performed in the analysis and approval process of projects to be financed.
Lastly, 2011 saw intense activity of involving and training the Parent Company and BIIS departments dedicated to project financing. The meetings, strongly operations-based and also based on case study analysis, were held at the Milano, Roma, London, New York and Hong Kong offices.

### *Community*

In 2011 Intesa Sanpaolo launched many initiatives to promote social and cultural development, encourage cohesion and create value and wellbeing for the community. One of the key principles of our action was that which saw the implementation of important initiatives for the guidelines of the Culture Project, the strategic reference framework including multi-year planning of the Bank's cultural initiatives. Through a three-year action plan prepared by a scientific committee, Intesa Sanpaolo set two objectives: making the historic, artistic, architectural and archives heritage available to the community with a view to it becoming a means for social development, inclusion and dialogue; a targeted planning of innovative cultural and scientific proposals.
The promotion of Intesa Sanpaolo's artistic heritage, which aims to encourage the enjoyment of a growing number of works of art by an increasingly wider public, is one of the key spheres of activity of the Culture Project, implemented as follows: through a scientific study and cataloguing of the works as the basis for all subsequent initiatives; systematic restoration activity for asset preservation purposes; museum projects creating permanent displays available to the community of part - increasingly larger - of the collections; the planning and organisation of temporary exhibitions and, lastly, lending of works to temporary Italian and international exhibitions and free loan to public museums. Last autumn the Piazza Scala Galleries were opened in Milano, Intesa Sanpaolo's new museum centre which, with the Palazzo Leoni Montanari Galleries in Vicenza and Palazzo Zevallos Stigliano Gallery in Napoli, form the "Gallerie d'Italia": the ambition is to create a network of cultural centres that encompass the whole of Italy, through the future inauguration of exhibition areas in other Italian cities.
62 artistic works, from sculptures to paintings, from Intesa Sanpaolo's 19th Century Collection, together with a series of 135 19th century works belonging to Fondazione Cariplo, the project partner, are permanently displayed after their inclusion in an in-depth awareness and scientific cataloguing project, backed by restoration and preservation action.
The 2011 edition of "Restituzioni", the restoration programme that sees Intesa Sanpaolo committed to safeguarding and promoting Italy's artistic heritage, involved the restoration of 88 works held by museums and churches in the Piemonte, Lombardia, Veneto, Puglia regions, and in Firenze, Napoli, Roma and Città del Vaticano. The customary exhibition organised on completion of the restoration works was held at various venues: first in Firenze - where 175,000 people were able to visit the exhibition organised in Palazzo Pitti and the secondary section at the San Marco Museum, 100% dedicated to the restoration of "Tabernacolo dei Linaioli", the masterpiece by Beato Angelico - followed by Palazzo Leoni Montanari in Vicenza.

In respect and continuity of the important tradition of editorial and music initiatives promoted by banks that have joined the Group, the commitment continued in 2011 to implement and disseminate studies in art, architecture, music, history, economics and Arab culture. In particular, the edition of the Vox Imago multimedia series dedicated to the "Pagliacci" by Ruggero Leoncavallo, is strongly innovative: with new graphics, inclusion of the box set in English and the identification of a clear, easy-to-read font, which will become a distinctive feature of all the Group's institutional cultural initiatives.

Also with regard to microcredit projects, Intesa Sanpaolo confirms its commitment to support for households, facilitating social inclusion and employment opportunities. Numerous activities have been implemented in partnership with local Foundations and ONLUS associations, such as participation in the major national initiative promoted by the Italian Episcopal Conference (CEI) with a

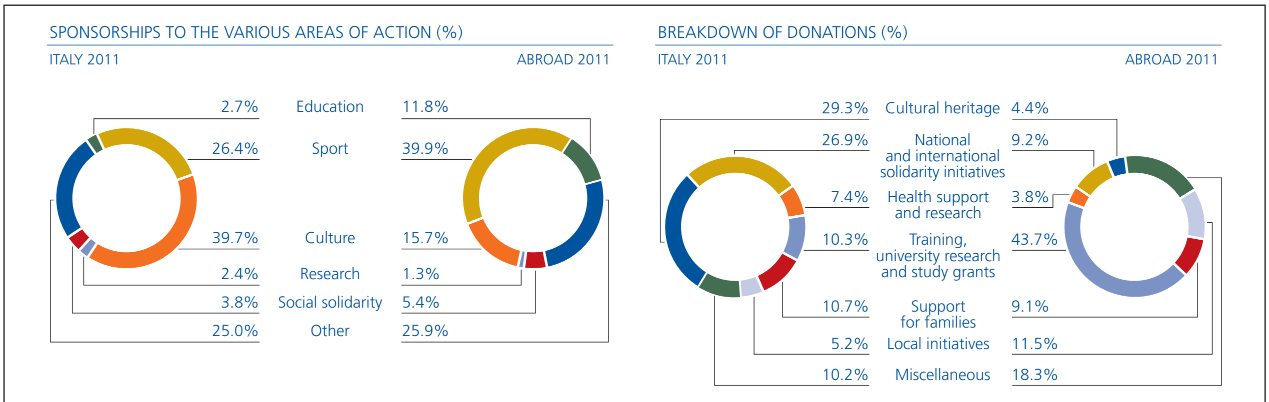
Guarantee fund of 30 million. Under the new framework agreement of 21 December 2010 signed between the Italian Banking Association (ABI) and the Italian Episcopal Conference (CEI), a new type of loan was introduced for households intending to start up or sustain a business activity (Business Microcredit) and the terms of access to the loan for households (Social Credit) were amended, expanding the range of potential beneficiaries selected by the Caritas Offices. The redefinition of the Loan resulted in a strong relaunch of activity, with around 1,900 files input on the banking system in nine months, of which over 1,200 handled by the Intesa Sanpaolo system, which alone covers around two thirds of the new Loan. The support provided to branches by the Vo.B.I.S. network of volunteers, an association of former bank employees, proved essential.
Recognising the value linked to the capacity to create social inclusion and cohesion of the associations operating in the third sector, Banca Prossima, the Group bank dedicated exclusively to this customer segment, has achieved important milestones: after four years from the start-up of operations, Banca Prossima now has almost 17,000 customers and 3.6 billion in financial assets, with a good credit quality.
One of the features of the bank is its implementation of a "Social enterprise rating model" for granting credit. Banca Prossima has been assigned ownership of the rating for all the Group's No-Profit customers. One of the new initiatives implemented was the setup of the "Fondazione per l'Innovazione del Terzo Settore - FITS!", which, in partnership terms, sees the Bank play a role of strategic advisor and support in creating the network through economies of scale, especially in the area of goods and services procurement. Another important initiative consolidated in 2011 was the "Terzo Valore" project, a fund-raising portal made available to Banca Prossima customers to facilitate fund raising for socially useful projects and to make the operation more sustainable in economic terms.

As in previous years, the donations made to the Intesa Sanpaolo charity fund were disbursed on the basis of the annual Plan approved by the Supervisory Board. The lines of action adopted, in continuity with the community support based on the fundamental references, i.e. the individual and the community, sought to combine the need to maintain a national identity with an opening towards diversity, encouraging the processes of inclusion and always giving preference to the social impact of projects supported, whatever the area of activity (social/environmental, religious/pure charity, cultural) of the proposal. Again in 2011 the Charity Fund aimed to cover geographic areas of need not specifically covered by the "large" Foundations, developing a direct focus especially upon small and medium-sized organisations and projects targeting "social needs". Particularly significant was the implementation of local donations (up to a maximum 5,000 euro), in operation since 5 August 2011, which allow the branches of Intesa Sanpaolo and banks in the Banca dei Territori Division, which do not have their own charity fund, to be able to count upon a new tool to integrate the traditional role of "territorial bank" with a considerable philanthropic, social and cultural commitment.

With regard to international humanitarian initiatives, Project Malawi has completed its second planning stage. All the partner associations have achieved, and in some cases exceeded, their targets set in 2008 at the start of the second three-year period. The project was launched by Intesa Sanpaolo and Fondazione Cariplo in 2005 to combat AIDS, starting with the prevention of mother-to-child transmission and to help the overall development of Malawi, one of the poorest countries in the world, through synergic action aiming to improve the general living conditions of the population.

Regarding sponsorships, once again of major importance were the support, enhancement and promotion of culture and awareness activities, the solidarity programmes and support for sports. The commitment in these fields is expressed both through initiatives designed and implemented independently and directly, and through partnerships and sponsorships in support of projects developed and promoted by third parties. These initiatives firmly express the active role of the Bank in the life of the country and are a contribution towards its social and civic – as well as economic – development and an opportunity to create and consolidate constructive relations with the different situations encountered in communities in which the bank operates.
In each of the areas of intervention chosen, Intesa Sanpaolo's commitment always reflects its "fundamental values of social responsibility" and the agreements and action taken with the various partners have been oriented towards long-term sustainability, in such a way as to develop a lasting relationship, effective in promoting events that are all highly important for the reference stakeholders.

Between donations and sponsorships, almost 59 million euro was distributed in 2011.



## Economic value generated and distributed

Despite the financial crisis that has affected most of the countries in which the Group operates, the economic value generated by Intesa Sanpaolo in 2011[1] remained at high levels, reaching 12.6 billion euro. This amount expresses the value of the wealth produced and distributed among the various counterparties (stakeholders) with which the Group interacts in various ways on a day-to-day basis. In particular:

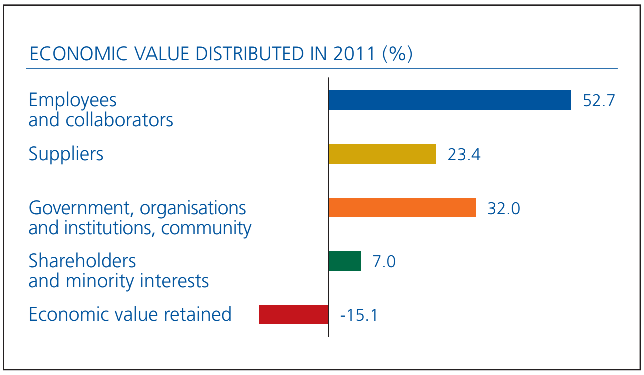
– employees and collaborators benefited from over half the economic value generated, for a total of 6.6 billion euro. The item also includes 718 million euro (before tax) relating to staff exit incentives. In addition to staff pay, the total also includes payments to the network of financial advisors;
– suppliers received over 20% of the economic value generated, for a total of around 3 billion euro in payment for goods and services;
– the government, organisations and institutions saw an inflow of resources amounting to 4 billion euro, just under a third of the economic value generated, a good part of which referring to substitute tax relating to the exercise of the option of tax realignment of goodwill (described in detail in the specific sections of this Report on Operations and in the Notes to the Financial Statements). In brief, this payment qualifies as tax prepaid against higher future deductibles. Group companies then used 7 million euro to the benefit of the community, through the allocation of profits to charities and as donations and gifts;
– despite a net loss, Shareholders were allocated an amount out of reserves for a total of 822 million euro, whilst minority interests were allocated 63 million euro.

As a consequence of the above trends, in 2011 the net balance of the economic value generated and distributed was negative. Part of the higher economic value distributed was withdrawn from prior-year net income allocated to the Extraordinary reserve, thereby making it possible to remunerate shareholders to an extent consistent with the Group's sustainable profitability.

| Economic value | millions of euro | % |
|---|---|---|
| **Economic value generated** | **12,615** | **100.0%** |
| **Economic value distributed** | **-14,516** | **115.1%** |
| Employees and collaborators (*) | -6,650 | 52.7% |
| Suppliers | -2,950 | 23.4% |
| Government, Organisations and Institutions, Community | -4,031 | 32.0% |
| Shareholders and Minority interests (**) | -885 | 7.0% |
| **Economic value retained** | **-1,901** | **-15.1%** |

(*) The caption includes charges for exit incentives of 718 million euro.

(**) The economic value distributed to shareholders (822 million euro) is borne by the reserves.




1 The Economic value generated is calculated in accordance with ABI instructions and consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Regulation no. 262.

# INTESA SANPAOLO STOCK

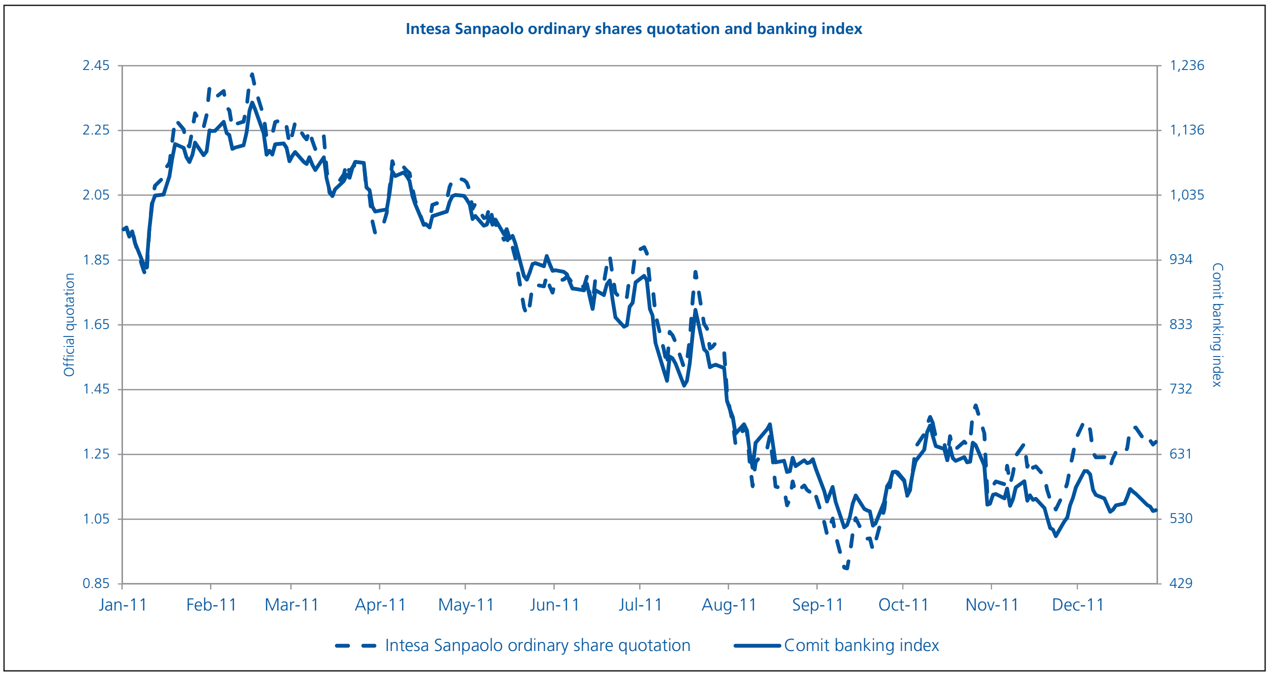
# Intesa Sanpaolo stock

## Stock price performance

Following the highs for the period reached around mid-February 2011, uncertainty surrounding mechanisms for handling the financial crises in Europe, along with a resumption of tensions relating to sovereign debt and concerns about the prospects for economic growth, resulted in the loss by stock exchanges of the gains reported early in the year. In the fourth quarter, the stricter capital requirements set for the major European banks further penalised industry dynamics.
After having achieved an increase of 21.9% in mid-February, the Euro Stoxx Banks ended 2011 down 37.6%, 20.6% below the Euro Stoxx 50.

The Italian banking sector began to record lower performance than the European one starting from mid-April, with the approach of the recapitalisation transactions announced by several of the major banks and then with the gradual widening of the BTP-BUND spread. After the period peaks recorded in mid-February, when the Italian banking index performance achieved a 24% increase compared to December 2010, the year ended with negative performance of 45%, 7.5% above the Euro Stoxx Banks.

The performance of Intesa Sanpaolo ordinary shares followed the trend shown by the banking industry indexes in 2011: growth until mid-February, when the high was reached, and a subsequent downtrend until mid-September, when the low was reached, followed by a recovery, with the stock down 33.7% at year-end compared to the beginning of the year.
The price of Intesa Sanpaolo savings shares was down by 42.9% at the end of 2011 compared to the beginning of the year. The discount with respect to ordinary shares increased, achieving 25% from 13% at the beginning of the year.
At the end of 2011, Intesa Sanpaolo's capitalisation decreased to 20.9 billion euro, against 26.3 billion euro at the beginning of the year.




### Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares. Net result attributable to both ordinary and savings shares was determined considering the most recent dividends resolved upon and then allocating the residual portion of net result, 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 net result for the year theoretically attributable to holders of different categories of shares by the weighted average number of the shares outstanding; diluted earnings are calculated considering the effect of any forecast future issues of ordinary shares, which, in any case, do not determine material effects.

| | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| | Ordinary shares | Savings shares | Ordinary shares | Savings shares |
| Weighted average number of shares | 13,774,655,034 | 932,305,682 | 11,846,108,874 | 932,187,784 |
| Income attributable to the various categories of shares *(millions of euro)* | -7,752 | -438 | 2,498 | 207 |
| Basic EPS (*euro*) | -0.56 | -0.47 | 0.21 | 0.22 |
| Diluted EPS (*euro*) | -0.56 | -0.47 | 0.21 | 0.22 |

### 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. The index, while measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, is significantly affected by the external factors that influence stock prices.
Even for the Intesa Sanpaolo Group, the performance of the index – for 2011 restated for average figures as well as for period-end figures – is significantly impacted by market trends and, in the 2011 values, goodwill impairment.

(millions of euro)

| | 31.12.2011 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Market capitalisation | 20,883 | 27,006 | 31,209 | 32,228 | 48,639 | 71,058 |
| Shareholders' equity | 47,040 | 50,287 | 53,107 | 50,818 | 50,256 | 51,558 |
| **Price / book value** | **0.44** | **0.54** | **0.59** | **0.63** | **0.97** | **1.38** |

### Pay-out ratio

The index expresses the ratio between net income and the portion paid out as dividends. For 2008 the indicator was 1%, since the net income for that year was allocated to strengthen the Group's capital base rather than for the distribution of dividends, except for savings shares, for which distribution is required.
In 2011, given the net loss for the year, it was decided to submit for the approval of the Shareholders' Meeting the distribution of a total of 822 million euro in prior-year net income allocated to the extraordinary reserve, as described in detail in the chapter Proposals to the Shareholders' Meeting of the Intesa Sanpaolo financial statements.

(millions of euro)

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Net income (loss) | -8,190 | 2,705 | 2,805 | 2,553 | 7,250 |
| Dividends (*) | - | 1,033 | 1,033 | 24 | 4,867 |
| **Pay-out ratio** | **-** | **38%** | **37%** | **1%** | **67%** |

(*) Dividends in 2007 were calculated with reference to shares outstanding at the date of payment. The figure considers the treasury shares held as at 31 December 2007 swapped in January 2008 with Carifirenze shares. For 2011 the total amount allocated is 822 million euro out of reserves.

### Dividend yield

This indicator measures percentage return on the share, calculated as the ratio between dividends for the year and market price in the reference year. This return, determined on the basis of average annual stock prices, maintained sustainable levels over time, also in view of financial market trends.
For 2008, only the indicator for savings shares has been provided, inasmuch as, as stated above, it was deemed appropriate to choose to strengthen the Group's capital base rather than distribute net income.

(in euro)

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Ordinary share** | | | | | |
| Dividend per share | 0.050 | 0.080 | 0.080 | 0.000 | 0.380 |
| Average stock price | 1.658 | 2.479 | 2.569 | 3.834 | 5.579 |
| Dividend yield | 3.02% | 3.23% | 3.11% | 0.00% | 6.81% |
| **Savings share** | | | | | |
| Dividend per share | 0.050 | 0.091 | 0.091 | 0.026 | 0.391 |
| Average stock price | 1.399 | 1.967 | 1.916 | 3.441 | 5.309 |
| Dividend yield | 3.57% | 4.63% | 4.75% | 0.76% | 7.36% |

## Rating

On 6 May 2011 the international ratings agency Moody's downgraded Intesa Sanpaolo's Bank Financial Strength rating to C+ (from B) and its long-term rating to Aa3 (from Aa2), while confirming the short-term rating (P-1). On 23 June 2011, Moody's placed the long-term rating under review for possible downgrade, following a similar decision for the Italian Republic. As a result of the downgrading of Italy's rating to A2 with a negative outlook, on 5 October 2011 Moody's lowered Intesa Sanpaolo's long-term rating to A2 (from Aa3) and confirmed the short-term rating (P-1) and Bank Financial Strength rating (C+), with a negative outlook. On 15 February 2012 Moody's placed Intesa Sanpaolo's "C+" Bank Financial Strength Rating, "A2" long-term rating, and its "P-1" short-term rating on review for downgrade as a result of the equivalent action on the ratings of the Republic of Italy on 13 February 2012.

On 24 May 2011, the international ratings agency Standard & Poor's shifted the outlook for Intesa Sanpaolo from stable to negative, following a similar decision for the Italian Republic, maintaining both the short-term (A-1) and long-term (A+) rating unchanged. Following the lowering of the long-term and short-term ratings on Italy, on 21 September 2011 the agency then lowered Intesa Sanpaolo's long-term rating to A (from A+), confirming its short-term rating (A-1) and negative outlook. On 29 November 2011, S&P confirmed the Bank's short-term rating (A-1) and long-term rating (A) (with a negative outlook) on the basis of its new rating criteria for banks. On 7 December 2011, Standard & Poor's placed the A long-term rating and A-1 short-term rating assigned to Intesa Sanpaolo on Creditwatch with negative implications as a result of the similar action taken for Italy's ratings. On 10 February 2012, Standard & Poor's lowered the Bank's long-term rating to BBB+ (from A) and its short-term rating to A-2 (from A-1), with negative outlook. This downgrading followed the equivalent action on the ratings of the Republic of Italy announced by Standard & Poor's on 13 January 2012.

On 27 September 2011, the international agency Fitch affirmed the ratings assigned to Intesa Sanpaolo (short-term F1+, long term AA-, rating viability aa-), revising the outlook on the long-term rating from stable to negative. Following the downgrading of Italy, on 11 October 2011 Fitch then lowered the Bank's ratings to F1 (from F1+) for short-term debt, to a (from aa-) for the viability rating and to A (from AA-) for long-term debt, with a negative outlook. On 20 December 2011, the agency placed the long-term, short-term and viability ratings assigned to the Bank on Creditwatch with negative implications as a result of the similar action taken for Italy's ratings. On 6 February 2012, following the downgrading of Italy's rating, Fitch lowered the Bank's long-term rating from A to A- with a negative outlook, its short-term rating from F1 to F2 and its viability rating from a to a-.

| | Rating Agency | | |
|---|---|---|---|
| | **Moody's** | **Standard & Poor's** | **Fitch** |
| Short-term debt | P-1 (*) | A-2 | F2 |
| Long-term debt | A2 (*) | BBB+ | A- |
| Outlook | Long-term rating under review | Negative | Negative |
| Financial strength | C+ (*) | - | - |
| Viability | - | - | a - |
| Support | - | - | 2 |

(*) Rating under review for possible downgrade

# OTHER INFORMATION

# Other information

The list of Group companies and subsidiaries as at 31 December 2011 is provided in the Notes to the consolidated financial statements (Part A and Part B - Assets - Section 10).

The Notes to the consolidated financial statements also contain (Part E – Information on risks and the relative hedging policies – Section 1) information concerning obligations under art. 36 of the Market Regulation with respect to subsidiaries established and regulated under the laws of non-EU countries.

Information on compensation and transactions with related parties carried out by the Bank or by the Group is provided in Part H of the Notes to the consolidated financial statements.

The public disclosure as at 31 December 2011 concerning Basel 2 Pillar 3 ("Pillar 3") contained in a special separate file may be consulted on the Bank's website at the address indicated above.

Information on the Corporate Governance system and the ownership structure of Intesa Sanpaolo, pursuant to article 123 bis of the Consolidated Law on Finance and information on the compensation paid to Supervisory and Management Board Members, General Managers and Key Managers and on the Parent Company's shares, pursuant to article 123 ter of the Consolidated Law on Finance, is provided in a specific chapter of this Report and in the separate "Report on Corporate Governance and Ownership Structures - Report on remuneration", published together with these financial statements and available for consultation from the "Governance" section of the Bank's website at: www.group.intesasanpaolo.com.

# Forecast for 2012

As previously indicated, 2012 is expected to be a year of stagnation for the euro area. Various countries, including Italy, will enter into economic recession. Italian GDP is expected to decline by at least one percentage point, with signs of a recovery only in the second half of the year. The weakness of the cycle and financial tensions will favour expansionary monetary policy, with official interest rates at low levels from a historical standpoint and accommodating liquidity conditions. Progress in the area of risk premiums is expected to be consolidated owing to reduced refinancing risk and improved public finances. However, there will continue to be various crisis hotbeds, with the result that temporary flare-ups of tensions cannot be ruled out.
In emerging countries, a further slowdown in economic growth is to be expected. Projections by the foremost centres call for a growth rate slightly above 5%. Asian economies are expected to show growth rates of around 7%, only slightly slower than in 2011. In Latin America and the CIS countries, growth is projected to fall within a range of 3-4%, depending on the phase of the related slowdown in the commodities cycle. The slowdown of growth in the euro area will result in a considerable decline in GDP growth rates in CEE and SEE countries, where rates will be around 1%. CEE countries are especially exposed to the dynamics of the manufacturing cycle in major European countries. SEE countries will also be affected by the ongoing process of adjustment between current account imbalances and private-sector indebtedness.
In the diversified export countries of MENA (the Middle East and North Africa), growth prospects appear in recovery compared to 2011, while still closely tied to the development of the political scenario. In oil-producing countries, the slowdown in the commodities cycle will result in more moderate growth rates.

The operating scenario in the Italian banking industry will remain strongly influenced by the development of the sovereign debt crisis. Only a considerable, lasting reduction in the risk premium on Italian debt will result in a gradual normalisation of the cost of bank funding and, on trickle-down basis, loan rates, consistent with the accommodating monetary policy conditions and low level of market rates. Conversely, it is expected that lending rates will continue to be affected by detrimental funding conditions, although moderated by the extraordinary measures implemented by the Eurosystem in order to stimulate credit and provide liquidity to the money market. Loan trends will also be influenced by the recessionary phase of the Italian economy and the restrictive tax measures affecting households. Customer deposits will see a lively competitive environment, continuing to reflect the shift in investors' portfolios towards higher-yield investments, such as time deposits and government bonds.

The 2011-2013/2015 Business Plan, approved on 5 April 2011, indicated sustainable profitability in the medium term as the Intesa Sanpaolo Group's key target resulting from developing long-lasting client relationships, fine-tuning cost discipline and investments, monitoring of asset quality and strengthening of liquidity and capital base. This key priority and the overall underlying strategic actions are confirmed.
On the other hand, negative market development and forecasts of contraction for the Italian economy call for a review of the Plan's financial targets that can be carried out as soon as financial markets stabilise. The Group, however, confirms its ability to deliver medium-long term profitability and value creation and has already implemented a string of management actions to offset the deterioration of the macroeconomic scenario. The Plan's 10% target for the Core Tier 1 ratio and - starting from 2012 – pro-forma Basel 3 Common Equity ratio is confirmed. This level is in compliance with fully phased-in Basel 3 requirements and includes the expected absorption of deferred tax assets before the full phasing-in of Basel 3, as well as actions to optimise capital sources and requirements, and the absorption of sovereign risk shock. An EBA capital ratio target above the 9% threshold is also confirmed. In addition, the Group is committed to distributing a cash dividend per share over the course of the Business Plan that is no lower than the amount paid out for 2011.

The Management Board

Milan, 15 March 2012

# INTESA SANPAOLO GROUP
# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated balance sheet

(millions of euro)

| Assets | | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|---|
| | | | | amount | % |
| 10. | Cash and cash equivalents | 4,061 | 4,758 | -697 | -14.6 |
| 20. | Financial assets held for trading | 59,963 | 71,899 | -11,936 | -16.6 |
| 30. | Financial assets designated at fair value through profit and loss | 34,253 | 35,549 | -1,296 | -3.6 |
| 40. | Financial assets available for sale | 68,777 | 61,612 | 7,165 | 11.6 |
| 50. | Investments held to maturity | 2,621 | 3,839 | -1,218 | -31.7 |
| 60. | Due from banks | 35,865 | 42,737 | -6,872 | -16.1 |
| 70. | Loans to customers | 376,744 | 379,235 | -2,491 | -0.7 |
| 80. | Hedging derivatives | 10,248 | 7,377 | 2,871 | 38.9 |
| 90. | Fair value change of financial assets in hedged portfolios (+/-) | 137 | 92 | 45 | 48.9 |
| 100. | Investments in associates and companies subject to joint control | 2,630 | 2,716 | -86 | -3.2 |
| 110. | Technical insurance reserves reassured with third parties | 15 | 27 | -12 | -44.4 |
| 120. | Property and equipment | 5,536 | 5,455 | 81 | 1.5 |
| 130. | Intangible assets | 15,041 | 25,990 | -10,949 | -42.1 |
| | *of which* | | | | |
| | *- goodwill* | *8,689* | *19,217* | *-10,528* | *-54.8* |
| 140. | Tax assets | 14,702 | 8,733 | 5,969 | 68.3 |
| | *a) current* | *2,379* | *2,759* | *-380* | *-13.8* |
| | *b) deferred* | *12,323* | *5,974* | *6,349* | |
| 150. | Non-current assets held for sale and discontinued operations | 26 | 75 | -49 | -65.3 |
| 160. | Other assets | 8,602 | 8,663 | -61 | -0.7 |
| **Total Assets** | | **639,221** | **658,757** | **-19,536** | **-3.0** |

## Consolidated balance sheet

(millions of euro)

| Liabilities and Shareholders' Equity | | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|---|
| | | | | amount | % |
| 10. | Due to banks | 78,644 | 52,860 | 25,784 | 48.8 |
| 20. | Due to customers | 197,165 | 221,064 | -23,899 | -10.8 |
| 30. | Securities issued | 160,245 | 179,983 | -19,738 | -11.0 |
| 40. | Financial liabilities held for trading | 48,740 | 45,045 | 3,695 | 8.2 |
| 50. | Financial liabilities designated at fair value through profit and loss | 22,653 | 26,144 | -3,491 | -13.4 |
| 60. | Hedging derivatives | 8,576 | 5,884 | 2,692 | 45.8 |
| 70. | Fair value change of financial liabilities in hedged portfolios (+/-) | 1,686 | 1,412 | 274 | 19.4 |
| 80. | Tax liabilities | 4,064 | 3,269 | 795 | 24.3 |
| | *a) current* | *689* | *661* | *28* | *4.2* |
| | *b) deferred* | *3,375* | *2,608* | *767* | *29.4* |
| 90. | Liabilities associated with non-current assets held for sale and discontinued operations | - | - | - | |
| 100. | Other liabilities | 13,963 | 13,658 | 305 | 2.2 |
| 110. | Employee termination indemnities | 1,338 | 1,370 | -32 | -2.3 |
| 120. | Allowances for risks and charges | 3,628 | 3,280 | 348 | 10.6 |
| | *a) post employment benefits* | *402* | *374* | *28* | *7.5* |
| | *b) other allowances* | *3,226* | *2,906* | *320* | *11.0* |
| 130. | Technical reserves | 50,761 | 50,188 | 573 | 1.1 |
| 140. | Valuation reserves | -3,298 | -1,054 | 2,244 | |
| 150. | Redeemable shares | - | - | - | |
| 160. | Equity instruments | - | - | - | |
| 170. | Reserves | 13,843 | 12,143 | 1,700 | 14.0 |
| 180. | Share premium reserve | 36,143 | 33,102 | 3,041 | 9.2 |
| 190. | Share capital | 8,546 | 6,647 | 1,899 | 28.6 |
| 200. | Treasury shares (-) | -4 | -10 | -6 | -60.0 |
| 210. | Minority interests (+/-) | 718 | 1,067 | -349 | -32.7 |
| 220. | Net income (loss) | -8,190 | 2,705 | -10,895 | |
| **Total Liabilities and Shareholders' Equity** | | **639,221** | **658,757** | **-19,536** | **-3.0** |

## Consolidated income statement

(millions of euro)

| | 2011 | 2010 | Changes amount | Changes % |
|---|---|---|---|---|
| 10. Interest and similar income | 19,149 | 17,500 | 1,649 | 9.4 |
| 20. Interest and similar expense | -7,762 | -6,879 | 883 | 12.8 |
| **30. Interest margin** | **11,387** | **10,621** | **766** | **7.2** |
| 40. Fee and commission income | 6,298 | 6,494 | -196 | -3.0 |
| 50. Fee and commission expense | -1,278 | -1,317 | -39 | -3.0 |
| **60. Net fee and commission income** | **5,020** | **5,177** | **-157** | **-3.0** |
| 70. Dividend and similar income | 542 | 490 | 52 | 10.6 |
| 80. Profits (Losses) on trading | -204 | 243 | -447 | |
| 90. Fair value adjustments in hedge accounting | -8 | -182 | -174 | -95.6 |
| 100. Profits (Losses) on disposal or repurchase of | 753 | 229 | 524 | |
| *a) loans* | *-16* | *-11* | *5* | *45.5* |
| *b) financial assets available for sale* | *590* | *235* | *355* | |
| *c) investments held to maturity* | *-1* | *-* | *1* | |
| *d) financial liabilities* | *180* | *5* | *175* | |
| 110. Profits (Losses) on financial assets and liabilities designated at fair value | -210 | 179 | -389 | |
| **120. Net interest and other banking income** | **17,280** | **16,757** | **523** | **3.1** |
| 130. Net losses / recoveries on impairment | -5,021 | -2,896 | 2,125 | 73.4 |
| *a) loans* | *-4,229* | *-2,818* | *1,411* | *50.1* |
| *b) financial assets available for sale* | *-776* | *-79* | *697* | |
| *c) investments held to maturity* | *-2* | *-* | *2* | |
| *d) other financial activities* | *-14* | *1* | *-15* | |
| **140. Net income from banking activities** | **12,259** | **13,861** | **-1,602** | **-11.6** |
| 150. Net insurance premiums | 9,260 | 8,483 | 777 | 9.2 |
| 160. Other net insurance income (expense) | -10,016 | -9,050 | 966 | 10.7 |
| **170. Net income from banking and insurance activities** | **11,503** | **13,294** | **-1,791** | **-13.5** |
| 180. Administrative expenses | -9,839 | -9,347 | 492 | 5.3 |
| *a) personnel expenses* | *-6,223* | *-5,665* | *558* | *9.8* |
| *b) other administrative expenses* | *-3,616* | *-3,682* | *-66* | *-1.8* |
| 190. Net provisions for risks and charges | -222 | -401 | -179 | -44.6 |
| 200. Net adjustments to / recoveries on property and equipment | -381 | -400 | -19 | -4.8 |
| 210. Net adjustments to / recoveries on intangible assets | -723 | -738 | -15 | -2.0 |
| 220. Other operating expenses (income) | 494 | 528 | -34 | -6.4 |
| **230. Operating expenses** | **-10,671** | **-10,358** | **313** | **3.0** |
| 240. Profits (Losses) on investments in associates and companies subject to joint control | -207 | 293 | -500 | |
| 250. Valuation differences on property, equipment and intangible assets measured at fair value | - | - | - | |
| 260. Goodwill impairment | -10,338 | - | 10,338 | |
| 270. Profits (Losses) on disposal of investments | 171 | 8 | 163 | |
| **280. Income (Loss) before tax from continuing operations** | **-9,542** | **3,237** | **-12,779** | |
| 290. Taxes on income from continuing operations | 1,415 | -1,155 | 2,570 | |
| **300. Income (Loss) after tax from continuing operations** | **-8,127** | **2,082** | **-10,209** | |
| 310. Income (Loss) after tax from discontinued operations | - | 694 | -694 | |
| **320. Net income (loss)** | **-8,127** | **2,776** | **-10,903** | |
| 330. Minority interests | -63 | -71 | -8 | -11.3 |
| **340. Parent Company's net income (loss)** | **-8,190** | **2,705** | **-10,895** | |
| **Basic EPS - Euro** | **-0.56** | **0.21** | | |
| **Diluted EPS - Euro** | **-0.56** | **0.21** | | |

## Statement of consolidated comprehensive income

(millions of euro)

| | | 2011 | 2010 | Changes | |
|---|---|---|---|---|---|
| | | | | amount | % |
| **10.** | **NET INCOME (LOSS)** | **-8,127** | **2,776** | **-10,903** | |
| | **Other comprehensive income (net of tax)** | | | | |
| 20. | Financial assets available for sale | -1,696 | -532 | 1,164 | |
| 30. | Property and equipment | - | - | - | |
| 40. | Intangible assets | - | - | - | |
| 50. | Hedges of foreign investments | - | - | - | |
| 60. | Cash flow hedges | -434 | -36 | 398 | |
| 70. | Foreign exchange differences | -141 | -81 | 60 | 74.1 |
| 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 | 24 | 23 | 1 | 4.3 |
| **110.** | **Total other comprehensive income (net of tax)** | **-2,247** | **-626** | **1,621** | |
| **120.** | **TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)** | **-10,374** | **2,150** | **-12,524** | |
| **130.** | **Total consolidated comprehensive income pertaining to minority interests** | **60** | **69** | **-9** | |
| **140.** | **Total consolidated comprehensive income pertaining to the Parent Company** | **-10,434** | **2,081** | **-12,515** | |

## Changes in consolidated shareholders' equity as at 31 December 2011

(millions of euro)

| | 31.12.2011 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 1.1.2011** | 6,600 | 488 | 33,227 | 12,465 | 99 | -1,045 | - | -10 | 2,776 | 54,600 | *53,533* | *1,067* |
| **ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR** | | | | | | | | | | | | |
| **Reserves** | - | - | - | 1,699 | - | | | | -1,699 | - | - | - |
| **Dividends and other allocations** [(a)] | | | | | | | | | -1,077 | -1,077 | *-1,043* | *-34* |
| **CHANGES IN THE PERIOD** | | | | | | | | | | | | |
| **Changes in reserves** | | | | -244 | - | - | | | | -244 | *38* | *-282* |
| **Operations on shareholders' equity** | | | | | | | | | | | | |
| Issue of new shares | 1,899 | - | 3,041 | - | - | | | 6 | | 4,946 | *4,946* | - |
| Purchase of treasury shares | - | - | | - | | | | - | | - | - | - |
| Extraordinary dividends | | | | - | - | | | | | - | - | - |
| Changes in equity instruments | | | | | | | - | | | - | - | - |
| Derivatives on treasury shares | | | | | - | | | | | - | - | - |
| Stock options | | | | | - | | | | | - | - | - |
| Other | -38 | - | -55 | - | - | | | | | -93 | - | *-93* |
| **Total comprehensive income for the period** | | | | | | -2,247 | | | -8,127 | -10,374 | *-10,434* | *60* |
| **SHAREHOLDERS' EQUITY AS AT 31.12.2011** | 8,461 | 488 | 36,213 | 13,920 | 99 | -3,292 | - | -4 | -8,127 | 47,758 | *47,040* | *718* |
| **- Group** | 8,061 | 485 | 36,143 | 13,744 | 99 | -3,298 | - | -4 | -8,190 | 47,040 | | |
| **- minority interests** | 400 | 3 | 70 | 176 | - | 6 | - | - | 63 | 718 | | |

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

## Changes in consolidated shareholders' equity as at 31 December 2010

(millions of euro)

| | 31.12.2010 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | **-** | **-** | **-** | **1,813** | **-** | | | | **-1,813** | **-** | *-* | *-* |
| **Dividends and other allocations** [a] | | | | | | | | | **-1,125** | **-1,125** | *-1,043* | *-82* |
| **CHANGES IN THE PERIOD** | | | | | | | | | | | | |
| **Changes in reserves** | | | | **-211** | **-1** | **-** | | | | **-212** | *-184* | *-28* |
| **Operations on shareholders' equity** | | | | | | | | | | | | |
| Issue of new shares | - | - | - | - | - | | | - | | **-** | *-* | *-* |
| Purchase of treasury shares | | | - | - | | | | -2 | | **-2** | *-2* | *-* |
| Extraordinary dividends | | | | - | - | | | | | **-** | *-* | *-* |
| Changes in equity instruments | | | | | | | - | | | **-** | *-* | *-* |
| Derivatives on treasury shares | | | | | - | | | | | **-** | *-* | *-* |
| Stock options | | | | - | - | | | | | **-** | *-* | *-* |
| Other | 26 | | -8 | | - | | | | | **18** | *-* | *18* |
| **Total comprehensive income for the period** | | | | | | **-626** | | | **2,776** | **2,150** | *2,081* | *69* |
| **SHAREHOLDERS' EQUITY AS AT 31.12.2010** | **6,600** | **488** | **33,227** | **12,465** | **99** | **-1,045** | **-** | **-10** | **2,776** | **54,600** | *53,533* | *1,067* |
| **- Group** | **6,162** | **485** | **33,102** | **12,044** | **99** | **-1,054** | **-** | **-10** | **2,705** | **53,533** | | |
| **- minority interests** | **438** | **3** | **125** | **421** | **-** | **9** | **-** | **-** | **71** | **1,067** | | |

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

## Consolidated statement of cash flows

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **A. OPERATING ACTIVITIES** | | |
| **1. Cash flow from operations** | **8,225** | **11,231** |
| - net income (loss) (+/-) | -8,127 | 2,776 |
| - gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+) | 2,841 | 2,325 |
| - gains/losses on hedging activities (-/+) | 8 | 182 |
| - net losses/recoveries on impairment (+/-) | 16,350 | 3,660 |
| - adjustments to/net recoveries on property, equipment and intangible assets (+/-) | 1,104 | 1,138 |
| - net provisions for risks and charges and other costs/revenues (+/-) | 1,069 | 547 |
| - net insurance premiums to be collected (-) | - | -75 |
| - other insurance revenues/charges to be collected (-/+) | 3,250 | 4,449 |
| - taxes and duties to be settled (+) | -4,777 | 117 |
| - net adjustments to/recoveries on discontinued operations net of tax effect (-/+) | - | - |
| - other adjustments (+/-) | -3,493 | -3,888 |
| **2. Cash flow from / used in financial assets** | **2,947** | **-19,597** |
| - financial assets held for trading | 12,166 | -706 |
| - financial assets designated at fair value through profit and loss | 245 | -2,699 |
| - financial assets available for sale | -9,905 | -11,296 |
| - due from banks: repayable on demand | -3,945 | -925 |
| - due from banks: other | 9,416 | 1,455 |
| - loans to customers | -2,897 | -7,371 |
| - other assets | -2,133 | 1,945 |
| **3. Cash flow from / used in financial liabilities** | **-16,516** | **5,720** |
| - due to banks: repayable on demand | -961 | 5 |
| - due to banks: other | 26,007 | 4,661 |
| - due to customers | -21,228 | 9,339 |
| - securities issued | -20,245 | -5,305 |
| - financial liabilities held for trading | 3,308 | 2,731 |
| - financial liabilities designated at fair value through profit and loss | -2,649 | -2,696 |
| - other liabilities | -748 | -3,015 |
| **Net cash flow from (used in) operating activities** | **-5,344** | **-2,646** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash flow from** | **2,020** | **2,318** |
| - sales of investments in associates and companies subject to joint control | - | - |
| - dividends collected on investments in associates and companies subject to joint control | 26 | 25 |
| - sales/reimbursements of investments held to maturity | 1,234 | 722 |
| - sales of property and equipment | - | - |
| - sales of intangible assets | - | - |
| - sales of subsidiaries and business branches | 760 | 1,571 |
| **2. Cash flow used in** | **-1,236** | **-2,200** |
| - purchases of investments in associates and companies subject to joint control | -211 | -404 |
| - purchases of investments held to maturity | - | - |
| - purchases of property and equipment | -500 | -554 |
| - purchases of intangible assets | -344 | -322 |
| - purchases of subsidiaries and business branches | -181 | -920 |
| **Net cash flow from (used in) investing activities** | **784** | **118** |
| **C. FINANCING ACTIVITIES** | | |
| - issues/purchases of treasury shares | 6 | -2 |
| - share capital increases | 4,946 | - |
| - dividend distribution and other | -1,077 | -1,125 |
| **Net cash flow from (used in) financing activities** | **3,875** | **-1,127** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **-685** | **-3,655** |
| **RECONCILIATION** | | |
| Cash and cash equivalents at beginning of period | 4,758 | 8,412 |
| Net increase (decrease) in cash and cash equivalents | -685 | -3,655 |
| Cash and cash equivalents: foreign exchange effect | -12 | 1 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **4,061** | **4,758** |

LEGEND: (+) from (–) used in

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# Part A – Accounting policies

## A.1 – GENERAL CRITERIA

### SECTION 1 – DECLARATION OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission as provided for by Community Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2011 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005 which issued Circular 262/05 and subsequently updated on 18 November 2009. These Instructions set out compulsory financial statement forms and their means of preparation, as well as the contents of the Notes to the financial statements.
The Consolidated financial statements have been prepared using the International Accounting Standards in force as at 31 December 2011 (including the SIC and IFRIC interpretation documents) as listed in the attachments to these financial statements.
The table below shows the new standards or amendments to existing ones, together with the related EU regulations endorsement, which came into force in 2011.

**IFRS in force since 2011**

| Regulation endorsement | Title |
|---|---|
| 1293/2009 | Amendment to IAS 32 - Financial Instruments: Presentation |
| 574/2010 | Amendments to IFRS 1 - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters<br>Amendments to IFRS 7 - Financial Instruments: Disclosures |
| 632/2010 | IAS 24 - Related Party Disclosures<br>Amendment to IFRS 8 - Operating Segments |
| 633/2010 | Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement |
| 662/2010 | IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments<br>Amendments to IFRS 1 - First time Adoption of International Financial Reporting Standards |
| 149/2011 | Improvements to IFRS:<br>Amendments to: IFRS 1; IFRS 3; IFRS 7; IAS 1; IAS 34; IFRIC 13 |

In particular, with Regulation 632, the European Commission endorsed the updated version of IAS 24 – Related party disclosures. The text of the new standard amends the definition of "related party" and lists the cases in which a person/entity may be considered as a "related party" of the reporting entity. The new version of the standard – applied from 1 January 2011 – specified that even the subsidiaries of associated companies must be considered as related parties.
The other community regulation endorsements of international accounting standards during the period in question did not significantly impact preparation of the 2011 financial statements.

The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which will become mandatory - for financial statements reflecting the calendar year - on or after 1 January 2012.

**IFRS applicable subsequent to 31 December 2011**

| Regulation endorsement | Title | Effective date |
|---|---|---|
| 1205/2011 | Amendments to IFRS 7 - Financial Instruments: Disclosures – Transfers of Financial Assets | 01/01/2012<br>First financial year starting after 30/06/2011 |

It is also noted that in 2011 the IASB amended several IAS/IFRS previously issued and, at the same time, published new international accounting standards. As the European Commission has not yet endorsed these updates, none of them is relevant for the purposes of the consolidated financial statements of Intesa Sanpaolo.

| Standard/ Interpretation | Title | Release date |
|---|---|---|
| IFRS 10 | Consolidated Financial Statements | 12/05/2011 |
| IFRS 11 | Joint Arrangements | 12/05/2011 |
| IFRS 12 | Disclosures of Interests in Other Entities | 12/05/2011 |
| IFRS 13 | Fair Value Measurement | 12/05/2011 |
| IAS 27 | Separate Financial Statements | 12/05/2011 |
| IAS 28 | Investments in Associates and Joint Ventures | 12/05/2011 |
| IAS 1 (changes) | Presentation of Items of Other Comprehensive Income | 16/06/2011 |
| IAS 19 (changes) | Amendments to IAS 19 - Employee benefits | 16/06/2011 |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | 19/10/2011 |
| IAS 32 (changes) | Offsetting Financial Assets and Financial Liabilities | 16/12/2011 |
| IFRS 7 (changes) | Disclosures - Offsetting Financial Assets and Financial Liabilities | 16/12/2011 |
| IFRS 9 (changes) | Mandatory Effective Date of IFRS 9 and Transition Disclosures | 16/12/2011 |

Lastly, the application of IFRS 9 – Financial Instruments, issued in October 2010 (in its full version, regarding the accounting treatment of financial assets and liabilities) but not yet endorsed by the European Commission, is not relevant for the purposes of the Intesa Sanpaolo 2011 consolidated financial statements.

## SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the consolidated financial statements; the Report on operations, on the economic results achieved and on the Intesa Sanpaolo Group's balance sheet and financial position has also been included. In compliance with the provisions of art. 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.
The amounts indicated in the Consolidated financial statements and in the Notes to the consolidated financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The Consolidated financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of these Notes to the consolidated financial statements, as well as in compliance with the general assumptions set forth by the Framework for the Preparation and Presentation of Financial Statements issued by IASB.
No exceptions to the application of IAS/IFRS have been made.
The Report on operations and the Notes to the consolidated financial statements contain all information required by international accounting standards, by current regulations, by the Bank of Italy and by Consob (Italian Securities and Exchange Commission), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Group's situation.

The income statement as at 31 December 2011 does not contain any components relating to non-current assets held for sale and discontinued operations, while the amounts posted to the specific caption of the balance sheet refer to real estate assets for imminent sale.
The financial statement forms and the Notes to the consolidated financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2010. No adjustments were required with respect to the figures presented in the financial statements.

The Attachments include specific reconciliations between financial statement forms and the reclassified statements included in the Report on operations accompanying these financial statements.

### Contents of consolidated financial statement forms

#### *Consolidated balance sheet and Consolidated income statement*

The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions). For the purposes of completeness with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2011 and for 2010 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

#### *Statement of consolidated comprehensive income*

The Statement of comprehensive income shows, starting from the income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international accounting standards.
Consolidated comprehensive income is broken down into the portion pertaining to the Parent Company and that pertaining to minority interests. Similarly to the balance sheet and the income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2011 and for 2010 are in any case included. Negative amounts are preceded by the minus sign.

### *Changes in consolidated shareholders' equity*
Changes in consolidated shareholders' equity are presented by inverting the lines and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005. The table presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down into share capital (ordinary and savings shares), reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. Intesa Sanpaolo has not issued equity instruments other than ordinary and savings shares.

### *Consolidated statement of cash flows*
The consolidated statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.
Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.
In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

### Contents of Notes to the Consolidated financial statements
The Notes to the Consolidated financial statements include the information provided for by International Financial Reporting Standards and Bank of Italy Circular 262/2005, updated on 18 November 2009.

## SECTION 3 – SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

### Scope of consolidation
The Consolidated financial statements include Intesa Sanpaolo and the companies which it directly and indirectly controls and consider in the scope of consolidation – as specifically set out by the new IAS/IFRS – also the companies operating in dissimilar sectors from 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.
Companies are considered subsidiaries when Intesa Sanpaolo, directly or indirectly, holds more than half of the voting rights or when it has a lower portion of voting rights but has the power to appoint the majority of directors of the company or determine its financial or operating policies. In the measurement of voting rights also "potential" rights are considered if they are currently exercisable or convertible in effective voting rights at any time.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo, directly or indirectly, holds at least 20% of voting rights (including "potential" voting rights as described above) or when the Parent Company – despite a lower percentage of voting rights due to specific legal agreements such as the participation of voting syndicates – has the power of participating in the determination of the financial and operating policies of the company. The equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds a 42.4% stake, is an exception since, considering its peculiarity, it is maintained at cost and is therefore not carried at equity.
Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the scope of consolidation and are classified in Financial assets available for sale since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests.
Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of instruments measured at fair value.
Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

Compared to the position as at 31 December 2010, the most significant changes in the line-by-line scope of consolidation concern the inclusion of Banca Monte Parma, Banca Sara (which, however, following acquisition, was the subject of total spin-off to Banca Fideuram, and Sanpaolo Invest Sim) and of Banco Emiliano Romagnolo. The most significant exclusions concern the sales of Cassa di Risparmio della Spezia and Fideuram Bank (Suisse).

Several extraordinary intragroup transactions were also carried out during the year, which had no effects on the Consolidated financial statements; they consisted of transfers of business lines between Intesa Sanpaolo Group companies or business combinations (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 recorded according to the continuing values method in the individual financial statements of the companies involved, without recognition of any economic effect.
In this area, the most important transactions involved the establishment of the new Group insurance business structure – achieved through the merger by incorporation of Intesa Sanpaolo Vita (formerly Intesa Vita), Sud Polo Vita and Centrovita Assicurazioni into Eurizon Vita (renamed Intesa Sanpaolo Vita), the merger by incorporation of Eurizon A.I. SGR into Eurizon Capital and the previously mentioned full spin-off of Banca Sara into Banca Fideuram and Sanpaolo Invest Sim. Mergers by incorporation were also completed within the CIB Group and the partial de-merger of Moneta through assignment to Intesa Sanpaolo of 100% of the investment in Setefi.

The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Consolidated financial statements as at 31 December 2011.

## Consolidated companies

| Name | Registered office | Type of relation-ship (a) | Investment direct ownership | Investment % held | Votes available % (b) |
|---|---|---|---|---|---|
| **A. CONSOLIDATED COMPANIES** | | | | | |
| **Parent Company** | | | | | |
| Intesa Sanpaolo S.p.A.<br>Share capital 8,545,561,614,72 in shares of 0.52 euro | Torino | | | | |
| **A. 1 Companies subject to full consolidation** | | | | | |
| 1 Adriano Finance S.r.l. (c)<br>Share capital 15,000 euro | Roma | 4 | Intesa Sanpaolo | 5.00 | |
| 2 Adriano Finance 2 S.r.l. (c)<br>Share capital 10,000 euro | Milano | 4 | Intesa Sanpaolo | 5.00 | |
| 3 Arten Sicav (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 87.41 | |
| 4 B.I. Private Equity Ltd<br>Share capital 100,000 euro | Dublin | 1 | Private Equity International | 100.00 | |
| 5 Banca C.R. Firenze Romania S.A.<br>Share capital RON 43,087,365 | Bucharest | 1 | Cassa di Risparmio di Firenze | 100.00 | |
| 6 Banca dell'Adriatico S.p.A.<br>Share capital 272,652,000 euro | Pesaro | 1 | Intesa Sanpaolo | 100.00 | |
| 7 Banca di Credito Sardo S.p.A.<br>Share capital 258,276,569.35 euro | Cagliari | 1 | Intesa Sanpaolo | 100.00 | |
| 8 Banca di Trento e Bolzano S.p.A. (e)<br>Share capital 65,915,704.40 euro | Trento | 1 | Intesa Sanpaolo<br>Finanziaria B.T.B. | 23.33<br>54.68<br>78.01 | |
| 9 Banca Fideuram S.p.A.<br>Share capital 186,255,207.16 euro | Roma | 1 | Intesa Sanpaolo | 100.00 | |
| 10 Banca IMI S.p.A.<br>Share capital 962,464,000 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 11 Banca Imi Securities Corp<br>Share capital USD 44,500,000 | New York | 1 | Imi Capital Markets USA Corp. | 100.00 | |
| 12 Banca Infrastrutture Innovazione e Sviluppo S.p.A.<br>Share capital 346,300,000 euro | Roma | 1 | Intesa Sanpaolo | 100.00 | |
| 13 Banca Intesa (Closed Joint-Stock Company) (n)<br>Share capital RUB 10,820,180,800 | Moscow | 1 | Intesa Sanpaolo Holding International<br>Intesa Sanpaolo | 39.76<br>46.98<br>86.74 | |
| 14 Banca Intesa a.d., Beograd (f)<br>Share capital RSD 21,315,900,000 | Novi Beograd | 1 | Intesa Sanpaolo Holding International<br>Intesa Sanpaolo | 77.79<br>15.21<br>93.00 | |
| 15 Banca Monte Parma S.p.A.<br>Share capital 100,800,000 euro | Parma | 1 | Intesa Sanpaolo | 64.05 | |
| 16 Banca Prossima S.p.A. (p)<br>Share capital 80,000,000 euro | Milano | 1 | Intesa Sanpaolo | 71.67 | |
| 17 Banco di Napoli S.p.A.<br>Share capital 1,000,000,000 euro | Napoli | 1 | Intesa Sanpaolo | 100.00 | |
| 18 Banco Emiliano Romagnolo S.p.A.<br>Share capital 12,121,877.92 euro | Bologna | 1 | Intesa Sanpaolo | 99.97 | |
| 19 Bank of Alexandria S.A.E. (g)<br>Share capital EGP 800.000,000 | Cairo | 1 | Intesa Sanpaolo | 80.00 | 70.25 |
| 20 Banka Koper d.d. (h)<br>Share capital 22,173,218.16 euro | Koper | 1 | Intesa Sanpaolo | 97.55 | |
| 21 Brivon Hungary Zrt<br>Share capital HUF 10,000.000 | Budapest | 1 | Recovery Real Estate Management | 100.00 | |
| 22 Canova Sicav (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 100.00 | |
| 23 Cassa dei Risparmi di Forlì e della Romagna S.p.A.<br>Share capital 214,428,465 euro | Forlì | 1 | Intesa Sanpaolo | 82.08 | |
| 24 Cassa di Risparmio del Friuli Venezia Giulia S.p.A.<br>Share capital 210,263,000 euro | Gorizia | 1 | Intesa Sanpaolo | 100.00 | |
| 25 Cassa di Risparmio del Veneto S.p.A.<br>Share capital 781,169,000 euro | Padova | 1 | Intesa Sanpaolo | 100.00 | |
| 26 Cassa di Risparmio della Provincia di Viterbo S.p.A.<br>Share capital 49,407,056.31 euro | Viterbo | 1 | Cassa di Risparmio di Firenze | 75.81 | 82.02 |
| 27 Cassa di Risparmio di Ascoli Piceno S.p.A.<br>Share capital 70,755,020 euro | Ascoli Piceno | 1 | Cassa di Risparmio di Firenze | 66.00 | |
| 28 Cassa di Risparmio di Città di Castello S.p.A.<br>Share capital 23,750,000 euro | Città di Castello | 1 | Cassa di Risparmio di Firenze | 82.19 | |
| 29 Cassa di Risparmio di Civitavecchia S.p.A.<br>Share capital 34,505,380 euro | Civitavecchia | 1 | Cassa di Risparmio di Firenze | 51.00 | |

| Name | | Registered office | Type of relationship (a) | Investment: direct ownership | Investment: % held | Votes available % (b) |
|---|---|---|---|---|---|---|
| 30 | Cassa di Risparmio di Firenze S.p.A. (i)<br>Share capital 828,836,017 euro | Firenze | 1 | Intesa Sanpaolo | 89.71 | |
| 31 | Cassa di Risparmio di Foligno S.p.A.<br>Share capital 17,720,820 euro | Foligno | 1 | Cassa di Risparmio di Firenze | 70.53 | |
| 32 | Cassa di Risparmio di Pistoia e Pescia S.p.A. (j)<br>Share capital 141,987,825 euro | Pistoia | 1 | Cassa di Risparmio di Firenze | 58.85 | 60.00 |
| 33 | Cassa di Risparmio di Rieti S.p.A.<br>Share capital 47,339,291 euro | Rieti | 1 | Cassa di Risparmio di Firenze | 85.00 | |
| 34 | Cassa di Risparmio di Spoleto S.p.A.<br>Share capital 42,489,053 euro | Spoleto | 1 | Cassa di Risparmio di Firenze | 60.13 | 64.95 |
| 35 | Cassa di Risparmio di Terni e Narni S.p.A.<br>Share capital 21,000,000 euro | Terni | 1 | Cassa di Risparmio di Firenze | 75.00 | |
| 36 | Cassa di Risparmio di Venezia S.p.A.<br>Share capital 284,536,000 euro | Venezia | 1 | Intesa Sanpaolo | 100.00 | |
| 37 | Cassa di Risparmio in Bologna S.p.A.<br>Share capital 696,692,000 euro | Bologna | 1 | Intesa Sanpaolo | 100.00 | |
| 38 | Centro Factoring S.p.A.<br>Share capital 25,200,000 euro | Firenze | 1 | Cassa di Risparmio di Firenze<br>Centro Leasing<br>Intesa Sanpaolo<br>Cassa di Risparmio di Pistoia e Pescia<br>Cassa dei Risparmi di Forlì e della Romagna | 41.77<br>14.94<br>11.38<br>5.73<br>0.11<br>73.93 | |
| 39 | Centro Leasing S.p.A.<br>Share capital 155,020,051.50 euro | Firenze | 1 | Leasint<br>Cassa di Risparmio di Firenze | 58.09<br>30.10<br>88.19 | |
| 40 | Cib Bank Ltd<br>Share capital HUF 145,000,000,000 | Budapest | 1 | Intesa Sanpaolo Holding International<br>Intesa Sanpaolo | 67.69<br>32.31<br>100.00 | |
| 41 | CIB Car Trading Ltd<br>Share capital HUF 10,000,000 | Budapest | 1 | Recovery Real Estate Management | 100.00 | |
| 42 | CIB Factor Financial Service Ltd<br>Share capital HUF 103,500,000 | Budapest | 1 | CIB Real Property Utilisation and Services<br>Cib Bank | 50.00<br>50.00<br>100.00 | |
| 43 | CIB Insurance Broker Ltd<br>Share capital HUF 10,000,000 | Budapest | 1 | CIB Leasing | 100.00 | |
| 44 | CIB Investment Fund Management Ltd<br>Share capital HUF 600,000,000 | Budapest | 1 | Cib Bank<br>CIB REAL Property Utilisation and Services | 94.98<br>5.02<br>100.00 | |
| 45 | CIB Leasing Holding Limited Liability Company<br>Share capital HUF 500,000 | Budapest | 1 | Cib Bank | 100.00 | |
| 46 | CIB Leasing Ltd<br>Share capital HUF 51,000,000 | Budapest | 1 | CIB Leasing Holding<br>CIB Real Estate | 98.16<br>1.84<br>100.00 | |
| 47 | CIB Real Estate Ltd<br>Share capital HUF 52,000,000 | Budapest | 1 | Cib Bank | 100.00 | |
| 48 | CIB REAL Property Utilisation and Services Ltd<br>Share capital HUF 50,000,000 | Budapest | 1 | Cib Bank | 100.00 | |
| 49 | CIB Rent Operative Leasing Ltd<br>Share capital HUF 800,000,000 | Budapest | 1 | Cib Bank | 100.00 | |
| 50 | Cimabue Sicav (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 100.00 | |
| 51 | Compagnia Italiana Finanziaria - CIF S.r.l.<br>Share capital 138,864,869.34 euro | Milano | 1 | IN.FRA - Investire nelle Infrastrutture | 52.75 | |
| 52 | Consumer Finance Holding a.s.<br>Share capital 53,110,277 euro | Kezmarok | 1 | Vseobecna Uverova Banka | 100.00 | |
| 53 | DB Platinum II Sicav (d) | Luxembourg | 4 | Intesa Sanpaolo Vita | 100.00 | |
| 54 | Duomo Funding Plc (k) | Dublin | 4 | Intesa Sanpaolo | - | |
| 55 | Epsilon Associati SGR S.p.A.<br>Share capital 5,200,000 euro | Milano | 1 | Eurizon Capital SGR<br>Banca IMI | 51.00<br>49.00<br>100.00 | |
| 56 | Equiter S.p.A.<br>Share capital 150,000,000 euro | Torino | 1 | Intesa Sanpaolo | 100.00 | |
| 57 | Eurizon Capital S.A.<br>Share capital 7,557,200 euro | Luxembourg | 1 | Eurizon Capital SGR | 100.00 | |
| 58 | Eurizon Capital S.G.R. S.p.A.<br>Share capital 95,010,000 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 59 | Eurizon Investment Sicav | Luxembourg | 4 | Intesa Sanpaolo Vita<br>Intesa Sanpaolo Life | 59.22<br>39.97<br>99.19 | |

| Name | Registered office | Type of relation-ship (a) | Investment direct ownership | % held | Votes available % (b) |
|---|---|---|---|---|---|
| 60 Euro-Tresorerie S.A.<br>Share capital 250,038,322.20 euro | Paris | 1 | Financière Fideuram | 100.00 | |
| 61 Fideuram Asset Management (Ireland) Ltd<br>Share capital 1,000,000 euro | Dublin | 1 | Banca Fideuram | 100.00 | |
| 62 Fideuram Bank Luxembourg S.A.<br>Share capital 30,000,000 euro | Luxembourg | 1 | Banca Fideuram | 100.00 | |
| 63 Fideuram Fiduciaria S.p.A.<br>Share capital 1,551,000 euro | Roma | 1 | Banca Fideuram | 100.00 | |
| 64 Fideuram Fund Bond Euro High Yield (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 76.29<br>10.44<br>86.73 | |
| 65 Fideuram Fund Bond USA (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 83.34<br>0.04<br>83.38 | |
| 66 Fideuram Fund Bond Global Emerging Markets (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 66.59<br>1.10<br>67.69 | |
| 67 Fideuram Fund Bond Yen (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 94.71<br>0.07<br>94.78 | |
| 68 Fideuram Fund Equity Europe Growth (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 92.87<br>4.45<br>97.32 | |
| 69 Fideuram Fund Equity Europe Value (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 89.86<br>5.82<br>95.68 | |
| 70 Fideuram Fund Equity Euro (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 69.67<br>5.09<br>74.76 | |
| 71 Fideuram Fund Equity Euro Corporate Bond (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 49.43<br>6.93<br>56.36 | |
| 72 Fideuram Fund Equity Global Emerging Markets (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 72.75<br>2.78<br>75.53 | |
| 73 Fideuram Fund Equity Italy (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 80.32<br>2.42<br>82.74 | |
| 74 Fideuram Fund Equity Japan (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 90.32<br>3.61<br>93.93 | |
| 75 Fideuram Fund Equity Pacific Ex Japan (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 80.29<br>2.33<br>82.62 | |
| 76 Fideuram Fund Equity USA (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 84.26<br>2.61<br>86.87 | |
| 77 Fideuram Fund Equity USA Growth (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 94.51<br>4.53<br>99.04 | |
| 78 Fideuram Fund Equity USA Value (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 92.12<br>6.52<br>98.64 | |
| 79 Fideuram Fund Euro Bond Long Risk (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 88.44<br>1.22<br>89.66 | |
| 80 Fideuram Fund Euro Bond Low Risk (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 72.16<br>6.48<br>78.64 | |
| 81 Fideuram Fund Euro Bond Medium Risk (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 79.16<br>4.68<br>83.84 | |
| 82 Fideuram Fund Euro Defensive Bond (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 66.55<br>9.85<br>76.40 | |
| 83 Fideuram Fund Euro Short Term (d) | Luxembourg | 4 | Fideuram Vita<br>Intesa Sanpaolo Vita | 54.75<br>4.37<br>59.12 | |

| Name | | Registered office | Type of relation-ship (a) | Investment | | Votes available % (b) |
|---|---|---|---|---|---|---|
| | | | | direct ownership | % held | |
| 84 | Fideuram Fund Zero Coupon 2012 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 85 | Fideuram Fund Zero Coupon 2013 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 86 | Fideuram Fund Zero Coupon 2014 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 87 | Fideuram Fund Zero Coupon 2015 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 88 | Fideuram Fund Zero Coupon 2016 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 89 | Fideuram Fund Zero Coupon 2017 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 90 | Fideuram Fund Zero Coupon 2018 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 91 | Fideuram Fund Zero Coupon 2019 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 92 | Fideuram Fund Zero Coupon 2020 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 93 | Fideuram Fund Zero Coupon 2021 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 94 | Fideuram Fund Zero Coupon 2022 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 95 | Fideuram Fund Zero Coupon 2023 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 96 | Fideuram Fund Zero Coupon 2024 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 97 | Fideuram Fund Zero Coupon 2025 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 98 | Fideuram Fund Zero Coupon 2026 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 99 | Fideuram Fund Zero Coupon 2027 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 100 | Fideuram Fund Zero Coupon 2028 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 101 | Fideuram Fund Zero Coupon 2029 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 102 | Fideuram Fund Zero Coupon 2030 (d) | Luxembourg | 4 | Fideuram Vita | 95.92 | |
| 103 | Fideuram Fund Zero Coupon 2031 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 104 | Fideuram Fund Zero Coupon 2032 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 105 | Fideuram Fund Zero Coupon 2033 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 106 | Fideuram Fund Zero Coupon 2034 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 107 | Fideuram Fund Zero Coupon 2035 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 108 | Fideuram Fund Zero Coupon 2036 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 109 | Fideuram Fund Zero Coupon 2037 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 110 | Fideuram Fund Zero Coupon 2038 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 111 | Fideuram Fund Zero Coupon 2039 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 112 | Fideuram Fund Zero Coupon 2041 (d) | Luxembourg | 4 | Fideuram Vita | 100.00 | |
| 113 | Fideuram Gestions S.A. | Luxembourg | 1 | Banca Fideuram | 99.94 | |
| | Share capital 10,000,000 euro | | | Fideuram Vita | 0.06 | |
| | | | | | 100.00 | |
| 114 | Fideuram Investimenti S.G.R. S.p.A. | Milano | 1 | Banca Fideuram | 99.50 | |
| | Share capital 25,850,000 euro | | | | | |
| 115 | Fideuram Vita S.p.A. | Roma | 1 | Intesa Sanpaolo | 80.01 | |
| | Share capital 356,946,836 euro | | | Banca Fideuram | 19.99 | |
| | | | | | 100.00 | |
| 116 | Financière Fideuram S.A. | Paris | 1 | Banca Fideuram | 100.00 | |
| | Share capital 346,761,600 euro | | | | | |
| 117 | Finanziaria B.T.B. S.p.A. | Trento | 1 | Intesa Sanpaolo | 99.29 | |
| | Share capital 56,832,921.60 euro | | | | | |
| 118 | Finor Leasing d.o.o. | Koper | 1 | Banka Koper | 100.00 | |
| | Share capital 2,044,700 euro | | | | | |
| 119 | Caravaggio Sicav Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 100.00 | |
| 120 | Bond Eur Long Term Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 30.78 | |
| | | | | Intesa Sanpaolo Vita | 25.37 | |
| | | | | | 56.15 | |
| 121 | Bond Eur Medium Term Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 26.50 | |
| | | | | Intesa Sanpaolo Vita | 24.77 | |
| | | | | | 51.27 | |
| 122 | Bond Eur Short Term Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 35.35 | |
| | | | | Intesa Sanpaolo Vita | 32.48 | |
| | | | | | 67.83 | |
| 123 | Bond GBP Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 33.15 | |
| | | | | Intesa Sanpaolo Vita | 46.90 | |
| | | | | | 80.05 | |
| 124 | Bond JPY Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 41.10 | |
| | | | | Intesa Sanpaolo Vita | 39.94 | |
| | | | | | 81.04 | |
| 125 | Bond USD Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 35.36 | |
| | | | | Intesa Sanpaolo Vita | 33.30 | |
| | | | | | 68.66 | |
| 126 | Flexible Strategy Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Vita | 80.11 | |
| 127 | Total Return Alpha Strategy Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Vita | 82.79 | |
| 128 | Hayez Sicav (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 100.00 | |

| | Name | Registered office | Type of relation-ship (a) | Investment direct ownership | % held | Votes available % (b) |
|---|---|---|---|---|---|---|
| 129 | IMI Capital Markets USA Corp.<br>Share capital USD 5,000 | New York | 1 | IMI Investments | 100.00 | |
| 130 | IMI Finance Luxembourg S.A.<br>Share capital 100,000 euro | Luxembourg | 1 | IMI Investments | 100.00 | |
| 131 | IMI Fondi Chiusi S.G.R. S.p.A.<br>Share capital 2,000,000 euro | Bologna | 1 | IMI Investimenti | 100.00 | |
| 132 | IMI Investimenti S.p.A.<br>Share capital 579,184,200 euro | Bologna | 1 | Intesa Sanpaolo | 100.00 | |
| 133 | IMI Investments S.A.<br>Share capital 21,660,000 euro | Luxembourg | 1 | Banca IMI | 100.00 | |
| 134 | Immobiliare Nuova Sede S.r.l.<br>Share capital 51,480 euro | Firenze | 1 | Cassa di Risparmio di Firenze | 100.00 | |
| 135 | IN.FRA - Investire nelle Infrastrutture S.p.A. (o)<br>Share capital 117,342,245.47 euro | Milano | 1 | Intesa Sanpaolo | 90.60 | |
| 136 | Infogroup S.c.p.A.<br>Share capital 4,352,000 euro | Firenze | 1 | Cassa di Risparmio di Firenze | 65.45 | |
| | | | | Intesa Sanpaolo | 31.07 | |
| | | | | Cassa di Risparmio di Pistoia e Pescia | 2.76 | |
| | | | | Cassa di Risparmio di Civitavecchia | 0.69 | |
| | | | | Intesa Sanpaolo Group Services | 0.01 | |
| | | | | other smaller investments | 0.02 | |
| | | | | | 100.00 | |
| 137 | Iniziative Logistiche S.r.l.<br>Share capital 58,901,017.54 euro | Milano | 1 | IN.FRA - Investire nelle Infrastrutture | 54.94 | |
| 138 | Intesa Funding LLC<br>Share capital USD 25,000 | Wilmington, Delaware | 1 | Intesa Sanpaolo | 100.00 | |
| 139 | Intesa Global Finance Company Ltd<br>Share capital 100,000 euro | Dublin | 1 | Intesa Sanpaolo Holding International | 100.00 | |
| 140 | Intesa Investimenti S.p.A.<br>Share capital 1,000,000,000 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 141 | Intesa Lease Sec S.r.l.<br>Share capital 60,000 euro | Milano | 1 | Intesa Sanpaolo | 60.00 | |
| 142 | Intesa Leasing (Closed Joint-Stock Company) (formerly KMB-Leasing)<br>Share capital RUB 3,000,000 | Moscow | 1 | Banca Intesa (Closed Joint-Stock Company) | 100.00 | |
| 143 | Intesa Leasing d.o.o. Beograd<br>Share capital RSD 960,374,301 | Beograd | 1 | Banca Intesa Beograd | 100.00 | |
| 144 | Intesa Real Estate S.r.l.<br>Share capital 4,625,000 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 145 | Intesa Sanpaolo Assicura S.p.A. (formerly EurizonTutela S.p.A.)<br>Share capital 27,912,258 euro | Torino | 1 | Intesa Sanpaolo Vita | 100.00 | |
| 146 | Intesa Sanpaolo Bank Albania Sh.A. (l)<br>Share capital ALL 5,562,517,674 | Tirana | 1 | Intesa Sanpaolo | 98.61 | 100.00 |
| 147 | Intesa Sanpaolo Bank Ireland Plc<br>Share capital 400,500,000 euro | Dublin | 1 | Intesa Sanpaolo | 100.00 | |
| 148 | Intesa Sanpaolo Banka d.d. Bosna I Hercegovina<br>Share capital BAM 44,782,000 | Sarajevo | 1 | Intesa Sanpaolo Holding International | 94.92 | |
| 149 | Intesa Sanpaolo Card BH D.O.O. (formerly Centurion Financial Services Ltd)<br>Share capital BAM 1,049,126.50 | Sarajevo | 1 | Intesa Sanpaolo Card Zagreb | 100.00 | |
| 150 | Intesa Sanpaolo Card d.o.o. - Ljubljana<br>Share capital 5,618,760.80 euro | Ljubljana | 1 | Intesa Sanpaolo Card Zagreb | 100.00 | |
| 151 | Intesa Sanpaolo Card d.o.o. - Zagreb<br>Share capital HRK 30,863,400 | Zagreb | 1 | Intesa Sanpaolo Holding International | 51.32 | |
| | | | | Privredna Banka Zagreb | 33.34 | |
| | | | | Banka Koper | 15.34 | |
| | | | | | 100.00 | |
| 152 | Intesa Sanpaolo Group Services S.c.p.A.<br>Share capital 272,057,000 euro | Torino | 1 | Intesa Sanpaolo | 99.87 | |
| | | | | Banca Fideuram | 0.01 | |
| | | | | Cassa di Risparmio del Veneto | 0.01 | |
| | | | | Cassa di Risparmio di Firenze | 0.01 | |
| | | | | Banco di Napoli | 0.01 | |
| | | | | Banca Imi | 0.01 | |
| | | | | Eurizon Capital SGR | 0.01 | |
| | | | | Intesa Sanpaolo Vita | 0.01 | |
| | | | | other smaller investments | 0.06 | |
| | | | | | 100.00 | |
| 153 | Intesa Sanpaolo Holding International S.A.<br>Share capital 6,911,412,712 euro | Luxembourg | 1 | Intesa Sanpaolo | 100.00 | |
| 154 | Intesa Sanpaolo Immobilière S.A.<br>Share capital 250,000 euro | Luxembourg | 1 | Intesa Sanpaolo Holding International | 100.00 | |

| Name | | Registered office | Type of relation-ship (a) | Investment direct ownership | Investment % held | Votes available % (b) |
|---|---|---|---|---|---|---|
| 155 | Intesa Sanpaolo Leasing Romania IFN S.A.<br>Share capital RON 1,080,000 | Bucharest | 1 | Intesa Sanpaolo Romania<br>CIB Leasing | 99.50<br>0.50<br>100.00 | |
| 156 | Intesa Sanpaolo Life Ltd (formerly EurizonLife Ltd)<br>Share capital 625,000 euro | Dublin | 1 | Intesa Sanpaolo Vita | 100.00 | |
| 157 | Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A. (formerly Intesa Previdenza SIM S.p.A.)<br>Share capital 15,300,000 euro | Milano | 1 | Intesa Sanpaolo | 78.53 | |
| 158 | Intesa Sanpaolo Private Bank (Suisse) S.A.<br>Share capital CHF 20,000,000 | Lugano | 1 | Société Européenne de Banque | 100.00 | |
| 159 | Intesa Sanpaolo Private Banking S.p.A.<br>Share capital 105,313,200 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 160 | Intesa Sanpaolo Real Estate S.A.<br>Share capital 2,940,476 euro | Luxembourg | 1 | Intesa Sanpaolo Holding International | 100.00 | |
| 161 | Intesa Sanpaolo Romania S.A. Commercial Bank<br>Share capital RON 814,111,110 | Arad | 1 | Intesa Sanpaolo<br>Intesa Sanpaolo Holding International | 99.61<br>0.39<br>100.00 | |
| 162 | Intesa Sanpaolo Servitia S.A. (formerly Servitia S.A.)<br>Share capital 1,500,000 euro | Luxembourg | 1 | Intesa Sanpaolo Holding International | 100.00 | |
| 163 | Intesa Sanpaolo Trust Company Fiduciaria S.p.A.<br>Share capital 1,032,000 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 164 | Intesa Sanpaolo Vita S.p.A. (formerly Eurizon Vita S.p.A.)<br>Share capital 320,322,508.16 euro | Torino | 1 | Intesa Sanpaolo | 99.98 | |
| 165 | Intesa Sec. 2 S.r.l.<br>Share capital 15,000 euro | Milano | 1 | Intesa Sanpaolo | 60.00 | |
| 166 | Intesa Sec. 3 S.r.l.<br>Share capital 70,000 euro | Milano | 1 | Intesa Sanpaolo | 60.00 | |
| 167 | Intesa Sec. Npl S.p.A.<br>Share capital 129,000 euro | Milano | 1 | Intesa Sanpaolo | 60.00 | |
| 168 | Intesa Sec. S.p.A.<br>Share capital 100,000 euro | Milano | 1 | Intesa Sanpaolo | 60.00 | |
| 169 | Inversiones Mobiliarias S.A.- IMSA<br>Share capital PEN 7,941,112.83 | Lima | 1 | Intesa Sanpaolo | 99.40 | |
| 170 | ISP CB Ipotecario S.r.l.<br>Share capital 120,000 euro | Milano | 1 | Intesa Sanpaolo | 60.00 | |
| 171 | ISP CB Pubbico S.r.l.<br>Share capital 120,000 euro | Milano | 1 | Intesa Sanpaolo | 60.00 | |
| 172 | Leasint S.p.A.<br>Share capital 172,043,500 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 173 | Levanna Sicav (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 100.00 | |
| 174 | Lima Sudameris Holding S.A. in liquidation<br>Share capital PEN 172,384,709.03 | Lima | 1 | Intesa Sanpaolo<br>IMSA | 52.87<br>47.13<br>100.00 | |
| 175 | Lunar Funding V Plc (k) | Dublin | 4 | Banca Infrastrutture Innovazione e Sviluppo, | - | |
| 176 | Lux Gest Asset Management S.A.<br>Share capital 200,000 euro | Luxembourg | 1 | Société Européenne de Banque | 100.00 | |
| 177 | Medimurska Banka d.d.<br>Share capital HRK 127,900,000 | Čakovec | 1 | Privredna Banka Zagreb | 100.00 | |
| 178 | Mediocredito Italiano S.p.A.<br>Share capital 572,043,495 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 179 | Mediofactoring S.p.A.<br>Share capital 220,000,000 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 180 | Mercurio Sicav (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 92.92 | |
| 181 | Moneta S.p.A.<br>Share capital 176,611,670 euro | Bologna | 1 | Intesa Sanpaolo | 100.00 | |
| 182 | Neos Finance S.p.A.<br>Share capital 142,518,306 euro | Bologna | 1 | Intesa Sanpaolo | 100.00 | |
| 183 | PBZ Card d.o.o.<br>Share capital HRK 43,422,200 | Zagreb | 1 | Privredna Banka Zagreb | 100.00 | |
| 184 | PBZ Invest d.o.o.<br>Share capital HRK 5,000,000 | Zagreb | 1 | Privredna Banka Zagreb | 100.00 | |
| 185 | PBZ Leasing d.o.o. za poslove leasinga<br>Share capital HRK 15,000,000 | Zagreb | 1 | Privredna Banka Zagreb | 100.00 | |
| 186 | PBZ Nekretnine d.o.o.<br>Share capital HRK 3,000,000 | Zagreb | 1 | Privredna Banka Zagreb | 100.00 | |
| 187 | PBZ Stambena Stedionica d.d.<br>Share capital HRK 115,000,000 | Zagreb | 1 | Privredna Banka Zagreb | 100.00 | |

| Name | | Registered office | Type of relation-ship (a) | Investment direct ownership | % held | Votes available % (b) |
|---|---|---|---|---|---|---|
| 188 | Pravex Bank Public Joint-Stock Company Commercial Bank<br>Share capital UAH 937,280,000 | Kiev | 1 | Intesa Sanpaolo | 100.00 | |
| 189 | Private Equity International S.A.<br>Share capital 251,125,360 euro | Luxembourg | 1 | Intesa Sanpaolo | 90.90 | |
| | | | | IMI Investimenti | 9.10 | |
| | | | | | 100.00 | |
| 190 | Privredna Banka Zagreb d.d. (q)<br>Share capital HRK 1,907,476,900 | Zagreb | 1 | Intesa Sanpaolo Holding International | 76.59 | |
| 191 | RE Consult Infrastrutture S.p.A.<br>Share capital 121,150,000 euro | Milano | 1 | Iniziative Logistiche | 38.00 | |
| | | | | Compagnia Italiana Finanziaria - CIF | 62.00 | |
| | | | | | 100.00 | |
| 192 | Recovery a.s.<br>Share capital 33,200 euro | Bratislava | 1 | Vseobecna Uverova Banka | 100.00 | |
| 193 | Recovery Real Estate Management Ltd<br>Share capital HUF 4,000,000 | Budapest | 1 | Cib Bank | 100.00 | |
| 194 | Romulus Funding Corporation (k) | Delaware | 4 | Intesa Sanpaolo | - | |
| 195 | Sanpaolo International Formulas Fund (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 100.00 | |
| 196 | Sanpaolo Invest Ireland Ltd<br>Share capital 500,000 euro | Dublin | 1 | Banca Fideuram | 100.00 | |
| 197 | Sanpaolo Invest SIM S.p.A.<br>Share capital 15,264,760 euro | Roma | 1 | Banca Fideuram | 100.00 | |
| 198 | Setefi S.p.A.<br>Share capital 8,450,000 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 199 | Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A.<br>Share capital 2,600,000 euro | Milano | 1 | Intesa Sanpaolo | 100.00 | |
| 200 | Société Européenne de Banque S.A.<br>Share capital 280,000,000 euro | Luxembourg | 1 | Intesa Sanpaolo Holding International | 100.00 | |
| 201 | SP Lux Sicav II (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 94.25 | |
| 202 | Split 2 S.r.l. (m) | Conegliano | 4 | Leasint | - | |
| 203 | Sudameris S.A.<br>Share capital 49,671,600 euro | Paris | 1 | Intesa Sanpaolo Holding International | 99.87 | |
| 204 | Tiepolo Sicav (d) | Luxembourg | 4 | Intesa Sanpaolo Life | 100.00 | |
| 205 | Trade Receivables Investment Vehicle Sarl (d) | Luxembourg | 4 | Banca IMI/Duomo Funding | 100.00 | |
| 206 | Vseobecna Uverova Banka a.s.<br>Share capital 430,819,063.81 euro | Bratislava | 1 | Intesa Sanpaolo Holding International | 96.76 | |
| 207 | VUB Asset Management Sprav. Spol a.s.<br>Share capital 1,660,000 euro | Bratislava | 1 | Vseobecna Uverova Banka | 100.00 | |
| 208 | VUB Factoring a.s.<br>Share capital 2,232,334 euro | Bratislava | 1 | Vseobecna Uverova Banka | 100.00 | |
| 209 | VUB Leasing a.s.<br>Share capital 16,600,000 euro | Bratislava | 1 | Vseobecna Uverova Banka | 100.00 | |
| 210 | VUB Poistovaci Makler s.r.o.<br>Share capital 16,597 euro | 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 as defined in Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management as defined in Art. 26.2 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 investment held in the company's capital.

(c) Company for which the Group holds the majority of risks and benefits (SIC 12).

(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 8.72% 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 derecognition 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 2.45% of share capital.

(i) Please note that there is a put option sold to 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 39.65% of ordinary shares and savings 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) In relation to the investment in Intesa Sanpaolo Bank Albania SH.A. there are Potential Voting Rights on 1.39% of the capital due to the share of former Banca Italo Albanese (merged into Intesa Sanpaolo Bank Albania) sold to Società Italiana per le Imprese all'Estero (Simest) in July 2006.

(m) SDS - Società a Destinazione Specifica (special purpose entity) for the securitisation of leasing receivables (pursuant to Law no. 130 of 30 April 1999) (SIC 12); the group does not hold any equity stakes in the share capital.

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

(o) Please note that there is a put option sold/call option purchased from minority shareholders on 9.40% of share capital.

(p) Please note that there is a put option sold/call option purchased from minority shareholders on 28.33% of share capital.

(q) Please note that there is a put option sold/call option purchased from minority shareholders on 21.22% of share capital.

### Consolidation methods

*Full consolidation*
This method involves the "line by line" aggregation of the individual amounts reported in the balance sheets and income statements of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption, in equity and in the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.
Any positive differences arising on consolidation, after the allocation to the assets and liabilities of the consolidated subsidiary, are recorded under Intangible assets as goodwill or other intangible assets at the date of first consolidation. Negative differences are recognised in the income statement.
Assets, liabilities, income and expenses between consolidated companies are totally eliminated.
Business combinations must be accounted for using the "acquisition method" in accordance with IFRS 3, as modified by Regulation 495/2009, whereby identifiable assets acquired or liabilities assumed (including contingent liabilities) are recognised at their fair value at the acquisition date. Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value or in proportion to the minority investment in the net identifiable assets of the acquired company. Any excess of the consideration transferred (being the fair value of the assets sold, the liabilities incurred and the equity instruments issued) over the fair value recognition of minority interests with respect to the fair value of the assets acquired and the liabilities assumed is recognised as goodwill. If the consideration is lower, the difference is taken to the income statement.
The "acquisition method" is applied starting from the acquisition date, that is from the moment in which control of the acquired company is obtained. Therefore, the economic results of a subsidiary acquired in the reference period are included in the Consolidated financial statements starting from the acquisition date. Likewise, economic results of a subsidiary sold are included in the Consolidated financial statements until the date in which control ceased.
The difference between sale price and book value at the date of disposal (including foreign exchange differences recorded in shareholders' equity on consolidation, over time) is accounted for in the income statement.
The financial statements of the Parent Company and of other companies used to prepare the Consolidated financial statements refer to the same date. In certain cases, for subsidiaries which are not material, the last approved financial statements (annual or interim) are used.
Where necessary – and without prejudice to absolutely marginal cases – the financial statements of companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

*Measurement using the equity method*
Associates and companies subject to joint control are consolidated with the equity method. For the latter, Intesa Sanpaolo opted for the use of this consolidation method instead of proportional consolidation, as provided for by IAS 31.
The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in the company's shareholders' equity.
Any difference between the value of the equity investment and the shareholders' equity of the company involved is recorded in the book value of the company.
The valuation of the portion of shareholders' equity does not consider any potential voting rights.
The portion of the company's results for the period pertaining to the Group is recorded in a specific caption of the consolidated income statement.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable amount is under book value the relative difference is recorded in the income statement.
For consolidation of companies subject to joint control and investments in associates, the most recent approved (annual or interim) figures have been used. In certain marginal cases, the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on the Intesa Sanpaolo Group's Consolidated financial statements.

*Conversion of financial statements in currencies other than euro*
The financial statements of the companies which do not operate in the eurozone are translated into euro applying to the assets and liabilities in the balance sheet the spot exchange rate at period-end and to the income statement the average exchange rate.
Foreign exchange differences from the conversion of the financial statements of such companies, deriving from the application of different foreign exchange rates to assets and liabilities and the income statement, are recorded in Valuation reserves under shareholders' equity. Foreign exchange differences on the shareholders' equity of the subsidiaries are also recorded in Valuation reserves.
All foreign exchange differences are reversed to the income statement of the year in which the foreign operation is sold.

## SECTION 4 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE

On 14 February, the Management Board approved the sale without recourse of a doubtful loan portfolio totalling - gross of net adjustments - approximately 1,640 million euro, for a cash price of the sale equal to the book value net of adjustments, i.e., approximately 270 million euro.

In January, a 1.5 billion euro bond issue was launched on the euromarket targeted to international markets via the subsidiary Intesa Sanpaolo Bank Ireland plc, guaranteed by the Parent Company to optimise its treasury management. This bond was issued under the Euro Medium Term Notes Programme of Intesa Sanpaolo. It is an 18-month, fixed rate issue with a coupon, payable in arrears on 8 August 2012 and 8 August 2013, equal to 4% (first short coupon from 8 February 2012 up to 8 August 2012). Considering its 99.832% offer price, the yield to maturity is 4.132% per annum and the total spread for the investor is equal to the mid swap rate + 295 basis points.

On 20 February 2012, this first transaction was followed by a 1 billion euro bond issue on the euromarket targeted to international markets to optimise treasury management. The five-year, fixed-rate bond was also issued as part of Intesa Sanpaolo's Euro Medium Term Notes Programme. It is the first senior unsecured benchmark issue from a eurozone peripheral bank with a longer maturity than the ECB's three-year Long Term Refinancing Operation.
The 5% coupon is payable in arrears on 28 February of each year. Considering its 99.254% offer price, the yield to maturity is 5.173% per annum and the total spread for the investor is equal to the two-year mid swap rate + 355 basis points.
Neither issuers were targeted to the Italian retail market. Rather, they were targeted to professional investors and international financial intermediaries and are listed on the Luxembourg Stock Exchange and, as usual, traded over-the-counter.

On 20 February Intesa Sanpaolo finalised the buy back of its subordinated notes for a total nominal value of 1,226 million euro. As a result of the buy back, regulatory Core Tier 1 Capital was increased by virtue of the capital gain deriving from the purchase of the Notes at a price lower than their nominal value. The transaction was also aimed at optimising the structure of Regulatory Capital through the repurchase of instruments which – pursuant to the Capital Requirements Directive (CRD IV) published by the European Commission – will be subject to grandfathering and, thus, progressively excluded from Additional Tier 1 Capital. As a result of the buy back finalisation, the Intesa Sanpaolo Group net income for the first quarter 2012 will register a contribution of approximately 180 million euro, including the positive impact of the unwinding of interest rate derivatives.

On 29 February, Telco and its shareholders (Assicurazioni Generali Group, Intesa Sanpaolo, Mediobanca and Telefonica) agreed to renew the Shareholders' Agreement for 3 years, that is, until 28 February 2015, replicating the existing terms and conditions. This shall include the right to request withdrawal from the agreement and related demerger, with notice to be given between 1 August and 28 August 2014 and the right to request early withdrawal and the related demerger, with notice to be given between 1 September and 28 September 2013, and execution to follow in the subsequent 6 months. Telco shareholders also undertook to refinance the entire amount of Telco's debt falling due pro-rata to their stake in the company's share capital in the most appropriate technical forms. The shareholders' commitment shall be without prejudice to Telco's access to alternative sources of financing from the credit market, it being understood that in such case the shareholders' committment shall be reduced accordingly. In this respect Telco resolved to initiate discussions with the banking system to agree the terms and conditions for a refinancing package.

As regards ratings, as previously mentioned, on 6 February 2012, following the downgrading of Italy's rating, Fitch lowered the Bank's long-term rating from A to A- with a negative outlook, its short-term rating from F1 to F2 and its viability rating from a to a-.
On 10 February 2012 Standard & Poor's lowered the Bank's long-term rating to BBB+ (from A) and its short-term rating to A-2 (from A-1), with negative outlook. This downgrading followed the equivalent action on the ratings of the Republic of Italy announced by Standard & Poor's on 13 January 2012.
On 15 February 2012 Moody's placed Intesa Sanpaolo's "C+" Bank Financial Strength Rating, "A2" long-term rating, and its "P-1" short-term rating on review for downgrade, also as a result of the equivalent action on the ratings of the Republic of Italy on 13 February 2012.

## SECTION 5 - OTHER ASPECTS

### Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group's Italian companies (with the exclusion of Banca di Trento e Bolzano and Finanziaria B.T.B.) have adopted the "national fiscal consolidation", set forth by articles 117-129 of the new Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides an option, based on which the total net income or fiscal loss of every controlled subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit. Based on this option, Group companies which opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company. If one or more companies have a negative taxable income, in the presence of a consolidated income in the year or of highly probable future taxable income, the fiscal losses are transferred to the Parent Company.

### Information required by Bank of Italy, Consob and Isvap Documents

By document no. 4 of 3 March 2010, which followed the document issued in February 2009, the Supervisory Authority called the attention of the Directors of quoted companies to the need to provide in the financial statements clear disclosure on some areas where a high degree of transparency is of the essence: valuation of the goodwill (impairment test), of other intangible assets with indefinite useful life and of equity investments; the valuation of equities available for sale; the contractual clauses of financial debts.

The communication – which does not have independent regulatory force, but calls for strict compliance with the rules in force and the reference accounting standards – then gives details on the information to be provided on debt restructuring and recalls the disclosure requirements concerning the fair value hierarchy.

The disclosures relevant for the Intesa Sanpaolo Group are made further on in this Report on operations, and mostly in the Notes to the consolidated financial statements, when illustrating specific themes.

As to the "going concern" assumption, which was already the subject of a specific disclosure request with regard to the 2008 Annual Report (Document no. 2 of February 2009), in the abovementioned joint Document no. 4 the Regulators once again drew the attention of all the parties involved in preparation of financial reports to the need to pay special attention to valuations relating to such assumption.

On this point, the Directors of Intesa Sanpaolo confirm their reasonable certainty that the Company and the Group will continue to operate profitably in the foreseeable future and based on this assumption the Group consolidated financial statements and the separate Parent Company's financial statements for 2011 have been prepared in line with the going concern assumption. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the specific issue of the going concern assumption.

### Other aspects

Reconta Ernst & Young S.p.A. audited the Consolidated financial statements as at 31 December 2011, in execution of the resolution of the Shareholders' Meeting of 20 April 2006, which appointed the company as independent auditor for the years from 2006 to 2011, included.

# A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

## 1. Financial assets held for trading

***Classification criteria***

This category includes financial assets held for trading, essentially represented by debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:

– their characteristics and risks are not closely related to the characteristics of the host contract;
– embedded instruments, even though separate, fully meet the definition of derivative;
– combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.

The reclassifications to other categories of financial assets are not permitted unless there is an event that is unusual and highly unlikely to recur in the near term.
In such cases debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition apply (Investments held to maturity, Financial assets available for sale, Loans). The transfer value is the fair value at the time of the reclassification. On reclassification, the presence of any embedded derivative contracts, that have to be separated, is assessed.

***Recognition criteria***

Initial recognition of financial assets occurs at settlement date, for debt securities and equities and at trade date for derivative contracts.
On initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument.
Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of derivative are recorded separately from the host contract at fair value.

***Measurement criteria***

After initial recognition financial assets held for trading are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. Equities, quotas of UCI and derivative instruments which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

***Derecognition criteria***

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

## 2. Financial assets available for sale

***Classification criteria***

This category includes the financial assets that do not fall within any of the other categories such as Loans, Financial assets held for trading, Investments held to maturity or Financial assets designated at fair value through profit and loss. In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Loans and Receivables, in Investments held to maturity or designated at fair value through profit and loss, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds as well as iii) the portions of syndicated loans that, from inception, are destined for sale.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity. Moreover, debt securities may be reclassified into the category Investments held to maturity as well as under Loans, when there is the intention to hold them in the foreseeable future and when the recognition criteria are met. The transfer value is the fair value at the time of the reclassification.

***Recognition criteria***

Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.
On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.
If, in the cases provided for by the accounting standards, recognition occurs following the reclassification from Investments held to maturity or, in rare circumstances, from Financial assets held for trading, the recognition value is the fair value as at the time

of transfer.

***Measurement criteria***
After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the income statement of the value corresponding to amortised cost, while gains or losses deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the income statement.
Fair value is determined on the basis of the criteria already illustrated for financial assets held for trading.
Equities included in this category, quotas of UCI and any derivative instruments which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value, are maintained at cost.
Financial assets available for sale are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and its fair value.
Should the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the income statement in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

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

## 3. Investments held to maturity

***Classification criteria***
Quoted debt securities with fixed or determinable payments and fixed maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Financial assets available for sale. If during a year, prior to expiry, more than an insignificant amount classified under this category is sold or reclassified, the remaining investments held to maturity are reclassified as Financial assets available for sale and the portfolio in question may not be used for the next two years, unless the sales and reclassifications:
– are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
– occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
– are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

***Recognition criteria***
Initial recognition of financial assets occurs at settlement date.
On initial recognition, financial assets classified in this category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset.
If inclusion in this category occurs following reclassification from Financial assets available for sale or, in rare circumstances, from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

***Measurement criteria***
After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.
Profits or losses referred to investments held to maturity are recorded in the income statement when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.
Investments held to maturity are assessed to identify if they show objective evidence of an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

***Derecognition criteria***
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to

variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

## 4. Loans

### *Classification criteria*

Loans include loans to customers and due from banks, both disbursed directly and acquired by third parties, which entail fixed or in any case determinable payments, which are not quoted on an active market and which are not classified at inception in Financial assets available for sale.
The caption Loans to customers also includes commercial loans, repurchase agreements with the obligation to resell at a later date, and securities underwritten at issue or via private placements, with determined or determinable payments, not quoted in active markets.
Reclassifications to the other categories of financial assets established in IAS 39 are not permitted.

### *Recognition criteria*

Initial recognition of a loan occurs at the date of subscription of the contract that normally coincides with the disbursement date. Should this not be the case, a commitment to disburse funds is made along the subscription of the contract, which will cease to exist on disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.
If, in rare circumstances, the inclusion in this category occurs following reclassification from Financial assets available for sale or from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

### *Measurement criteria*

After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
These non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure.
The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the income statement.
The original value of loans is reinstated in subsequent periods to the extent that the reasons which had led to the impairment cease to exist, provided that such valuation is objectively attributed to an event which occurred subsequent to the impairment. The recovery is recorded in the income statement and must not lead the carrying amount of the loan to exceed the amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment include time value effects.
The renegotiation of credit exposures granted by the Bank with respect to performing loans to customers is substantially similar to the opening of a new position, when it is due to commercial reasons other than the deterioration in the borrower's financial situation, provided that the interest rate applied is a market rate at the renegotiation date.
When renegotiations are granted to borrowers suffering from a deterioration in their financial situation, exposures are classified under non-performing loans.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series and other objective elements observable at measurement date, which enable the latent loss to be estimated for each loan category. Measurement also considers the risk connected to the borrower's country of residence.
Collective adjustments are recorded in the income statement.

### *Derecognition criteria*

Loans sold are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the loans. Conversely, if a significant part of the risks and rewards relative to the sold loans is maintained, they continue to be recorded in assets, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where no control over

the loans has been maintained. If this is not the case, when control, even partial, is maintained, then the loans continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of loans sold and to variations in the relevant cash flows.
Lastly, loans sold are derecognised if the entity retains the contractual rights to receive the cash flows of the loan, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

### 5. Financial assets designated at fair value through profit and loss

#### *Classification criteria*
IAS/IFRS endorsed by the European Commission enable the classification as financial instruments designated at fair value through profit and loss of any financial asset thus defined at the moment of acquisition, in compliance with the cases contemplated in the reference regulations.
Reclassifications to the other categories of financial assets are not permitted.
Intesa Sanpaolo has only classified in this category investments with respect to insurance policies and certain debt securities with incorporated derivatives or debt securities subject to financial hedging and equity investments held, directly or through funds, in companies involved in the venture capital business.

#### *Recognition criteria*
On initial recognition, financial assets are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

#### *Measurement criteria*
After initial recognition, the financial instruments in question are measured at fair value. The effects of the application of this measurement criterion are recorded in the income statement.

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

### 6. Hedging transactions

#### *Classification criteria: type of hedge*
Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:
- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including "core deposits", as permitted by IAS 39 endorsed by the European Commission;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.

#### *Recognition criteria*
Hedging derivative financial instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

#### *Measurement criteria*
Hedging derivatives are measured at fair value. In particular:
- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (as concerns the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect;
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.
A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:

- *prospective tests*, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- *retrospective tests*, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.

## 7. Investments in associates and companies subject to joint control

### *Recognition, classification and measurement criteria*

The caption includes investments in companies subject to joint control and associates.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when the Parent Company, directly or indirectly, holds at least 20% of voting rights or if the Parent Company – with a lower equity stake – has the power of participating in the determination of the financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.
Certain companies in which Intesa Sanpaolo holds a stake exceeding 20% are not considered subject to significant influence since Intesa Sanpaolo, directly or indirectly, exclusively has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the protection of its economic interests.
The caption also includes the equity investment in Bank of Italy.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

### *Derecognition criteria*

Investments in associates and companies subject to joint control are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

## 8. Property and equipment

### *Classification criteria*

Property and equipment include land, buildings used in operations, investment property, technical plants, furniture and fittings and any type of equipment.
They are tangible items that are held for use in the production or supply of goods or services, for rental to third parties and are expected to be used during more than one period.
The caption also includes the goods used in financial lease contracts, even though the ownership remains in the books of the lessor.

### *Recognition criteria*

Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

### *Measurement criteria*

Property and equipment, including investment property, are measured at cost, net of depreciation and impairment losses.
Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion deemed to be suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets.
The following are not depreciated:

- land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
- works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

If there is some evidence that an asset may have been impaired, the carrying value of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded which may not exceed the value that the asset would have had, net of depreciation, in the absence of previous impairments.

***Derecognition criteria***
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

### 9. Intangible assets

***Classification criteria***
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

***Recognition and measurement criteria***
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case, the cost of the intangible asset is recorded in the income statement in the year in which it was sustained.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.
If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the book value of the assets and the recoverable amount.
In particular, intangible assets include:
- technology related intangibles, such as software, which are amortised on the basis of their obsolescence and over a maximum period of five years; specifically, the costs incurred entirely for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, (ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, (iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity from the beginning of production over the product's estimated life.
- customer related intangibles represented, in business combinations, by asset management, insurance and core deposits portfolios. Such assets, all with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. They are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration or in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry. More specifically, asset management relations are amortised over a period of 7-10 years, core deposits in 18-24 years and relations from insurance contracts in decreasing portions corresponding to the residual maturity of the policies;
- marketing related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.
With respect to business combinations, goodwill may be recorded when the positive difference between the consideration transferred and the fair value recognition, if any, of minority interests, and the fair value of shareholders' equity acquired is representative of the future income-generation potential of the equity investment.
If this difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.
Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. The cash generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the income statement.

***Derecognition criteria***
Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

### 10. Non-current assets held for sale and discontinued operations and related liabilities
Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between the carrying value and their fair value less costs to sell.
The income and charges (net of tax) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

### 11. Current and deferred tax

Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated it. Therefore, it represents the balance of current and deferred taxation relating to the net result for the year. Current tax assets and liabilities include the tax balances of the Group companies due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Group companies claimed against taxes payable in future years.
Current tax assets also include tax credits in respect of which a tax refund claim has been filed by the Group companies with the relevant tax authorities.
Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.
If deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by income taxes.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of financial assets available for sale or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).
Deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named "Reserve pursuant to article 21 of Legislative Decree 213/98", which qualify for deferred taxation, is charged directly against this reserve. No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which have already been taxed, leads to the belief that the Bank will not undertake any transactions which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.
Deferred taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

### 12. Allowances for risks and charges

#### *Post employment benefits*

Company post employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each year of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The rate used to discount future flows is the average market yield curve on measurement dates. The present value of the liability at the reference date of the financial statements is also adjusted by the fair value of any plan assets.
Actuarial profits and losses are recognised in the income statement, on the basis of the "corridor approach" only for the part of profits and losses not recorded at the end of the previous period which exceeds the higher between 10% of the present value of the defined benefit obligation and 10% of fair value of plan assets; this excess is recorded in the income statement on the basis of the expected average remaining working life of the participants in the plan or in the year in the case of retired personnel.

#### *Other allowances*

Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.
Consequently, a provision is recognised when, and only when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reference date of the financial statements and take into account the risks and uncertainties that inevitably surround many events and circumstances. Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation or when the obligation is settled, the provision should be reversed.

The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

### 13. Payables and securities issued

***Classification criteria***
Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the bank in the capacity of lessee in financial lease transactions.

***Recognition criteria***
Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which normally coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

***Measurement criteria***
After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

***Derecognition criteria***
Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

### 14. Financial liabilities held for trading

***Recognition criteria***
These financial instruments are recognised at the subscription or issue date at cost, which reflects the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.
This liability category includes, specifically, the negative value of trading derivatives as well as the negative value of embedded derivatives in combined contracts but which are not closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities.

***Measurement criteria***
All financial liabilities held for trading are measured at fair value through profit and loss.

***Derecognition criteria***
Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

### 15. Financial liabilities designated at fair value through profit and loss

***Classification criteria***
Financial liabilities designated at fair value through profit and loss are recorded under this caption, on the basis of the fair value option given to companies by IAS 39, in compliance with the cases contemplated in the reference regulations.
The Group exercised the fair value option for liabilities, designating insurance products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features. Investments relating to such forms of deposits, as already reported, were also designated at fair value, thereby eliminating or considerably reducing "accounting biases" that would otherwise have arisen from measuring assets and liabilities on the basis of different accounting criteria.
Bonds issued by subsidiaries whose return is correlated to the performance of investment fund portfolios are also designated at fair value and recorded as balance sheet assets. The adoption of the fair value option for this category of structured financial instruments enables their recording in the financial statements on a basis that reflects the natural hedging approach taken through their structuring.

***Recognition criteria***
These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

***Measurement criteria***
These liabilities are measured at fair value through profit and loss.

***Derecognition criteria***
The financial liabilities measured at fair value through profit and loss are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

## 16. Foreign currency transactions

***Initial recognition***
Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

***Subsequent measurement***
At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
– foreign currency monetary items are translated using the closing rate;
– non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
– non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

## 17. Insurance assets and liabilities

***Insurance products***
Products for which insurance risk is deemed significant include: temporary first branch death policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies and damage cover. As regards these products, IAS/IFRS substantially confirm the national accounting standards concerning insurance. In brief, IFRS 4 sets forth:
– gross premiums are to be recorded in the income statement under income; they include all amounts matured during the year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year costs;
– with respect to gross premiums, the corresponding commitment towards the insured is accrued in technical reserves, such amount being calculated on a contract-by-contract basis in accordance with applicable local accounting principles. In accordance with IFRS 4, the Group assesses the adequacy of the carrying amount of recorded liabilities using the Liability Adequacy Test (LAT);
– the insurance products entered under separate management are valued by applying "shadow accounting," whereby the differences between the book value and the market value of securities classified as securities available for sale are allocated to technical reserves as regards the insured parties' portion and to shareholders' equity as regards the insurance companies' portion. If, on the other hand, the securities are recorded at fair value in the income statement, the difference between the book value and the market value is recorded in the income statement giving rise to a change in technical reserves equal to the amount of the insured parties' portion;
– in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions governing the various products associated with each portfolio management;
– liabilities related to discretionary profit-sharing features products are given as a whole with no distinction between the guaranteed and discretional components.

***Financial products included under separate management***
Financial products included under separate management, despite their not being subject to significant insurance risk, and which therefore contain discretionary profit sharing features, include the majority of life policies and mixed first branch policies, as well as fifth branch capitalisation policies. These are accounted for according to the principles set forth in IFRS 4. These principles may be summarised as:
– the products are shown in the financial statements according to principles that essentially reflect those locally in force on the subject, any premiums, payments and changes in technical reserves being recorded in the income statement;
– as stated in the previous paragraph, shadow accounting is applied to the insurance products entered under separate management which, therefore, have discretionary profit-sharing features;
– in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions governing the various products associated with each portfolio management;
– liabilities related to discretionary profit-sharing features products are given as a whole with no distinction between the guaranteed and discretional components.

***Financial products not included under separate management***

Financial products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features, are stated in the financial statements as financial liabilities and are valued at fair value, on the basis of the envisaged option (Fair Value Option), or at amortised cost. These financial products are essentially index-linked policies and part of the unit-linked ones, as well as policies with specific assets not included under separate management. These products are accounted for according to the principles set forth in IAS 39, as summarised below:

- the portion of index- and unit-linked policies that are considered investment contracts are measured at fair value, whereas the specific asset products not included under separate management are measured at amortised cost;
- the income statement does not reflect the premiums relating to these products, but just the revenue components, represented by charges and commissions, and the cost components, comprising provisions and other charges; it also reflects the costs or revenues represented by the changes in the fair value of the liabilities incurred against these contracts. More specifically, the international accounting standards, contained in IAS 39 and 18, provide that, for the liabilities designated at fair value, income and costs relating to the products in question be identified and classified under two headings: (i) origination, to be recorded in the income statement at the time the product is issued and (ii) investment and management services, to be amortised over the life of the product which depends on how the service is provided. In addition, as regards specific asset products not included under separate management, incremental cost and income items are included in the calculation of the amount to be amortised;
- the insurance component included in the index- and unit-linked products, where it can be unbundled, is independently valued and recorded.

### 18. Other information

***Treasury shares***

Any treasury shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

***Accruals, prepayments and deferrals***

Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

***Leasehold improvements***

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

***Employee termination indemnities***

Employee termination indemnities qualify as a “post employment benefit” classified as:

- a “defined contribution plan” to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation.
- a “defined benefit plan”, therefore recognised in the financial statements on the basis of the actuarial value determined using the “Projected Unit Credit Method” to the extent of the portions accrued until 31 December 2006.

These amounts are recognised at their actuarial value determined using the “Projected Unit Credit Method”, without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

For the purposes of discounting, the rate used is the market yield taking into account the average remaining life of the liability, weighted based on the percentage amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the expiry of the entire obligation. Costs to service the plan are accounted for in personnel expenses and actuarial gains and losses are recorded using the “corridor approach” that is as the excess cumulated actuarial gains/losses, recorded at the end of the previous period with respect to 10% of present value of the defined benefit obligation. This excess is recorded in the income statement on the basis of the expected average remaining working life of the participants to the plan.

***Provisions for guarantees and commitments***

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

***Share-based payments***

Share-based payments are recorded in the income statement, with a corresponding increase in shareholders’ equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned. The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

***Recognition of revenues and costs***

Revenues are recognised when they are collected or, in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably, in the case of services, when these have been rendered. In particular:

– interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued until the reference date of the financial statements, relating to financial derivatives:
  a) hedging interest-generating assets and liabilities;
  b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit and loss (fair value option) in management terms;
  c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
– overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
– dividends are posted in the income statement in the financial year when their distribution is approved;
– commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. commission income included in the amortised cost for the purposes of determining the effective interest rate are recognised under interest;
– costs and revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to effective market quotes, or assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (levels 1 and 2 of the fair value hierarchy). When such reference parameters are not observable on the market or the instruments present a reduced liquidity (level 3), the financial instrument is recognised at a value equal to the price of the transaction; the difference with respect to the fair value is recorded in the income statement during the life of the transaction;
– profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
– revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

Revenue and costs are recorded in the income statement for the periods to which their income relates. If matching can only be attributed generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis.
Those costs that cannot be matched with the related revenues are immediately charged to the income statement.

***Use of estimates and assumptions in preparing financial reports***

The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.

The main cases for which subjective evaluations are required to be made by corporate management include:

– the measurement of impairment losses on loans, investment, and, generally, other financial assets;
– the use of measurement models for determining the fair value of financial instruments not listed on active markets;
– the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
– the measurement of personnel funds and provisions for risks and charges;
– the estimates and assumptions on the collectability of deferred tax assets;
– the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the bases for calculating integrative reserves.

***Fair value measurement***

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

*Financial instruments*

The fair value of financial instruments is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.
When no quote on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:

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

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (Comparable Approach - level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (Mark-to-Model Approach - level 3).
The following instruments are considered quoted on an active market (***level 1***): equities quoted on a regulated market, bonds quoted on the EuroMTS circuit and those for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices, mutual funds, spot exchange rates, derivatives for which quotes are available on an active market (for example, futures and exchange traded options). Lastly, hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, are considered as quoted on an active market, provided that no adjustments are required for the valuation of the liquidity or counterparty risks of the underlying assets. Conversely, all other financial instruments which do not fall in the categories described above are not considered quoted on an active market.
For financial instruments quoted on active markets, the current bid price is used for financial assets and the current asking price for financial liabilities, obtained on the most advantageous available active market at the close of the reference period.
For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
When no prices can be derived on active markets, the fair value of financial instruments is determined using the Comparable Approach (level 2) which uses measurement models based on market parameters. In this case, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads derived from official quotes of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. The calculation methodologies used in the Comparable Approach reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – that significantly influence the final valuation.
The fair value of bonds without official quotes expressed by an active market is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics. Credit spread sources are contributed and liquid securities of the same issuer, credit default swaps on the same reference entity, contributed and liquid securities issued by an issuer with the same rating and belonging to the same sector. The different seniority of the security to be priced relatively to the issuer's debt structure is also considered.
Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of the Intesa Sanpaolo Group is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.
In consideration of their number and complexity, a systematic reference framework has been developed for derivatives which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are valued through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market.
Moreover, when determining fair value, the credit quality of the counterparty is also considered. Fair value considers counterparty credit risk and future exposures of the contract through the Credit Risk Adjustment (CRA).
With respect to structured credit products, in the case of ABS, if significant prices are not available, valuation techniques consider parameters which may be presumed from the market (Comparable Approach), such as spreads presumed from new issuers and/or collected from the major investment banks, further strengthened by a qualitative analysis relative to the performance of the underlying asset presumed from periodic investor reports and subject to backtesting with actual sale prices.
Financial instruments for which fair value is determined using the Comparable Approach also include equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the "relative" valuation models based on multipliers. Multipliers are used under the comparable companies' or comparable transactions' approach. In the former case, reference is made to a sample of comparable listed companies, therefore the stock prices from which the multiples to measure the investment are deducted. In the latter case, reference is made to the trading prices of the market related to comparable companies registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions.
Finally, loans also fall under the financial instruments whose fair value is determined using the Comparable Approach. In particular, for medium- and long-term assets and liabilities measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach, in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount future cash flows.
The calculation of the fair value of certain types of financial instruments is based on valuation models which consider parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator (level 3). In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:
- the development of future cash-flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured under the Mark-to-Model Approach:
- debt securities and complex credit derivatives (CDOs) included among structured credit products and credit derivatives on index tranches;

- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- other loans, of a smaller amount, classified in the available-for-sale portfolio;
- derivative transactions relating to securitisations:
- interest rate derivatives and equity-risk structured options, valued using input data not directly observable on the market.

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

With respect to credit derivatives on index tranches, off-the-run series are valued at level 3 when no reliable and verifiable quotes are available from the Risk Management Department. Fair value is determined based on the quotes of series being issued, adjusted to reflect the different underlying.

The fair value of hedge funds is determined by reducing the operating NAV provided by the Fund Administrator, by an amount deriving from an individual measurement process of the counterparty risk (being the risk associated with the credit quality of the fund's prime brokers[1]) and the liquidity risk (which occurs when the assets in which the fund is invested become so illiquid that they cast doubts as to the validity of the valuation process).

Equities to which the "relative" models indicated with respect to level 2 are not applied are valued using "absolute" valuation models. In particular, these models are based on flows which substantially anticipate the measurement of the security value by estimating the cash flows it can generate over time, discounted using a rate that is in line with the risk level of the instrument, equity models or equity-income models.

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

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

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

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

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

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

With respect to disclosure about financial instruments measured at fair value, the above hierarchy to determine fair value is used for the allocation of accounting portfolios in accordance with fair value levels (see paragraph A.3.2).

Reference should be made to Part E of these Notes to the consolidated financial statements (section 1.2 Banking group - Market risks) for more detailed information about the models used by the Intesa Sanpaolo Group and the related organisational processes to determine fair value.

*Non-financial assets*
Regarding investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the consolidated financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

***Amortised cost measurement***
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).
After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the loan. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.
Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.
Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the client. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions of services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. commissions for facility and arrangement) and, lastly, intragroup costs and income.
With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation to syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.
For securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.
Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.
Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not measured at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criteria is not applied to financial assets/liabilities hedged for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in the case of

hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

### *Impairment of assets*

#### *Financial assets*

At every balance sheet date the financial assets not classified under Financial assets held for trading or Financial assets designated at fair value through profit and loss are subject to an impairment test to assess whether there is objective evidence to consider that the carrying value of these assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographic area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of the Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
These non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows relative to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out by identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the "New capital accord" generally known as Basel 2. In particular, the parameters of the calculation model set out in the supervisory provisions, namely, Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogeneous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting standards. This time period is reduced to six months solely for counterparties that are natural persons for whom the recognition of a worsening credit situation and the consequent transfer among the non-performing loans generally take place following unpaid instalments or continuous defaults for more than 90/180 days.
The allocation also takes into account corrective factors such as the state of the economic cycle and the concentration of credit risks towards persons who have a significant exposure to the Group.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the latter amount, a fair value reduction of over 30% is considered significant, and a reduction of over 24 months is considered a "prolonged" continuous reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter.

#### *Investments in associates and companies subject to joint control*

At each balance sheet date the investments in associates or companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring

plans, and the downgrading by more than two categories of the rating issued by a specialist company; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income.
The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value net of sales costs and the value in use.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter above.
Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows.

*Other non-financial assets*
Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.
As concerns property, fair value is mostly determined on the basis of an opinion prepared by an independent expert. The expert opinion is periodically renewed every time there is a change in real estate market trends which might lead to deem that previous estimates are no longer accurate, and in any case every three years. Impairment is recorded only in the case that the fair value net of sales costs and the value in use is lower than carrying value for a continuous period of three years.
For other property, equipment and intangible assets (other than those recognised following business combinations) it is assumed that the carrying value normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.
Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each balance sheet date to assess whether there is objective evidence that the asset may have been impaired.
Intangible assets with a finite life, represented by the value of the asset management portfolio, the value of the insurance portfolio and the core deposits, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.
Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash Generating Unit (CGU) to which the values are attributed at the time of the business combinations. The amount of any impairment is determined on the basis of the difference between the CGU's book value and its recoverable amount represented by the higher of the fair value, less costs to sell, and the value in use.
The book value of the CGUs must be determined in a manner consistent with the criterion used to determine their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore their book value must be determined in accordance with the scope of the estimation of the recoverable amount and must, therefore, also include the financial assets/liabilities. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.
Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Eurizon Capital, Banca Fideuram and International Subsidiary Banks) is determined by summing the individual book values of each company in the Consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and Corporate & Investment Banking), given that the Parent Company and other banks contribute to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors is required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver is identified as the "regulatory capital" determined by the Risk Management Department for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision provisions in force. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter above.
The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU. These cash flows are determined by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan or other external information available. The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called Terminal value. The "g" rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.

For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the present market values with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect market conditions and different economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been corrected to take into account the "Country Risk".
The cash flows produced by the foreign banking subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

***Business combinations***
Business combinations are governed by IFRS 3.
The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
For this purpose the transfer of control occurs when more than one-half of the voting rights is acquired, or when, even if the combining entity does not acquire more than one-half of the other entity's voting rights, control is obtained since, as a consequence of the combination, the acquirer has the power: (i) over one-half of voting rights of another company, by virtue of an agreement with other investors, (ii) to govern the financial and operating policies of the other entity on the basis of the Articles of Association or of an agreement, (iii) to appoint or remove the majority of the members of the company's governing body, (iv) to cast the majority of the votes at meetings of the company's governing body.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the relevant paragraph and note that, in the case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.
Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.
Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs. Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32 and IAS 39.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.
Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired company.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying amount is taken to income statement.
Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, such difference is taken to the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.
The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.
Registration of further minority stakes in already-controlled companies occurs based on the so-called "economic entity" theory, as per IAS 27 amended by Regulation 494/2009, which states that the Consolidated financial statements represent all the resources available for the company intended as an entity which is economically autonomous from those who exercise control over the company. Therefore, considering the group as a whole the differences between acquisition cost and book value of acquired minority stakes are posted under the Group's shareholders' equity. Likewise, sales of minority stakes without the loss of control do not generate profits/losses in the income statement but changes in the group's shareholders' equity.
The following combinations are outside the scope of IFRS 3 – business combinations: transactions aimed at acquiring control over

one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the consistency of the values of the acquiree in the financial statements of the acquirer.
Mergers are examples of concentrations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:
- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values of the merged company.

***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 therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group's organisational model is structured into five business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, 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.
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 companies/service units and relationship entities/customer units. Each segment is 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 are 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.

## A.3 – INFORMATION ON FAIR VALUE

### A.3.1. Transfers between portfolios

***A.3.1.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income***

The following table shows financial instrument reclassifications mainly carried out in 2008. No reclassifications were made in 2011.

(millions of euro)

| Type of financial instrument | Previous portfolio | New portfolio | Book value at 31.12.2011 | Fair value at 31.12.2011 | Income components in case of no transfer (before tax) | | Annual income components (before tax) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Valuation | Other | Valuation | Other |
| Debt securities | Financial assets held for trading | Loans | 2,570 | 2,260 | -86 | 74 | -5 | 106 |
| Debt securities | Financial assets held for trading | Financial assets held to maturity | 9 | 9 | -1 | - | - | 1 |
| Debt securities | Financial assets held for trading | Financial assets available for sale | 33 | 33 | -46 | 6 | -46 | 6 |
| Shares and funds | Financial assets held for trading | Financial assets available for sale | 39 | 38 | 5 | - | 5 | - |
| Debt securities | Financial assets available for sale | Loans | 6,029 | 3,796 | -839 | 188 | 195 | 187 |
| Loans | Financial assets available for sale | Loans | 127 | 117 | - | 3 | -3 | 3 |
| **TOTAL** | | | **8,807** | **6,253** | **-967** | **271** | **146** | **303** |

The income components related to net increases attributable to the risk profile being hedged of reclassified assets amount to 433 million euro.

Had the Group not reclassified the above financial assets, negative income components would have been recognised for an amount of 967 million euro (before tax), instead of positive income components of 146 million euro (before tax), generating a negative effect of 1,113 million euro (before tax), broken down as follows:

– write-off of the positive income components recognised during the year following the 146 million euro transfer. Of this amount, 365 million euro relates to adjustments, 433 million euro to fair value increases due to hedges and 78 million euro to the increase in Valuation reserves;
– reversal of the negative income components which would have been recognised had no transfer taken place, totalling 967 million euro. Of this amount, 376 million euro refers to adjustments, 433 million euro to fair value increases due to hedges and 1,024 million euro to the decrease in Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 32 million euro would have not been recognised. Indeed, this amount is mainly related to the amortised cost of the reclassified securities.

Overall, starting from the respective reclassification dates, reclassified assets as at 31 December 2011 would have been written down by 2,554 million euro, of which 306 million to be recognised in the income statement (negative components for 2008: 462 million euro, positive components for 2009: 75 million euro, positive components for 2010: 92 million euro and negative components for 2011: 11 million euro) and 2,248 million to be recognised in the Valuation reserve in Shareholders' equity (against 1,146 million euro as at 31 December 2010, with a negative net variation of 1,102 million euro, comprised of a negative variation of 1,024 million euro, had no transfer occurred, and a positive variation of 78 million euro, in the case of a transfer).

As at 31 December 2011, reclassifications amount to a nominal 8,701 million euro. Of this amount:

– 6,627 million euro by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008 if already present as at that date in the portfolio, or with reference to the purchase price if this took place after 1 July 2008, or at nominal value for loans issued after that date;
– 2,074 million euro was reclassified after 1 November 2008 and therefore on the basis of fair value as at the date of reclassification; the latter figure also refers to reclassifications carried out in 2009 concerning structured credit products arising from the transformation of unfunded instruments (derivatives) into funded instruments (securities), while maintaining the same risk profile to which the Group is exposed.

***A.3.1.2 Reclassified financial assets: effects on comprehensive income before transfer***

No portfolio transfers were made in 2011.

***A.3.1.3 Transfer of financial assets held for trading***

The financial crisis which marked 2008 was classed by the IASB as a rare circumstance. Consequently, the Intesa Sanpaolo Group has identified certain securities - mainly consisting of bonds not quoted on active markets originally classified under trading assets which due to present and prospective market conditions could no longer be managed actively. These assets were kept in portfolio and reclassified to the loan category and financial assets available for sale. With respect to the trading book, mainly structured credit products held by Intesa Sanpaolo and Banca IMI were reclassified.

### *A.3.1.4 Effective interest rate and expected future cash flows from reclassified assets*

The effective interest rate attributable to the reclassified securities portfolio is equal to 3.4% and estimated cash flows at the date financial assets were reclassified amount to 8,297 million euro.

## A.3.2. Fair value hierarchy

### *A.3.2.1 Accounting portfolios: fair value by level*

(millions of euro)

| Financial assets / liabilities at fair value | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Financial assets held for trading | 10,525 | 48,076 | 1,362 | 24,650 | 45,785 | 1,464 |
| 2. Financial assets designated at fair value through profit or loss | 27,727 | 6,335 | 191 | 28,745 | 6,575 | 229 |
| 3. Financial assets available for sale | 61,878 | 4,920 | 1,979 | 54,100 | 5,656 | 1,856 |
| 4. Hedging derivatives | - | 10,247 | 1 | - | 7,374 | 3 |
| **Total** | **100,130** | **69,578** | **3,533** | **107,495** | **65,390** | **3,552** |
| 1. Financial liabilities held for trading | 4,250 | 43,534 | 956 | 4,015 | 40,215 | 815 |
| 2. Financial liabilities designated at fair value through profit or loss | - | 22,653 | - | 3,722 | 22,422 | - |
| 3. Hedging derivatives | - | 8,567 | 9 | - | 5,884 | - |
| **Total** | **4,250** | **74,754** | **965** | **7,737** | **68,521** | **815** |

### *A.3.2.2 Annual changes in financial assets designated at fair value through profit and loss (level 3)*

(millions of euro)

| | FINANCIAL ASSETS | | | |
|---|---|---|---|---|
| | held for trading | designated at fair value through profit or loss | available for sale | for hedging purposes |
| **1. Initial amount** | **1,464** | **229** | **1,856** | **3** |
| **2. Increases** | **1,748** | **26** | **1,193** | **-** |
| 2.1 Purchases | **1,215** | **-** | **850** | **-** |
| 2.2 Gains recognised in: | 191 | 13 | 115 | - |
| *2.2.1 Income statement* | *191* | *13* | *8* | - |
| *- of which capital gains* | *72* | *2* | - | - |
| *2.2.2 Shareholders' equity* | *X* | *X* | *107* | - |
| 2.3 Transfers from other levels | 294 | 8 | 123 | - |
| 2.4 Other increases | 48 | 5 | 105 | - |
| **3. Decreases** | **-1,850** | **-64** | **-1,070** | **-2** |
| 3.1 Sales | -1,344 | -8 | -502 | - |
| 3.2 Reimbursements | -171 | - | -147 | - |
| 3.3 Losses recognized in: | -291 | -22 | -127 | -2 |
| *3.3.1 Income statement* | *-291* | *-22* | *-63* | *-2* |
| *- of which capital losses* | *-181* | *-16* | *-62* | *-2* |
| *3.3.2 Shareholders' equity* | *X* | *X* | *-64* | - |
| 3.4 Transfers to other levels | -4 | -34 | -223 | - |
| 3.5 Other decreases | -40 | - | -71 | - |
| **4. Final amount** | **1,362** | **191** | **1,979** | **1** |

"Transfers from other levels" of "Financial assets held for trading" are manly due to derivative contracts with a positive fair value.

### *A.3.2.3 Annual changes in financial liabilities designated at fair value through profit and loss (level 3)*

(millions of euro)

| | FINANCIAL LIABILITIES | | |
|---|---|---|---|
| | held for trading | designated at fair value through profit or loss | for hedging purposes |
| **1. Initial amount** | **815** | **-** | **-** |
| **2. Increases** | **513** | **-** | **9** |
| 2.1 Issues | 26 | - | 9 |
| 2.2 Losses recognised in: | 207 | - | - |
| *2.2.1 Income statement* | *207* | - | - |
| *- of which capital losses* | *138* | - | - |
| *2.2.2 Shareholders' equity* | *X* | *X* | - |
| 2.3 Transfers from other levels | 269 | - | - |
| 2.4 Other increases | 11 | - | - |
| **3. Decreases** | **-372** | **-** | **-** |
| 3.1 Reimbursements | -52 | - | - |
| 3.2 Repurchases | -143 | - | - |
| 3.3 Gains recognised in: | -170 | - | - |
| *3.3.1 Income statement* | *-170* | - | - |
| *- of which capital gains* | *-64* | - | - |
| *3.3.2 Shareholders' equity* | *X* | *X* | - |
| 3.4 Transfers to other levels | -7 | - | - |
| 3.5 Other decreases | - | - | - |
| **4. Final amount** | **956** | **-** | **9** |

"Financial liabilities held for trading" refer to derivative contracts with a negative fair value.
Repurchases include the early completion of derivative transactions.

The sensitivity analysis of level 3 financial assets and liabilities shows a 20 million euro[2] 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 in Part E of these Notes to the consolidated financial statements.

### *A.3.3.3 Information on the "Day-One-Profit/loss"*

Under IAS 39, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument on initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.

The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is always intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins. Commercial margins are taken to the income statement when the financial instrument is initially measured.

Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (Subsequent or Day-One-Profit - DOP).

This difference shall be recognised in the income statement only when it arises from changes of the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.

When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the Bank's investing activities, the Day-One-Profits earned on level 3 transactions (including in the above "on the book" management) are taken to the income statement when the Group entity (the investment bank) carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

[2] This amount is shown net of the adjustments to valuations relating to the main input parameters which were already considered to determine the fair value of financial instruments (see paragraph "Fair value measurement" above).

The above regulation applies only to those instruments which fall in one of the classes which can be recognised at fair value through profit and loss (Fair value Option and Trading book). Indeed, only for the latter, the difference between the transaction price and the fair value would be taken to the income statement upon initial recognition.
The following table shows the amount deferred in the balance sheet, indicating the portion taken to the income statement.

(millions of euro)

| | |
|---|---|
| **1. Initial amount** | **28** |
| **2. Increases** | **18** |
| 2.1 New transactions | 18 |
| **3. Decreases** | **-6** |
| 3.1 Releases to the income statement | -6 |
| **4. Final amount** | **40** |

# Part B – Information on the consolidated balance sheet

## ASSETS

### SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

#### 1.1 Cash and cash equivalents: breakdown

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| a) Cash | 3,043 | 3,117 |
| b) On demand deposits with Central Banks | 1,018 | 1,641 |
| **TOTAL** | **4,061** | **4,758** |

### SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

#### 2.1 Financial assets held for trading: breakdown

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | 9,011 | 7,381 | 347 | 22,838 | 7,941 | 314 |
| *1.1 structured securities* | *35* | *542* | *44* | *131* | *735* | *-* |
| *1.2 other debt securities* | *8,976* | *6,839* | *303* | *22,707* | *7,206* | *314* |
| 2. Equities | 202 | - | - | 179 | - | 1 |
| 3. Quotas of UCI | 663 | 6 | 563 | 862 | 10 | 814 |
| 4. Loans | - | 1 | - | - | - | - |
| *4.1 reverse repurchase agreements* | *-* | *-* | *-* | *-* | *-* | *-* |
| *4.2 other* | *-* | *1* | *-* | *-* | *-* | *-* |
| **Total A** | **9,876** | **7,388** | **910** | **23,879** | **7,951** | **1,129** |
| **B. Derivatives** | | | | | | |
| 1. Financial derivatives | 566 | 37,417 | 383 | 681 | 35,770 | 229 |
| *1.1 trading* | *564* | *37,152* | *383* | *679* | *35,579* | *229* |
| *1.2 fair value option* | *-* | *16* | *-* | *-* | *73* | *-* |
| *1.3 other* | *2* | *249* | *-* | *2* | *118* | *-* |
| 2. Credit derivatives | 83 | 3,271 | 69 | 90 | 2,064 | 106 |
| *2.1 trading* | *83* | *3,271* | *56* | *90* | *2,064* | *106* |
| *2.2 fair value option* | *-* | *-* | *-* | *-* | *-* | *-* |
| *2.3 other* | *-* | *-* | *13* | *-* | *-* | *-* |
| **Total B** | **649** | **40,688** | **452** | **771** | **37,834** | **335** |
| **TOTAL (A+B)** | **10,525** | **48,076** | **1,362** | **24,650** | **45,785** | **1,464** |

### *2.1 Of which Banking group*

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | 8,863 | 6,463 | 347 | 22,607 | 6,778 | 314 |
| *1.1 structured securities* | *35* | *542* | *44* | *125* | *508* | - |
| *1.2 other debt securities* | *8,828* | *5,921* | *303* | *22,482* | *6,270* | *314* |
| 2. Equities | 202 | - | - | 179 | - | 1 |
| 3. Quotas of UCI | 413 | 6 | 563 | 508 | 10 | 814 |
| 4. Loans | - | 1 | - | - | - | - |
| *4.1 reverse repurchase agreements* | - | - | - | - | - | - |
| *4.2 other* | - | *1* | - | - | - | - |
| **Total A** | **9,478** | **6,470** | **910** | **23,294** | **6,788** | **1,129** |
| **B. Derivatives** | | | | | | |
| 1. Financial derivatives | 557 | 37,401 | 383 | 674 | 35,689 | 229 |
| *1.1 trading* | *557* | *37,152* | *383* | *674* | *35,575* | *229* |
| *1.2 fair value option* | - | - | - | - | - | - |
| *1.3 other* | - | *249* | - | - | *114* | - |
| 2. Credit derivatives | 83 | 3,271 | 69 | 90 | 2,064 | 106 |
| *2.1 trading* | *83* | *3,271* | *56* | *90* | *2,064* | *106* |
| *2.2 fair value option* | - | - | - | - | - | - |
| *2.3 other* | - | - | *13* | - | - | - |
| **Total B** | **640** | **40,672** | **452** | **764** | **37,753** | **335** |
| **TOTAL (A+B)** | **10,118** | **47,142** | **1,362** | **24,058** | **44,541** | **1,464** |

### *2.1 Of which Insurance companies*

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | 148 | 918 | - | 231 | 1,163 | - |
| *1.1 structured securities* | - | - | - | *6* | *227* | - |
| *1.2 other debt securities* | *148* | *918* | - | *225* | *936* | - |
| 2. Equities | - | - | - | - | - | - |
| 3. Quotas of UCI | 250 | - | - | 354 | - | - |
| 4. Loans | - | - | - | - | - | - |
| *4.1 reverse repurchase agreements* | - | - | - | - | - | - |
| *4.2 other* | - | - | - | - | - | - |
| **Total A** | **398** | **918** | **-** | **585** | **1,163** | **-** |
| **B. Derivatives** | | | | | | |
| 1. Financial derivatives | 9 | 16 | - | 7 | 81 | - |
| *1.1 trading* | *7* | - | - | *5* | *4* | - |
| *1.2 fair value option* | - | *16* | - | - | *73* | - |
| *1.3 other* | *2* | - | - | *2* | *4* | - |
| 2. Credit derivatives | - | - | - | - | - | - |
| *2.1 trading* | - | - | - | - | - | - |
| *2.2 fair value option* | - | - | - | - | - | - |
| *2.3 other* | - | - | - | - | - | - |
| **Total B** | **9** | **16** | **-** | **7** | **81** | **-** |
| **TOTAL (A+B)** | **407** | **934** | **-** | **592** | **1,244** | **-** |

### 2.2 Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

| | 31.12.2011 | Of which: Banking group | Of which: Insurance companies | Of which: Other companies | 31.12.2010 |
|---|---|---|---|---|---|
| **A) CASH ASSETS** | | | | | |
| **1. Debt securities** | **16,739** | *15,673* | *1,066* | - | **31,093** |
| a) Governments and Central Banks | 8,096 | *7,982* | *114* | - | 20,876 |
| b) Other public entities | 98 | *98* | - | - | 52 |
| c) Banks | 5,257 | *4,548* | *709* | - | 5,558 |
| d) Other issuers | 3,288 | *3,045* | *243* | - | 4,607 |
| **2. Equities** | **202** | *202* | - | - | **180** |
| a) Banks | 33 | *33* | - | - | 13 |
| b) Other issuers | 169 | *169* | - | - | 167 |
| *- insurance companies* | *2* | *2* | - | - | *3* |
| *- financial institutions* | *2* | *2* | - | - | *14* |
| *- non-financial companies* | *165* | *165* | - | - | *150* |
| *- other* | - | - | - | - | - |
| 3. Quotas of UCI | **1,232** | *982* | *250* | - | **1,686** |
| **4. Loans** | **1** | ***1*** | **-** | **-** | **-** |
| a) Governments and Central Banks | - | - | - | - | - |
| b) Other public entities | - | - | - | - | - |
| c) Banks | - | - | - | - | - |
| d) Other counterparties | 1 | *1* | - | - | - |
| **Total A** | **18,174** | *16,858* | *1,316* | - | **32,959** |
| **B) DERIVATIVES** | | | | | |
| a) Banks | 30,941 | *30,916* | *25* | - | 30,554 |
| *- fair value* | *30,941* | *30,916* | *25* | - | 30,554 |
| b) Customers | 10,848 | *10,848* | - | - | 8,386 |
| *- fair value* | *10,848* | *10,848* | - | - | 8,386 |
| **Total B** | **41,789** | *41,764* | *25* | - | **38,940** |
| **TOTAL (A+B)** | **59,963** | *58,622* | *1,341* | - | **71,899** |

### 2.3 Cash financial assets held for trading: annual changes

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **31,093** | **180** | **1,686** | **-** | **32,959** |
| **B. Increases** | **352,778** | **37,946** | **22,059** | **26** | **412,809** |
| B.1 purchases | 347,802 | 37,035 | 21,645 | 26 | 406,508 |
| *of which business combinations* | *31* | - | - | - | 31 |
| B.2 positive fair value differences | 99 | 5 | 8 | - | 112 |
| B.3 other changes | 4,877 | 906 | 406 | - | 6,189 |
| **C. Decreases** | **-367,132** | **-37,924** | **-22,513** | **-25** | **-427,594** |
| C.1 sales | -336,898 | -36,412 | -21,752 | -25 | -395,087 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | -24,410 | - | -227 | - | -24,637 |
| C.3 negative fair value differences | -345 | -13 | -151 | - | -509 |
| C.4 trasfers to other portfolios | - | - | - | - | - |
| C.5 other changes | -5,479 | -1,499 | -383 | - | -7,361 |
| **D. Final amount** | **16,739** | **202** | **1,232** | **1** | **18,174** |

### *2.3 Of which Banking group*

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **29,699** | **180** | **1,332** | **-** | **31,211** |
| **B. Increases** | **352,047** | **37,946** | **21,916** | **26** | **411,935** |
| B.1 purchases | 347,094 | 37,035 | 21,506 | 26 | 405,661 |
| *of which business combinations* | *31* | - | - | - | 31 |
| B.2 positive fair value differences | 88 | 5 | 7 | - | 100 |
| B.3 other changes | 4,865 | 906 | 403 | - | 6,174 |
| **C. Decreases** | **-366,073** | **-37,924** | **-22,266** | **-25** | **-426,288** |
| C.1 sales | -335,891 | -36,412 | -21,528 | -25 | -393,856 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | -24,410 | - | -227 | - | -24,637 |
| C.3 negative fair value differences | -294 | -13 | -130 | - | -437 |
| C.4 trasfers to other portfolios | - | - | - | - | - |
| C.5 other changes | -5,478 | -1,499 | -381 | - | -7,358 |
| **D. Final amount** | **15,673** | **202** | **982** | **1** | **16,858** |

### *2.3 Of which Insurance companies*

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **1,394** | **-** | **354** | **-** | **1,748** |
| **B. Increases** | **731** | **-** | **143** | **-** | **874** |
| B.1 purchases | 708 | - | 139 | - | 847 |
| *of which business combinations* | - | - | - | - | - |
| B.2 positive fair value differences | 11 | - | 1 | - | 12 |
| B.3 other changes | 12 | - | 3 | - | 15 |
| **C. Decreases** | **-1,059** | **-** | **-247** | **-** | **-1,306** |
| C.1 sales | -1,007 | - | -224 | - | -1,231 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | - | - | - | - | - |
| C.3 negative fair value differences | -51 | - | -21 | - | -72 |
| C.4 trasfers to other portfolios | - | - | - | - | - |
| C.5 other changes | -1 | - | -2 | - | -3 |
| **D. Final amount** | **1,066** | **-** | **250** | **-** | **1,316** |

## SECTION 3 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS - CAPTION 30

### 3.1 Financial assets designated at fair value through profit and loss: breakdown

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 16,008 | 6,073 | 2 | 15,541 | 6,575 | - |
| *1.1 structured securities* | - | - | - | *490* | *5,198* | - |
| *1.2 other debt securities* | *16,008* | *6,073* | *2* | *15,051* | *1,377* | - |
| 2. Equities | 1,403 | - | 14 | 2,176 | - | 14 |
| 3. Quotas of UCI | 10,295 | - | 175 | 11,028 | - | 184 |
| 4. Loans | 21 | 262 | - | - | - | 31 |
| *4.1 structured* | - | - | - | - | - | - |
| *4.2 other* | *21* | *262* | - | - | - | *31* |
| **Total** | **27,727** | **6,335** | **191** | **28,745** | **6,575** | **229** |
| **Cost** | **29,355** | **7,533** | **199** | **26,842** | **6,820** | **202** |

### *3.1 Of which Banking group*

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| 1. Debt securities | 405 | 274 | 1 | 588 | 216 | - |
| *1.1 structured securities* | - | - | - | - | - | - |
| *1.2 other debt securities* | *405* | *274* | *1* | *588* | *216* | - |
| 2. Equities | - | - | 14 | - | - | 14 |
| 3. Quotas of UCI | - | - | 168 | 17 | - | 176 |
| 4. Loans | - | - | - | - | - | - |
| *4.1 structured* | - | - | - | - | - | - |
| *4.2 other* | - | - | - | - | - | - |
| **Total** | **405** | **274** | **183** | **605** | **216** | **190** |
| **Cost** | **405** | **281** | **191** | **601** | **222** | **163** |

The Group has classified in this category some debt securities with embedded derivatives or debt securities subject to financial hedging and equity investments, directly or through funds, in companies involved in the venture capital business.

### *3.1 Of which Insurance companies*

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| 1. Debt securities | 15,603 | 5,799 | 1 | 14,953 | 6,359 | - |
| *1.1 structured securities* | - | - | - | *490* | *5,198* | - |
| *1.2 other debt securities* | *15,603* | *5,799* | *1* | *14,463* | *1,161* | - |
| 2. Equities | 1,403 | - | - | 2,176 | - | - |
| 3. Quotas of UCI | 10,295 | - | 7 | 11,011 | - | 8 |
| 4. Loans | 21 | 262 | - | - | - | 31 |
| *4.1 structured* | - | - | - | - | - | - |
| *4.2 other* | *21* | *262* | - | - | - | *31* |
| **Total** | **27,322** | **6,061** | **8** | **28,140** | **6,359** | **39** |
| **Cost** | **28,950** | **7,252** | **8** | **26,241** | **6,598** | **39** |

Assets designated at fair value essentially included assets with respect to insurance policies where the total risk is borne by the policyholders (so-called Class D).

### 3.2 Financial assets designated at fair value through profit and loss: borrower/issuer breakdown

(millions of euro)

| | **31.12.2011** | *Of which: Banking group* | *Of which: Insurance companies* | *Of which: Other companies* | **31.12.2010** |
|---|---|---|---|---|---|
| **1. Debt securities** | **22,083** | *680* | *21,403* | - | **22,116** |
| a) Governments and Central Banks | 14,938 | *417* | *14,521* | - | 14,269 |
| b) Other public entities | 21 | *21* | - | - | 23 |
| c) Banks | 1,050 | *174* | *876* | - | 6,765 |
| d) Other issuers | 6,074 | *68* | *6,006* | - | 1,059 |
| **2. Equities** | **1,417** | *14* | *1,403* | - | **2,190** |
| a) Banks | 126 | - | *126* | - | 208 |
| b) Other issuers | 1,291 | *14* | *1,277* | - | 1,982 |
| *- insurance companies* | *60* | - | *60* | - | *80* |
| *- financial institutions* | *57* | - | *57* | - | *101* |
| *- non-financial companies* | *967* | *14* | *953* | - | *1,634* |
| *- other* | *207* | - | *207* | - | *167* |
| **3. Quotas of UCI** | **10,470** | **168** | **10,302** | **-** | **11,212** |
| **4. Loans** | **283** | - | *283* | - | **31** |
| a) Governments and Central Banks | - | - | - | - | - |
| b) Other public entities | - | - | - | - | - |
| c) Banks | 273 | - | *273* | - | 23 |
| d) Other counterparties | 10 | - | *10* | - | 8 |
| **TOTAL** | **34,253** | *862* | *33,391* | - | **35,549** |

## 3.3 Financial assets designated at fair value through profit and loss: annual changes

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **22,116** | **2,190** | **11,212** | **31** | **35,549** |
| **B. Increases** | **4,821** | **889** | **6,851** | **356** | **12,917** |
| B.1 purchases | 3,681 | 424 | 5,165 | - | 9,270 |
| *of which business combinations* | *1* | - | - | - | 1 |
| B.2 positive fair value differences | 444 | 69 | 94 | 9 | 616 |
| B.3 other changes | 696 | 396 | 1,592 | 347 | 3,031 |
| **C. Decreases** | **-4,854** | **-1,662** | **-7,593** | **-104** | **-14,213** |
| C.1 sales | -3,360 | -1,028 | -5,818 | - | -10,206 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | -340 | - | - | - | -340 |
| C.3 negative fair value differences | -1,037 | -232 | -343 | -16 | -1,628 |
| C.4 other changes | -117 | -402 | -1,432 | -88 | -2,039 |
| **D. Final amount** | **22,083** | **1,417** | **10,470** | **283** | **34,253** |

### *3.3 Of which Banking group*

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **804** | **14** | **193** | **-** | **1,011** |
| **B. Increases** | **1,145** | **-** | **-** | **-** | **1,145** |
| B.1 purchases | 1,103 | - | - | - | 1,103 |
| *of which business combinations* | *1* | - | - | - | 1 |
| B.2 positive fair value differences | 14 | - | - | - | 14 |
| B.3 other changes | 28 | - | - | - | 28 |
| **C. Decreases** | **-1,269** | **-** | **-25** | **-** | **-1,294** |
| C.1 sales | -1,160 | - | -18 | - | -1,178 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | -39 | - | - | - | -39 |
| C.3 negative fair value differences | -51 | - | -7 | - | -58 |
| C.4 other changes | -19 | - | - | - | -19 |
| **D. Final amount** | **680** | **14** | **168** | **-** | **862** |

### *3.3 Of which Insurance companies*

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **21,312** | **2,176** | **11,019** | **31** | **34,538** |
| **B. Increases** | **3,676** | **889** | **6,851** | **356** | **11,772** |
| B.1 purchases | 2,578 | 424 | 5,165 | - | 8,167 |
| *of which business combinations* | - | - | - | - | - |
| B.2 positive fair value differences | 430 | 69 | 94 | 9 | 602 |
| B.3 other changes | 668 | 396 | 1,592 | 347 | 3,003 |
| **C. Decreases** | **-3,585** | **-1,662** | **-7,568** | **-104** | **-12,919** |
| C.1 sales | -2,200 | -1,028 | -5,800 | - | -9,028 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | -301 | - | - | - | -301 |
| C.3 negative fair value differences | -986 | -232 | -336 | -16 | -1,570 |
| C.4 other changes | -98 | -402 | -1,432 | -88 | -2,020 |
| **D. Final amount** | **21,403** | **1,403** | **10,302** | **283** | **33,391** |

## SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

### 4.1 Financial assets available for sale: breakdown

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 59,350 | 4,167 | 534 | 51,231 | 4,367 | 565 |
| *1.1 Structured securities* | *23* | *89* | - | *945* | *655* | - |
| *1.2 Other debt securities* | *59,327* | *4,078* | *534* | *50,286* | *3,712* | *565* |
| 2. Equities | 1,287 | 651 | 969 | 1,614 | 1,166 | 1,011 |
| *2.1 Measured at fair value* | *1,287* | *643* | *936* | *1,614* | *1,158* | *996* |
| *2.2 Measured at cost* | - | *8* | *33* | - | *8* | *15* |
| 3. Quotas of UCI | 1,241 | 92 | 449 | 1,255 | 113 | 257 |
| 4. Loans | - | 10 | 27 | - | 10 | 23 |
| **TOTAL** | **61,878** | **4,920** | **1,979** | **54,100** | **5,656** | **1,856** |

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

### *4.1 Of which Banking group*

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 23,542 | 2,535 | 396 | 15,504 | 2,581 | 547 |
| *1.1 Structured securities* | *23* | *89* | - | *4* | *42* | - |
| *1.2 Other debt securities* | *23,519* | *2,446* | *396* | *15,500* | *2,539* | *547* |
| 2. Equities | 672 | 651 | 830 | 762 | 1,166 | 880 |
| *2.1 Measured at fair value* | *672* | *643* | *797* | *762* | *1,158* | *865* |
| *2.2 Measured at cost* | - | *8* | *33* | - | *8* | *15* |
| 3. Quotas of UCI | 429 | 41 | 449 | 584 | 108 | 251 |
| 4. Loans | - | 10 | 27 | - | 10 | 23 |
| **TOTAL** | **24,643** | **3,237** | **1,702** | **16,850** | **3,865** | **1,701** |

### *4.1 Of which Insurance companies*

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 35,808 | 1,632 | 138 | 35,727 | 1,786 | 18 |
| *1.1 Structured securities* | - | - | - | *941* | *613* | - |
| *1.2 Other debt securities* | *35,808* | *1,632* | *138* | *34,786* | *1,173* | *18* |
| 2. Equities | 615 | - | 139 | 852 | - | 131 |
| *2.1 Measured at fair value* | *615* | - | *139* | *852* | - | *131* |
| *2.2 Measured at cost* | - | - | - | - | - | - |
| 3. Quotas of UCI | 812 | 51 | - | 671 | 5 | 6 |
| 4. Loans | - | - | - | - | - | - |
| **TOTAL** | **37,235** | **1,683** | **277** | **37,250** | **1,791** | **155** |

### 4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

| | 31.12.2011 | Of which: Banking group | Of which: Insurance companies | Of which: Other companies | 31.12.2010 |
|---|---|---|---|---|---|
| **1. Debt securities** | **64,051** | ***26,473*** | ***37,578*** | - | **56,163** |
| a) Governments and Central Banks | 51,964 | *22,266* | *29,698* | - | 42,310 |
| b) Other public entities | 275 | *161* | *114* | - | 611 |
| c) Banks | 7,883 | *2,932* | *4,951* | - | 8,178 |
| d) Other issuers | 3,929 | *1,114* | *2,815* | - | 5,064 |
| **2. Equities** | **2,907** | ***2,153*** | ***754*** | - | **3,791** |
| a) Banks | 336 | *286* | *50* | - | 893 |
| b) Other issuers | 2,571 | *1,867* | *704* | - | 2,898 |
| *- insurance companies* | *492* | *320* | *172* | - | *494* |
| *- financial institutions* | *531* | *524* | *7* | - | *347* |
| *- non-financial companies* | *1,548* | *1,023* | *525* | - | *2,056* |
| *- other* | - | - | - | - | *1* |
| **3. Quotas of UCI** | **1,782** | ***919*** | ***863*** | - | **1,625** |
| **4. Loans** | **37** | ***37*** | - | - | **33** |
| a) Governments and Central Banks | - | - | - | - | - |
| b) Other public entities | - | - | - | - | - |
| c) Banks | 10 | *10* | - | - | 10 |
| d) Other counterparties | 27 | *27* | - | - | 23 |
| **TOTAL** | **68,777** | ***29,582*** | ***39,195*** | - | **61,612** |

Equities issued by non-financial companies include several positions resulting from the conversion of loans for immaterial amounts.

### 4.3 Financial assets available for sale with specific hedges

(millions of euro)

| | 31.12.2011 | Of which: Banking group | Of which: Insurance companies | Of which: Other companies | 31.12.2010 |
|---|---|---|---|---|---|
| **1. Financial assets with specific fair value hedges** | **17,629** | ***17,551*** | ***78*** | - | **11,042** |
| a) Interest rate risk | 17,588 | *17,510* | *78* | - | 11,001 |
| b) Price risk | - | - | - | - | - |
| c) Foreign exchange risk | - | - | - | - | - |
| d) Credit risk | - | - | - | - | - |
| e) Various risks | 41 | *41* | - | - | 41 |
| **2. Financial assets with specific cash flow hedges** | - | - | - | - | - |
| a) Interest rate risk | - | - | - | - | - |
| b) Foreign exchange risk | - | - | - | - | - |
| c) Other | - | - | - | - | - |
| **TOTAL** | **17,629** | ***17,551*** | ***78*** | - | **11,042** |

### 4.4 Financial assets available for sale: annual changes

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **56,163** | **3,791** | **1,625** | **33** | **61,612** |
| **B. Increases** | **65,546** | **1,692** | **3,738** | **7** | **70,983** |
| B.1 purchases | 63,522 | 897 | 3,610 | 6 | 68,035 |
| *of which business combinations* | *118* | *13* | *3* | - | *134* |
| B.2 positive fair value differences | 992 | 163 | 15 | - | 1,170 |
| B.3 write-backs recognised in: | 436 | 12 | - | - | 448 |
| *- income statement* | - | *X* | - | - | - |
| *- shareholders' equity* | *436* | *12* | - | - | *448* |
| B.4 transfers from other portfolios | - | - | - | - | - |
| B.5 other changes | 596 | 620 | 113 | 1 | 1,330 |
| **C. Decreases** | **-57,658** | **-2,576** | **-3,581** | **-3** | **-63,818** |
| C.1 sales | -34,192 | -2,095 | -3,235 | - | -39,522 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | -19,357 | -26 | -264 | -3 | -19,650 |
| C.3 negative fair value differences | -2,938 | -171 | -45 | - | -3,154 |
| C.4 impairment losses recognised in: | -655 | -116 | -5 | - | -776 |
| *- income statement* | *-655* | *-116* | *-5* | - | *-776* |
| *- shareholders' equity* | - | - | - | - | - |
| C.5 transfers to other portfolios | - | - | - | - | - |
| C.6 other changes | -516 | -168 | -32 | - | -716 |
| **D. Final amount** | **64,051** | **2,907** | **1,782** | **37** | **68,777** |

### *4.4 Of which Banking group*

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **18,632** | **2,808** | **943** | **33** | **22,416** |
| **B. Increases** | **43,597** | **1,264** | **984** | **7** | **45,852** |
| B.1 purchases | 42,035 | 575 | 890 | 6 | 43,506 |
| *of which business combinations* | *118* | *13* | *3* | - | *134* |
| B.2 positive fair value differences | 776 | 150 | 12 | - | 938 |
| B.3 write-backs recognised in: | 436 | 12 | - | - | 448 |
| *- income statement* | - | *X* | - | - | - |
| *- shareholders' equity* | *436* | *12* | - | - | *448* |
| B.4 transfers from other portfolios | - | - | - | - | - |
| B.5 other changes | 350 | 527 | 82 | 1 | 960 |
| **C. Decreases** | **-35,756** | **-1,919** | **-1,008** | **-3** | **-38,686** |
| C.1 sales | -14,005 | -1,604 | -707 | - | -16,316 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | -19,319 | -26 | -264 | -3 | -19,612 |
| C.3 negative fair value differences | -1,770 | -135 | -31 | - | -1,936 |
| C.4 impairment losses recognised in: | -468 | -62 | -5 | - | -535 |
| *- income statement* | *-468* | *-62* | *-5* | - | *-535* |
| *- shareholders' equity* | - | - | - | - | - |
| C.5 transfers to other portfolios | - | - | - | - | - |
| C.6 other changes | -194 | -92 | -1 | - | -287 |
| **D. Final amount** | **26,473** | **2,153** | **919** | **37** | **29,582** |

### *4.4 Of which Insurance companies*

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans | Total |
|---|---|---|---|---|---|
| **A. Initial amount** | **37,531** | **983** | **682** | **-** | **39,196** |
| **B. Increases** | **21,949** | **428** | **2,754** | **-** | **25,131** |
| B.1 purchases | 21,487 | 322 | 2,720 | - | 24,529 |
| *of which business combinations* | - | - | - | - | - |
| B.2 positive fair value differences | 216 | 13 | 3 | - | 232 |
| B.3 write-backs recognised in | - | - | - | - | - |
| *- income statement* | - | *X* | - | - | - |
| *- shareholders' equity* | - | - | - | - | - |
| B.4 transfers from other portfolios | - | - | - | - | - |
| B.5 other changes | 246 | 93 | 31 | - | 370 |
| **C. Decreases** | **-21,902** | **-657** | **-2,573** | **-** | **-25,132** |
| C.1 sales | -20,187 | -491 | -2,528 | - | -23,206 |
| *of which business combinations* | - | - | - | - | - |
| C.2 reimbursements | -38 | - | - | - | -38 |
| C.3 negative fair value differences | -1,168 | -36 | -14 | - | -1,218 |
| C.4 impairment losses recognised in | -187 | -54 | - | - | -241 |
| *- income statement* | *-187* | *-54* | - | - | *-241* |
| *- shareholders' equity* | - | - | - | - | - |
| C.5 transfers to other portfolios | - | - | - | - | - |
| C.6 other changes | -322 | -76 | -31 | - | -429 |
| **D. Final amount** | **37,578** | **754** | **863** | **-** | **39,195** |

**Impairment tests for financial assets available for sale**

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.

The Intesa Sanpaolo Group's policy for managing impairment testing calls for the verification of the presence of impairment indicators and the determination of any losses.

The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and - for equities - external quantitative indicators deriving from the market values of the company.

Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. With respect to the second category, a significant or prolonged reduction in fair value below the initial recognition value is particularly important. Specifically, in relation to the initial recognition value, a fair value reduction of over 30% is considered “significant”, and a continuous reduction of over 24 months is considered a “prolonged” reduction. If one of these thresholds is exceeded, impairment of the security is carried out. If these thresholds are not exceeded but other impairment indicators are present, recognition of the impairment must also be corroborated by the result of specific analyses of the security and the investment.

The amount of the impairment is calculated with reference to the fair value of the financial asset.

The analyses performed identified the need to recognise impairment losses on several equity investments; the main write-downs regarded Acotel Group S.p.A. (8 million euro) and Milano Assicurazioni S.p.A. (6 million euro).

## SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

### 5.1 Investments held to maturity: breakdown

(millions of euro)

| | 31.12.2011 | | | | 31.12.2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 2,621 | 2,396 | - | - | 3,839 | 3,735 | - | - |
| *Structured securities* | - | - | - | - | *102* | *96* | - | - |
| *Other* | *2,621* | *2,396* | - | - | *3,737* | *3,639* | - | - |
| 2. Loans | - | - | - | - | - | - | - | - |
| **TOTAL** | **2,621** | **2,396** | **-** | **-** | **3,839** | **3,735** | **-** | **-** |

For the illustration of the criteria for the determination of the fair value reference should be made to Part A – Accounting policies.

### *5.1 Of which Banking group*

(millions of euro)

| | 31.12.2011 | | | | 31.12.2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 2,621 | 2,396 | - | - | 3,839 | 3,735 | - | - |
| *Structured securities* | - | - | - | - | *102* | *96* | - | - |
| *Other* | *2,621* | *2,396* | - | - | *3,737* | *3,639* | - | - |
| 2. Loans | - | - | - | - | - | - | - | - |
| **TOTAL** | **2,621** | **2,396** | **-** | **-** | **3,839** | **3,735** | **-** | **-** |

### 5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

| | 31.12.2011 | *Of which:* | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **1. Debt securities** | **2,621** | *2,621* | - | - | **3,839** |
| a) Governments and Central Banks | 2,127 | *2,127* | - | - | 3,289 |
| b) Other public entities | 11 | *11* | - | - | 31 |
| c) Banks | 259 | *259* | - | - | 255 |
| d) Other issuers | 224 | *224* | - | - | 264 |
| **2. Loans** | **-** | - | - | - | **-** |
| a) Governments and Central Banks | - | - | - | - | - |
| b) Other public entities | - | - | - | - | - |
| c) Banks | - | - | - | - | - |
| d) Other counterparties | - | - | - | - | - |
| **TOTAL** | **2,621** | *2,621* | - | - | **3,839** |
| **TOTAL FAIR VALUE** | **2,396** | *2,396* | - | - | **3,735** |

### 5.3 Investments held to maturity with specific hedges

As at 31 December 2011, no investments held to maturity with specific hedges were recorded.

### 5.4 Investments held to maturity: annual changes

(millions of euro)

| | Debt securities | Loans | Total |
|---|---|---|---|
| **A. Initial amount** | **3,839** | **-** | **3,839** |
| **B. Increases** | **96** | **-** | **96** |
| B.1 purchases | 84 | - | 84 |
| *of which business combinations* | *9* | - | *9* |
| B.2 write-backs | - | - | - |
| B.3 transfers from other portfolios | - | - | - |
| B.4 other changes | 12 | - | 12 |
| **C. Decreases** | **-1,314** | **-** | **-1,314** |
| C.1 sales | -7 | - | -7 |
| *of which business combinations* | - | - | - |
| C.2 reimbursements | -1,267 | - | -1,267 |
| C.3 impairment losses | -2 | - | -2 |
| C.4 transfers to other portfolios | - | - | - |
| C.5 other changes | -38 | - | -38 |
| **D. Final amount** | **2,621** | **-** | **2,621** |

### *5.4 Of which Banking group*

(millions of euro)

| | Debt securities | Loans | Total |
|---|---|---|---|
| **A. Initial amount** | **3,839** | **-** | **3,839** |
| **B. Increases** | **96** | **-** | **96** |
| B.1 purchases | 84 | - | 84 |
| *of which business combinations* | *9* | - | *9* |
| B.2 write-backs | - | - | - |
| B.3 transfers from other portfolios | - | - | - |
| B.4 other changes | 12 | - | 12 |
| **C. Decreases** | **-1,314** | **-** | **-1,314** |
| C.1 sales | -7 | - | -7 |
| *of which business combinations* | - | - | - |
| C.2 reimbursements | -1,267 | - | -1,267 |
| C.3 impairment losses | -2 | - | -2 |
| C.4 transfers to other portfolios | - | - | - |
| C.5 other changes | -38 | - | -38 |
| **D. Final amount** | **2,621** | **-** | **2,621** |

## SECTION 6 – DUE FROM BANKS – CAPTION 60

### 6.1 Due from banks: breakdown

(millions of euro)

| | 31.12.2011 | *Of which:* | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **A. Due from Central Banks** | **7,021** | *7,021* | - | - | **6,725** |
| 1. Time deposits | 970 | *970* | - | - | 1,701 |
| 2. Compulsory reserve | 5,706 | *5,706* | - | - | 4,878 |
| 3. Repurchase agreements | 311 | *311* | - | - | 66 |
| 4. Other | 34 | *34* | - | - | 80 |
| **B. Due from banks** | **28,844** | *27,723* | *1,121* | - | **36,012** |
| 1. Current accounts and deposits | 8,220 | *7,193* | *1,027* | - | 3,755 |
| 2. Time deposits | 1,848 | *1,848* | - | - | 4,820 |
| 3. Other loans | 13,431 | *13,431* | - | - | 21,816 |
| *3.1 Reverse repurchase agreements* | *6,687* | *6,687* | - | - | *12,063* |
| *3.2 Financial leases* | *7* | *7* | - | - | *4* |
| *3.3 Other* | *6,737* | *6,737* | - | - | *9,749* |
| 4. Debt securities | 5,345 | *5,251* | *94* | - | 5,621 |
| *4.1 Structured* | *178* | *178* | - | - | *42* |
| *4.2 Other* | *5,167* | *5,073* | *94* | - | *5,579* |
| **TOTAL (book value)** | **35,865** | ***34,744*** | ***1,121*** | - | **42,737** |
| **TOTAL (fair value)** | ***35,405*** | ***34,284*** | ***1,121*** | - | **42,539** |

Non-performing loans due from banks amounted to 69 million euro as at 31 December 2011 and 73 million euro as at 31 December 2010.

### 6.2 Due from banks with specific hedges

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **1. Due from banks with specific fair value hedges** | **429** | **1,045** |
| a) Interest rate risk | 429 | 1,045 |
| b) Foreign exchange risk | - | - |
| c) Credit risk | - | - |
| d) Various risks | - | - |
| **2. Due from banks with specific cash flow hedges** | **-** | **-** |
| a) Interest rate risk | - | - |
| b) Foreign exchange risk | - | - |
| c) Other | - | - |
| **TOTAL** | **429** | **1,045** |

### 6.3 Financial leases

Financial lease receivables included under Due from banks were immaterial as at 31 December 2011.

## SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

### 7.1 Loans to customers: breakdown

(millions of euro)

| | 31.12.2011 | | *Of which:* Banking group | | *Of which:* Insurance companies | | *Of which:* Other companies | | 31.12.2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Performing | Non-performing | *Performing* | *Non-performing* | *Performing* | *Non-performing* | *Performing* | *Non-performing* | Performing | Non-performing |
| 1. Current accounts | 33,832 | 2,776 | *33,782* | *2,776* | - | - | *50* | - | 30,689 | 2,532 |
| 2. Reverse repurchase agreements | 5,302 | - | *5,302* | - | - | - | - | - | 10,703 | - |
| 3. Mortgages | 164,845 | 10,669 | *164,845* | *10,669* | - | - | - | - | 166,230 | 9,388 |
| 4. Credit card loans, personal loans and transfer of one fifth of salaries | 15,664 | 686 | *15,664* | *686* | - | - | - | - | 15,010 | 668 |
| 5. Financial leases | 21,611 | 2,526 | *21,611* | *2,526* | - | - | - | - | 21,326 | 2,127 |
| 6. Factoring | 11,350 | 380 | *11,350* | *380* | - | - | - | - | 9,647 | 684 |
| 7. Other operations | 83,158 | 5,474 | *83,154* | *5,474* | *4* | - | - | - | 86,405 | 5,778 |
| 8. Debt securities | 18,286 | 185 | *17,128* | *185* | *36* | - | *1,122* | - | 18,017 | 31 |
| *8.1 Structured securities* | *8* | - | *8* | - | - | - | - | - | *104* | - |
| *8.2 Other debt securities* | *18,278* | *185* | *17,120* | *185* | *36* | - | *1,122* | - | *17,913* | *31* |
| **TOTAL (book value)** | **354,048** | **22,696** | ***352,836*** | ***22,696*** | ***40*** | - | ***1,172*** | - | **358,027** | **21,208** |
| **TOTAL (fair value)** | **347,642** | **22,696** | ***346,390*** | ***22,696*** | ***40*** | - | ***1,212*** | - | **356,547** | **21,208** |

Loans to customers include loans disbursed on public funds under administration for which the Bank holds the risk in the amount of 151 million euro.

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

### 7.2 Loans to customers: borrower/issuer breakdown

(millions of euro)

| | 31.12.2011 | | *Of which:* | | | | | | 31.12.2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | *Banking group* | | *Insurance companies* | | *Other companies* | | | |
| | Performing | Non-performing | *Performing* | *Non-performing* | *Performing* | *Non-performing* | *Performing* | *Non-performing* | Performing | Non-performing |
| **1. Debt securities** | **18,286** | **185** | ***17,128*** | ***185*** | ***36*** | **-** | ***1,122*** | **-** | **18,017** | **31** |
| a) Governments | 4,313 | - | *4,294* | - | *19* | - | - | - | 3,337 | - |
| b) Other public entities | 5,991 | - | *5,991* | - | - | - | - | - | 6,018 | - |
| c) Other issuers | 7,982 | 185 | *6,843* | *185* | *17* | - | *1,122* | - | 8,662 | 31 |
| *- non-financial companies* | *2,272* | *185* | *2,272* | *185* | - | - | - | - | *2,398* | *2* |
| *- financial institutions* | *5,229* | - | *4,107* | - | - | - | *1,122* | - | *5,741* | *29* |
| *- insurance companies* | *342* | - | *342* | - | - | - | - | - | *506* | - |
| *- other* | *139* | - | *122* | - | *17* | - | - | - | *17* | - |
| **2. Loans** | **335,762** | **22,511** | ***335,708*** | ***22,511*** | ***4*** | **-** | ***50*** | **-** | **340,010** | **21,177** |
| a) Governments | 11,334 | 1 | *11,333* | *1* | *1* | - | - | - | 11,452 | 1 |
| b) Other public entities | 13,729 | 237 | *13,729* | *237* | - | - | - | - | 12,846 | 216 |
| c) Other counterparties | 310,699 | 22,273 | *310,646* | *22,273* | *3* | - | *50* | - | 315,712 | 20,960 |
| *- non-financial companies* | *206,101* | *18,137* | *206,101* | *18,137* | - | - | - | - | *203,206* | *16,662* |
| *- financial institutions* | *17,515* | *375* | *17,465* | *375* | - | - | *50* | - | *27,179* | *541* |
| *- insurance companies* | *508* | - | *508* | - | - | - | - | - | *895* | - |
| *- other* | *86,575* | *3,761* | *86,572* | *3,761* | *3* | - | - | - | *84,432* | *3,757* |
| **TOTAL** | **354,048** | **22,696** | ***352,836*** | ***22,696*** | ***40*** | **-** | ***1,172*** | **-** | **358,027** | **21,208** |

### 7.3 Loans to customers with specific hedges

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **1. Loans to customers with specific fair value hedges** | **34,589** | **29,326** |
| a) Interest rate risk | 34,589 | 29,326 |
| b) Foreign exchange risk | - | - |
| c) Credit risk | - | - |
| d) Various risks | - | - |
| **2. Loans to customers with specific cash flow hedges** | **-** | **-** |
| a) Interest rate risk | - | - |
| b) Foreign exchange risk | - | - |
| c) Other | - | - |
| **TOTAL** | **34,589** | **29,326** |

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are hedged via cash flow hedges of floating rate funding represented by securities, to the extent to which this is used to finance fixed rate loans, or via specific fair value hedges.

### 7.4 Financial leases

(millions of euro)

| Time bands | 31.12.2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Explicit loans | Loans for assets to be leased | Minimum lease payments | | | Gross investment | |
| | | | Capital | *of which guaranteed residual value* | Interest | | *of which unguaranteed residual value* |
| Up to 3 months | 63 | 1,869 | 2,252 | *7* | 143 | 2,395 | *57* |
| Between 3 and 12 months | 76 | 20 | 2,840 | *23* | 427 | 3,267 | *164* |
| Between 1 and 5 years | 143 | 38 | 7,490 | *75* | 1,425 | 8,915 | *376* |
| Over 5 years | 33 | 17 | 8,992 | *29* | 1,468 | 10,460 | *317* |
| Unspecified maturity | 593 | - | - | *1* | - | - | - |
| **Total, gross** | **908** | **1,944** | **21,574** | ***135*** | **3,463** | **25,037** | ***914*** |
| Adjustments | -36 | 10 | -263 | - | -1 | -264 | - |
| *- individual* | *-37* | *2* | *-218* | - | *-1* | *-219* | - |
| *- collective* | *1* | *8* | *-45* | - | - | *-45* | - |
| **Total, net** | **872** | **1,954** | **21,311** | ***135*** | **3,462** | **24,773** | ***914*** |

## SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.
Derivatives are considered quoted only if traded on regulated markets.

### 8.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

| | Fair value 31.12.2011 | | | Notional value 31.12.2011 | Fair value 31.12.2010 | | | Notional value 31.12.2010 |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| **A) Financial derivatives** | **-** | **10,247** | **1** | **164,452** | **-** | **7,374** | **3** | **155,444** |
| 1) fair value | - | 10,197 | 1 | 158,787 | - | 7,355 | 3 | 147,363 |
| 2) cash flows | - | 50 | - | 5,665 | - | 19 | - | 8,081 |
| 3) foreign investments | - | - | - | - | - | - | - | - |
| **B) Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) fair value | - | - | - | - | - | - | - | - |
| 2) cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **10,247** | **1** | **164,452** | **-** | **7,374** | **3** | **155,444** |

### *8.1 Of which Banking group*

(millions of euro)

| | Fair value 31.12.2011 | | | Notional value 31.12.2011 | Fair value 31.12.2010 | | | Notional value 31.12.2010 |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| **A) Financial derivatives** | **-** | **10,208** | **1** | **162,449** | **-** | **7,374** | **3** | **155,444** |
| 1) fair value | - | 10,158 | 1 | 156,784 | - | 7,355 | 3 | 147,363 |
| 2) cash flows | - | 50 | - | 5,665 | - | 19 | - | 8,081 |
| 3) foreign investments | - | - | - | - | - | - | - | - |
| **B) Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) fair value | - | - | - | - | - | - | - | - |
| 2) cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **10,208** | **1** | **162,449** | **-** | **7,374** | **3** | **155,444** |

### *8.1 Of which Other companies*

As at 31 December 2011, 39 million euro was attributable to other companies (level 2 financial derivatives), with a notional amount of 2,003 million euro.

### 8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

| Operations/Type of hedge | Fair value | | | | | | Cash flows | | Foreign investments |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | | | | |
| | interest rate risk | foreign exchange risk | credit risk | price risk | various risks | Generic | Specific | Generic | |
| 1. Financial assets available for sale | - | 6 | - | - | - | X | - | X | X |
| 2. Loans | 616 | - | - | X | 4 | X | - | X | X |
| 3. Investments held to maturity | X | - | - | X | - | X | - | X | X |
| 4. Portfolio | X | X | X | X | X | - | X | 26 | X |
| 5. Other transactions | - | 24 | - | - | - | X | - | X | - |
| **Total assets** | **616** | **30** | **-** | **-** | **4** | **-** | **-** | **26** | **-** |
| 1. Financial liabilities | 6,899 | - | - | X | 655 | X | 39 | X | X |
| 2. Portfolio | X | X | X | X | X | 1,979 | X | - | X |
| **Total liabilities** | **6,899** | **-** | **-** | **-** | **655** | **1,979** | **39** | **-** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | - | X | X |
| 2. Financial assets and liabilities portfolio | X | X | X | X | X | - | X | - | - |

### *8.2 Of which Banking group*

(millions of euro)

| Operations/Type of hedge | Fair value | | | | | | Cash flows | | Foreign investments |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | Generic | Specific | Generic | |
| | interest rate risk | foreign exchange risk | credit risk | price risk | various risks | | | | |
| 1. Financial assets available for sale | - | 6 | - | - | - | X | - | X | X |
| 2. Loans | 616 | - | - | X | 4 | X | - | X | X |
| 3. Investments held to maturity | X | - | - | X | - | X | - | X | X |
| 4. Portfolio | X | X | X | X | X | - | X | 26 | X |
| 5. Other transactions | - | 24 | - | - | - | X | - | X | - |
| **Total assets** | **616** | **30** | **-** | **-** | **4** | **-** | **-** | **26** | **-** |
| 1. Financial liabilities | 6,899 | - | - | X | 655 | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | 1,979 | X | - | X |
| **Total liabilities** | **6,899** | **-** | **-** | **-** | **655** | **1,979** | **-** | **-** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | - | X | X |
| 2. Financial assets and liabilities portfolio | X | X | X | X | X | - | X | - | - |

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These refer to specific fair value hedges of liabilities issued and specific fair value hedges of loans and financial assets available for sale. Cash flow hedges mostly refer to floating rate securities used to fund fixed rate investments.

### *8.2 Of which Other companies*

As at 31 December 2011 the amounts pertaining to other companies for specific hedges of financial liabilities totalled 39 million euro.

## SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

### 9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

| | 31.12.2011 | *Of which:* | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **1. Positive fair value change** | **138** | *138* | - | - | **93** |
| 1.1. of specific portfolios | 138 | *138* | - | - | 93 |
| *a) loans* | *138* | *138* | - | - | *93* |
| *b) assets available for sale* | - | - | - | - | - |
| 1.2. overall | - | - | - | - | - |
| **2. Negative fair value change** | **-1** | *-1* | - | - | **-1** |
| 2.1. of specific portfolios | -1 | *-1* | - | - | -1 |
| *a) loans* | *-1* | *-1* | - | - | *-1* |
| *b) assets available for sale* | - | - | - | - | - |
| 2.2. overall | - | - | - | - | - |
| **TOTAL** | **137** | *137* | - | - | **92** |

### 9.2 Assets hedged by macrohedging of interest rate risk:

(millions of euro)

| Hedged assets | 31.12.2011 | 31.12.2010 |
|---|---|---|
| 1. Loans | 9,762 | 12,071 |
| 2. Assets available for sale | - | - |
| 3. Portfolio | 12,996 | 19,333 |
| **TOTAL** | **22,758** | **31,404** |

The figure refers to the nominal value of coupons on floating rate mortgages and securities hedged through fair value macrohedging for the period from the date in which the coupon is set to the date of payment. Taking advantage of the option that emerged in the definition of the IAS 39 carve out, the Group adopted the macrohedging, limited to coverage of core deposits.

## SECTION 10 – INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 100

### 10.1 Investments in companies subject to joint control (carried at equity) and in companies subject to significant influence: information on equity stakes

| | | Registered office | Type of relation-ship (a) | Investment | | Votes available % |
|---|---|---|---|---|---|---|
| | | | | Direct ownership | % held | |
| **A. COMPANIES SUBJECT TO JOINT CONTROL** | | | | | | |
| 1 | Allfunds Bank S.A.<br>Capital Euro 27,040,620 in shares of Euro 30 | Madrid | 7 | Intesa Sanpaolo | 50.00 | 50.00 |
| 2 | Augusto S.r.l.<br>Capital Euro 10,000 | Milano | 7 | Intesa Sanpaolo | 5.00 | 5.00 |
| 3 | Colombo S.r.l.<br>Capital Euro 10,000 | Milano | 7 | Intesa Sanpaolo | 5.00 | 5.00 |
| 4 | Diocleziano S.r.l.<br>Capital Euro 10,000 | Milano | 7 | Intesa Sanpaolo | 5.00 | 5.00 |
| 5 | Enerpoint Energy S.r.l.<br>Capital Euro 10,600,000 | Desio | 7 | Equiter | 50.00 | 50.00 |
| 6 | Eurotlx Sim S.p.A.<br>Capital Euro 5,000,000 in shares of Euro 1 | Milano | 7 | Banca Imi | 50.00 | 50.00 |
| 7 | Green Initiative Carbon Asset s (GICA) S.a.<br>Capital Chf 4,000,000 in shares of Chf 100 | Lugano | 7 | Equiter | 25.00 | 25.00 |
| 8 | Intesa Soditic Trade Finance Limited<br>Capital Usd 5,000,000 | London | 7 | Intesa Sanpaolo Holding International | 50.00 | 50.00 |
| 9 | Leonardo Technology S.p.A.<br>Capital Euro 160,000 | Milano | 7 | Intesa Sanpaolo | 25.00 | 25.00 |
| 10 | Manucor S.p.A.<br>Capital Euro 10,000,000 in shares of Euro 1 | Milano | 7 | Intesa Sanpaolo | 72.75 | 45.50 |
| 11 | Noverca Italia S.r.l.<br>Capital Euro 166,108 | Roma | 7 | Intesa Sanpaolo | 34.00 | 34.00 |
| 12 | PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management<br>Capital HRK 56,000,000 in shares of HRK 1,000 | Zagreb | 7 | Privredna Banka Zagreb | 50.00 | 50.00 |
| 13 | Shangai Sino-Italy Business Advisory Company Ltd<br>Capital USD 1,560,000 in shares of USD 1 | Shanghai | 7 | Intesa Sanpaolo | 40.00 | 40.00 |
| 14 | Vub Generali Dochodkova Spravcovska Spolocnost A.s.<br>Capital Euro 10,090,976 in shares of Euro 33,194 | Bratislava | 7 | Vseobecna Uverova Banka | 50.00 | 50.00 |
| **B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE** | | | | | | |
| 1 | A4 Holding S.p.A. (già Autostrada BS-VR-VI-PD S.p.A.)<br>Capital Euro 117,967,644.30 in shares of Euro 72.30 | Verona | 4 | Re Consult Infrastrutture<br>Equiter<br>Compagnia Italiana Finanziaria | 20.52<br>6.07<br>5.38 | 20.52<br>6.07<br>5.38 |
| 2 | Aeroporti Holding S.r.l.<br>Capital Euro 50,000,000 | Caselle Torinese | 4 | Equiter | 35.31 | 35.31 |
| 3 | AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l.<br>Capital Euro 350,000 | Milano | 4 | Intesa Sanpaolo | 42.86 | 42.86 |
| 4 | Alitalia - Compagnia Aerea Italiana S.p.A. (b)<br>Capital Euro 668,355,344 | Fiumicino | 4 | Intesa Sanpaolo | 10.01 | 10.01 |
| 5 | Ambienta Società di Gestione del Risparmio S.p.A.<br>Capital Euro 1,500,000 in shares of Euro 100 | Milano | 4 | Equiter | 20.00 | 20.00 |
| 6 | Autostrada Pedemontana Lombarda S.p.A.<br>Capital Euro 200,000,000 in shares of Euro 1,000 | Milano | 4 | Equiter<br>Banca Infrastrutture Innovazione e Sviluppo | 20.11<br>6.03 | 20.11<br>6.03 |
| 7 | Autostrade Lombarde S.p.A.<br>Capital Euro 178,669,687 in shares of Euro 1 | Bergamo | 4 | Intesa Sanpaolo | 39.71 | 39.71 |
| 8 | B.E.E. Sourcing S.p.A.<br>Capital Euro 351,900 in shares of Euro 1 | Spoleto | 4 | Intesa Sanpaolo<br>C.R. di Spoleto<br>C.R. di Foligno | 13.04<br>8.34<br>3.62 | 13.04<br>8.34<br>3.62 |
| 9 | B.E.E. Team S.p.A.<br>Capital Euro 20,537,247.25 in shares of Euro 0.30 | Roma | 4 | Imi Investimenti | 22.06 | 22.06 |
| 10 | Banca Impresa Lazio S.p.A.<br>Capital Euro 10,000,000 in shares of Euro 10,000 | Roma | 4 | Intesa Sanpaolo | 12.00 | 12.00 |
| 11 | Bank of Qingdao co. LTD<br>Capital CNY 2,555,980,000 | Qingdao | 4 | Intesa Sanpaolo | 20.00 | 20.00 |
| 12 | Cassa di Risparmio di Fermo S.p.A.<br>Capital Euro 39,241,087.50 in shares of Euro 51.65 | Fermo | 4 | Intesa Sanpaolo | 33.33 | 33.33 |
| 13 | Collegamento Ferroviario Genova-Milano S.p.A.<br>Capital Euro 120,000 in shares of Euro 1 | Genova | 4 | Banca Infrastrutture Innovazione e Sviluppo | 20.00 | 20.00 |

| | | Registered office | Type of relation-ship (a) | Investment Direct ownership | % held | Votes available % |
|---|---|---|---|---|---|---|
| 14 | Cr Firenze Mutui S.r.l.<br>Capital Euro 10,000 | Conegliano Veneto | 8 | C.R. di Firenze | 10.00 | 10.00 |
| 15 | Euromilano S.p.A.<br>Capital Euro 6,500,000 in shares of Euro 100 | Milano | 4 | Intesa Sanpaolo | 38.00 | 38.00 |
| 16 | Gcl Holdings L.P. S.a.r.l.<br>Capital Euro 51,995.00 | Luxembourg | 4 | Intesa Sanpaolo | 21.95 | 21.95 |
| 17 | I. Tre Iniziative Immobiliari Industriali S.p.A.<br>Capital Euro 510,000 in shares of Euro 0.51 | Rovigo | 4 | C.R. del Veneto | 20.00 | 20.00 |
| 18 | Iren S.p.A.<br>Capital Euro 1,276,225,677 in shares of Euro 1 | Torino | 4 | Equiter | 2.27 | 2.45 |
| 19 | Ism Investimenti S.p.A.<br>Capital Euro 5,000,000 in shares of Euro 1 | Mantova | 4 | Imi Investimenti | 28.57 | 28.57 |
| 20 | Italfondiario S.p.A.<br>Capital Euro 20,000,000 in shares of Euro 1 | Roma | 4 | Intesa Sanpaolo | 11.25 | 11.25 |
| 21 | Mandarin Capital Management S.A.<br>Capital Euro 271,000 | Luxembourg | 4 | Private Equity International | 20.00 | 20.00 |
| 22 | Mater-Bi S.p.A.<br>Capital Euro 14,560,000 in shares of Euro 0.52 | Milano | 4 | Intesa Sanpaolo | 34.48 | 34.48 |
| 23 | Mega International S.p.A.<br>Capital Euro 918,000 in shares of Euro 0.51 | Faenza | 4 | Neos Finance | 48.00 | 48.00 |
| 24 | Mezzanove Capital Management S.a.r.l.<br>Capital Euro 12,500 in shares of Euro 25 | Luxembourg | 4 | Private Equity International | 47.00 | 47.00 |
| 25 | Misr Alexandria for Financial Investments Mutual Fund Co.<br>Capital EGP 30,000,000 | Cairo | 4 | Bank of Alexandria | 25.00 | 25.00 |
| 26 | Misr International Towers Co.<br>Capital EGP 40,000,000 | Cairo | 4 | Bank of Alexandria | 27.86 | 27.86 |
| 27 | Nh Hoteles S.A.<br>Capital Euro 493,234,860 | Madrid | 4 | Private Equity International<br>Intesa Sanpaolo | 3.30<br>2.35 | 3.30<br>2.35 |
| 28 | Nh Italia S.r.l.<br>Capital Euro 233,846,717.53 | Milano | 4 | Intesa Sanpaolo | 44.50 | 44.50 |
| 29 | Noverca S.r.l.<br>Capital Euro 2,949,288.52 | Roma | 4 | Intesa Sanpaolo | 10.00 | 10.00 |
| 30 | Nuovo Trasporto Viaggiatori S.p.A.<br>Capital Euro 148,953,918 in shares of Euro 1 | Roma | 4 | Imi Investimenti | 20.00 | 20.00 |
| 31 | Obiettivo Nord - Est Sicav S.p.a.<br>Capital Euro 6,865,920.49 in shares of Euro 3.90 | Venezia Marghera | 4 | Intesa Sanpaolo | 22.74 | 22.74 |
| 32 | Penghua Fund Management Co. Ltd.<br>Capital CNY 150,000,000 in shares of CNY 1 | Shenzhen | 4 | Eurizon Capital SGR | 49.00 | 49.00 |
| 33 | Pietra S.r.l.<br>Capital Euro 40,000 | Milano | 4 | Intesa Sanpaolo | 22.22 | 22.22 |
| 34 | Pirelli & C. S.p.A.<br>Capital Euro 1,345,380,536.73 in shares of Euro 2.76 | Milano | 4 | Intesa Sanpaolo | 1.58 | 1.62 |
| 35 | Portocittà S.r.l.<br>Capital Euro 2,000,000 | Trieste | 4 | Banca Infrastrutture Innovazione e Sviluppo<br>C.R. del Friuli Venezia Giulia | 12.50<br>12.50 | 12.50<br>12.50 |
| 36 | Prelios S.p.A.<br>Capital Euro 420,585,888.50 in shares of Euro 0.50 | Milano | 4 | Intesa Sanpaolo | 0.91 | 0.91 |
| 37 | Prelios Sgr S.p.A.<br>Capital Euro 24,558,763 in shares of Euro 1 | Milano | 4 | Intesa Sanpaolo | 10.00 | 10.00 |
| 38 | R.C.N. Finanziaria S.p.A.<br>Capital Euro 32,135,988 in shares of Euro 0.50 | Mantova | 4 | Intesa Sanpaolo | 23.96 | 23.96 |
| 39 | Risanamento S.p.A.<br>Capital Euro 229,972,956.41 in shares of Euro 0.28 | Milano | 4 | Intesa Sanpaolo | 35.97 | 35.97 |
| 40 | Rizzoli Corriere della Sera MediaGroup S.p.A.<br>Capital Euro 762,019,050 in shares of Euro 1 | Milano | 4 | Intesa Sanpaolo | 4.83 | 5.02 |
| 41 | S.A.F.I. S.r.l.<br>Capital Euro 100,000 | Spinea | 4 | Centro Leasing | 20.00 | 20.00 |
| 42 | Sagat S.p.A.<br>Capital Euro 12,911,481 in shares of Euro 5.16 | Caselle Torinese | 4 | Equiter | 12.40 | 12.40 |

| | | Registered office | Type of relation-ship (a) | Investment Direct ownership | % held | Votes available % |
|---|---|---|---|---|---|---|
| 43 | SIA S.p.A. (già SIA - SSB S.p.A)<br>Capital Euro 22,091,286.62 in shares of Euro 0.13 | Milano | 4 | Intesa Sanpaolo | 30.64 | 30.64 |
| | | | | Banca Imi | 1.39 | 1.39 |
| | | | | C.R. di Firenze | 0.49 | 0.49 |
| | | | | Banca di Trento e Bolzano | 0.13 | 0.13 |
| | | | | C.R. Forlì e della Romagna | 0.04 | 0.04 |
| | | | | C.R. della Provincia di Viterbo | 0.03 | 0.03 |
| | | | | C.R. di Rieti | 0.03 | 0.03 |
| | | | | C.R. di Città di Castello | 0.02 | 0.02 |
| | | | | C.R. di Ascoli Piceno | 0.02 | 0.02 |
| | | | | C.R. di Terni e Narni | 0.02 | 0.02 |
| | | | | C.R. di Foligno | 0.02 | 0.02 |
| | | | | Banca Fideuram | 0.07 | 0.07 |
| | | | | Banca Monte Parma | 0.01 | 0.01 |
| | | | | C.R. di Spoleto | 0.01 | 0.01 |
| 44 | Slovak Banking Credit Bureau s.r.o.<br>Capital Euro 9,958.17 | Bratislava | 4 | Vseobecna Uverova Banka | 33.33 | 33.33 |
| 45 | Società di Progetto Autostrada Diretta Brescia Milano S.p.A.<br>Capital Euro 180,000,000 in shares of Euro 1 | Brescia | 4 | Banca Infrastrutture Innovazione e Sviluppo | 0.04 | 0.04 |
| 46 | Solar Express S.r.l.<br>Capital Euro 116,000 | Firenze | 4 | Intesa Sanpaolo | 40.00 | 40.00 |
| 47 | Sviluppo Industriale S.p.A.<br>Capital Euro 1,458,182.80 in shares of Euro 51.65 | Pistoia | 4 | C.R. di Pistoia e Pescia | 28.27 | 28.27 |
| 48 | Telco S.p.A.<br>Capital Euro 2,185,531,070.43 in shares of Euro 1.23 | Milano | 4 | Intesa Sanpaolo | 11.62 | 11.62 |
| 49 | Termomeccanica S.p.A.<br>Capital Euro 3,666,635.96 in shares of Euro 0.52 | La Spezia | 4 | Intesa Sanpaolo | 27.50 | 27.50 |
| 50 | Umbria Export Società Consortile a.r.l.<br>Capital Euro 108,500 | Perugia | 4 | C.R. di Foligno | 8.99 | 8.99 |
| | | | | C.R. di Terni e Narni | 8.99 | 8.99 |
| | | | | C.R. di Spoleto | 8.99 | 8.99 |
| | | | | C.R. di Città di Castello | 6.90 | 6.90 |
| 51 | Unimatica S.p.A.<br>Capital Euro  500,000 in shares of Euro 500 | Bologna | 4 | Infogroup | 25.00 | 25.00 |
| 52 | UPA Servizi S.p.A.<br>Capital Euro  1,504,278 in shares of Euro 1 | Padova | 4 | C.R. del Veneto | 44.32 | 44.32 |
| 53 | Varese Investimenti S.p.A.<br>Capital Euro 4,350,000 in shares of Euro 10 | Varese | 4 | Intesa Sanpaolo | 40.00 | 40.00 |
| 54 | Vendor Italia S.r.l.<br>Capital Euro 50,000 | Spinea | 4 | Centro Leasing | 20.00 | 20.00 |
| 55 | Cargoitalia S.p.A. in liquidation<br>Capital Euro 8,700,000 in shares of Euro 1 | Milano | 4 | Intesa Sanpaolo | 33.33 | 33.33 |
| 56 | Consorzio Bancario SIR S.p.A. in liquidation<br>Capital Euro 1,515,151.42 in shares of Euro 0.01 | Roma | 4 | Intesa Sanpaolo | 32.86 | 32.86 |
| | | | | Banca di Credito Sardo | 5.63 | 5.63 |
| 57 | Europrogetti e Finanza S.p.A. in liquidation<br>Capital Euro 5,636,400 in shares of  Euro 0.30 | Roma | 4 | Intesa Sanpaolo | 15.97 | 15.97 |
| 58 | Impianti S.r.l. in liquidation<br>Capital Euro 92,952 | Milano | 4 | Intesa Sanpaolo | 26.27 | 26.27 |
| | | | | Banca di Trento e Bolzano | 1.69 | 1.69 |
| 59 | Società Gestione per il Realizzo S.p.A.in liquidation<br>Capital Euro 2,946,459 in shares of Euro 0.10 | Roma | 4 | Intesa Sanpaolo | 38.33 | 38.33 |
| | | | | Banca Fideuram | 0.63 | 0.63 |
| | | | | C.R. di Firenze | 0.42 | 0.42 |
| | | | | C.R. di Civitavecchia | 0.16 | 0.16 |
| 60 | United Valves Co. (Butterfly) in liquidation<br>Capital EGP 5,000,000 in shares of EGP 500 | Cairo | 4 | Bank of Alexandria | 25.00 | 25.00 |

(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 - companies subject to significant influence;
5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/92";
7 - joint control;
8 - majority of risks and benefits (SIC 12).

(b) Note that the figure for the parent company includes the value of Alitalia, held since October 2008 (representing a 1.15% stake)

The illustration of the criteria and the methods for the definition of the consolidation area and the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

## 10.2 Investments in companies subject to joint control and companies subject to significant influence: financial highlights

(millions of euro)

| | Total assets | Revenues | Net income (loss) | Shareholders' equity | Book value | Fair value |
|---|---|---|---|---|---|---|
| **A. COMPANIES CARRIED AT EQUITY** | | | | | | |
| **A.1. Subject to joint control** | | | | | **128** | |
| Allfunds Bank S.A. | 320 | 255 | 21 | 127 | 88 | - |
| Augusto S.r.l. | - | - | - | - | - | - |
| Colombo S.r.l. | - | - | - | - | - | - |
| Diocleziano S.r.l. | - | - | - | - | - | - |
| Enerpoint Energy S.r.l. | 16 | 2 | - | 9 | 6 | - |
| Eurotlx Sim S.p.A. | 9 | 6 | 1 | 6 | 3 | - |
| Green Initiative Carbon Asset s (GICA) S.a. | 3 | 1 | -1 | 2 | - | - |
| Intesa Soditic Trade Finance Ltd. | 5 | 1 | - | 5 | 2 | - |
| Leonardo Technology S.p.A. | 155 | 40 | -1 | 15 | 4 | - |
| Manucor S.p.A. | 128 | 145 | - | 16 | 7 | - |
| Noverca Italia S.r.l. | 34 | 3 | - | 19 | 2 | - |
| PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management | 19 | 8 | 4 | 18 | 9 | - |
| Shangai Sino-Italy Business Advisory Company Ltd | - | - | - | - | - | - |
| Vub Generali Dochodkova Spravcovska Spolocnost A.s. | 15 | 4 | 2 | 14 | 7 | - |
| **A.2. Investments in associates** | | | | | **1,853** | |
| A4 Holding S.p.A. (già Autostrada BS-VR-VI-PD S.p.A.) | 1,561 | 508 | - | 377 | 362 | - |
| Aeroporti Holding S.r.l. | 54 | - | - | 53 | 20 | - |
| AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l. | - | - | - | - | - | - |
| Alitalia - Compagnia Aerea Italiana S.p.A. | 2,856 | 3,408 | -83 | 455 | 75 | - |
| Ambienta Società di Gestione del Risparmio S.p.A. | 3 | 5 | - | 2 | - | - |
| Autostrada Pedemontana Lombarda S.p.A. | 228 | 2 | -4 | 189 | 57 | - |
| Autostrade Lombarde S.p.A. | 281 | - | -1 | 220 | 94 | - |
| B.E.E. Sourcing S.p.A. | 27 | 22 | - | 4 | 1 | - |
| B.E.E. Team S.p.A. | 119 | 45 | - | 31 | 9 | 5 |
| Banca Impresa Lazio S.p.A. | 59 | 3 | - | 7 | 1 | - |
| Bank Of Qingdao Co. LTD | 9,443 | 428 | 82 | 853 | 218 | - |
| Cassa di Risparmio di Fermo S.p.A. | 1,429 | 37 | 4 | 150 | 50 | - |
| Collegamento Ferroviario Genova-Milano S.p.A. | - | - | - | - | - | - |
| Cr Firenze Mutui S.r.l. | - | - | - | - | - | - |
| Euromilano S.p.A. | 137 | 6 | -5 | 31 | 13 | - |
| Gcl Holdings L.P. S.a.r.l. | 835 | 315 | -11 | 207 | 46 | - |
| I. Tre Iniziative Immobiliari Industriali S.p.A. | 10 | 3 | - | 1 | - | - |
| Iren S.p.A. | 6,870 | 2,417 | 95 | 1,835 | 40 | 21 |
| Ism Investimenti S.p.A. | 94 | - | -1 | 45 | 13 | - |
| Italfondiario S.p.A. | 71 | 24 | -3 | 35 | 3 | - |
| Manadarin Capital Management S.A. | 6 | 8 | 1 | 5 | 1 | - |
| Mater-Bi S.p.A. | 78 | 90 | -1 | 24 | 8 | - |
| Mega International S.p.A. | - | - | - | - | - | - |
| Mezzanove Capital Management S.a.r.l. | 1 | 1 | - | - | - | - |
| Misr Alexandria for Financial Investments Mutual Fund Co. | 16 | 1 | 1 | 16 | 4 | - |
| Misr International Towers Co. | 20 | 2 | 1 | 18 | 5 | - |
| Nh Hoteles S.A. | 3,306 | 728 | 22 | 1,154 | 79 | 30 |
| Nh Italia S.r.l. | 918 | 62 | -15 | 352 | 166 | - |
| Noverca S.r.l. | 34 | 1 | - | 26 | - | - |
| Nuovo Trasporto Viaggiatori S.p.A. | 350 | 5 | -14 | 190 | 45 | - |
| Obiettivo Nord - Est Sicav S.p.a. | 7 | - | - | 7 | 1 | - |
| Penghua Fund Management Co. Ltd. | 128 | 65 | 23 | 98 | 102 | - |
| Pietra S.r.l. | 29 | - | - | 24 | 5 | - |
| Pirelli & C. S.p.A. | 6,499 | 4,468 | 255 | 2,026 | 31 | 50 |
| Portocittà S.r.l. | 3 | - | - | 2 | - | - |
| Prelios S.p.A. | 1,208 | 179 | -153 | 456 | 4 | 1 |
| Prelios Sgr S.p.A. | 61 | 16 | 6 | 44 | 20 | - |

(millions of euro)

| | Total assets | Revenues | Net income (loss) | Shareholders' equity | Book value | Fair value |
|---|---|---|---|---|---|---|
| R.C.N. Finanziaria S.p.A. | - | - | - | - | - | - |
| Risanamento S.p.A. (a) | - | - | - | - | 58 | 25 |
| Rizzoli Corriere della Sera MediaGroup S.p.A. | 3,225 | 1,044 | -20 | 975 | 44 | 25 |
| S.A.F.I. S.r.l. | 1 | - | - | 1 | - | - |
| Sagat S.p.A. | 174 | 67 | 4 | 64 | 18 | - |
| SIA S.p.A. (formerly SIA - SSB S.p.A.) | 250 | 357 | -9 | 121 | 67 | - |
| Slovak Banking Credit Bureau s.r.o. | 1 | 1 | - | - | - | - |
| Società di Progetto Autostrada Diretta Brescia Milano S.p.A.(a) | 245 | - | - | 165 | - | - |
| Solar Express S.r.l. | 6 | 1 | - | 5 | 2 | - |
| Sviluppo Industriale S.p.A. | 2 | - | - | 1 | - | - |
| Telco S.p.A. | 5,410 | 160 | -34 | 2,110 | 141 | - |
| Termomeccanica S.p.A. | 335 | 184 | 1 | 96 | 22 | - |
| Umbria Export Società Consortile a.r.l. | - | - | - | - | - | - |
| Unimatica S.p.A. | 3 | 2 | - | 1 | - | - |
| UPA Servizi S.p.A. | 13 | 14 | - | 6 | 3 | - |
| Varese Investimenti S.p.A. | 4 | - | - | 4 | 2 | - |
| Vendor Italia S.r.l. (a) | - | - | - | - | - | - |
| Cargoitalia S.p.A. in liquidation | 65 | 53 | -10 | 9 | - | - |
| Consorzio Bancario SIR S.p.A. in liquidation | - | - | - | -1 | - | - |
| Europrogetti e Finanza S.p.A. in liquidation | 7 | 1 | - | -9 | - | - |
| Impianti S.r.l. in liquidation | - | - | - | -2 | - | - |
| Società Gestione per il Realizzo S.p.A. in liquidation | 63 | 53 | 53 | 57 | 23 | - |
| United Valves Co. (Butterfly) in liquidation | - | - | - | - | - | - |
| **Total companies carried at equity** | | | | | **1,981** | **-** |
| Banca d'Italia | | | | | 624 | |
| Other minority interests (b) | | | | | 25 | |
| **Total** | | | | | **2,630** | |

a) Newly incorporated/acquired company

b) Mostly includes marginal companies: i) in liquidation and/or terminating activities and ii) start-ups or subsidiaries consolidated at equity due to immateriality, with no balance sheet.

## 10.3 Investments in associates and companies subject to joint control: annual changes

(millions of euro)

| | 31.12.2011 | *Of which:* Banking group | Insurance companies | Other companies | 31.12.2010 |
|---|---|---|---|---|---|
| **A. Initial amount** | **2,716** | *2,401* | - | *315* | **3,059** |
| **B. Increases** | **379** | *332* | - | *47* | **769** |
| B.1 purchases | 242 | *196* | - | *46* | 360 |
| *of which business combinations* | - | - | | | - |
| B.2 write-backs | - | - | - | - | - |
| B.3 revaluations | 118 | *118* | - | - | 354 |
| B.4 other changes | 19 | *18* | - | *1* | 55 |
| **C. Decreases** | **-465** | *-465* | - | - | **-1,112** |
| C.1 sales | -26 | *-26* | - | - | -23 |
| C.2 impairment losses (a) | -345 | *-345* | - | - | -68 |
| C.3 other changes | -94 | *-94* | - | - | -1,021 |
| **D. Final amount** | **2,630** | *2,268* | - | *362* | **2,716** |
| **E. Total revaluations** | **1,842** | *1,842* | - | - | **1,725** |
| **F. Total impairment losses** | **906** | *906* | - | - | **561** |

(a) includes - 55 million due to losses on investments in associates and companies subject to joint control carried at equity.

### 10.4 Commitments referred to investments in companies subject to joint control

As at 31 December 2011 there were no particularly significant commitments referred to companies subject to joint control.

### 10.5 Commitments referred to investments in companies subject to significant influence

As at 31 December 2011 there were no particularly significant commitments referred to companies subject to significant influence.

### Impairment tests of investments

As required under IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.
With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of insolvency proceedings or restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets, or by a carrying value of the investment in the separate financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected the recoverable amount, represented by the higher between the fair value less costs to sell and the value in use, is calculated and if it proves lower than the carrying value, impairment is recognised.
In particular, given the fact that impairment indicators relative to prices lower than the unit carrying values were recorded with respect to certain investments, "fundamental" analyses were carried out based on an estimation of expected discounted cash flows. The results of these assessments led to the recognition of impairment losses. The most significant amounts pertained to the investment in Telco S.p.A. for 251 million euro and in Rizzoli Corriere della Sera Mediagroup S.p.A for 14 million euro.
In terms of the differences between the market values and the "fundamental" values provided by the values in use, reference is made to the considerations on impairment testing of goodwill in the relative chapter of these Notes to the consolidated financial statements. Furthermore, the estimate of cash flows and discounting rates in the assessment of equity investments was also carried out on a prudential basis.

## SECTION 11 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES –CAPTION 110

### 11.1 Technical insurance reserves reassured with third parties: breakdown

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **A. Non-life business** | **10** | **16** |
| A.1 premiums reserves | 6 | 10 |
| A.2 claims reserves | 4 | 6 |
| A.3 other reserves | - | - |
| **B. Life business** | **5** | **11** |
| B.1 mathematical reserves | 4 | 11 |
| B.2 reserves for amounts to be disbursed | 1 | - |
| B.3 other reserves | - | - |
| **C. Technical reserves for investment risks to be borne by the insured** | - | - |
| C.1 reserves for contracts with disbursements connected with investment funds and market indices | - | - |
| C.2 reserves from pension fund management | - | - |
| **D. Total insurance reserves carried by reinsurers** | **15** | **27** |

### 11.2 Change in caption 110 Technical insurance reserves reassured with third parties

Technical insurance reserves reassured with third parties recorded no significant changes during the year as at 31 December 2011.

## SECTION 12 – PROPERTY AND EQUIPMENT – CAPTION 120

### 12.1 Property and equipment: breakdown of assets measured at cost

(millions of euro)

| | 31.12.2011 | Of which: | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **A. Property and equipment used in operations** | | | | | |
| 1.1 owned | 4,977 | *4,942* | *31* | *4* | 5,000 |
| *a) land* | *1,469* | *1,447* | *22* | *-* | *1,465* |
| *b) buildings* | *2,694* | *2,686* | *8* | *-* | *2,697* |
| *c) furniture* | *302* | *300* | *1* | *1* | *298* |
| *d) electronic equipment* | *421* | *420* | *-* | *1* | *450* |
| *e) other* | *91* | *89* | *-* | *2* | *90* |
| 1.2 acquired under finance lease | 19 | *19* | *-* | *-* | 20 |
| *a) land* | *7* | *7* | *-* | *-* | *7* |
| *b) buildings* | *9* | *9* | *-* | *-* | *10* |
| *c) furniture* | *-* | *-* | *-* | *-* | *-* |
| *d) electronic equipment* | *-* | *-* | *-* | *-* | *-* |
| *e) other* | *3* | *3* | *-* | *-* | *3* |
| **Total A** | **4,996** | *4,961* | *31* | *4* | **5,020** |
| **B. Investment property** | | | | | |
| 2.1 owned | 540 | *302* | *-* | *238* | 435 |
| *a) land* | *93* | *69* | *-* | *24* | *114* |
| *b) buildings* | *447* | *233* | *-* | *214* | *321* |
| 2.2 acquired under finance lease | - | *-* | *-* | *-* | - |
| *a) land* | *-* | *-* | *-* | *-* | *-* |
| *b) buildings* | *-* | *-* | *-* | *-* | *-* |
| **Total B** | **540** | *302* | *-* | *238* | **435** |
| **TOTAL (A + B)** | **5,536** | *5,263* | *31* | *242* | **5,455** |

### 12.2 Property and equipment: breakdown of assets measured at fair value or revalued

Not applicable to the Group.

### 12.3 Property and equipment used in operations: annual changes

(millions of euro)

| | Land | Buildings | Furniture | Electronic equipment | Other | Total |
|---|---|---|---|---|---|---|
| **A. Gross initial carrying amount** | **1,476** | **3,980** | **946** | **2,764** | **405** | **9,571** |
| A.1 Total net adjustments | -4 | -1,273 | -648 | -2,314 | -312 | -4,551 |
| **A.2 Net initial carrying amount** | **1,472** | **2,707** | **298** | **450** | **93** | **5,020** |
| **B. Increases** | **44** | **223** | **62** | **168** | **155** | **652** |
| B.1 Purchases | 29 | 80 | 57 | 161 | 114 | 441 |
| *of which business combinations* | *29* | *29* | *3* | - | *2* | *63* |
| B.2 Capitalised improvement costs | - | 85 | - | - | - | 85 |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Positive fair value differences recognised in: | - | - | - | - | - | - |
| *a) shareholders' equity* | - | - | - | - | - | - |
| *b) income statement* | - | - | - | - | - | - |
| B.5 Positive foreign exchange differences | - | - | - | 2 | - | 2 |
| B.6 Transfer from investment property | 1 | 5 | - | - | - | 6 |
| B.7 Other changes | 14 | 53 | 5 | 5 | 41 | 118 |
| **C. Decreases** | **-40** | **-227** | **-58** | **-197** | **-154** | **-676** |
| C.1 Sales | -34 | -66 | -3 | -4 | -35 | -142 |
| *of which business combinations* | - | - | - | - | - | - |
| C.2 Depreciation | - | -115 | -50 | -182 | -22 | -369 |
| C.3 Impairment losses recognised in: | -1 | -1 | - | -3 | - | -5 |
| *a) shareholders' equity* | - | - | - | - | - | - |
| *b) income statement* | *-1* | *-1* | - | *-3* | - | *-5* |
| C.4 Negative fair value differences recognised in: | - | - | - | - | - | - |
| *a) shareholders' equity* | - | - | - | - | - | - |
| *b) income statement* | - | - | - | - | - | - |
| C.5 Negative foreign exchange differences | - | - | - | - | - | - |
| C.6 Transfer to: | -1 | -4 | - | -3 | -2 | -10 |
| *a) investment property* | *-1* | *-2* | - | - | - | *-3* |
| *b) non-current assets held for sale and discontinued operations* | - | *-2* | - | *-3* | *-2* | *-7* |
| C.7 Other changes | -4 | -41 | -5 | -5 | -95 | -150 |
| **D. Net final carrying amount** | **1,476** | **2,703** | **302** | **421** | **94** | **4,996** |
| D.1 Total net adjustments | 5 | 1,389 | 698 | 2,499 | 334 | 4,925 |
| **D.2 Gross final carrying amount** | **1,481** | **4,092** | **1,000** | **2,920** | **428** | **9,921** |
| **E. Measurement at cost** | **-** | **-** | **-** | **-** | **-** | **-** |

### *12.3 Of which Banking group*

(millions of euro)

| | Land | Buildings | Furniture | Electronic equipment | Other | Total |
|---|---|---|---|---|---|---|
| **A. Gross initial carrying amount** | **1,454** | **3,966** | **945** | **2,761** | **400** | **9,526** |
| A.1 Total net adjustments | -4 | -1,268 | -647 | -2,313 | -309 | -4,541 |
| **A.2 Net initial carrying amount** | **1,450** | **2,698** | **298** | **448** | **91** | **4,985** |
| **B. Increases** | **44** | **223** | **59** | **168** | **155** | **649** |
| B.1 Purchases | 29 | 80 | 56 | 161 | 114 | 440 |
| *of which business combinations* | *29* | *29* | *3* | *-* | *2* | *63* |
| B.2 Capitalised improvement costs | - | 85 | - | - | - | 85 |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Positive fair value differences recognised in | - | - | - | - | - | - |
| *a) shareholders' equity* | - | - | - | - | - | - |
| *b) income statement* | - | - | - | - | - | - |
| B.5 Positive foreign exchange differences | - | - | - | 2 | - | 2 |
| B.6 Transfer from investment property | 1 | 5 | - | - | - | 6 |
| B.7 Other changes | 14 | 53 | 3 | 5 | 41 | 116 |
| **C. Decreases** | **-40** | **-226** | **-57** | **-196** | **-154** | **-673** |
| C.1 Sales | -34 | -66 | -3 | -4 | -35 | -142 |
| *of which business combinations* | - | - | - | - | - | - |
| C.2 Depreciation | - | -114 | -50 | -182 | -22 | -368 |
| C.3 Impairment losses recognised in | -1 | -1 | - | -3 | - | -5 |
| *a) shareholders' equity* | - | - | - | - | - | - |
| *b) income statement* | *-1* | *-1* | - | *-3* | - | *-5* |
| C.4 Negative fair value differences recognised in | - | - | - | - | - | - |
| *a) shareholders' equity* | - | - | - | - | - | - |
| *b) income statement* | - | - | - | - | - | - |
| C.5 Negative foreign exchange differences | - | - | - | - | - | - |
| C.6 Transfer to | -1 | -4 | - | -3 | -2 | -10 |
| *a) investment property* | *-1* | *-2* | - | - | - | *-3* |
| *b) non-current assets held for sale and discontinued operations* | - | *-2* | - | *-3* | *-2* | *-7* |
| C.7 Other changes | -4 | -41 | -4 | -4 | -95 | -148 |
| **D. Net final carrying amount** | **1,454** | **2,695** | **300** | **420** | **92** | **4,961** |
| D.1 Total net adjustments | 5 | 1,383 | 697 | 2,498 | 331 | 4,914 |
| **D.2 Gross final carrying amount** | **1,459** | **4,078** | **997** | **2,918** | **423** | **9,875** |
| **E. Measurement at cost** | **-** | **-** | **-** | **-** | **-** | **-** |

### *12.3 Of which Insurance companies*

As at 31 December 2011, 31 million euro was attributable to insurance companies, of which 8 million euro was attributable to buildings, 22 million euro to land and 1 million euro to furniture.

### *12.3 Of which Other companies*

As at 31 December 2011, 4 million euro was attributable to other companies, of which 1 million euro was attributable to electronic equipment, 1 million euro to furniture and 2 million euro to other property, equipment and intangible assets.

### 12.4 Investment property: annual changes

(millions of euro)

| | Total | | *Of which:* | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | *Banking group* | | *Insurance companies* | | *Other companies* | |
| | Land | Buildings | *Land* | *Buildings* | *Land* | *Buildings* | *Land* | *Buildings* |
| **A. Gross initial carrying amount** | **114** | **321** | *105* | *189* | - | - | *9* | *132* |
| **B. Increases** | **26** | **250** | *4* | *139* | - | - | *22* | *111* |
| B.1 Purchases | 19 | 113 | - | *2* | - | - | *19* | *111* |
| *of which business combinations* | - | *2* | - | *2* | - | - | - | - |
| B.2 Capitalised improvement costs | - | - | - | - | - | - | - | - |
| B.3 Positive fair value differences | - | - | - | - | - | - | - | - |
| B.4 Write-backs | - | - | - | - | - | - | - | - |
| B.5 Positive foreign exchange differences | - | - | - | - | - | - | - | - |
| B.6 Transfer from property used in operations | 1 | 2 | *1* | *2* | - | - | - | - |
| B.7 Other changes | 6 | 135 | *3* | *135* | - | - | *3* | - |
| **C. Decreases** | **-47** | **-124** | *-40* | *-95* | - | - | *-7* | *-29* |
| C.1 Sales | -2 | -64 | *-2* | *-62* | - | - | - | *-2* |
| *of which business combinations* | - | - | - | - | - | - | - | - |
| C.2 Depreciation | - | -3 | - | *-3* | - | - | - | - |
| C.3 Negative fair value differences | - | - | - | - | - | - | - | - |
| C.4 Impairment losses | - | -4 | - | *-4* | - | - | - | - |
| C.5 Negative foreign exchange differences | - | - | - | - | - | - | - | - |
| C.6 Transfer to other assets | -1 | -5 | *-1* | *-5* | - | - | - | - |
| *a) property used in operations* | *-1* | *-5* | *-1* | *-5* | - | - | - | - |
| *b) non-current assets held for sale and discontinued operations* | - | - | - | - | - | - | - | - |
| C.7 Other changes | -44 | -48 | *-37* | *-21* | - | - | *-7* | *-27* |
| **D. Final carrying amount** | **93** | **447** | *69* | *233* | - | - | *24* | *214* |
| **E. Fair value measurement** | **93** | **451** | *69* | *237* | - | - | *24* | *214* |

### 12.5 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2011 came to approximately 251 million euro and mostly referred to the construction of the New Headquarters in Torino.

## SECTION 13 – INTANGIBLE ASSETS - CAPTION 130

### 13.1 Intangible assets: breakdown by type of asset

(millions of euro)

| | 31.12.2011 | | *Of which:* | | | | | | 31.12.2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | *Banking group* | | *Insurance companies* | | *Other companies* | | | |
| | Finite useful life | Indefinite useful life | Finite useful life | Indefinite useful life | Finite useful life | Indefinite useful life | Finite useful life | Indefinite useful life | Finite useful life | Indefinite useful life |
| **A.1 Goodwill** | **X** | **8,689** | *X* | *7,539* | *X* | *1,142* | *X* | *8* | **X** | **19,217** |
| A.1.1 Group | x | 8,689 | *x* | *7,539* | *x* | *1,142* | *x* | *8* | x | 19,217 |
| A.1.2 Minority interests | x | - | *x* | - | *x* | - | *x* | - | x | - |
| **A.2 Other intangible assets** | **3,968** | **2,384** | *3,534* | *2,384* | *434* | - | - | - | **4,389** | **2,384** |
| A.2.1 Assets measured at cost | 3,968 | 2,384 | *3,534* | *2,384* | *434* | - | - | - | 4,389 | 2,384 |
| *a) Internally generated intangible assets* | *501* | - | *501* | - | - | - | - | - | *387* | - |
| *b) Other assets* | *3,467* | *2,384* | *3,033* | *2,384* | *434* | - | - | - | *4,002* | *2,384* |
| A.2.2 Assets measured at fair value | - | - | - | - | - | - | - | - | - | - |
| *a) Internally generated intangible assets* | - | - | - | - | - | - | - | - | - | - |
| *b) Other assets* | - | - | - | - | - | - | - | - | - | - |
| **Total** | **3,968** | **11,073** | *3,534* | *9,923* | *434* | *1,142* | - | *8* | **4,389** | **21,601** |

With regard to the recognition methods for Goodwill and Other intangible assets, reference should be made to Part A - Accounting policies. For a description of transactions performed in 2011 reference should instead be made to Part G - Business combinations.

Other intangible assets with a finite useful life include 3,243 million euro in intangibles recognised in relation to business combinations. Of these, 975 million euro refer to intangibles linked to asset management, 421 million euro to the value of the insurance policy portfolio and 1,847 million euro to core deposits. The other internally generated intangible assets refer essentially to software.

Other intangible assets with an indefinite useful life refer to the brand name, recognised on acquisition of the former Sanpaolo IMI Group.

The allocation of goodwill between "Cash Generating Units" is reported in the following table.

(millions of euro)

| CGUs/Goodwill | 31.12.2011 | 31.12.2010 restated | 31.12.2010 |
|---|---|---|---|
| Banca dei Territori | 5,039 | 11,727 | 11,727 |
| Corporate and Investment Banking | 867 | 3,198 | 3,177 |
| Public Finance [(1)] | - | - | 21 |
| Eurizon Capital | 1,038 | 1,411 | 1,411 |
| Banca Fideuram | 1,002 | 1,002 | 1,002 |
| International Subsidiary Banks | 743 | 864 | 1,879 |
| Bank of Alexandria (Egypt) [(2)] | - | 1,015 | |
| Pravex Bank (Ukraine) | - | - | - |
| **Total** | **8,689** | **19,217** | **19,217** |

[(1)] The Public Finance CGU was merged into the Corporate and Investment Banking CGU after revision of the organisational structure.

[(2)] Bank of Alexandria was treated separately from the International Subsidiary Banks CGU.

### 13.2 Intangible assets: annual changes

(millions of euro)

| | Goodwill | Other intangible assets: internally generated | | Other intangible assets: other | | Total |
|---|---|---|---|---|---|---|
| | | Finite useful life | Indefinite useful life | Finite useful life | Indefinite useful life | |
| **A. Gross initial carrying amount** | **20,478** | **1,640** | **-** | **7,741** | **2,384** | **32,243** |
| A.1 Total net adjustments | -1,261 | -1,253 | - | -3,739 | - | -6,253 |
| **A.2 Net initial carrying amount** | **19,217** | **387** | **-** | **4,002** | **2,384** | **25,990** |
| **B. Increases** | **152** | **288** | **-** | **118** | **-** | **558** |
| B.1 Purchases | 88 | - | - | 118 | - | 206 |
| *of which business combinations* | *88* | - | - | *11* | - | *99* |
| B.2 Increases of internally generated intangible assets | X | 288 | - | - | - | 288 |
| B.3 Write-backs | X | - | - | - | - | - |
| B.4 Positive fair value differences recognised in | - | - | - | - | - | - |
| - shareholders' equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| B.5 Positive foreign exchange differences | - | - | - | - | - | - |
| B.6 Other changes | 64 | - | - | - | - | 64 |
| **C. Decreases** | **-10,680** | **-174** | **-** | **-653** | **-** | **-11,507** |
| C.1 Sales | -255 | - | - | -102 | - | -357 |
| *of which business combinations* | *-255* | - | - | *-102* | - | *-357* |
| C.2 Impairment losses | -10,317 | -173 | - | -550 | - | -11,040 |
| - Amortisation | X | -173 | - | -549 | - | -722 |
| - Write-downs recognised in | -10,317 | - | - | -1 | - | -10,318 |
| *shareholders' equity* | *X* | - | - | - | - | - |
| *income statement* | *-10,317* | - | - | *-1* | - | *-10,318* |
| C.3 Negative fair value differences recognised in | - | - | - | - | - | - |
| - shareholders' equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| C.4 Transfer to non-current assets held for sale and discontinued operations | - | - | - | - | - | - |
| C.5 Negative foreign exchange differences | -8 | - | - | - | - | -8 |
| C.6 Other changes | -100 | -1 | - | -1 | - | -102 |
| **D. Net final carrying amount** | **8,689** | **501** | **-** | **3,467** | **2,384** | **15,041** |
| D.1 Total net adjustments | 11,578 | 1,426 | - | 4,289 | - | 17,293 |
| **E. Gross final carrying amount** | **20,267** | **1,927** | **-** | **7,756** | **2,384** | **32,334** |
| **F. Measurement at cost** | **-** | **-** | **-** | **-** | **-** | **-** |

The increases in intangible assets from business combinations include assets involved in the purchase price allocation process regarding acquisition of Banca Monte Parma.
For further details on the criteria applied in the recognition of such assets see Part G of these Notes to the consolidated financial statements.
The figures recorded as part of the abovementioned allocation process are:
– core deposit intangibles 11 million euro (finite useful life);
– goodwill 88 million euro (indefinite useful life).

### *13.2 Of which Banking group*

(millions of euro)

| | Goodwill | Other intangible assets: internally generated | | Other intangible assets: other | | Total |
|---|---|---|---|---|---|---|
| | | Finite useful life | Indefinite useful life | Finite useful life | Indefinite useful life | |
| **A. Gross initial carrying amount** | **19,237** | **1,633** | **-** | **6,810** | **2,384** | **30,064** |
| A.1 Total net adjustments | -1,261 | -1,246 | - | -3,332 | - | -5,839 |
| **A.2 Net initial carrying amount** | **17,976** | **387** | **-** | **3,478** | **2,384** | **24,225** |
| **B. Increases** | **134** | **288** | **-** | **115** | **-** | **537** |
| B.1 Purchases | 88 | - | - | 115 | - | 203 |
| *of which business combinations* | *88* | - | - | *11* | - | *99* |
| B.2 Increases of internally generated intangible assets | X | 288 | - | - | - | 288 |
| B.3 Write-backs | X | - | - | - | - | - |
| B.4 Positive fair value differences recognised in | - | - | - | - | - | - |
| - shareholders' equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| B.5 Positive foreign exchange differences | - | - | - | - | - | - |
| B.6 Other changes | 46 | - | - | - | - | 46 |
| **C. Decreases** | **-10,571** | **-174** | **-** | **-560** | **-** | **-11,305** |
| C.1 Sales | -255 | - | - | -102 | - | -357 |
| *of which business combinations* | *-255* | - | - | *-102* | - | *-357* |
| C.2 Impairment losses | -10,208 | -173 | - | -457 | - | -10,838 |
| - Amortisation | X | -173 | - | -456 | - | -629 |
| - Write-downs recognised in | -10,208 | - | - | -1 | - | -10,209 |
| *shareholders' equity* | *X* | - | - | - | - | - |
| *income statement* | *-10,208* | - | - | *-1* | - | *-10,209* |
| C.3 Negative fair value differences recognised in | - | - | - | - | - | - |
| - shareholders' equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| C.4 Transfer to non-current assets held for sale and discontinued operations | - | - | - | - | - | - |
| C.5 Negative foreign exchange differences | -8 | - | - | - | - | -8 |
| C.6 Other changes | -100 | -1 | - | -1 | - | -102 |
| **D. Net final carrying amount** | **7,539** | **501** | **-** | **3,033** | **2,384** | **13,457** |
| D.1 Total net adjustments | 11,469 | 1,419 | - | 3,789 | - | 16,677 |
| **E. Gross final carrying amount** | **19,008** | **1,920** | **-** | **6,822** | **2,384** | **30,134** |
| **F. Measurement at cost** | **-** | **-** | **-** | **-** | **-** | **-** |

### *13.2 Of which Insurance companies*

(millions of euro)

| | Goodwill | Other intangible assets: internally generated | | Other intangible assets: other | | Total |
|---|---|---|---|---|---|---|
| | | Finite useful life | Indefinite useful life | Finite useful life | Indefinite useful life | |
| **A. Gross initial carrying amount** | **1,230** | **7** | **-** | **931** | **-** | **2,168** |
| A.1 Total net adjustments | - | -7 | - | -407 | - | -414 |
| **A.2 Net initial carrying amount** | **1,230** | **-** | **-** | **524** | **-** | **1,754** |
| **B. Increases** | **-** | **-** | **-** | **3** | **-** | **3** |
| B.1 Purchases | - | - | - | 3 | - | 3 |
| *of which business combinations* | - | - | - | - | - | - |
| B.2 Increases of internally generated intangible assets | X | - | - | - | - | - |
| B.3 Write-backs | X | - | - | - | - | - |
| B.4 Positive fair value differences recognised in | - | - | - | - | - | - |
| - shareholders' equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| B.5 Positive foreign exchange differences | - | - | - | - | - | - |
| B.6 Other changes | - | - | - | - | - | - |
| **C. Decreases** | **-88** | **-** | **-** | **-93** | **-** | **-181** |
| C.1 Sales | - | - | - | - | - | - |
| *of which business combinations* | - | - | - | - | - | - |
| C.2 Impairment losses | -88 | - | - | -93 | - | -181 |
| - Amortisation | X | - | - | -93 | - | -93 |
| - Write-downs recognised in | -88 | - | - | - | - | -88 |
| *shareholders' equity* | *X* | - | - | - | - | - |
| *income statement* | *-88* | - | - | - | - | *-88* |
| C.3 Negative fair value differences recognised in | - | - | - | - | - | - |
| - shareholders' equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| C.4 Transfer to non-current assets held for sale and discontinued operations | - | - | - | - | - | - |
| C.5 Negative foreign exchange differences | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | - | - | - |
| **D. Net final carrying amount** | **1,142** | **-** | **-** | **434** | **-** | **1,576** |
| D.1 Total net adjustments | 88 | 7 | - | 500 | - | 595 |
| **E. Gross final carrying amount** | **1,230** | **7** | **-** | **934** | **-** | **2,171** |
| **F. Measurement at cost** | **-** | **-** | **-** | **-** | **-** | **-** |

### *13.2 Of which Other companies*

(millions of euro)

| | Goodwill | Other intangible assets: internally generated | | Other intangible assets: other | | Total |
|---|---|---|---|---|---|---|
| | | Finite useful life | Indefinite useful life | Finite useful life | Indefinite useful life | |
| **A. Gross initial carrying amount** | **11** | **-** | **-** | **-** | **-** | **11** |
| A.1 Total net adjustments | - | - | - | - | - | - |
| **A.2 Net initial carrying amount** | **11** | **-** | **-** | **-** | **-** | **11** |
| **B. Increases** | **18** | **-** | **-** | **-** | **-** | **18** |
| B.1 Purchases | - | - | - | - | - | - |
| *of which business combinations* | - | - | - | - | - | - |
| B.2 Increases of internally generated intangible assets | X | - | - | - | - | - |
| B.3 Write-backs | X | - | - | - | - | - |
| B.4 Positive fair value differences recognised in | - | - | - | - | - | - |
| - shareholders' equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| B.5 Positive foreign exchange differences | - | - | - | - | - | - |
| B.6 Other changes | 18 | - | - | - | - | 18 |
| **C. Decreases** | **-21** | **-** | **-** | **-** | **-** | **-21** |
| C.1 Sales | - | - | - | - | - | - |
| *of which business combinations* | - | - | - | - | - | - |
| C.2 Impairment losses | -21 | - | - | - | - | -21 |
| - Amortisation | X | - | - | - | - | - |
| - Write-downs recognised in | -21 | - | - | - | - | -21 |
| *shareholders' equity* | *X* | - | - | - | - | - |
| *income statement* | *-21* | - | - | - | - | *-21* |
| C.3 Negative fair value differences recognised in | - | - | - | - | - | - |
| - shareholders' equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| C.4 Transfer to non-current assets held for sale and discontinued operations | - | - | - | - | - | - |
| C.5 Negative foreign exchange differences | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | - | - | - |
| **D. Net final carrying amount** | **8** | **-** | **-** | **-** | **-** | **8** |
| D.1 Total net adjustments | 21 | - | - | - | - | 21 |
| **E. Gross final carrying amount** | **29** | **-** | **-** | **-** | **-** | **29** |
| **F. Measurement at cost** | **-** | **-** | **-** | **-** | **-** | **-** |

### Information on intangible assets and goodwill

The application of IFRS 3 to the accounting of acquisitions often leads to the recognition of new intangible assets and goodwill.
In the case of the Intesa Sanpaolo Group, the merger between Banca Intesa and Sanpaolo IMI and the subsequent acquisitions (of the asset management portfolio of former Nextra, CR Firenze, Pravex Bank, Intesa Vita, the bank branches and in 2011 of Banca Monte Parma) led to the recognition of significant amounts for intangible assets and goodwill.
The following impairment losses were recorded in the 2008 financial statements:

- intangible assets: a total of 751 million euro relative to asset management;
- goodwill: a total of 1,065 million euro (95 million euro for Eurizon Capital, 580 million euro for Banca Fideuram and 390 million euro for Pravex Bank).

In the 2009 and 2010 financial statements, all impairment tests yielded positive results. Accordingly, no impairment losses were recognised.
The table below summarises the values and trends of these intangible assets and goodwill, subdivided by operating divisions, which correspond to the cash-generating units (CGUs), namely the groups of assets subject to impairment testing on goodwill in order to determine the recoverable amount.

(millions of euro)

| CGU | Financial statements 31.12.2010 | Change in the scope of CGU | Restated financial statements 2010 | Amortisation | Disposals<br>CR La Spezia and branches to Crédit Agricole | Acquisitions<br>Banca Monte Parma | Other changes 2011 (a) | Impairment | Financial statements 31.12.2011 |
|---|---|---|---|---|---|---|---|---|---|
| **BANCA DEI TERRITORI** | **15,979** | **-** | **15,979** | **-272** | **-357** | **99** | **-57** | **-6,464** | **8,928** |
| - Intangible asset management - distribution | 222 | - | 222 | -54 | -5 | - | - | - | 163 |
| - Intangible assets insurance - product. and distribut. | 512 | - | 512 | -90 | -1 | - | - | - | 421 |
| - Intangible core deposits | 2,011 | - | 2,011 | -128 | -96 | 11 | - | - | 1,798 |
| - Intangible brand name | 1,507 | - | 1,507 | - | - | - | - | - | 1,507 |
| - Goodwill | 11,727 | - | 11,727 | - | -255 | 88 | -57 | -6,464 | 5,039 |
| **CORPORATE AND INVESTMENT BANKING** | **3,679** | **21** | **3,700** | **-** | **-** | **-** | **18** | **-2,349** | **1,369** |
| - Intangible brand name | 502 | - | 502 | - | - | - | - | - | 502 |
| - Goodwill | 3,177 | 21 | 3,198 | - | - | - | 18 | -2,349 | 867 |
| **PUBLIC FINANCE** [b] | **21** | **-21** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Goodwill | 21 | -21 | - | - | - | - | - | - | - |
| **EURIZON CAPITAL** | **1,613** | **-** | **1,613** | **-51** | **-** | **-** | **-** | **-373** | **1,189** |
| - Intangible asset management - production | 202 | - | 202 | -51 | - | - | - | - | 151 |
| - Goodwill | 1,411 | - | 1,411 | - | - | - | - | -373 | 1,038 |
| **BANCA FIDEURAM** | **2,228** | **-** | **2,228** | **-141** | **-** | **-** | **-** | **-** | **2,087** |
| - Intangible asset management - product. and distribut. [c] | 798 | - | 798 | -137 | - | - | - | - | 661 |
| - Intangible core deposits | 53 | - | 53 | -4 | - | - | - | - | 49 |
| - Intangible brand name | 375 | - | 375 | - | - | - | - | - | 375 |
| - Goodwill | 1,002 | - | 1,002 | - | - | - | - | - | 1,002 |
| **INTERNATIONAL SUBSIDIARY BANKS** | **1,879** | **-1,015** | **864** | **-** | **-** | **-** | **1** | **-122** | **743** |
| - Goodwill | 1,879 | -1,015 | 864 | - | - | - | 1 | -122 | 743 |
| **BANK OF ALEXANDRIA (Egypt)** [d] | **-** | **1,015** | **1,015** | **-** | **-** | **-** | **-6** | **-1,009** | **-** |
| - Goodwill | - | 1,015 | 1,015 | - | - | - | -6 | -1,009 | - |
| **PRAVEX BANK (Ukraine)** | - | - | - | - | - | - | - | - | - |
| **GROUP TOTAL** | **25,399** | **-** | **25,399** | **-464** | **-357** | **99** | **-44** | **-10,317** | **14,316** |
| - Intangible asset management | 1,222 | - | 1,222 | -242 | -5 | - | - | - | 975 |
| - Intangible assets insurance | 512 | - | 512 | -90 | -1 | - | - | - | 421 |
| - Intangible core deposits | 2,064 | - | 2,064 | -132 | -96 | 11 | - | - | 1,847 |
| - Intangible brand name | 2,384 | - | 2,384 | - | - | - | - | - | 2,384 |
| - Goodwill | 19,217 | - | 19,217 | - | -255 | 88 | -44 | -10,317 | 8,689 |

[a] Other changes include the exchange-rate effect of the international subsidiaries, the impairment of some put options issued on minority shares in subsidiaries and the changing of initial goodwill for IN.FRA acquired in 2010.

[b] The Public Finance CGU was merged into the Corporate and Investment Banking CGU after revision of the organisational structure.

[c] The caption includes intangible assets of the Banca Fideuram CGU relating to the production and distribution of asset management products and the production and distribution of insurance products.

[d] Bank of Alexandria was treated separately from the International Subsidiary Banks CGU. The reasons are explained in detail below.

Intangible assets recognised include intangible assets linked to customers, represented by the measurement of asset management and insurance portfolio and of core deposits. Such assets, all with a finite life, are originally measured by discounting the income margin cash flows over a period representing the residual life, contractual or estimated, of accounts existing at the time of the business combination.
The brand name, an intangible asset linked to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

As described in further detail in Part G of the Notes to the consolidated financial statements, the acquisition of Banca Monte Parma was completed during the year, resulting in the recognition of core deposit intangibles for 11 million euro and goodwill for 88 million euro. In addition, Cassa di Risparmio della Spezia and 96 branches of the Group were sold in 2011 following the finalisation of the agreement with Crédit Agricole. The entire transaction resulted in the release of goodwill of 255 million euro and intangible assets of 102 million euro.

For the intangible assets with a finite life, the amortisation for the year was recognised to the income statement (under Net adjustments to/recoveries on intangible assets) for a total of 464 million euro gross of the tax effect (approximately 318 million euro net of the related tax effect).

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. As far as intangible assets with a finite useful life are concerned, the impairment test must be carried out each time there is evidence of impairment indicators. The recoverable amount consists of the higher between the fair value less costs to sell and the value in use.
Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows for the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those relating to the asset outstanding at the impairment test date. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others.
This concept can also be applied in impairment testing of goodwill to calculate the value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

As in previous financial statements, given the instability of the financial markets and the severely depressed available values for calculation of the recoverable amount, values in use were adopted in the impairment tests for the 2011 financial statements.

Furthermore, the methods and assumptions of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Management Board prior to approval of the proposed financial statements for 2011.

## Impairment testing of intangibles

### *Asset management portfolio*

In the first part of 2011 there was a gradual increase in the value of assets compared to the end of 2010, followed in the summer months by a downtrend, owing in part to financial market dynamics. Overall, the value of the Assets Under Management (AUM) considered at the end of 2011 was lower, albeit to a moderate extent, than in December 2010.
The intangible asset recognised in the financial statements of Intesa Sanpaolo is considered to have a finite useful life. For the purposes of the 2011 financial statements, analyses were conducted on the main indicators of the value of this asset, which were also monitored throughout the year (these include asset volume trends and redemption rates, changes in product unit profitability and operating cost levels).
Among the factors analysed, product unit profitability in 2011 generally remained at the previous year's levels, whereas operating costs were lower than forecast in the budget (used for the impairment test at the end of 2010). The trend in redemption rates, on the other hand, did not constitute a meaningful sign that the intangible asset may have become impaired.
The analyses conducted showed that there were no indicators that the AUM intangible had become impaired. That was justified by both the significant difference between value in use and carrying amount detected at the time of the 2010 impairment test and the further reduction in the carrying amount of the asset due to the amortisation charge for 2011. Therefore, the value of the portfolio was not re-determined by conducting an impairment test on the recognised component of the AUM intangible.
It should be recalled that the impairment tests conducted for the 2010 and 2009 financial statements yielded positive results, meaning that it was not necessary to recognise impairment beyond depreciation and amortisation, whereas an impairment loss of 751 million euro gross of the tax effect (and of 521 million euro net of the tax effect) was identified in 2008.

For the 2011 financial statements, the amortisation for the year of the asset was recognised to the income statement, decreasing its carrying amount (a total of 242 million euro, gross of the tax effect, which represents approximately 20% of the value of the AUM intangible carried at 31 December 2010).

The following table presents AUM values at the end of 2011 and the change in such values compared to December 2010. It should be noted that the amount associated with "distribution" of Eurizon Capital does not benefit from the increase in assets due to the contribution of the insurance business.

(millions of euro)

| Assets Under Management | AUM volumes | |
|---|---|---|
| | Value 2011 | Change compared to 2010 |
| AUM production - Eurizon Capital [a] | 141,981 | -3.3% |
| AUM distribution - Eurizon Capital | 58,171 | -12.9% |
| AUM production and distribution - Banca Fideuram [b] | 51,470 | -3.0% |

[a] The caption includes also funds held by insurance companies and managed by Eurizon Capital.

[b] The caption includes intangible assets of the Banca Fideuram CGU relating to the production and distribution of asset management products and the production and distribution of insurance products. The caption includes the value of the contribution of third party products.

The following table presents a summary of the values of AUM intangibles, broken down by the CGU to which they pertain.

(millions of euro)

| CGU | Financial statements 31.12.2010 | Amortisation | Disposals<br>CR La Spezia and branches to Crédit Agricole | Acquisitions | Financial statements 2011 |
|---|---|---|---|---|---|
| **Banca dei Territori**<br>Intangibile asset management - distribution | 222 | -54 | -5 | - | 163 |
| **Eurizon Capital**<br>Intangibile asset management - production | 202 | -51 | - | - | 151 |
| **Banca Fideuram**<br>Intangibile asset management - produc. and distribut. [a] | 798 | -137 | - | - | 661 |
| **CGU total**<br>Intangible asset management | 1,222 | -242 | -5 | - | 975 |

[a] The caption includes intangible assets of the Banca Fideuram CGU relating to the production and distribution of asset management products and the production and distribution of insurance products.

***Insurance portfolio***

Valuation of the insurance portfolio uses models normally applied to determine the embedded value, by discounting flows representing the income margins over a period deemed to express the residual maturity of the insurance portfolio in force outstanding at the valuation date. The resulting value, considered to have a finite life, is amortised at variable amounts over a period representing the residual life of the insurance contracts.
For the 2011 financial statements the amortisation of the asset for the year was recognised to the income statement. In addition, although there were no significant indicators of impairment, considering the volatility of financial markets and the development of the sovereign debt crisis in the second half of 2011, the impairment test was conducted by applying methods consistent with those adopted at the time of the initial asset recognition. The measurement was conducted in reference to the portfolios of Eurizon Vita, Intesa Sanpaolo Life, Sud Polo Vita and Intesa Sanpaolo Vita, i.e. the companies prior to the incorporation of the single insurance entity including the Italian companies of the Intesa Sanpaolo Group operating in the life insurance business (except for Fideuram Vita).
In addition, in conducting the impairment test, criteria of prudence were observed in regards to assumptions concerning the primary determinants of the intangible asset's value, which include estimates of future surrender rates and the projected level of operating expenses. Lastly, sensitivity analyses were conducted on the indicators mentioned above, not resulting in the detection of any critical issues.

The table below provides the value of technical reserves (including the components that in the IFRS financial statements are classified under financial liabilities of the insurance segment) detailing the various product types that contributed to the valuation of the insurance portfolio.

(millions of euro)

| Insurance portfolio | Model technical reserves [a] | | Change | |
|---|---|---|---|---|
| | Value 2011 | Value 2010 | amount | % |
| Traditional | 42,946 | 38,302 | 4,644 | 12.1% |
| Pension funds | 543 | 483 | 60 | 12.4% |
| Unit-linked | 15,750 | 15,505 | 245 | 1.6% |
| Index-linked | 6,758 | 11,060 | -4,302 | -38.9% |
| **TOTAL [b]** | **65,997** | **65,350** | **647** | **1.0%** |

[a] The mathematical reserve, reserve for demographic bases, expense reserve and additional provision for "death event" are included.

[b] The Fideuram Vita reserves (established in 2010 and included in the Banca Fideuram CGU), are not included. The data are gross of the "shadow reserve".

Technical reserves increased by approximately 1% in 2011, coming to 66 billion euro at year-end.
The increase in reserves for traditional products, which came to nearly 43 billion euro, is worthy of note. The fact that reserves for this latter type of policy account for nearly two-thirds of total reserves, confirms the customers' appetite for this class of investment, even during times of financial turbulence. The slight growth in total reserves appears even more significant considering the noteworthy decrease in reserves for index-linked products, owing in part to the choice not to establish and market "new" policies in this category.
By contrast, reserves for unit-linked products showed a moderately positive performance in the first half of 2011, followed by a downtrend in the final months of the year. This latter phenomenon is largely explained by the financial market decline, which, as is common knowledge, negatively affected the value of the assets underlying this type of policy and thus resulted in an equal reduction in liabilities (reserves) to policyholders.

The impairment test conducted indicated that the recoverable value of the intangible asset exceeds its carrying amount in the consolidated financial statements.

The following table presents an overview of the value of the insurance intangible, attributable solely to the Banca dei Territori CGU.

(millions of euro)

| CGU | Financial statements 31.12.2010 | Amortisation | Disposals CR La Spezia and branches to Crédit Agricole | Acquisitions | Financial statements 2011 |
|---|---|---|---|---|---|
| **Banca dei Territori** | | | | | |
| Intangible assets insurance - produc. and distribut. | 512 | -90 | -1 | - | 421 |
| **CGU total** | | | | | |
| Intangible assets insurance | 512 | -90 | -1 | - | 421 |

***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 and from the more stable form of funding. Basically, the acquirer may obtain funds for its lending and investment activities at a cheaper rate than the interbank interest rate.

The intangible asset is the value of this future margin, called "deposit premium", and the other direct economic components related to deposits (commissions and management costs). The value of the "deposit premium" is therefore linked to the trend of market interest rates and to changes in funding volumes. The valuation of the asset requires the identification of the structural component of funding and, therefore, the exclusion of highly-volatile or non-recurring funding sources.

The value of this asset is determined by discounting the flows representing the income margins generated by deposits over a period deemed to express expected residual maturity at the acquisition date.

This value, considered to have a finite life, is amortised on a straight-line basis over the period of greatest significance in terms of expected future economic benefits (which for the Intesa Sanpaolo Group is equal to 18-24 years).

For the purposes of the 2011 financial statements, the share of amortisation of the asset for the year (132 million euro gross of taxes and 89 million euro net of taxes) was recognised in the income statement. In addition, as these are intangible assets with a finite life, as mentioned previously the existence of impairment indicators has to be verified; in this case impairment testing has to be performed. The scope of reference for the purpose of impairment testing is represented by the contract types considered in the initial measurement of intangible assets for the balances as at 31 December 2011. Verification was performed with regard to the Banca dei Territori and Banca Fideuram, these two being the only CGUs for which the core deposits intangible is recognised.

To detect potential impairment indicators, the following factors were taken into account: the total deposit volumes, the trend in mark-down (the difference between the 1-month Euribor rate and the rate paid to the customer on deposits and current accounts) forecast for future years, the cost/income ratio and the cost of capital.

The analyses conducted showed that the volumes of the Banca dei Territori CGU and the Banca Fideuram CGU were significantly higher than the balances analysed during the purchase price allocation for the business combination.

With respect to profitability, the hypothesised mark-down performance is affected by the trend in short-term interest rates (1-month Euribor). Short-term interest rates were lower than at initial measurement and are expected to remain very low for the next two years and then rise again in later periods.

By contrast, the cost/income ratio decreased compared to the parameter calculated in 2010, with the resulting positive effect on profitability, coming to a level in line with those of previous years. That effect is thus a positive indicator of the stability of the value of the intangible asset as carried. Lastly, the rise in the cost of capital had a negative impact on the asset's value.

On the basis of an estimate of the foregoing quantitative impacts on the value of the deposit premium, it was determined that the considerable increase in volumes compared to the amount calculated during the PPA and the decrease in the cost/income ratio more than offset the negative effects attributable to the other factors set out above.

On the basis of the foregoing considerations, and given that the asset in question is measured over a very long holding period (the expected average life ranges from 18 to 24 years, as stated above), no indicators were detected that would support the belief that the intangible asset may have become impaired.

***Brand name***

IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process.

For this purpose please note that the term "brand" is used in accounting standards 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.

With reference to acquisition of the Sanpaolo IMI Group, it was decided to limit the analysis to just two brands: the corporate brand Sanpaolo IMI, intended as an "umbrella" brand to which the brands of the network banks were related, and the brand of the subsidiary Banca Fideuram since it is an autonomous entity strongly recognised on the market for the placement of financial products through a network of financial advisors. Both are considered intangibles with indefinite useful life since they are deemed to contribute indefinitely to the formation of income flows. Market methods and fundamental, flow-based methods have been used in the initial valuation of the two brands. Value was determined as the average of the values obtained using the various methods.

As this intangible asset has no independent cash flows, for impairment testing purposes for the 2011 financial statements it was included in the verification of the retention of goodwill for the various CGUs.

## Impairment testing of CGUs and goodwill

### *Definition of Cash Generating Units (CGUs)*

For impairment testing purposes, the estimation process of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent from those produced in other business areas, but interdependent within the business unit generating them.

In IAS/IFRS terminology such business units are known as Cash Generating Units (CGUs). The objective of the impairment test is significant for identification of the CGUs.

IAS 36 indicates the necessity to correlate the level at which the goodwill is tested with the level of internal reporting at which management controls the increases and decreases of such value. Definition of the level closely depends on the organisational models adopted and the managerial responsibilities governing the operating guidelines and monitoring activity. Models may ignore (and in the case of the Intesa Sanpaolo Group they do ignore) the network of legal entities through which operations are carried out, and are instead very often closely designed around the definition of business operating segments as envisaged by IFRS 8. Furthermore, the identification of CGUs for goodwill impairment test purposes is consistent with the definition of recoverable amount of an asset – which is in itself the base for impairment tests – according to which it becomes relevant the amount the company expects to recover from that asset, inclusive of any effects deriving from synergies with other activities.

Therefore, in accordance with the criteria applied for the determination of the prices of the business combinations that gave rise to goodwill accounting, the recoverable amount for impairment testing purposes of the CGU to which goodwill is allocated must include not only the value of external (or universal) synergies but also the internal ones, the reason being that the specific acquirer may obtain additional value from the integration of activities obtained through business combinations, according to its business model.

The Intesa Sanpaolo Group's organisational model envisages that:

- decisions on operating policies be assigned to managers of the operational segments;
- strategies, identification of new products or services and commercial penetration initiatives be outlined and directed centrally for each operating division;
- planning processes and reporting systems be carried out at the operational segment level;
- specialised transversal areas be defined to provide support and develop products benefiting many subsidiaries;
- the management of financial risks also be highly centralised in order to maintain, also as a result of regulatory provisions, a balance between the capital allocation policies and the financial risks in development of the various business lines;
- the divisions operate in homogenous markets or sectors in terms of economic characteristics and development level.

As a result of this centralisation, income flows are highly dependent on the policies set up at the operational segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually.

In the Intesa Sanpaolo Group, the operating divisions that over time benefit from the synergies of the business combinations performed and which to various extents have recognised goodwill values are:

- Banca dei Territori;
- Corporate and Investment Banking;
- Eurizon Capital;
- Banca Fideuram;
- International Subsidiary Banks.

It should be remarked that services rendered to the central government, public entities and local administrations, which previously represented a separate business unit, were consolidated into the Corporate and Investment Banking Division. This was due to a reorganisation of operating responsibilities within the Group and the interest in benefiting from a more effective model of cooperation with product companies (in particular, investment banking) and the international branch network.

For the foregoing reasons, the operating divisions cited above generally correspond to the Group's CGUs, while also representing the core business areas considered for segment reporting.

Such divisions are considered representative of Cash Generating Units since each constitutes the smallest group of assets generating independent incoming cash flows and, as mentioned above, also the minimum level set by the Parent Company Intesa Sanpaolo for planning and reporting processes. Therefore, this is the minimum level to which goodwill may be allocated and monitored according to non-arbitrary criteria.

With respect to the 2010 financial statements, in accordance with the organisational change mentioned above, the Public Finance CGU was incorporated into the Corporate and Investment Banking CGU.

The International Subsidiary Banks Division needs specific comments, given the particular structure and conditions under which it operates.

It should firstly be mentioned that the cash flows of the various Group companies forming this business unit were strictly dependent upon policies formulated by Division Governance Centres and Head Office Departments of the Parent Company. These policies were defined and implemented in compliance with a management plan designed to develop the entire Division in an organised manner and not focusing only on the individual companies' strategies. Specifically, the expansion strategies for the various operating units, the identification and development of new credit, savings and service products, limits to the assumption of financial risk, commercial penetration and operations specialisation initiatives were outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore there is strong interaction of the flows that, at the same time, requires both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.

However, it is important to consider that not all factors affecting the correlation and interdependence of cash flows within the Division can be controlled by the Divisions Head Office Departments.

In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by the conditions of the environment in which the various entities are located.

Indeed, for Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.
In view of the above, if the cash flows that the Parent Company expects from activities generated by a foreign subsidiary are deeply influenced - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which the subsidiary is based, this subsidiary cannot be considered an integral part of the single management model for the CGU which it belongs to. The company in such a situation must, therefore, even if only temporarily, be excluded from the CGU, regardless of the Group Management's willingness to keep it within the CGU, due to the abovementioned factors over which the Bank and Group's management clearly have no influence. The flows of the company, in fact, would be influenced to a greater extent by the country's conditions than by the unitary and centralised management policy adopted by the Division, and therefore for impairment testing purposes must be subjected to independent valuation until the conditions for the systemic central control of cash flows of the subsidiary are restored.
On the subject of the Ukrainian Pravex Bank, for the purposes of 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, which was undergoing a deep political, economic and currency crisis, and prudent assessment of their impact on the operational variables of the subsidiary in question, especially from the point of view of their interdependence on variables of the entire CGU, resulted in classification of this company as a completely separate CGU, treating it separately from the Group's International Subsidiary Banks Division.
In the case of the Bank of Alexandria, as is common knowledge, a political crisis broke out in Egypt in 2011, resulting in significant consequences for public order, the formation of an interim government and the commencement of an electoral phase that, contrary to initial expectations, is set to extend throughout most of 2012. This situation of transition obviously also generates uncertainties regarding the public policies to be implemented by the administration that will lead the country at the end of the electoral process.
The persisting tensions and the uncertainty concerning the timeframe for political stabilisation, which for the time being is believed may have negative consequences for the country's development only in the near term, could potentially affect our Group's operating and general policy decisions in the area, limiting the strategies for the uniform and integrated governance of the bank within the International Subsidiary Banks Division.
Under such circumstances, for impairment testing purposes, it was thus deemed necessary to consider the Egyptian subsidiary separately from the Group's International Subsidiary Banks CGU.
The separate assessment of such entities for impairment testing purposes, which will continue until conditions in the respective countries have been stabilised, does not affect the Group's intention to support the development of its subsidiaries.

***Book value of the CGUs***

The book value of the CGUs must be determined in a manner consistent with the criterion for estimating their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these represent the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance whit the scope of the recoverable amount estimate process.
Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis (so-called "equity side"), the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.
Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Eurizon Capital, Banca Fideuram and International Subsidiary Banks) has been determined by summing the individual book values of each company in the Consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill (for which "grossing up" is carried out for minority stakes) and intangibles recorded upon acquisition (net of subsequent amortisation and any write-downs) and the consolidation entries.
With regard to the determination of the carrying amount of the other two divisions (Banca dei Territori and Corporate and Investment Banking), given that especially the Parent Company and other banks contribute to the results of both these divisions, and this contribution is not represented in the accounting information, the overall carrying amount of the CGUs cannot be determined on the basis of book values. As a consequence, the use of management figures was required to make the subdivision after a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting data. The operational driver has been identified as the "regulatory capital" determined by the Risk Management Department for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules.
For Pravex Bank and Bank of Alexandria, the carrying amounts of the CGUs are derived from their respective financial statements, considering any goodwill and intangible assets recognised upon acquisition and any consolidation entries.
The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.

The table below provides the book values of the CGUs and the goodwill and brand name allocations to each. The values, determined for impairment testing purposes, take into account the portion of goodwill attributable to minority interests (included in the last column with minority interests).

(millions of euro)

| Values / CGU | Value as at 31.12.2011 | | | |
|---|---|---|---|---|
| | Book value prior to impairment test | *of which goodwill Group share* | *of which brand name* | *of which minority interests* |
| Banca dei Territori | 27,151 | *11,503* | *1,507* | *550* |
| Corporate and Investment Banking | 18,617 | *3,216* | *502* | *98* |
| Eurizon Capital | 2,056 | *1,411* | - | - |
| Banca Fideuram | 2,586 | *1,002* | *375* | - |
| International Subsidiary Banks | 6,114 | *865* | - | *79* |
| Bank of Alexandria (Egypt) | 1,770 | *1,009* | - | *354* |
| Pravex Bank (Ukraine) | 144 | - | - | - |
| **GROUP TOTAL** | **58,438** | ***19,006*** | ***2,384*** | ***1,081*** |

***Criteria for estimates of CGUs' value in use***

The value in use of CGUs is determined by estimating the present value of future cash flows that may be expected to be generated by the CGUs. Such cash flows are normally estimated by using the most recent business plan.
The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called Terminal value. The rate "g" is determined by taking the rate of increase in the gross domestic product of the countries in which the cash flows are generated as the growth factor. Alternatively, Terminal value could be determined on the basis of a final sale or liquidation value.
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the present market values with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients must be used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".
The cash flows produced by the international subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

*Cash flow estimates*

With regard to calculation of the value in use of CGUs for impairment testing purposes for the 2011 financial statements, the recent volatility of financial markets and the uncertainties regarding the future and the economic recovery make the definition of near-term future cash flows from operating activities and the identification of growth rates to calculate the Terminal value of CGUs particularly complex.
The 2011-2013/2015 Business Plan, approved on 5 April 2011, indicates that it is a key priority of the Intesa Sanpaolo Group to assure sustainable profitability in the medium term, by developing long-lasting customer relationships and fine-tuning cost discipline and investments, while at the same time monitoring asset quality and strengthening liquidity and the capital base, a goal that has been reaffirmed, along with the set of underlying strategic measures, which are proceeding in accordance with the guidelines laid down in the Plan.
On the other hand, negative market development and forecasts of contraction for the Italian economy call for a review of the Plan's financial targets that can be carried out as soon as financial markets stabilise. The Group, however, confirms its ability to deliver medium-long term profitability and value creation and has already implemented a string of management actions to offset the deterioration of the macroeconomic scenario. However, the foregoing is without prejudice to the objective, set out in the Plan, of a 10% Core Tier 1 ratio and – starting from 2012 – pro-forma Basel 3 Common Equity ratio, i.e. considering the expected absorption of deferred tax liabilities before the full phasing-in of Basel 3 and the residual measures aimed at optimising capital sources and requirements envisaged by the Plan, in conjunction with a commitment to distribute a cash dividend per share no lower than the amount paid out for 2011 over the period covered by the Plan.
Given the foregoing, it was decided to continue to apply the previous operating practice of using value in use as the criterion for measuring value when conducting impairment tests for intangible assets with indefinite useful lives, as remarked upon above.
In the absence of a detailed analysis of prospective cash flows, for 2012 and 2013 cash flows for determining value in use were based on information derived from the market. Out of an awareness that the ongoing crisis has a significant effect on the cash flows expected to derive from operating activities in the near and medium term, yet without jeopardising the primary sources of income and the competitive advantages possessed by the Intesa Sanpaolo Group, Terminal value was determined by estimating a normalised income, chronologically positioned in 2021 and coinciding with a return on tangible shareholders' equity in line with the Intesa Sanpaolo Group's cost of capital and the sustainable income identified in the 2011-2013/2015 Business Plan.
In further detail:
- for 2012 and 2013, use was made of income forecasts deriving from the consensus opinion of financial analysts, updated through February 2012 and appropriately adjusted downwards taking into consideration both the figures for 2011 and the assessments conducted by the management;
- since 2013 will continue to be affected by the current challenging economic scenario, but at the same time, the purpose of impairment testing is a medium-/long-term assessment, Terminal value was determined by estimating a sustainable income flow within a "non-distressed" market scenario, coinciding with a return on tangible equity (ROTE) in line with the Group's cost of capital used for Terminal value purposes and estimated on the basis of moderately potential improvements in present economic conditions and thus a gradual return to a more stable market scenario (for the criteria used to determine the rate in question, refer to the following paragraph concerning discounting rates). The flow thus determined is in line with the Group's estimated income flow for the final year of the 2011-2013/2015 Plan announced to the markets in April 2011. It is

essentially assumed that the primary sources of income for the Group, influenced in the near - and medium term by the current market trends, in the long term will allow the Group to achieve profitability levels at least equivalent to the cost of capital, a measure that, in any event, is less than the profitability generated by the Group before the commencement of the financial crisis in 2008;

- the values thus determined have been interpolated, with declining growth rates, over a period of ten years, conservatively taken to arrive at a full measurement of the Group's ability to generate earnings and create value over time. In particular, two periods were assumed: the first, from 2012 to 2016, for which cash flows were projected using a slowly declining growth rate compared to the 2013/2012 rate derived from consensus figures, and the second, as gradual convergence towards the normalised Terminal value flow, through linear interpolation, also with declining growth rates, between the flow for 2016 and the normalised flow.

The net incomes estimated for the various years have been adjusted, as required by IAS 36, to account for non-monetary components. In addition, cash flows include those allocated to the various CGU's deriving from central corporate assets. In accordance with the equity-side approach mentioned above whit regard to the determination of the carrying values of CGUs, the cash flows used for impairment testing include the flows correlated with financial assets and liabilities, given that these represent the company's core business.
Among various financial valuation techniques, the value of a company at the end of the flow forecast period, the so-called Terminal value, is normally determined by infinite compounding, at an appropriate "g" rate, of the cash flow achievable under normal conditions. This rate, even if subject to time variations, may be assumed to be constant or decreasing (or increasing in rarer circumstances).
As an alternative to the abovementioned Terminal value estimation methodology, legal provisions also envisage (i) the exit multiple approach and (ii) the approach based on an estimation of the liquidation value of the company. Specifically, with regard to approach (i) it should be mentioned that an exit multiple estimate has complex (and potentially subjective) elements that become even more marked at times of market uncertainty and volatility such as now. Approach (ii) is valid only for companies due to be wound up on termination of the forecasting period, and therefore not applicable with a view to a business as a going concern.
The "g" rate was estimated on the basis of the average 2008-2016 growth rate for the nominal GDP of the countries in which each CGU (or component of the International Subsidiary Banks CGU) operates.
In further detail, nominal GDP is the sum of the real GDP growth rate and the expected inflation rate. Each component has been calculated as the average for the period 2008-2016.
The decision made in terms of observation period for the growth rates, considering the current particular macroeconomic situation, calls for specific consideration.
Real GDP dynamics have been negative or only marginally positive in most countries in which Intesa Sanpaolo operates in recent years due to the economic crisis. In addition, the scenario for 2012 is expected to continue to be strongly affected by the current crisis and resumption of a growth trend is only expected to begin in 2013 on a highly gradual basis.
In order to consider both the entire period of crisis experienced, beginning in 2008, and the prospects of an economic recovery beginning in 2013, the growth rate for estimating Terminal value was calculated as the average GDP rates for the 2008-2016 period, inasmuch as this period was deemed sufficiently extensive to include, and thus average, a period of severe crisis and a prospective period of a return to a scenario of economic growth.
Expected real GDP and inflation figures used to calculate "g" were drawn from estimates, updated through February 2012, prepared by the Economist Intelligence Unit (EIU), an authoritative source of economic analyses. Italy presents a negative value for its average real growth rate for the period 2008-2016. Since the "g" rate is used to determine Terminal value, it was considered realistic and rational not to assume negative real growth to be projected infinitely. Accordingly, for Italian CGU's, for calculation purposes, real growth was assumed to be zero and the "g" rate thus corresponded with the average increase in inflation for the period 2008-2016.

*Cash flow discounting rates*
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present market valuations, the time value of money and the asset's specific risks.
In practice, the first characteristic (current market conditions) translates into the calculation of all benchmarks based on the latest available information as at the reference date of the estimate, so as to best take into account the current market assessments. The second characteristic (consistency between risks/flows and rates) must follow the specificity of flows used for impairment testing of the CGUs. This rate (in its various components) must therefore be decided by observing the specific nature of flows used to assess each CGU, in order to maintain coherence and consistency with the flows. Specifically, consistency becomes important with regard to inflation, country risk and other risk factors that, according to IAS 36, may be expressed in the flows or rate. It is important to point out that a characteristic common to all CGUs recording goodwill (and, in general, intangibles with an indefinite life) is the long-term perspective of flows used to estimate the CGU value in use. In fact, by its very nature goodwill has an indefinite useful life, and therefore future cash flows are normally infinitely projectable.
This long term perspective should be reflected in all discounting rate benchmarks by means of the appropriate selection of each, in such a way that they express normalised conditions in the long term.
The discounting rate should normally include the cost of the various sources of funding of the asset to be assessed, in other words the equity cost and debt cost (i.e. WACC, weighted average capital cost). However, in the case of a banking entity, it is estimated according to an equity-side approach, that is to say by considering only the cost of equity capital (Ke), in a manner consistent with the methods for determining cash flows, which, as stated above, include those deriving from financial assets and liabilities.
The capital cost is determined using the Capital Asset Pricing Model (CAPM). Based on this model the capital cost is calculated as the sum of risk-free rate and a risk premium, in turn dependent on the specific risks implicit in the business activities (i.e. both business segment risk and country risk).
As the various CGUs of the Intesa Sanpaolo Group operate in different business segments and with different risk factors, the specific capital costs of each CGU were identified.
The considerable volatility of financial parameters that characterised the second half of 2011, the extreme prudence adopted in estimating cash flows and the aforementioned long-term prospects underlying the estimate of value in use, led to the use of differentiated discounting rates for the 2011 impairment test: one rate, in line with present market conditions (highly turbulent)

for the flow forecasting and extrapolation period (ten years), and another rate that envisages a prospect of moderate improvement in present economic conditions, and is thus more representative of an ordinary situation, to discount flows in Terminal value.
Entering into detail regarding the various components that contribute to the determination of discounting rates, the rates used to discount flows through 2021 were determined as follows:

– the Group's policy calls for the use of current market values for the risk-free component and average historical values for the country-risk premium. In further detail, the risk-free component is determined on the basis of the average yield in the final month of the year on 10 - year German government bonds (the only bonds in Europe in the current context that have near risk-free rates), and 30 - year German government bonds for international subsidiary banks operating in countries which in the last few years have recorded GDP growth considerably higher than that recorded in mature markets; historical data are used for the country risk premium, considering two factors: (i) the differential between the historic Return on Investment (ROI) of government securities in the country to which the country risk premium refers, and the ROI on government securities issued in a risk-free country; (ii) adjustment of the premium estimated under (i) considering the higher degree of stock market risk in government securities issued in the country concerned. This component is measured as a ratio of stock market volatility (expressed in terms of standard deviation) and the volatility of the government securities market of the country to which the country risk refers. In this way, the country risk premium is expressed in the prospective terms of an investor in the stock market of the country considered.
  Given the particularly low level of the risk-free rates that characterised the second half of 2011 and the particular volatility that characterised the performance of the spread between Italian and German government bonds in the same period, it was deemed appropriate to apply certain corrections to the aforementioned policy. For CGUs operating in Italy, the risk-free component determined on the basis of the average yield on German Bunds in December 2011 was accompanied by a measurement of the country risk premium based on the average spread in December 2011 between German and Italian government bonds, thus incorporating the current perception of high risk characteristic of Italian government bonds into the discounting rate. For international subsidiary banks, average historical data continued to be used to measure the country-risk premium, accompanied by a measurement of the risk-free rate based on the average yield in all of 2011 on German government bonds instead of the average for the final month of the year, thus avoiding incorporating an exceptionally low measurement of risk-free rates into the discounting rate;
– in accordance with the Group's policy, the equity risk premium – represented by the difference between stock market yield and the ROI on risk-free securities determined in reference to a sufficiently wide time horizon – was calculated on the basis of historical data, given its higher degree of reliability and visibility and also in the light of the current macroeconomic context, which reflects particularly volatile stock market prices. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2011, adjusted for the differential between the US inflation rate and the German inflation rate (the market used as the basis for risk-free calculation);
– in accordance with the Group's policy, the Beta coefficient, which measures the specific degree of risk of an individual company or business sector, was calculated by identifying a sample of companies, comparable in business terms, for each CGU, and with reference to this sample the median Beta figure used was that recorded on a monthly basis over a five-year period.

By contrast, for the discounting of Terminal value flows, as limited to Italian CGUs, rates were determined that incorporate a prospect of a moderate improvement in the spread on Italian government bonds compared to the situation at the end of 2011. In further detail, the average spread between Italian and government bonds for all of 2011 was used to measure the country-risk premium for Italy instead of the average spread in December 2011. In a related manner, the average return observed on German government bonds for all of 2011 was used instead of the lower return in December 2011 when determining the risk-free rate.

*Summary of growth rates and discounting rates used*

The following table presents a summary for each CGU of the parameters relevant to determining value in use: 2012-2016 and 2016-2021 growth rates, the "g" growth rates for Terminal value purposes, the various discounting rates and inflation rates.

| Rates/ parameters<br>CGU | Nominal growth rates for 2012 - 2016 | Nominal growth rates for 2016 - 2021 | Nominal growth rates in Terminal value "g" | Nominal cash flow discounting rates 2012 - 2021 | Nominal Terminal value discounting rates | Inflation rates |
|---|---|---|---|---|---|---|
| Banca dei Territori | 26.82% | 13.72% | 2.30% | 10.93% | 9.61% | 2.30% |
| Corporate and Investment Banking | 17.01% | 5.89% | 2.30% | 12.81% | 11.49% | 2.30% |
| Eurizon Capital | 18.92% | 7.88% | 2.30% | 12.47% | 11.15% | 2.30% |
| Banca Fideuram | 15.16% | 3.63% | 2.30% | 11.76% | 10.44% | 2.30% |
| International Subsidiary Banks (1) | 18.51% | 7.48% | 4.71% (2) | 11.27% (3) | 11,27% (3) | 3,17% (4) |
| Bank of Alexandria (Egypt) | 20.43% | 9.25% | 16.10% | 26.54% | 26.54% | 10.80% |
| Pravex Bank (Ukraine) | n.m. | n.m. | 11.95% | 25.40% | 25.40% | 10.09% |
| **Weighted average rate** | **19.72%** | **8.62%** | **2.63%** | **11.80%** | **10.60%** | **n.m.** |

(1) Weighted average rates

(2) The growth rates "g" applied for the various international subsidiaries as at 31 December 2011 were as follows: Intesa Sanpaolo Bank Albania (Albania) 6.37%, Banka Koper (Slovenia) 2.84%, BIB (Serbia) 8.58%, CIB (Hungary) 4.51%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 6.31%, Banca CRF Romania (Romania) 6.31%, Banca Intesa (Russia) 10.55%, PBZ (Croatia) 3.11%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 5.19%, VUB (Slovakia) 4.98%

(3) The discounting rates applied for the various international subsidiaries as at 31 December 2011 were as follows: Intesa Sanpaolo Bank Albania (Albania) 15.40%, Banka Koper (Slovenia) 9.34%, BIB (Serbia) 18.20%, CIB (Hungary) 13.66%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 13.51%, Banca CRF Romania (Romania) 13.51%, Banca Intesa (Russia) 17.18%, PBZ (Croatia) 10.89%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 17.32%, VUB (Slovakia) 10.29%

(4) The inflation rates applied for the various international subsidiaries as at 31 December 2011 were as follows: Intesa Sanpaolo Bank Albania (Albania) 2.95%, Banka Koper (Slovenia) 2.29%, BIB (Serbia) 6.44%, CIB (Hungary) 4.12%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 4.29%, Banca CRF Romania (Romania) 4.29%, Banca Intesa (Russia) 7.56%, PBZ (Croatia) 2.80%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 3.31%, VUB (Slovakia) 2.56%

*Impairment testing results*

Due to the effects of the current crisis on expected cash flows in the near and medium term and the increase in discounting rates, the results of impairment tests indicated a need to apply adjustments to intangible assets with indefinite useful lives for the Banca dei Territori, Corporate and Investment Banking, Eurizon Capital and International Subsidiary Banks CGUs and the subsidiary Bank of Alexandria. According to IAS 36, the impairment losses were allocated entirely to goodwill. Therefore, the carrying amounts of the brand name were not adjusted.

The following table presents a breakdown of such adjustments.

(millions of euro)

| Values / CGU | Value as at 31.12.2011 | | | | |
|---|---|---|---|---|---|
| | Book value prior to impairment test (*) | Goodwill prior to impairment test | Impairment | Book value post impairment test (*) | Goodwill post impairment test |
| Banca dei Territori | 26,601 | 11,503 | -6,464 | 20,137 | 5,039 |
| Corporate and Investment Banking | 18,519 | 3,216 | -2,349 | 16,170 | 867 |
| Eurizon Capital | 2,056 | 1,411 | -373 | 1,683 | 1,038 |
| Banca Fideuram | 2,586 | 1,002 | - | 2,586 | 1,002 |
| International Subsidiary Banks | 6,035 | 865 | -122 | 5,913 | 743 |
| Bank of Alexandria (Egypt) | 1,416 | 1,009 | -1,009 | 407 | - |
| Pravex Bank (Ukraine) | 144 | - | - | 144 | - |
| **TOTAL** | **57,357** | **19,006** | **-10,317** | **47,040** | **8,689** |
| Reversal to the income statement of foreign exchange differences | | | -21 | | |
| **GROUP TOTAL** | | | **-10,338** | | |

(*) Net of minority interests

With respect to the results of impairment testing, it may be remarked that the market values, represented by the security's price quotation, and thus to the stock market capitalisation, and the valuations recently expressed by investment houses and financial analysts are lower than the net book value after applying the aforementioned impairment to the value of goodwill.

However, both valuations have different characteristics from a "basic" assessment consisting of the value in use.

The price of Intesa Sanpaolo stock is impacted by the conditions of financial markets, which are generally depressed and highly volatile, while the valuations of analysts, aimed at financial investors and therefore geared toward an estimate of expected prices and values over the short term, place greater emphasis on the current economic situation which, however, particularly penalises Italy (also as a result of its high public debt) and the banking sector. These valuations represent the value potentially obtainable from sale on the market of limited amounts of securities, i.e. the disposal of a minority interest, and are therefore closely pegged to prices and to current market conditions.

Conversely, the value in use is based on the consideration 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, as opposed to market valuations, which are instead based on the short-term expectations of the market itself.

In addition, it should be noted that the decrease in value in use (more than 30%) determined according to the current impairment test, compared to the impairment test for the 2010 financial statements, is in line with the trend in values observed on the market (market quotations and target price) in 2011.

Finally, it is believed that impairment tests must be performed with the awareness of the fact that the current crisis has a deep impact on 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. In consideration of such factors, value in use is considered to be a better expression of the recoverable value of the Group's operating activities in the current market situation.

In addition, in developing the valuation model, as described in detail, precautions have been adopted both in estimating projected flows (by using data based on consensus opinions, revised downwards as specified above, and a period of ten years for projecting cash flows) and in choosing the financial parameters (by using discounting rates for flows through 2021 closely tied to an extremely penalising contingent situation and the use of "g" rates for Terminal value purposes of near zero in real terms for Italy and at very conservative levels compared to those expected starting from 2013 for other countries).

*Sensitivity analyses*

Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses were carried out, as required by the IFRS.

In particular, the impact on the value in use of an increase in discounting rates and a decrease in the growth rate for Terminal value purposes was verified. In addition, analyses were conducted of changes in the value in use resulting from a negative change in cash flows.

The table below illustrates the sensitivity (in percentage terms) of the value in use of the various CGUs to changes in the "g" rate or discounting rate -/+10 basis points, as well as a reduction in Terminal value flows of 10%.

| Sensitivity / CGU | Change in value in use: Sensitivity to growth rate "g" - 10 bps | Sensitivity to discount rate + 10 bps | Sensitivity to Terminal value - 10% |
|---|---|---|---|
| Banca dei Territori | -0.91% | -1.57% | -6.33% |
| Corporate and Investment Banking | -0.59% | -1.17% | -5.01% |
| Eurizon Capital | -0.61% | -1.19% | -5.04% |
| Banca Fideuram | -0.62% | -1.18% | -4.74% |
| International Subsidiary Banks | -1.05% | -1.66% | -6.04% |
| Bank of Alexandria (Egypt) | n.m. | n.m. | n.m. |
| Pravex Bank (Ukraine) | n.m. | n.m. | n.m. |

It should be noted that the value in use of the Banca Fideuram CGU, which was not impaired, would converge towards its carrying amount following a decrease in the growth rate "g" of 11% or an increase in the discounting rate of more than 5%.

### 13.3 Other information

There were no significant commitments to purchase intangible assets as at 31 December 2011.

## SECTION 14 – TAX ASSETS AND LIABILITIES – CAPTION 140 OF ASSETS AND CAPTION 80 OF LIABILITIES

### 14.1 Deferred tax assets: breakdown

Deferred tax assets, recognised with regard to deductible temporary differences, totalled 12,323 million euro, of which 9,651 million refers to taxes recorded through profit and loss and 2,672 million euro for taxes with a balancing entry under shareholders' equity.

The first of these amounts refers to tax losses brought forward, to the portion of tax benefits not offset in relation to adjustments to loans deductible in future years, to provisions for risks and charges, and to the benefit from realignment of the taxable value of goodwill, trademarks and other intangible assets pursuant to Article 15, par. 10, of Law Decree 185/2008 and Law Decree 98/11. Deferred tax assets recorded as a balancing entry under shareholders' equity almost exclusively refer to tax on negative valuation reserves for financial assets available for sale and cash flow hedges.

The deferred tax assets associated with adjustments to loans, goodwill, trademarks or other intangible assets recognised in the financial statements of resident subsidiaries that have ended their financial years with a loss have been transformed into tax credits pursuant to Article 2, paragraphs 55 and 56, of Law Decree 225 of 29 December 2010, in an amount equal to the product of the loss for the year and the ratio of the foregoing deferred tax assets to the sum of share capital and reserves carried in the company's financial statements. The transformation enters into effect on the date of approval of the separate financial statements.

### 14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 3,375 million euro and the balancing entry is mostly in the income statement (2,195 million euro) as well as in shareholders' equity (1,180 million euro).

### 14.3 Changes in deferred tax assets (through profit and loss)

(millions of euro)

| | 31.12.2011 | Of which: Banking group | Of which: Insurance companies | Of which: Other companies | 31.12.2010 |
|---|---|---|---|---|---|
| **1. Initial amount** | **5,209** | *5,003* | *206* | - | **4,872** |
| **2. Increases** | **5,673** | *5,499* | *174* | - | **1,765** |
| 2.1 Deferred tax assets recognised in the period | 4,944 | *4,850* | *94* | - | 1,040 |
| *a) related to previous years* | *11* | *11* | - | - | *125* |
| *b) due to changes in accounting criteria* | - | - | - | - | - |
| *c) value recoveries* | - | - | - | - | - |
| *d) other* | *4,933* | *4,839* | *94* | - | *915* |
| 2.2 New taxes or tax rate increases | 89 | *76* | *13* | - | - |
| 2.3 Other increases | 565 | *498* | *67* | - | 696 |
| 2.4 Business combinations | 75 | *75* | - | - | 29 |
| **3. Decreases** | **-1,231** | *-1,198* | *-33* | - | **-1,428** |
| 3.1 Deferred tax assets eliminated in the period | -781 | *-749* | *-32* | - | -852 |
| *a) reversals* | *-588* | *-582* | *-6* | - | *-740* |
| *b) write-offs* | *-1* | *-1* | - | - | *-1* |
| *c) due to changes in accounting criteria* | - | - | - | - | - |
| *d) other* | *-192* | *-166* | *-26* | - | *-111* |
| 3.2 Tax rate reductions | - | - | - | - | -15 |
| 3.3 Other decreases | -439 | *-438* | *-1* | - | -561 |
| 3.4 Business combinations | -11 | *-11* | - | - | - |
| **4. Final amount** | **9,651** | *9,304* | *347* | - | **5,209** |

Increases associated with the deferred tax assets recognised during the year, other, set out in point 2.1 d), primarily refer to the recognition of deferred tax assets relating to the tax redemption of goodwill, carried out pursuant to Law Decree 98/11, enacted by Law 111/11, and the portion of adjustments to loans not deductible during the year.
Other increases recorded under point 2.3 mainly include the reversal of netting performed in the previous year.
Decreases associated with the deferred tax assets derecognised during the year, reversals, set out under point 3.1 a), mainly refer to the release of deferred tax assets due to the amortisation for tax purposes of goodwill redeemed in previous years and the portion of adjustments to loans applied in previous years deductible during the current year.
Other decreases as per point 3.3 essentially include netting performed during the year between deferred tax assets and liabilities.

### 14.4 Changes in deferred tax liabilities (through profit and loss)

(millions of euro)

| | 31.12.2011 | Of which: Banking group | Of which: Insurance companies | Of which: Other companies | 31.12.2010 |
|---|---|---|---|---|---|
| **1. Initial amount** | **2,409** | *1,736* | *673* | - | **1,979** |
| **2. Increases** | **993** | *772* | *221* | - | **1,237** |
| 2.1 Deferred tax liabilities recognised in the period | 340 | *203* | *137* | - | 330 |
| *a) related to previous years* | - | - | - | - | *2* |
| *b) due to changes in accounting criteria* | - | - | - | - | - |
| *c) other* | *340* | *203* | *137* | - | *328* |
| 2.2 New taxes or tax rate increases | 89 | *30* | *59* | - | 1 |
| 2.3 Other increases | 550 | *525* | *25* | - | 720 |
| 2.4 Business combinations | 14 | *14* | - | - | 186 |
| **3. Decreases** | **-1,207** | *-1,132* | *-75* | - | **-807** |
| 3.1 Deferred tax liabilities eliminated in the period | -953 | *-893* | *-60* | - | -308 |
| *a) reversals* | *-842* | *-828* | *-14* | - | *-265* |
| *b) due to changes in accounting criteria* | - | - | - | - | - |
| *c) other* | *-111* | *-65* | *-46* | - | *-43* |
| 3.2 Tax rate reductions | - | - | - | - | -3 |
| 3.3 Other decreases | -227 | *-212* | *-15* | - | -496 |
| 3.4 Business combinations | -27 | *-27* | - | - | - |
| **4. Final amount** | **2,195** | *1,376* | *819* | - | **2,409** |

Other increases recorded under point 2.3 mainly include the reversal of netting performed in the previous year.
Decreases associated with the deferred tax liabilities derecognised during the year, reversals, set out under point 3.1 a), primarily refer to the release of deferred tax liabilities due to the tax realignment of trademarks and intangible assets with definite useful lives, carried out pursuant to Law Decree 98/11, enacted by Law 111/11, and the portion of adjustments to goodwill relevant for tax purposes.
Other decreases as per point 3.3 essentially include netting performed during the year between deferred tax assets and liabilities.

### *Recognition of deferred tax assets on exercise of the options pursuant to art. 15, paragraphs 10-bis and 10-ter, Law Decree 185/08, converted to Law 2/09*

As already stated in the introductory chapter of the report on operations, Intesa Sanpaolo and CR Firenze elected to exercise the option afforded by Law Decree 98/11, enacted by Law 111/11, of carrying out the tax realignment of additional intangible assets carried in the consolidated financial statements only. Accordingly, at Group level goodwill and other intangible assets totalling 12,928 million euro have been realigned, resulting in a substitute tax charge of 2,069 million euro, the recognition of deferred tax assets and release of deferred tax liabilities for a total of 4,199 million euro and a benefit to the Group income statement of 2,130 million euro (2,102 million euro associated with the Parent Company and 28 million euro with Cassa di Risparmio di Firenze).
The overall positive effect of redemption on the Core Tier 1 ratio was 52 basis points, deriving from an increase of 58 basis points attributable to the realignment of goodwill and a decrease of 6 basis points attributable to the realignment of other intangible assets.
The detailed statement of the amounts referring to each investment is shown below in millions of euro.

(millions of euro)

| Company | Goodwill | Trademarks | Intangible assets | Substitute tax | Recognition of deferred tax assets | Release of deferred tax liabilities | Impact on the income statement |
|---|---|---|---|---|---|---|---|
| Banca IMI | 1,507 | - | - | 241 | 489 | - | 248 |
| Banco di Napoli | 2,028 | - | 10 | 326 | 659 | 3 | 336 |
| Cassa di Risparmio del Veneto | 436 | - | 155 | 94 | 142 | 50 | 98 |
| Cassa di Risparmio di Venezia | 198 | - | 81 | 45 | 65 | 26 | 46 |
| Banca dell'Adriatico | 132 | - | - | 21 | 43 | - | 22 |
| Cassa di Risparmio in Bologna | 100 | - | 86 | 30 | 32 | 28 | 30 |
| Cassa di Risparmio del Friuli Venezia Giulia | 45 | - | 30 | 12 | 15 | 9 | 12 |
| ISP Trust Company | 11 | - | - | 2 | 4 | - | 2 |
| BIIS (Former OPI) | 10 | - | - | 2 | 3 | - | 1 |
| Former Eurizon Financial Group (*) | 2,841 | 351 | 570 | 602 | 922 | 300 | 620 |
| **Purchase price allocation of Sanpaolo IMI** | **7,308** | **351** | **932** | **1,375** | **2,374** | **416** | **1,415** |
| Cassa di Risparmio di Firenze | 2,196 | - | 257 | 392 | 713 | 84 | 405 |
| Bank of Alexandria | 1,014 | - | - | 162 | 329 | - | 167 |
| Eurizon Capital Sgr (former Eurizon Investimenti) | 368 | - | - | 59 | 120 | - | 61 |
| Intesa Sanpaolo Private Banking | 142 | - | - | 23 | 46 | - | 23 |
| Intesa Sanpaolo Bank Albania | 94 | - | - | 15 | 31 | - | 16 |
| Banca di Credito Sardo | 83 | - | - | 13 | 27 | - | 14 |
| Cassa dei Risparmi di Forli' e della Romagna | 10 | - | - | 2 | 3 | - | 1 |
| **Acquisition of controlling interests** | **3,907** | **-** | **257** | **666** | **1,269** | **84** | **687** |
| **Total Intesa Sanpaolo** | **11,215** | **351** | **1,189** | **2,041** | **3,643** | **500** | **2,102** |
| Cassa Di Risparmio Della Spezia | 120 | - | - | 19 | 39 | - | 20 |
| Cassa Di Risparmio Di Pistoia E Pescia | 40 | - | - | 7 | 13 | - | 6 |
| Cassa Di Risparmio Di Civitavecchia | 3 | - | - | - | 1 | - | 1 |
| Banca C.R. Firenze Romania | 10 | - | - | 2 | 3 | - | 1 |
| **Total Cassa di Risparmio di Firenze** | **173** | **-** | **-** | **28** | **56** | **-** | **28** |
| **TOTAL INTESA SANPAOLO GROUP** | **11,388** | **351** | **1,189** | **2,069** | **3,699** | **500** | **2,129** |

(*) With reference to the subsidiaries Banca Fideuram, Eurizon Capital, Eurizon Vita and Sud Polo Vita.

The accounting treatment of tax realignment presents a range of different issues depending on whether the realignment process involves intangible assets for which deferred tax liabilities have been recognised (such as the intangible assets with finite useful lives and trademarks recognised due to purchase price allocation processes pursuant to IFRS 3) or intangible assets that, although not recognised for tax purposes, are not associated with a corresponding provision for deferred tax liabilities in the financial statements because IFRS rules do not permit it (as in the case of goodwill).
In the case of realignment of goodwill, accounting treatment is susceptible to different interpretation, given that there is no specific provision in IAS 12 regarding the recognition for tax purposes of goodwill after initial recognition. IAS 12 merely forbids the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not recognised for tax purposes.
Analysis performed in this regard led the Italian accounting standard-setter (OIC) to issue an application document in February 2009, which considers various accounting treatments as compatible with IFRS. Of the three solutions hypothesised, Intesa Sanpaolo decided, as it previously had, to apply the treatment involving the immediate recognition to the income statement of both the substitute tax charge and the deferred tax assets representing the future tax benefits deriving from the tax deductibility of goodwill, calculated at the standard rate. In this way the financial statements immediately and fully reflect the benefit achieved from realignment.
For trademarks and intangible assets with finite useful lives, the realignment process instead entailed the recognition in the consolidated financial statements of the substitute tax charge and the release of the deferred tax liabilities previously recognised in connection with the realigned portion of intangible assets. Since neither intangibles subject to realignment or the associated deferred taxes have been recognised in Intesa Sanpaolo's separate financial statements, realignment entailed not only the recognition of the substitute tax charge, but also deferred tax assets to account for the future deductibility of the realigned taxable amounts.

### 14.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

| | 31.12.2011 | Of which: | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **1. Initial amount** | **765** | *476* | *289* | - | **376** |
| **2. Increases** | **2,051** | *704* | *1,347* | - | **483** |
| 2.1 Deferred tax assets recognised in the period | 1,821 | *676* | *1,145* | - | 355 |
| *a) related to previous years* | - | - | - | - | - |
| *b) due to changes in accounting criteria* | - | - | - | - | - |
| *c) other* | *1,821* | *676* | *1,145* | - | *355* |
| 2.2 New taxes or tax rate increases | 30 | *13* | *17* | - | - |
| 2.3 Other increases | 199 | *14* | *185* | - | 128 |
| 2.4 Business combinations | 1 | *1* | - | - | - |
| **3. Decreases** | **-144** | *-141* | *-3* | - | **-94** |
| 3.1 Deferred tax assets eliminated in the period | -122 | *-120* | *-2* | - | -31 |
| *a) reversals* | *-101* | *-99* | *-2* | - | *-14* |
| *b) write-offs* | - | - | - | - | - |
| *c) due to changes in accounting criteria* | - | - | - | - | - |
| *d) other* | *-21* | *-21* | - | - | *-17* |
| 3.2 Tax rate reductions | - | - | - | - | -1 |
| 3.3 Other decreases | -22 | *-21* | *-1* | - | -62 |
| 3.4 Business combinations | - | - | - | - | - |
| **4. Final amount** | **2,672** | *1,039* | *1,633* | - | **765** |

### 14.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

| | 31.12.2011 | Of which: | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **1. Initial amount** | **199** | *65* | *134* | - | **145** |
| **2. Increases** | **1,076** | *27* | *1,049* | - | **243** |
| 2.1 Deferred tax liabilities recognised in the period | 786 | *11* | *775* | - | 144 |
| *a) related to previous years* | - | - | - | - | - |
| *b) due to changes in accounting criteria* | - | - | - | - | - |
| *c) other* | *786* | *11* | *775* | - | *144* |
| 2.2 New taxes or tax rate increases | 18 | *9* | *9* | - | - |
| 2.3 Other increases | 271 | *6* | *265* | - | 99 |
| 2.4 Business combinations | 1 | *1* | - | - | - |
| **3. Decreases** | **-95** | *-38* | *-57* | - | **-189** |
| 3.1 Deferred tax liabilities eliminated in the period | -25 | *-25* | - | - | -88 |
| *a) reversals* | *-20* | *-20* | - | - | *-28* |
| *b) due to changes in accounting criteria* | - | - | - | - | - |
| *c) other* | *-5* | *-5* | - | - | *-60* |
| 3.2 Tax rate reductions | - | - | - | - | - |
| 3.3 Other decreases | -69 | *-12* | *-57* | - | -101 |
| 3.4 Business combinations | -1 | *-1* | - | - | - |
| **4. Final amount** | **1,180** | *54* | *1,126* | - | **199** |

### *Probability test on deferred taxation*

IAS 12 requires that deferred tax assets and liabilities be recognised according to the following criteria:

– taxable temporary differences: a deferred tax liability must be recognised for all taxable temporary differences;
– deductible temporary differences: a deferred tax asset must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Deferred tax assets not recognised in a given year - inasmuch as the requirements for recognition have not been met - must be recognised during the year in which those requirements are met.

The carrying amount of deferred tax assets must therefore be tested each year to determine whether it is reasonably certain that taxable income will be earned in the future and thus that the deferred tax assets may be recovered.

Given the significant amount of deferred tax assets carried among the Group's assets, including in the 2011 financial statements, as for previous financial statements, an analysis was conducted to verify projections of future profitability sufficient to ensure the recovery of those deferred tax assets and thus justify recognising and continuing to carrying them (a procedure known as a "probability test").
In conducting the probability test for the deferred tax assets carried in the Group's financial statements as at 31 December 2011, assets arising from temporary deductible differences associated with impairment losses on loans, goodwill and other intangible assets ("eligible deferred tax assets" and "eligible temporary differences") were considered separately. In this regard it bears noting that effective the tax period ended 31 December 2011 deferred tax assets recognised to account for tax losses due to the deferred deduction of eligible temporary differences are eligible for conversion into tax credits (article 2, paragraph 56-bis, of Law Decree 225/2010, introduced by article 9 of Law Decree 201/2011), in addition to the previously allowed case of losses in the

financial statements of the Parent Company (article 2, paragraphs 55 and 56 of Law Decree 225/2010). This convertibility introduced an additional, supplementary method of recovery suited to ensuring the recovery of eligible deferred tax assets in any situation, regardless of the company’s future profitability. If in a given year there are surplus eligible temporary differences with respect to taxable income, the recovery of deferred tax assets takes the form not of a decrease in current taxes, but rather the recognition of deferred tax assets on the tax loss, convertible into tax credits pursuant to article 2, paragraph 56-bis, of Law Decree 225/2010. The convertibility of deferred tax assets on tax losses that result from eligible temporary differences is therefore a sufficient condition for the recognition of eligible deferred tax assets, effectively resulting in implicit passage of the associated probability test.

On this basis, the test consisted of:

a) identifying deferred tax assets, other than those associated with impairment losses on loans, goodwill and other intangible assets (“ineligible deferred tax assets”) carried in the consolidated financial statements;
b) analysing such ineligible deferred tax assets and the deferred tax liabilities carried in the consolidated financial statements, distinguishing them by type of origin and thus by foreseeable recovery timing;
c) provisionally determining the amount of the Group's future earnings in order to verify its ability to recover the recognised deferred tax assets set forth in point a) above.

The analysis conducted indicated a taxable base that was more than sufficient and adequate to allow recovery of the deferred tax assets carried in the financial statements as at 31 December 2011.

## SECTION 15 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 150 OF ASSETS AND CAPTION 90 OF LIABILITIES

### 15.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(millions of euro)

| | 31.12.2011 | *Of which:* | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **A. Non-current assets held for sale** | | | | | |
| A.1 Financial assets | - | - | - | - | - |
| A.2 Investments in associates and companies subject to joint control | - | - | - | - | - |
| A.3 Property and equipment | 26 | *26* | - | - | 75 |
| A.4 Intangible assets | - | - | - | - | - |
| A.5 Other | - | - | - | - | - |
| **Total A** | **26** | ***26*** | - | - | **75** |
| **B. Discontinued operations** | | | | | |
| B.1 Financial assets held for trading | - | - | - | - | - |
| B.2 Financial assets designated at fair value through profit and loss | - | - | - | - | - |
| B.3 Financial assets available for sale | - | - | - | - | - |
| B.4 Investments held to maturity | - | - | - | - | - |
| B.5 Due from banks | - | - | - | - | - |
| B.6 Loans to customers | - | - | - | - | - |
| B.7 Investments in associates and companies subject to joint control | - | - | - | - | - |
| B.8 Property and equipment | - | - | - | - | - |
| B.9 Intangible assets | - | - | - | - | - |
| B.10 Other | - | - | - | - | - |
| **Total B** | - | - | - | - | - |
| **C. Liabilities associated with non-current assets held for sale** | | | | | |
| C.1 Debts | - | - | - | - | - |
| C.2 Securities | - | - | - | - | - |
| C.3 Other | - | - | - | - | - |
| **Total C** | - | - | - | - | - |
| **D. Liabilities associated with discontinued operations** | | | | | |
| D.1 Due to banks | - | - | - | - | - |
| D.2 Due to customers | - | - | - | - | - |
| D.3 Securities issued | - | - | - | - | - |
| D.4 Financial liabilities held for trading | - | - | - | - | - |
| D.5 Financial liabilities designated at fair value through profit and loss | - | - | - | - | - |
| D.6 Allowances | - | - | - | - | - |
| D.7 Other | - | - | - | - | - |
| **Total D** | - | - | - | - | - |

The caption includes real-estate assets to be sold in the near future by Cassa di Risparmio del Veneto and banks belonging to the Cassa di Risparmio di Firenze Group.

### 15.2 Other information

There is no other significant information to note as at 31 December 2011.

### 15.3 Information on companies subject to significant influence not carried at equity

As at 31 December 2011, there were no investments in companies subject to significant influence not carried at equity and classified as held for sale.

## SECTION 16 – OTHER ASSETS – CAPTION 160

### 16.1 Other assets: breakdown

(millions of euro)

| | Total | *Of which:* | | |
|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* |
| Amounts to be debited - under processing | 1,873 | *1,861* | *12* | - |
| Amounts to be debited - deriving from securities transactions | 1,200 | *1,177* | *23* | - |
| Transit items | 104 | *104* | - | - |
| Cheques drawn on the bank settled | 17 | *17* | - | - |
| Leasehold improvements | 168 | *168* | - | - |
| Amounts due from tax authorities relating to insurance business | 903 | - | *903* | - |
| Other | 4,337 | *3,861* | *470* | *6* |
| **TOTAL 31.12.2011** | **8,602** | *7,188* | *1,408* | *6* |
| **TOTAL 31.12.2010** | **8,663** | *7,041* | *1,599* | *23* |

# LIABILITIES

## SECTION 1 – DUE TO BANKS – CAPTION 10

### 1.1 Due to banks: breakdown

(millions of euro)

| | 31.12.2011 | Of which: | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **1. Due to Central Banks** | **45,919** | ***45,919*** | **-** | **-** | **8,647** |
| **2. Due to banks** | **32,725** | ***32,602*** | ***2*** | ***121*** | **44,213** |
| 2.1 Current accounts and deposits | 5,149 | *5,068* | *1* | *80* | 5,518 |
| 2.2 Time deposits | 4,295 | *4,283* | - | *12* | 9,177 |
| 2.3 Loans | 22,737 | *22,707* | *1* | *29* | 29,251 |
| *2.3.1 Repurchase agreements* | *12,690* | *12,690* | - | - | *17,679* |
| *2.3.2 Other* | *10,047* | *10,017* | *1* | *29* | *11,572* |
| 2.4 Debts for commitments to repurchase own equity instruments | 484 | *484* | - | - | 233 |
| 2.5 Other debts | 60 | *60* | - | - | 34 |
| **TOTAL** | **78,644** | ***78,521*** | ***2*** | ***121*** | **52,860** |
| **Fair value** | **77,899** | ***77,776*** | ***2*** | ***121*** | **52,697** |

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, mainly attributable to:

- Put & Call Agreement to purchase 9.75% of Bank of Alexandria for a total of approximately 152 million euro;
- Put & Call Agreement to purchase the remaining 13.25% of Banca Intesa (Closed Joint-stock Company, formerly KMB Bank) for approximately 81 million euro.

### 1.2 Breakdown of caption 10 Due to banks: subordinated debts

There are no subordinated debts as at 31 December 2011.

### 1.3 Breakdown of caption 10 Due to banks: structured debts

There are no structured debts as at 31 December 2011.

### 1.4 Due to banks with specific hedges

As at 31 December 2011, debts with fair value hedges amounted to 433 million euro, of which 403 million euro against interest rate risk and 30 million euro against several risks.

### 1.5 Financial lease payables

There are no financial lease payables due to banks as at 31 December 2011.

## SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

### 2.1 Due to customers: breakdown

(millions of euro)

| | 31.12.2011 | Of which: Banking group | Of which: Insurance companies | Of which: Other companies | 31.12.2010 |
|---|---|---|---|---|---|
| 1. Current accounts and deposits | 154,527 | *154,527* | - | - | 167,326 |
| 2. Time deposits | 29,246 | *29,246* | - | - | 31,033 |
| 3. Loans | 8,663 | *8,631* | *32* | - | 18,341 |
| *3.1 Repurchase agreements* | *4,640* | *4,640* | - | - | *13,111* |
| *3.2 Other* | *4,023* | *3,991* | *32* | - | *5,230* |
| 4. Debts for commitments to repurchase own equity instruments | 539 | *539* | - | - | 619 |
| 5. Other debts | 4,190 | *3,819* | *371* | - | 3,745 |
| **TOTAL** | **197,165** | ***196,762*** | ***403*** | **-** | **221,064** |
| **Fair value** | **196,698** | ***196,295*** | ***403*** | **-** | **220,824** |

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, mainly attributable to:

– Put & Call Agreement to purchase the remaining 10.29% of Cassa di Risparmio di Firenze for a total of approximately 273 million euro;
– Put & Call Agreement to purchase 39.65% of Cassa di Risparmio di Pistoia for a total of approximately 169 million euro;
– Put & Call Agreement to purchase 8.72% of Banca di Trento e Bolzano for a total of approximately 37 million euro;
– Put & Call Agreement to purchase the remaining 7.00% of Banca Intesa a.d. Beograd for a total of approximately 42 million euro.

### 2.2 Breakdown of caption 20 Due to customers: subordinated debts

As at 31 December 2011, the amount under Due to customers included subordinated debts of 76 million euro.

### 2.3 Breakdown of caption 20 Due to customers: structured debts

There are no structured debts as at 31 December 2011.

### 2.4 Due to customers with specific hedges

As at 31 December 2011, debts with specific hedges included under Due to customers are immaterial.

### 2.5 Financial lease payables

As at 31 December 2011, financial lease payables included under Due to customers are immaterial.

## SECTION 3 – SECURITIES ISSUED - CAPTION 30

### 3.1 Securities issued: breakdown

(millions of euro)

| | 31.12.2011 | | | | 31.12.2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **Securities** | | | | | | | | |
| 1. bonds | 151,218 | 46,030 | 86,906 | 166 | 143,701 | 46,253 | 94,903 | - |
| *1.1 structured* | *30,177* | *2,907* | *23,093* | - | *30,502* | *3,196* | *27,045* | - |
| *1.2 other* | *121,041* | *43,123* | *63,813* | *166* | *113,199* | *43,057* | *67,858* | - |
| 2. other | 9,027 | - | 7,974 | 1,010 | 36,282 | - | 35,555 | 726 |
| *2.1 structured* | - | - | - | - | - | - | - | - |
| *2.2 other* | *9,027* | - | *7,974* | *1,010* | *36,282* | - | *35,555* | *726* |
| **TOTAL** | **160,245** | **46,030** | **94,880** | **1,176** | **179,983** | **46,253** | **130,458** | **726** |

Embedded derivatives that have satisfied the conditions set forth by IAS 39 as at their issue date for separation from the host contract as at 31 December 2011 have a negative fair value of 516 million euro.

### *3.1 Of which Banking group*

(millions of euro)

| | 31.12.2011 | | | | 31.12.2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **Securities** | | | | | | | | |
| 1. bonds | 151,218 | 46,030 | 86,906 | 166 | 143,700 | 46,253 | 94,902 | - |
| *1.1 structured* | *30,177* | *2,907* | *23,093* | *-* | *30,502* | *3,196* | *27,045* | *-* |
| *1.2 other* | *121,041* | *43,123* | *63,813* | *166* | *113,198* | *43,057* | *67,857* | *-* |
| 2. other | 8,963 | - | 7,910 | 1,010 | 34,915 | - | 34,188 | 726 |
| *2.1 structured* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| *2.2 other* | *8,963* | *-* | *7,910* | *1,010* | *34,915* | *-* | *34,188* | *726* |
| **TOTAL** | **160,181** | **46,030** | **94,816** | **1,176** | **178,615** | **46,253** | **129,090** | **726** |

### *3.1 Of which Insurance companies*

As at 31 December 2011, there were no subordinated securities attributable to insurance companies, whereas they amounted to 1 million euro at the end of 2010.

### *3.1 Of which Other companies*

(millions of euro)

| | 31.12.2011 | | | | 31.12.2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **Securities** | | | | | | | | |
| 1. bonds | - | - | - | - | - | - | - | - |
| *1.1 structured* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| *1.2 other* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| 2. other | 64 | - | 64 | - | 1,367 | - | 1,367 | - |
| *2.1 structured* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| *2.2 other* | *64* | *-* | *64* | *-* | *1,367* | *-* | *1,367* | *-* |
| **TOTAL** | **64** | **-** | **64** | **-** | **1,367** | **-** | **1,367** | **-** |

### 3.2 Breakdown of caption 30 Securities issued: subordinated securities

The complete list of subordinated securities eligible for regulatory purposes is presented in Part F – Information on capital. The amount of subordinated securities included under Securities issued totalled 19,437 million euro.

### 3.3 Breakdown of caption 30 Securities issued: securities with specific hedges

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **1. Securities with specific fair value hedges** | **112,670** | **108,512** |
| a) Interest rate risk | 110,538 | 104,087 |
| b) Foreign exchange risk | - | - |
| c) Various risks | 2,132 | 4,425 |
| **2. Securities with specific cash flow hedges** | **278** | **406** |
| a) Interest rate risk | 278 | 406 |
| b) Foreign exchange risk | - | - |
| c) Other | - | - |
| **TOTAL** | **112,948** | **108,918** |

## SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

### 4.1 Financial liabilities held for trading: breakdown

(millions of euro)

| | 31.12.2011 | | | | | 31.12.2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal or notional value | Fair value | | | Fair value (*) | Nominal or notional value | Fair value | | | Fair value (*) |
| | | Level 1 | Level 2 | Level 3 | | | Level 1 | Level 2 | Level 3 | |
| **A. CASH LIABILITIES** | | | | | | | | | | |
| **1. Due to banks** | **1,839** | **1,945** | **4** | **-** | **1,949** | **2,459** | **2,577** | **2** | **-** | **2,579** |
| **2. Due to customers** | **327** | **334** | **-** | **-** | **334** | **186** | **185** | **-** | **-** | **185** |
| **3. Debt securities** | **-** | **-** | **-** | **-** | **X** | **-** | **-** | **-** | **-** | **X** |
| 3.1 Bonds | - | - | - | - | X | - | - | - | - | X |
| *3.1.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *3.1.2 other bonds* | - | - | - | - | *X* | - | - | - | - | *X* |
| 3.2 Other | - | - | - | - | X | - | - | - | - | X |
| *3.2.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *3.2.2 other* | - | - | - | - | *X* | - | - | - | - | *X* |
| **Total A** | **2,166** | **2,279** | **4** | **-** | **2,283** | **2,645** | **2,762** | **2** | **-** | **2,764** |
| **B. DERIVATIVES** | | | | | | | | | | |
| **1. Financial derivatives** | **X** | **1,886** | **39,907** | **632** | **X** | **X** | **1,163** | **38,316** | **379** | **X** |
| 1.1 Trading | X | 1,886 | 39,391 | 556 | X | X | 1,163 | 37,598 | 316 | X |
| 1.2 Fair value option | X | - | - | - | X | X | - | - | - | X |
| 1.3 Other | X | - | 516 | 76 | X | X | - | 718 | 63 | X |
| **2. Credit derivatives** | **X** | **85** | **3,623** | **324** | **X** | **X** | **90** | **1,897** | **436** | **X** |
| 2.1 Trading | X | 85 | 3,623 | 324 | X | X | 90 | 1,897 | 436 | X |
| 2.2 Fair value option | X | - | - | - | X | X | - | - | - | X |
| 2.3 Other | X | - | - | - | X | X | - | - | - | X |
| **Total B** | **X** | **1,971** | **43,530** | **956** | **X** | **X** | **1,253** | **40,213** | **815** | **X** |
| **TOTAL (A+B)** | **X** | **4,250** | **43,534** | **956** | **X** | **X** | **4,015** | **40,215** | **815** | **X** |

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

### *4.1 Of which Banking group*

(millions of euro)

| | 31.12.2011 | | | | | 31.12.2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal or notional value | Fair value | | | Fair value (*) | Nominal or notional value | Fair value | | | Fair value (*) |
| | | Level 1 | Level 2 | Level 3 | | | Level 1 | Level 2 | Level 3 | |
| **A. CASH LIABILITIES** | | | | | | | | | | |
| **1. Due to banks** | **1,839** | **1,945** | **4** | **-** | **1,949** | **2,459** | **2,577** | **2** | **-** | **2,579** |
| **2. Due to customers** | **327** | **334** | **-** | **-** | **334** | **186** | **185** | **-** | **-** | **185** |
| **3. Debt securities** | **-** | **-** | **-** | **-** | **X** | **-** | **-** | **-** | **-** | **X** |
| 3.1 Bonds | - | - | - | - | X | - | - | - | - | X |
| *3.1.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *3.1.2 other bonds* | - | - | - | - | *X* | - | - | - | - | *X* |
| 3.2 Other | - | - | - | - | X | - | - | - | - | X |
| *3.2.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *3.2.2 other* | - | - | - | - | *X* | - | - | - | - | *X* |
| **Total A** | **2,166** | **2,279** | **4** | **-** | **2,283** | **2,645** | **2,762** | **2** | **-** | **2,764** |
| **B. DERIVATIVES** | | | | | | | | | | |
| **1. Financial derivatives** | **X** | **1,879** | **39,885** | **632** | **X** | **X** | **1,159** | **38,272** | **379** | **X** |
| 1.1 Trading | X | 1,879 | 39,371 | 556 | X | X | 1,159 | 37,583 | 316 | X |
| 1.2 Fair value option | X | - | - | - | X | X | - | - | - | X |
| 1.3 Other | X | - | 514 | 76 | X | X | - | 689 | 63 | X |
| **2. Credit derivatives** | **X** | **85** | **3,623** | **324** | **X** | **X** | **90** | **1,897** | **436** | **X** |
| 2.1 Trading | X | 85 | 3,623 | 324 | X | X | 90 | 1,897 | 436 | X |
| 2.2 Fair value option | X | - | - | - | X | X | - | - | - | X |
| 2.3 Other | X | - | - | - | X | X | - | - | - | X |
| **Total B** | **X** | **1,964** | **43,508** | **956** | **X** | **X** | **1,249** | **40,169** | **815** | **X** |
| **TOTAL (A+B)** | **X** | **4,243** | **43,512** | **956** | **X** | **X** | **4,011** | **40,171** | **815** | **X** |

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

A.1 Due to banks and A.2 Due to customers include short selling.

B.1. Financial derivatives include securitised capital-protected certificates for 2,286 million euro (1,998 million euro at the end of 2010).

### *4.1 Of which Insurance companies*

(millions of euro)

| | 31.12.2011 | | | | | 31.12.2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal or notional value | Fair value | | | Fair value (*) | Nominal or notional value | Fair value | | | Fair value (*) |
| | | Level 1 | Level 2 | Level 3 | | | Level 1 | Level 2 | Level 3 | |
| **A. CASH LIABILITIES** | | | | | | | | | | |
| **1. Due to banks** | - | - | - | - | - | - | - | - | - | - |
| **2. Due to customers** | - | - | - | - | - | - | - | - | - | - |
| **3. Debt securities** | - | - | - | - | X | - | - | - | - | X |
| 3.1 Bonds | - | - | - | - | X | - | - | - | - | X |
| *3.1.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *3.1.2 other bonds* | - | - | - | - | *X* | - | - | - | - | *X* |
| 3.2 Other | - | - | - | - | X | - | - | - | - | X |
| *3.2.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *3.2.2 other* | - | - | - | - | *X* | - | - | - | - | *X* |
| **Total A** | - | - | - | - | - | - | - | - | - | - |
| **B. DERIVATIVES** | | | | | | | | | | |
| **1. Financial derivatives** | X | 7 | 22 | - | X | X | 4 | 44 | - | X |
| 1.1 Trading | X | 7 | 20 | - | X | X | 4 | 15 | - | X |
| 1.2 Fair value option | X | - | - | - | X | X | - | - | - | X |
| 1.3 Other | X | - | 2 | - | X | X | - | 29 | - | X |
| **2. Credit derivatives** | X | - | - | - | X | X | - | - | - | X |
| 2.1 Trading | X | - | - | - | X | X | - | - | - | X |
| 2.2 Fair value option | X | - | - | - | X | X | - | - | - | X |
| 2.3 Other | X | - | - | - | X | X | - | - | - | X |
| **Total B** | X | 7 | 22 | - | X | X | 4 | 44 | - | X |
| **TOTAL (A+B)** | X | 7 | 22 | - | X | X | 4 | 44 | - | X |

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

### 4.2 Breakdown of caption 40 Financial liabilities held for trading: subordinated liabilities

There are no subordinated liabilities classified under Financial liabilities held for trading as at 31 December 2011.

### 4.3 Breakdown of caption 40 Financial liabilities held for trading: structured debts

The Group has structured debts of 4 million euro classified under Financial liabilities held for trading as at 31 December 2011.

### 4.4 Financial cash liabilities (excluding "short selling") held for trading: annual changes

As at 31 December 2011, Financial cash liabilities is almost exclusively made up of short positions.

## SECTION 5 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – CAPTION 50

### 5.1 Financial liabilities designated at fair value: breakdown

(millions of euro)

| | 31.12.2011 | | | | | 31.12.2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal value | Fair value | | | Fair value (*) | Nominal value | Fair value | | | Fair value (*) |
| | | Level 1 | Level 2 | Level 3 | | | Level 1 | Level 2 | Level 3 | |
| 1.Due to banks | - | - | - | - | - | - | - | - | - | - |
| *1.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *1.2 other* | - | - | - | - | *X* | - | - | - | - | *X* |
| 2. Due to customers | 21,955 | - | 21,955 | - | 22,054 | 24,906 | 3,722 | 21,184 | - | 24,906 |
| *2.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *2.2 other* | *21,955* | - | *21,955* | - | *X* | *24,906* | *3,722* | *21,184* | - | *X* |
| 3. Debt securities | 720 | - | 698 | - | 693 | 1,253 | - | 1,238 | - | 1,240 |
| *3.1 structured* | *706* | - | *685* | - | *X* | *1,228* | - | *1,213* | - | *X* |
| *3.2 other* | *14* | - | *13* | - | *X* | *25* | - | *25* | - | *X* |
| **TOTAL** | **22,675** | - | **22,653** | - | **22,747** | **26,159** | **3,722** | **22,422** | - | **26,146** |

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

### *5.1 Of which Banking group*

(millions of euro)

| | 31.12.2011 | | | | | 31.12.2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal value | Fair value | | | Fair value (*) | Nominal value | Fair value | | | Fair value (*) |
| | | Level 1 | Level 2 | Level 3 | | | Level 1 | Level 2 | Level 3 | |
| 1.Due to banks | - | - | - | - | - | - | - | - | - | - |
| *1.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *1.2 other* | - | - | - | - | *X* | - | - | - | - | *X* |
| 2. Due to customers | - | - | - | - | - | - | - | - | - | - |
| *2.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *2.2 other* | - | - | - | - | *X* | - | - | - | - | *X* |
| 3. Debt securities | 720 | - | 698 | - | 693 | 1,253 | - | 1,238 | - | 1,240 |
| *3.1 structured* | *706* | - | *685* | - | *X* | *1,228* | - | *1,213* | - | *X* |
| *3.2 other* | *14* | - | *13* | - | *X* | *25* | - | *25* | - | *X* |
| **TOTAL** | **720** | **-** | **698** | **-** | **693** | **1,253** | **-** | **1,238** | **-** | **1,240** |

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

### *5.1 Of which Insurance companies*

(millions of euro)

| | 31.12.2011 | | | | | 31.12.2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nominal value | Fair value | | | Fair value (*) | Nominal value | Fair value | | | Fair value (*) |
| | | Level 1 | Level 2 | Level 3 | | | Level 1 | Level 2 | Level 3 | |
| 1.Due to banks | - | - | - | - | - | - | - | - | - | - |
| *1.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *1.2 other* | - | - | - | - | *X* | - | - | - | - | *X* |
| 2. Due to customers | 21,955 | - | 21,955 | - | 22,054 | 24,906 | 3,722 | 21,184 | - | 24,906 |
| *2.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *2.2 other* | *21,955* | - | *21,955* | - | *X* | *24,906* | *3,722* | *21,184* | - | *X* |
| 3. Debt securities | - | - | - | - | - | - | - | - | - | - |
| *3.1 structured* | - | - | - | - | *X* | - | - | - | - | *X* |
| *3.2 other* | - | - | - | - | *X* | - | - | - | - | *X* |
| **TOTAL** | **21,955** | **-** | **21,955** | **-** | **22,054** | **24,906** | **3,722** | **21,184** | **-** | **24,906** |

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Liabilities designated at fair value as at 31 December 2011 included amounts collected by the Group's insurance companies through the issuing of mainly financial policies against investments where the risks are borne wholly by subscribers.

### 5.2 Breakdown of caption 50 Financial liabilities designated at fair value: subordinated liabilities

There are no subordinated liabilities classified under Financial liabilities designated at fair value as at 31 December 2011.

### 5.3 Financial liabilities designated at fair value: annual changes

(millions of euro)

| | Due to banks | Due to customers | Debt securities | Total |
|---|---|---|---|---|
| **A. Initial amount** | **-** | **24,906** | **1,238** | **26,144** |
| **B. Increases** | **-** | **3,242** | **6** | **3,248** |
| B.1 issues | - | 980 | - | **980** |
| B.2 sales | - | 1,350 | - | **1,350** |
| *of which business combinations* | - | - | - | - |
| B.3 positive fair value differences | - | 2 | 5 | **7** |
| B.4 other changes | - | 910 | 1 | **911** |
| **C. Decreases** | **-** | **-6,193** | **-546** | **-6,739** |
| C.1 purchases | - | -821 | -65 | **-886** |
| C.2 reimbursements | - | -3,283 | -463 | **-3,746** |
| C.3 negative fair value differences | - | -843 | -7 | **-850** |
| C.4 other changes | - | -1,246 | -11 | **-1,257** |
| **D. Final amount** | **-** | **21,955** | **698** | **22,653** |

## SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

### 6.1. Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

| | Fair value 31.12.2011 | | | Notional value | Fair value 31.12.2010 | | | Notional value |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| **A. Financial derivatives** | **-** | **8,567** | **9** | **105,912** | **-** | **5,884** | **-** | **117,406** |
| 1. Fair value | - | 6,766 | 9 | 98,347 | - | 4,660 | - | 105,181 |
| 2. Cash flows | - | 1,801 | - | 7,565 | - | 1,224 | - | 12,225 |
| 3. Foreign investments | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Fair value | - | - | - | - | - | - | - | - |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| **TOTAL** | **-** | **8,567** | **9** | **105,912** | **-** | **5,884** | **-** | **117,406** |

### *6.1 Of which Banking group*

(millions of euro)

| | Fair value 31.12.2011 | | | Notional value | Fair value 31.12.2010 | | | Notional value |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| **A. Financial derivatives** | **-** | **8,316** | **9** | **105,359** | **-** | **5,758** | **-** | **115,615** |
| 1. Fair value | - | 6,515 | 9 | 97,794 | - | 4,542 | - | 104,718 |
| 2. Cash flows | - | 1,801 | - | 7,565 | - | 1,216 | - | 10,897 |
| 3. Foreign investments | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Fair value | - | - | - | - | - | - | - | - |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| **TOTAL** | **-** | **8,316** | **9** | **105,359** | **-** | **5,758** | **-** | **115,615** |

### *6.1 Of which Insurance companies*

(millions of euro)

| | Fair value 31.12.2011 | | | Notional value | Fair value 31.12.2010 | | | Notional value |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| **A. Financial derivatives** | **-** | **251** | **-** | **553** | **-** | **118** | **-** | **463** |
| 1. Fair value | - | 251 | - | 553 | - | 118 | - | 463 |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| 3. Foreign investments | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Fair value | - | - | - | - | - | - | - | - |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| **TOTAL** | **-** | **251** | **-** | **553** | **-** | **118** | **-** | **463** |

### 6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

| Operations/Type of hedge | Fair value | | | | | | Cash flow | | Foreign investm. |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | Generic | Specific | Generic | |
| | interest rate risk | foreign exchange risk | credit risk | price risk | various risks | | | | |
| 1. Financial assets available for sale | 1,072 | - | - | - | 7 | X | - | X | X |
| 2. Loans | 4,789 | - | - | X | 93 | X | - | X | X |
| 3. Investments held to maturity | X | - | - | X | - | X | - | X | X |
| 4. Portfolio | X | X | X | X | X | 111 | X | - | X |
| 5. Other transactions | 2 | - | - | - | - | X | - | X | - |
| **Total assets** | **5,863** | **-** | **-** | **-** | **100** | **111** | **-** | **-** | **-** |
| 1. Financial liabilities | 558 | - | - | X | 128 | X | 11 | X | X |
| 2. Portfolio | X | X | X | X | X | 15 | X | 1,790 | X |
| **Total liabilities** | **558** | **-** | **-** | **-** | **128** | **15** | **11** | **1,790** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | - | X | X |
| 2. Financial assets and liabilities portfolio | X | X | X | X | X | - | X | - | - |

### *6.2 Of which Banking group*

(millions of euro)

| Operations/Type of hedge | Fair value | | | | | | Cash flow | | Foreign investm. |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | Generic | Specific | Generic | |
| | interest rate risk | foreign exchange risk | credit risk | price risk | various risks | | | | |
| 1. Financial assets available for sale | 821 | - | - | - | 7 | X | - | X | X |
| 2. Loans | 4,789 | - | - | X | 93 | X | - | X | X |
| 3. Investments held to maturity | X | - | - | X | - | X | - | X | X |
| 4. Portfolio | X | X | X | X | X | 111 | X | - | X |
| 5. Other transactions | 2 | - | - | - | - | X | - | X | - |
| **Total assets** | **5,612** | **-** | **-** | **-** | **100** | **111** | **-** | **-** | **-** |
| 1. Financial liabilities | 558 | - | - | X | 128 | X | 11 | X | X |
| 2. Portfolio | X | X | X | X | X | 15 | X | 1,790 | X |
| **Total liabilities** | **558** | **-** | **-** | **-** | **128** | **15** | **11** | **1,790** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | - | X | X |
| 2. Financial assets and liabilities portfolio | X | X | X | X | X | - | X | - | - |

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

These mainly refer to specific fair value hedges of loans disbursed and liabilities issued and generic cash flow hedge derivatives of portfolios of liabilities. These cash flow hedges refer to floating rate securities used to fund fixed rate investments.

There are also generic fair value hedges of core deposits.

### *6.2 Of which Insurance companies*

(millions of euro)

| Operations/Type of hedge | Fair value | | | | | | Cash flow | | Foreign investm. |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | Generic | Specific | Generic | |
| | interest rate risk | foreign exchange risk | credit risk | price risk | various risks | | | | |
| 1. Financial assets available for sale | 251 | - | - | - | - | X | - | X | X |
| 2. Loans | - | - | - | X | - | X | - | X | X |
| 3. Investments held to maturity | X | - | - | X | - | X | - | X | X |
| 4. Portfolio | X | X | X | X | X | - | X | - | X |
| 5. Other transactions | - | - | - | - | - | X | - | X | - |
| **Total assets** | **251** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Financial liabilities | - | - | - | X | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | - | X | - | X |
| **Total liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | - | X | X |
| 2. Financial assets and liabilities portfolio | X | X | X | X | X | - | X | - | - |

### *6.2 Of which Other companies*

As at 31 December 2011, there were no specific cash flow hedge derivatives attributable to other companies, whereas they amounted to 8 million euro at the end of 2010.

## SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS - CAPTION 70

### 7.1 Fair value change of financial liabilities in hedged portfolios

(millions of euro)

| | 31.12.2011 | *Of which:* | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| 1. Positive fair value change of financial liabilities | 1,769 | *1,769* | - | - | ***1,536*** |
| 2. Negative fair value change of financial liabilities | -83 | *-83* | - | - | ***-124*** |
| **TOTAL** | **1,686** | ***1,686*** | - | - | ***1,412*** |

### 7.2 Financial liabilities hedged by macrohedging of interest rate risk: breakdown

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| 1. Debts | - | - |
| 2. Portfolio | 31,579 | 29,720 |
| **TOTAL** | **31,579** | **29,720** |

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. Taking advantage of the option that emerged in the definition of the IAS 39 carve out, the Group adopted the abovementioned macrohedging, limited to coverage of core deposits.

## SECTION 8 – TAX LIABILITIES – CAPTION 80

For information on this section, see Section 14 of Assets.

## SECTION 9 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 90

For information on this section, see Section 15 of Assets.

## SECTION 10 – OTHER LIABILITIES – CAPTION 100

### 10.1 Other liabilities: breakdown

(millions of euro)

| | 31.12.2011 | *Of which:* | | |
|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* |
| Due to suppliers | 1,177 | *1,152* | *22* | *3* |
| Amounts due to third parties | 234 | *234* | - | - |
| Transit items | 53 | *53* | - | - |
| Adjustments for portfolio items to be settled | 99 | *99* | - | - |
| Amounts to be credited and items under processing | 2,266 | *2,254* | *12* | - |
| Personnel charges | 524 | *522* | *2* | - |
| Due to social security entities | 160 | *160* | - | - |
| Guarantees given and commitments | 440 | *440* | - | - |
| Other items relating to insurance business | 3,216 | - | *3,216* | - |
| Due to tax authorities | 726 | *463* | *263* | - |
| Other | 5,068 | *4,750* | *310* | *8* |
| **TOTAL 31.12.2011** | **13,963** | ***10,127*** | ***3,825*** | ***11*** |
| **TOTAL 31.12.2010** | **13,658** | ***9,991*** | ***3,656*** | ***11*** |

## SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

### 11.1 Employee termination indemnities: annual changes

(millions of euro)

| | 31.12.2011 | *Of which:* | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **A. Initial amount** | **1,370** | ***1,364*** | ***6*** | **-** | **1,374** |
| **B. Increases** | **160** | ***160*** | **-** | **-** | **242** |
| B.1 Provisions in the year | 67 | *67* | - | - | 61 |
| B.2 Other | 93 | *93* | - | - | 181 |
| *of which business combinations* | *10* | *10* | - | - | *1* |
| **C. Decreases** | **-192** | ***-190*** | ***-2*** | **-** | **-246** |
| C.1 Benefits paid | -57 | *-56* | *-1* | - | -159 |
| C.2 Other | -135 | *-134* | *-1* | - | -87 |
| *of which business combinations* | - | - | - | - | - |
| **D. Final amount** | **1,338** | ***1,334*** | ***4*** | **-** | **1,370** |

C.1 refers to benefits paid as at 31 December 2011.
For greater detail on actuarial calculations, see Section 12.3 – Post employment defined benefit plans.

### 11.2 Other information

The present value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 1,385 million euro, while at the end of 2010 it amounted to 1,327 million euro.
Actuarial gains not recognised in the income statement in 2011, in application of the "corridor approach", totalled 5 million euro and actuarial losses amounted to 52 million euro.

## SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

### 12.1 Allowances for risks and charges: breakdown

(millions of euro)

| | 31.12.2011 | Of which: | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **1. Post employment benefits** | **402** | ***402*** | **-** | **-** | **374** |
| **2. Other allowances for risks and charges** | **3,226** | ***3,209*** | ***16*** | ***1*** | **2,906** |
| 2.1 Legal disputes | 940 | *935* | *5* | - | 1,108 |
| 2.2 Personnel charges | 1,281 | *1,273* | *8* | - | 786 |
| 2.3 Other | 1,005 | *1,001* | *3* | *1* | 1,012 |
| **TOTAL** | **3,628** | ***3,611*** | ***16*** | ***1*** | **3,280** |

1 – Post employment benefits include both allowances for defined benefit plans, illustrated in point 12.3 below, and "internal" allowances for defined contribution plans.
The contents of 2 – Other allowances for risks and charges are illustrated in point 12.4 below.

### 12.2 Allowances for risks and charges: annual changes

(millions of euro)

| | Total | | Of which: | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | *Banking group* | | *Insurance companies* | | *Other companies* | |
| | Post employment benefits | Other allowances | *Post employment benefits* | *Other allowances* | *Post employment benefits* | *Other allowances* | *Post employment benefits* | *Other allowances* |
| **A. Initial amount** | **374** | **2,906** | ***374*** | ***2,894*** | **-** | ***12*** | **-** | **-** |
| **B. Increases** | **66** | **1,448** | ***66*** | ***1,438*** | **-** | ***9*** | **-** | ***1*** |
| B.1 Provisions in the year | 46 | 1,322 | *46* | *1,312* | - | *9* | - | *1* |
| B.2 Time value changes | 16 | 37 | *16* | *37* | - | - | - | - |
| B.3 Changes due to discount rate variations | - | 2 | - | *2* | - | - | - | - |
| B.4 Other | 4 | 87 | *4* | *87* | - | - | - | - |
| *of which business combinations* | - | *41* | - | *41* | - | - | - | - |
| **C. Decreases** | **-38** | **-1,128** | ***-38*** | ***-1,123*** | **-** | ***-5*** | **-** | **-** |
| C.1 Uses in the year | -31 | -837 | *-31* | *-833* | - | *-4* | - | - |
| C.2 Changes due to discount rate variations | - | - | - | - | - | - | - | - |
| C.3 Other | -7 | -291 | *-7* | *-290* | - | *-1* | - | - |
| *of which business combinations* | - | - | - | - | - | - | - | - |
| **D. Final amount** | **402** | **3,226** | ***402*** | ***3,209*** | **-** | ***16*** | **-** | ***1*** |

As at 31 December 2011 the variations due to changes in the discounting rate totalled 2 million euro and were entirely attributable to the Parent Company.

### 12.3 Post employment defined benefit plans

#### *1. Illustration of the funds*

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 "Employee Benefits", is determined via the "projected unit credit method" by an independent actuary.

The defined benefit plans, in which the companies of the Intesa Sanpaolo Group are co-obliged, can be distinguished in:
- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:
- Supplementary pension fund for tax-collection personnel formerly employed by Cariplo: the fund was established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esatri Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31 December 2000. The size of the integration is determined, on the basis of payment criteria and in compliance with the principle of capitalisation, from the conversion of the capital matured by each plan participant at the time of retirement;
- Supplementary pension fund for employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo": the fund involves all employees of Mediocredito Lombardo S.p.A. in service on 1 January 1967 or employed until 28 April 1993. Starting from 24 April 1993, with the enactment of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider if the employee matured or not 35 years of service at the company,

and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump sum has been determined which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position;

- Supplementary pension fund for top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30 October 1963 in favour of top management of Banca Commerciale Italiana. The benefit is determined on the basis of a coefficient which is the combination of two parameters, age and period in the specific post. The integration is the difference between the total guaranteed pension treatment (measured by multiplying the coefficient by the annual gross compensation received at the cease of service with the exclusion of any variable components) and the gross annual pension, matured on the basis of the "Assicurazione generale obbligatoria" (AGO), and of "Fondo di Previdenza Integrativo Aziendale". In 2006, following the start of the liquidation of "Fondo pensione per il personale della Banca Commerciale Italiana", the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment for the beneficiaries requesting liquidation;
- Three defined benefit plans in force at the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
- Funds recognised by Casse del Centro operating as a defined benefit for both employees in service as well as retired employees. The purpose of such funds is to integrate the annual pensions paid by INPS to reach a combined total of 75% of the last wage received by each plan participant;
- Supplementary pension fund of Cassa di Risparmio di Mirandola: the fund is recognised by Cassa di Risparmio di Firenze and is a result of the incorporation of Cassa di Risparmio di Mirandola, which took place in 2006;
- Supplementary pension fund of Cassa di Risparmio di Pistoia e Pescia: established in 1971 to integrate the disability and seniority pensions paid by INPS;
- Supplementary pension fund of Cassa di Risparmio di Civitavecchia: operates as a defined benefit exclusively for employees who retired prior to 30 June 1999;
- Post-retirement medical plan and other benefits for employees of Bank of Alexandria (Egypt): defined benefit plans providing health coverage and other benefits to employees, even after retirement. The bank is responsible for the costs and risks related to the disbursement of said benefits;
- Defined benefit plan of Banca Intesa Beograd: these are long-term benefits established by the Collective Contract (which refers to provisions of law in the Republic of Serbia) for employees in service to be paid upon termination of employment.

External funds include:

- Supplementary pension fund for employees of Istituto Bancario San Paolo di Torino "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino", a fund with legal status, full economic independence and independent asset management;
- Complementary pension fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il Personale del Banco di Napoli – Sezione A", an entity with legal status and independent asset management. The fund includes the following: employees enrolled in the plan and other beneficiaries from former Banco di Napoli; retired employees receiving Supplementary Pension Cheques, formerly the SANPAOLO IMI internal fund; employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary pension fund for the Employees of said Cassa, transferred to the Complementary pension fund for the employees of the Banco di Napoli in 2004; current and retired employees of the Banca Popolare dell'Adriatico, formerly enrolled in the Company pension fund for the employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30/06/2006; employees of the Cassa di Risparmio di Udine e Pordenone formerly enrolled in the Complementary pension fund of said Cassa, transferred to the fund during 2006; employees of the Cassa di Risparmio di Forlì, formerly enrolled in the Complementary pension fund for the employees of said Cassa, transferred to the mentioned fund as at 01/01/2007; retired employees enrolled in the former Carive internal fund, transferred to that Fund as at 01/01/2008; retired employees of the former CR Firenze FIP internal fund, transferred to the mentioned Fund as at 01/01/2010; retired employees of the Cassa di Risparmio di Terni e Narni internal fund, transferred to the mentioned Fund as at 01/01/2010;
- Pension fund for employees of the former Crediop hired before 30 September 1989, a fund with legal status and full economic independence;
- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- A defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service

at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated on the basis of the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, on the basis of the average wage in the last three years of service. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);

– Pension fund for employees of the Cassa di Risparmio di Padova e Rovigo – retired employee section. This fund has legal status, full economic independence pursuant to article 12 of the Italian Civil Code and is independently managed;
– Pension fund of Cassa di Risparmio di Firenze: fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment to Cassa employees in service as at 31 December 1990 and already enrolled in the former "contracted-out" fund.

### *2. Changes in the year of the funds*

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability is determined via the "projected unit credit method" and is recorded in the balance sheet net of any plan assets. Furthermore, actuarial gains and losses calculated in the process of valuation of the plan are recorded using the "corridor approach".

(millions of euro)

| Defined benefit obligations | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Employee termination indemnities | Internal plans | External plans | Employee termination indemnities | Internal plans | External plans |
| **Initial amount** | **1,327** | **271** | **2,855** | **1,405** | **357** | **3,014** |
| Current service costs | 8 | 3 | 21 | 5 | 3 | 21 |
| Recognised past service costs | - | - | - | - | - | - |
| Unrecognised past service costs | - | - | - | - | - | - |
| Interest costs | 59 | 18 | 146 | 56 | 15 | 142 |
| Recognised actuarial losses | - | 3 | - | - | 1 | - |
| Unrecognised actuarial losses | 93 | 14 | 91 | - | 21 | 3 |
| Positive exchange differences | - | 2 | - | - | 3 | 1 |
| Increases - business combinations | 10 | - | - | 1 | - | - |
| Participants' contributions | - | - | 2 | - | - | - |
| Recognised actuarial gains | - | - | - | - | - | - |
| Unrecognised actuarial gains | - | -16 | -15 | -75 | -4 | -137 |
| Negative exchange differences | - | -4 | - | - | - | - |
| Benefits paid | -57 | -15 | -215 | -159 | -86 | -229 |
| Decreases - business combinations | - | - | - | - | - | - |
| Curtailments of the fund | - | - | - | - | - | - |
| Settlements of the fund | - | - | - | - | - | - |
| Other increases | 81 | 3 | - | 180 | - | 40 |
| Other decreases | -136 | -4 | - | -86 | -39 | - |
| **Final amount** | **1,385** | **275** | **2,885** | **1,327** | **271** | **2,855** |
| **Total unrecognised actuarial gains** | **-** | **-16** | **-15** | **-75** | **-4** | **-137** |
| **Total unrecognised actuarial losses** | **93** | **14** | **91** | **-** | **21** | **3** |

| Liabilities of the defined benefit obligations pension plan | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Employee termination indemnities | Internal plans | External plans | Employee termination indemnities | Internal plans | External plans |
| Unfunded plans | 1,385 | 46 | - | 1,327 | 147 | - |
| Partly funded plans | - | - | - | - | - | - |
| Wholly funded plans | - | 229 | 2,885 | - | 124 | 2,855 |

### *3. Changes in the year of plan assets and other information*

The following tables show the changes in plan assets for certain defined benefit plans and their composition.

(millions of euro)

| Plan assets | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| | Internal plans | External plans | Internal plans | External plans |
| **Initial amount** | **91** | **2,945** | **202** | **2,858** |
| Expected return | 5 | 150 | 5 | 130 |
| Recognised actuarial losses | - | - | - | - |
| Unrecognised actuarial losses | -5 | -148 | - | -32 |
| Positive exchange differences | 2 | 1 | 2 | 1 |
| Increases- business combinations | - | - | - | - |
| Employer contributions | 3 | - | 3 | - |
| Participants' contributions | - | 2 | - | - |
| Recognised actuarial gains | - | - | - | - |
| Unrecognised actuarial gains | - | - | 3 | 133 |
| Negative exchange differences | - | - | - | - |
| Decreases - business combinations | - | - | - | - |
| Benefits paid | -5 | -215 | -86 | -229 |
| Curtailments of the fund | - | - | - | - |
| Settlements of the fund | - | - | - | - |
| Other changes | 1 | 36 | -38 | 84 |
| **Final amount** | **92** | **2,771** | **91** | **2,945** |
| **Total unrecognised actuarial gains** | **-** | **-** | **3** | **133** |
| **Total unrecognised actuarial losses** | **-5** | **-148** | **-** | **-32** |

(millions of euro)

| | 31.12.2011 | | | | 31.12.2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Internal plans | % | External plans | % | Internal plans | % | External plans | % |
| Equities and mutual equity funds | 41 | 44.6 | 874 | 31.5 | 41 | 45.0 | 440 | 15.0 |
| Debt securities and mutual bond investment funds | 30 | 32.6 | 880 | 31.8 | 27 | 29.7 | 1,429 | 48.5 |
| Real estate assets and equity shareholdings in real estate companies | 6 | 6.5 | 771 | 27.8 | 5 | 5.5 | 789 | 26.8 |
| Insurance activities | - | - | - | - | - | - | - | - |
| Other assets | 15 | 16.3 | 246 | 8.9 | 18 | 19.8 | 287 | 9.7 |
| **TOTAL** | **92** | **100.0** | **2,771** | **100.0** | **91** | **100.0** | **2,945** | **100.0** |

### *4. Reconciliation of present value of the defined benefit obligation, present value of plan assets and assets and liabilities recognised in the balance sheet*

Defined benefit plans presented the following balance sheet situation.

(millions of euro)

| | 31.12.2011 | | | 31.12.2010 | | |
|---|---|---|---|---|---|---|
| | Employee termination indemnities | Internal plans | External plans | Employee termination indemnities | Internal plans | External plans |
| 1. Present value of the defined benefit obligations | 1,385 | 275 | 2,885 | 1,327 | 271 | 2,855 |
| 2. Fair value of the plan assets | - | 92 | 2,771 | - | 91 | 2,945 |
| **A. Fund status** | **1,385** | **183** | **114** | **1,327** | **180** | **-90** |
| 1. Unrecognised actuarial gains (sum of cumulated gains) | 5 | 2 | 121 | 47 | 4 | 103 |
| 2. Unrecognised actuarial losses (sum of cumulated losses) | -52 | -47 | -186 | -4 | -50 | -105 |
| 3. Unrecognised past service costs | - | - | - | - | - | - |
| 4. Unrecognised assets because not reimbursable | - | - | 118 | - | - | 205 |
| 5. Fair value of assets reimbursable by third parties | - | - | - | - | - | - |
| **B. Total** | **-47** | **-45** | **53** | **43** | **-46** | **203** |
| **Recognised assets** | **-** | **23** | **-** | **-** | **27** | **-** |
| **Recognised liabilities** | **1,338** | **162** | **262** | **1,370** | **161** | **218** |

In addition to the liabilities described above, additional provisions for risks and charges were made in order to cover risks as follows:

- 5 million euro to cover forecasts of liquidation of several minor funds;
- 28 million euro to cover settlement of the former Crediop Fund (4 million) and the former Banco di Napoli Fund (24 million), calculated given the immediate coverage obligation envisaged by the articles of association of the funds themselves.

### *5. Description of the main actuarial assumptions*

The table below indicates the actuarial assumptions and interest rates used by the various funds.

| Actuarial assumptions | 31.12.2011 | | | | 31.12.2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Discount rates | Expected rate of return | Expected rates of wage rises | Annual inflation rate | Discount rates | Expected rate of return | Expected rates of wage rises | Annual inflation rate |
| **EMPLOYEE TERMINATION INDEMNITIES** | 4.1% | X | 3.0% | 2.0% | 4.5% | X | 2.6% | 2.0% |
| **INTERNAL PLANS** | | | | | | | | |
| Pension fund for employees of Mediocredito Lombardo | 4.6% | 5.1% | - | 2.0% | 5.1% | 4.6% | - | 2.0% |
| Pension fund for the tax-collection employees of former Cariplo | 4.4% | 4.9% | - | 2.0% | 4.9% | 4.3% | - | 2.0% |
| Pension fund for Managers of former Comit (API) | 3.8% | 4.5% | - | 2.0% | 4.5% | 3.9% | - | 2.0% |
| London branch pension fund | 4.8% | - | 4.4% | 3.1% | 5.5% | - | 4.7% | 3.4% |
| Cassa di Risparmio di Viterbo fund | 3.7% | - | 2.7% | 2.0% | 4.3% | - | 2.9% | 2.0% |
| Cassa di Risparmio di Ascoli Piceno fund | 4.7% | - | 2.6% | 2.0% | 5.0% | - | 2.8% | 2.0% |
| Cassa di Risparmio di Città di Castello fund | 4.6% | - | 2.6% | 2.0% | 5.0% | - | 2.8% | 2.0% |
| Cassa di Risparmio di Foligno fund | 4.4% | - | 2.6% | 2.0% | 4.8% | - | 2.8% | 2.0% |
| Cassa di Risparmio di Rieti fund | 4.4% | - | 2.6% | 2.0% | 4.8% | - | 2.8% | 2.0% |
| Cassa di Risparmio di Spoleto fund | 4.6% | 5.0% | 2.6% | 2.0% | 5.0% | 4.4% | 2.8% | 2.0% |
| Banca CR Firenze (Mirandola) fund | 4.3% | - | - | 2.0% | 4.7% | - | - | 2.0% |
| Cassa di Risparmio di Pistoia e Pescia fund | 4.3% | - | - | 2.0% | 4.7% | - | - | 2.0% |
| Cassa di Risparmio di Civitavecchia fund | 4.5% | - | - | 2.0% | 5.0% | - | - | 2.0% |
| Cassa di Risparmio di La Spezia fund | - | - | - | - | 4.8% | - | - | 2.0% |
| Medical Plan Bank of Alexandria | 11.0% | - | 7.0% | 7.0% | 11.0% | - | 7.0% | 7.0% |
| Banca Intesa Beograd fund | 10.0% | - | 3.2% | 5.5% | - | - | - | - |
| **EXTERNAL PLANS** | | | | | | | | |
| Supplementary pension fund for Employees of Istituto Bancario San Paolo di Torino | 4.7% | 5.4% | 2.0% | 2.0% | 5.4% | 4.9% | 2.0% | 2.0% |
| New York branch pension fund | 4.3% | 7.0% | - | - | 6.0% | 7.5% | - | - |
| Supplementary pension fund for Employees of Banco di Napoli - Sect. A | 4.5% | 5.0% | 2.0% | 2.0% | 5.0% | 4.4% | 2.0% | 2.0% |
| Pension fund for employees of former Cariplo | 4.4% | 4.9% | - | 2.0% | 4.9% | 4.3% | - | 2.0% |
| Pension fund for employees of former Crediop | 4.6% | 5.1% | 2.0% | 2.0% | 5.1% | 4.6% | 2.0% | 2.0% |
| Employee pension fund Cariparo-retired employees section | 4.7% | 4.6% | - | 2.0% | 5.2% | 4.6% | - | 2.0% |
| Cassa di Risparmio di Firenze "ex-exempted" pension fund | 4.8% | - | - | 2.0% | 5.4% | - | - | 2.0% |

## 12.4 Allowances for risks and charges – Other allowances

Allowances for legal disputes mainly refer to provisions for litigation and other revocatory actions.

The allowance for personnel charges includes charges for voluntary incentive-driven exit plans and charges for seniority bonuses to employees and other charges.

Other allowances mainly include provisions for tax litigation, fraud and other litigation.

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **2. Other allowances** | | |
| 2.1 legal disputes | 940 | 1,108 |
| 2.2 personnel charges | 1,281 | 786 |
| *incentive-driven exit plans* | *808* | *181* |
| *employee seniority bonuses* | *171* | *176* |
| *other personnel expenses* | *302* | *429* |
| 2.3 other risks and charges | 1,005 | 1,012 |
| *other indemnities due to agents of the distribution network* | *245* | *218* |
| *other* | *760* | *794* |
| **TOTAL** | **3,226** | **2,906** |

## SECTION 13 – TECHNICAL RESERVES – CAPTION 130

### 13.1 Technical reserves: breakdown

(millions of euro)

| | Direct work | Indirect work | 31.12.2011 | 31.12.2010 |
|---|---|---|---|---|
| **A. Non-life business** | **342** | **-** | **342** | **286** |
| A.1 premiums reserves | 237 | - | 237 | 189 |
| A.2 claims reserves | 101 | - | 101 | 93 |
| A.3 other reserves | 4 | - | 4 | 4 |
| **B. Life business** | **41,366** | **-** | **41,366** | **39,328** |
| B.1 mathematical reserves | 44,427 | - | 44,427 | 38,443 |
| B.2 reserves for amounts to be disbursed | 468 | - | 468 | 539 |
| B.3 other reserves | -3,529 | - | -3,529 | 346 |
| **C. Technical reserves for investment risks to be borne by the insured** | **9,053** | **-** | **9,053** | **10,574** |
| C.1 reserves for contracts with disbursements connected with investment funds and market indices | 7,780 | - | 7,780 | 9,390 |
| C.2 reserves from pension fund management | 1,273 | - | 1,273 | 1,184 |
| **D. Total insurance reserves carried by reinsurers** | **50,761** | **-** | **50,761** | **50,188** |

### 13.2 Technical reserves: annual changes

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **A. Non-life business** | **342** | **286** |
| Initial amount | 286 | 236 |
| Business combinations | - | - |
| Changes in the reserve (+/-) | 56 | 50 |
| **B. Life business and other technical reserves** | **50,419** | **49,902** |
| Initial amount | 49,902 | 23,346 |
| Business combinations | - | 23,271 |
| Change in premiums | 8,513 | 10,622 |
| Change in payments | -4,948 | -6,283 |
| Changes due to income and other bonuses recognised to insured parties (+/-) | 1,134 | 1,190 |
| Changes due to exchange differences (+/-) | - | 3 |
| Changes in other technical reserves (+/-) | -4,182 | -2,247 |
| **C. Total technical reserves** | **50,761** | **50,188** |

## SECTION 14 – REDEEMABLE SHARES – CAPTION 150

Not applicable to the Group.

## SECTION 15 – GROUP SHAREHOLDERS' EQUITY – CAPTIONS 140, 160, 170, 180, 190, 200 AND 220

### 15.1 Share capital and Treasury shares: breakdown

For information of this section, see point 15.3 below.

### 15.2 Share capital – Parent Company's number of shares: annual changes

| | Ordinary | Other |
|---|---|---|
| **A. Initial number of shares** | **11,849,332,367** | **932,490,561** |
| - fully paid-in | 11,849,332,367 | 932,490,561 |
| - not fully paid-in | - | - |
| **A.1 Treasury shares (-)** | **-** | **-** |
| **A.2 Shares outstanding: initial number** | **11,849,332,367** | **932,490,561** |
| **B. Increases** | **3,651,949,408** | **-** |
| B.1 New issues | 3,651,949,408 | - |
| - for consideration | 3,651,949,408 | - |
| *business combinations* | - | - |
| *conversion of bonds* | - | - |
| *exercise of warrants* | - | - |
| *other* | *3,651,949,408* | - |
| - for free | - | - |
| *in favour of employees* | - | - |
| *in favour of directors* | - | - |
| *other* | - | - |
| B.2 Sale of treasury shares | - | - |
| B.3 Other | - | - |
| **C. Decreases** | **-** | **-** |
| C.1 Annulment | - | - |
| C.2 Purchase of treasury shares | - | - |
| C.3 Disposal of companies | - | - |
| C.4 Other | - | - |
| **D. Shares outstanding: final number** | **15,501,281,775** | **932,490,561** |
| D.1 Treasury shares (+) | - | - |
| **D.2 Final number of shares** | **15,501,281,775** | **932,490,561** |
| - fully paid-in | 15,501,281,775 | 932,490,561 |
| - not paid-in | - | - |

### 15.3 Share capital: other information

The share capital of the Bank as at 31 December 2011 amounted to 8,546 million euro, divided into 15,501,281,775 ordinary shares and 932,490,561 non-convertible savings shares, with a nominal value of 0.52 euro each. Each ordinary share gives the right to one vote in the Shareholders' Meeting.

Savings shares, which may be in bearer form, entitle the holder to attend and vote at the Special Meeting of savings shareholders.

Savings shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the non-convertible savings shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per non-convertible savings share will be 2% of nominal value higher than for ordinary shares.

In case of distribution of reserves the savings shares have the same rights as other shares. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.

As at 31 December Intesa Sanpaolo shares were held by Banca IMI (for an exchange value of 2 million euro), in relation to its trading activities, and by collective investment entities (for an exchange value of 2 million euro) owned by the Group's insurance companies and consolidated as provided for by IAS/IFRS.

At the date of this document the share capital was fully paid-in and liberated.

### 15.4 Reserves: other information

Reserves amounted to 13,843 million euro and included: legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, art. 7, par. 3 and Law 218 of 30 July 1990, art. 7) and other reserves for a total of 6,909 million euro, as well as the consolidation reserve equal to 6,934 million euro.

The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year.

Following the capital increase carried out in 2011, the legal reserve resulted lower than 20% of share capital; accordingly, the Shareholders' Meeting is called to approve resolutions to replenish the reserve.

Concentration reserves ex Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.

Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.

Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.

The Group's valuation reserves amounted to negative 3,298 million euro and included valuation reserves of financial assets available for sale for -2,352 million euro, reserves of cash flow hedge derivatives for -933 million euro, exchange rate valuation reserves (relating to fully consolidated investments) for -357 million euro and legally-required revaluation reserves for +344 million euro.

## SECTION 16 - MINORITY INTERESTS – CAPTION 210

For details regarding the breakdown of minority interests, see section F, "Part B.1. Consolidated shareholders' equity: breakdown by type of company".

## Other information

### 1. Guarantees and commitments

(millions of euro)

| | 31.12.2011 | Of which: | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **1) Financial guarantees given** | **19,256** | ***19,256*** | **-** | **-** | **17,821** |
| a) Banks | 3,354 | *3,354* | - | - | 2,465 |
| b) Customers | 15,902 | *15,902* | - | - | 15,356 |
| **2) Commercial guarantees given** | **32,928** | ***32,928*** | **-** | **-** | **33,271** |
| a) Banks | 3,486 | *3,486* | - | - | 3,384 |
| b) Customers | 29,442 | *29,442* | - | - | 29,887 |
| **3) Irrevocable commitments to lend funds** | **55,962** | ***55,962*** | **-** | **-** | **58,752** |
| a) Banks | 9,477 | *9,477* | - | - | 5,716 |
| *- of certain use* | *7,794* | *7,794* | - | - | *3,892* |
| *- of uncertain use* | *1,683* | *1,683* | - | - | *1,824* |
| b) Customers | 46,485 | *46,485* | - | - | 53,036 |
| *- of certain use* | *10,907* | *10,907* | - | - | *12,356* |
| *- of uncertain use* | *35,578* | *35,578* | - | - | *40,680* |
| **4) Underlying commitments on credit derivatives: protection sales** | **57,957** | ***57,957*** | **-** | **-** | **59,519** |
| **5) Assets pledged as collateral of third party commitments** | **15** | ***15*** | **-** | **-** | **75** |
| **6) Other commitments** | **1,623** | ***1,623*** | **-** | **-** | **2,906** |
| **TOTAL** | **167,741** | ***167,741*** | **-** | **-** | **172,344** |

## 2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

| | 31.12.2011 | Of which: | | | 31.12.2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| 1. Financial assets held for trading | 8,331 | *8,331* | - | - | 13,041 |
| 2. Financial assets designated at fair value through profit and loss | 14 | *14* | - | - | - |
| 3. Financial assets available for sale | 16,839 | *16,839* | - | - | 10,034 |
| 4. Investments held to maturity | 746 | *746* | - | - | 256 |
| 5. Due from banks | 23,912 | *23,912* | - | - | 3,424 |
| 6. Loans to customers | 32,976 | *32,976* | - | - | 14,304 |
| 7. Property and equipment | - | - | - | - | - |
| **TOTAL** | **82,818** | ***82,818*** | **-** | **-** | **41,059** |

Bonds issued by the Bank, held in portfolio, covered by a guarantee from the Italian government pursuant to art. 8 of Law Decree 201 of 6 December 2011, converted into Law 214 of 22 December 2011, have been pledged as collateral for loans received from the European Central Bank. Such bonds, which in accordance with international accounting standards are not recognised as either assets or liabilities on the balance sheet, come to 12 billion euro.

## 3. Information on operating leases

The costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software, and are allocated to the various captions according to the nature of the asset. The amounts included as potential lease payments are immaterial.

## 4. Breakdown of investments related to unit-linked and index-linked policies

(millions of euro)

| | Disbursements connected with pension funds and market indices | Disbursements in connection with pension fund management | 31.12.2011 |
|---|---|---|---|
| Assets in the balance sheet | 18,228 | 1,276 | 19,504 |
| Intra-group assets | 11,794 | - | 11,794 |
| **Total Assets** | **30,022** | **1,276** | **31,298** |
| Financial liabilities in the balance sheet | 21,955 | - | 21,955 |
| Technical reserves in the balance sheet | 7,780 | 1,273 | 9,053 |
| Intra-group liabilities | 203 | - | 203 |
| **Total Liabilities** | **29,938** | **1,273** | **31,211** |

### 5. Management and dealing on behalf of third parties

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **1. Trading on behalf of customers** | | |
| a) Purchases | 671,192 | 559,008 |
| *1. settled* | *669,975* | *557,825* |
| *2. to be settled* | *1,217* | *1,183* |
| b) Sales | 654,344 | 595,768 |
| *1. settled* | *654,199* | *595,515* |
| *2. to be settled* | *145* | *253* |
| **2. Portfolio management** | | |
| a) individual | 73,279 | 74,249 |
| b) collective | 61,249 | 72,988 |
| **3. Custody and administration of securities** | | |
| a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management) | 43,181 | 60,436 |
| *1. securities issued by companies included in the consolidation area* | *34,758* | *38,795* |
| *2. other securities* | *8,423* | *21,641* |
| b) third party securities held in deposit (excluding portfolio management): other | 682,151 | 748,346 |
| *1. securities issued by companies included in the consolidation area* | *125,567* | *141,352* |
| *2. other securities* | *556,584* | *606,994* |
| c) third party securities deposited with third parties | 670,499 | 748,031 |
| d) portfolio securities deposited with third parties | 91,504 | 148,236 |
| **4. Other** | **159,000** | **214,269** |

**Note regarding financial payables**

In relation to point 3: "IFRS 7 – Contractual clauses of financial payables", of Bank of Italy/CONSOB/ISVAP document no. 4 of March 2010, the following is specified:

- there were no cases of non-compliance by companies of the Intesa Sanpaolo Group with the relative contractual clauses set forth in bond issues, medium/long-term loans received from financial entities and other debt contracts, which involved or which could involve forfeiture of the benefit;
- companies of the Intesa Sanpaolo Group provided, for their bond issues, for medium/long-term loans received from financial entities and for other debt contracts, negative pledges and covenants in accordance with the provisions of standard contracts and at the conditions currently in use.

Due to the nature of commitments undertaken, in line with market practices, and the remote probability of default, these clauses may be considered as immaterial.

# Part C – Information on the consolidated income statement

## SECTION 1 – INTEREST – CAPTIONS 10 AND 20

### 1.1. Interest and similar income: breakdown

(millions of euro)

| | Debt securities | Loans | Other transactions | 2011 | 2010 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 617 | - | - | 617 | 691 |
| 2. Financial assets designated at fair value through profit and loss | 360 | - | - | 360 | 198 |
| 3. Financial assets available for sale | 2,296 | 1 | - | 2,297 | 1,312 |
| 4. Investments held to maturity | 108 | - | - | 108 | 123 |
| 5. Due from banks | 169 | 568 | 3 | 740 | 706 |
| 6. Loans to customers | 562 | 13,303 | 6 | 13,871 | 12,271 |
| 7. Hedging derivatives | X | X | 1,127 | 1,127 | 2,186 |
| 8. Other assets | X | X | 29 | 29 | 13 |
| **TOTAL** | **4,112** | **13,872** | **1,165** | **19,149** | **17,500** |

Interest and similar income also includes interest income on securities relating to repurchase agreements.

### *1.1 Of which Banking group*

(millions of euro)

| | Debt securities | Loans | Other transactions | 2011 | 2010 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 600 | - | - | 600 | 673 |
| 2. Financial assets designated at fair value through profit and loss | 27 | - | - | 27 | 28 |
| 3. Financial assets available for sale | 755 | 1 | - | 756 | 473 |
| 4. Investments held to maturity | 108 | - | - | 108 | 123 |
| 5. Due from banks | 168 | 560 | 3 | 731 | 699 |
| 6. Loans to customers | 533 | 13,301 | 6 | 13,840 | 12,253 |
| 7. Hedging derivatives | X | X | 1,145 | 1,145 | 2,207 |
| 8. Other assets | X | X | 29 | 29 | 13 |
| **TOTAL** | **2,191** | **13,862** | **1,183** | **17,236** | **16,469** |

### *1.1 Of which Insurance companies*

(millions of euro)

| | Debt securities | Loans | Other transactions | 2011 | 2010 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 17 | - | - | 17 | 18 |
| 2. Financial assets designated at fair value through profit and loss | 333 | - | - | 333 | 170 |
| 3. Financial assets available for sale | 1,541 | - | - | 1,541 | 839 |
| 4. Investments held to maturity | - | - | - | - | - |
| 5. Due from banks | 1 | 8 | - | 9 | 7 |
| 6. Loans to customers | 4 | - | - | 4 | - |
| 7. Hedging derivatives | X | X | -18 | -18 | -20 |
| 8. Other assets | X | X | - | - | - |
| **TOTAL** | **1,896** | **8** | **-18** | **1,886** | **1,014** |

### *1.1 Of which Other companies*

(millions of euro)

| | Debt securities | Loans | Other transactions | 2011 | 2010 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | - | - | - | - | - |
| 2. Financial assets designated at fair value through profit and loss | - | - | - | - | - |
| 3. Financial assets available for sale | - | - | - | - | - |
| 4. Investments held to maturity | - | - | - | - | - |
| 5. Due from banks | - | - | - | - | - |
| 6. Loans to customers | 25 | 2 | - | 27 | 18 |
| 7. Hedging derivatives | X | X | - | - | -1 |
| 8. Other assets | X | X | - | - | - |
| **TOTAL** | **25** | **2** | **-** | **27** | **17** |

### 1.2 Interest and similar income: differentials on hedging transactions

(millions of euro)

| | 2011 | *Of which:* | | | 2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| A. Positive differentials on hedging transactions | 3,244 | *3,244* | - | - | 4,294 |
| B. Negative differentials on hedging transactions | -2,117 | *-2,099* | *-18* | - | -2,108 |
| **BALANCE (A - B)** | **1,127** | ***1,145*** | ***-18*** | **-** | **2,186** |

### 1.3 Interest and similar income: other information

#### *1.3.1 Interest income on foreign currency financial assets*

The balance as at 31 December 2011 includes 2,453 million euro relating to financial assets in foreign currency.

#### *1.3.2 Interest income on financial lease receivables*

As at 31 December 2011, interest income on financial leases amounted to 783 million euro.

### 1.4 Interest and similar expense: breakdown

(millions of euro)

| | Debts | Securities | Other transactions | 2011 | 2010 |
|---|---|---|---|---|---|
| 1. Due to Central Banks | 190 | X | - | 190 | 50 |
| 2. Due to banks | 646 | X | 5 | 651 | 435 |
| 3. Due to customers | 1,478 | X | 2 | 1,480 | 1,322 |
| 4. Securities issued | X | 5,402 | - | 5,402 | 5,064 |
| 5. Financial liabilities held for trading | - | - | 3 | 3 | - |
| 6. Financial liabilities designated at fair value through profit and loss | - | 1 | - | 1 | 4 |
| 7. Other liabilities and allowances | X | X | 35 | 35 | 4 |
| 8. Hedging derivatives | X | X | - | - | - |
| **TOTAL** | **2,314** | **5,403** | **45** | **7,762** | **6,879** |

Due to banks and Due to customers also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets.

### *1.4 Of which Banking group*

(millions of euro)

| | Debts | Securities | Other transactions | 2011 | 2010 |
|---|---|---|---|---|---|
| 1. Due to Central Banks | 190 | X | - | 190 | 50 |
| 2. Due to banks | 639 | X | 3 | 642 | 435 |
| 3. Due to customers | 1,478 | X | 1 | 1,479 | 1,322 |
| 4. Securities issued | X | 5,398 | - | 5,398 | 5,058 |
| 5. Financial liabilities held for trading | - | - | 3 | 3 | - |
| 6. Financial liabilities designated at fair value through profit and loss | - | 1 | - | 1 | 2 |
| 7. Other liabilities and allowances | X | X | 35 | 35 | 3 |
| 8. Hedging derivatives | X | X | - | - | - |
| **TOTAL** | **2,307** | **5,399** | **42** | **7,748** | **6,870** |

### *1.4 Of which Insurance companies*

(millions of euro)

| | Debts | Securities | Other transactions | 2011 | 2010 |
|---|---|---|---|---|---|
| 1. Due to Central Banks | - | X | - | - | - |
| 2. Due to banks | - | X | 2 | 2 | - |
| 3. Due to customers | - | X | 1 | 1 | - |
| 4. Securities issued | X | - | - | - | - |
| 5. Financial liabilities held for trading | - | - | - | - | - |
| 6. Financial liabilities designated at fair value through profit and loss | - | - | - | - | 2 |
| 7. Other liabilities and allowances | X | X | - | - | 1 |
| 8. Hedging derivatives | X | X | - | - | - |
| **TOTAL** | **-** | **-** | **3** | **3** | **3** |

### *1.4 Of which Other companies*

(millions of euro)

| | Debts | Securities | Other transactions | 2011 | 2010 |
|---|---|---|---|---|---|
| 1. Due to Central Banks | - | X | - | - | - |
| 2. Due to banks | 7 | X | - | 7 | - |
| 3. Due to customers | - | X | - | - | - |
| 4. Securities issued | X | 4 | - | 4 | 6 |
| 5. Financial liabilities held for trading | - | - | - | - | - |
| 6. Financial liabilities designated at fair value through profit and loss | - | - | - | - | - |
| 7. Other liabilities and allowances | X | X | - | - | - |
| 8. Hedging derivatives | X | X | - | - | - |
| **TOTAL** | **7** | **4** | **-** | **11** | **6** |

### 1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.2, since the balance for 2011 is included under interest income.

### 1.6 Interest and similar expense: other information

#### *1.6.1 Interest expense on foreign currency financial liabilities*

Interest and similar expense as at 31 December 2011 included 1,192 million euro relative to financial liabilities in foreign currency.

#### *1.6.2 Interest expense on financial lease payables*

As at 31 December 2011, interest expense on financial leases was immaterial.

## SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

### 2.1 Fee and commission income: breakdown

(millions of euro)

| | 2011 | *Of which:* Banking group | *Of which:* Insurance companies | *Of which:* Other companies | 2010 |
|---|---|---|---|---|---|
| **A) Guarantees given** | **399** | ***399*** | **-** | **-** | **383** |
| **B) Credit derivatives** | **2** | ***2*** | **-** | **-** | **6** |
| **C) Management, dealing and consultancy services** | **2,368** | ***2,365*** | **-** | ***3*** | **2,595** |
| 1. trading in financial instruments | 66 | *66* | - | - | 62 |
| 2. currency dealing | 59 | *59* | - | - | 57 |
| 3. portfolio management | 1,518 | *1,518* | - | - | 1,572 |
| *3.1. individual* | *362* | *362* | - | - | *369* |
| *3.2. collective* | *1,156* | *1,156* | - | - | *1,203* |
| 4. custody and administration of securities | 86 | *86* | - | - | 87 |
| 5. depositary bank | 17 | *17* | - | - | 18 |
| 6. placement of securities | 155 | *155* | - | - | 249 |
| 7. reception and transmission of orders | 195 | *195* | - | - | 185 |
| 8. consultancy services | 78 | *78* | - | - | 54 |
| *8.1. on investments* | 46 | *46* | - | - | 25 |
| *8.2. on financial structure* | 32 | *32* | - | - | 29 |
| 9. distribution of third party services | 194 | *191* | - | *3* | 311 |
| *9.1. portfolio management* | *73* | *73* | - | - | *82* |
| *9.1.1. individual* | *4* | *4* | - | - | *5* |
| *9.1.2. collective* | *69* | *69* | - | - | *77* |
| *9.2. insurance products* | *116* | *113* | - | *3* | *224* |
| *9.3. other products* | *5* | *5* | - | - | *5* |
| **D) Collection and payment services** | **452** | ***452*** | **-** | **-** | **456** |
| **E) Servicing related to securitisations** | **3** | ***3*** | **-** | **-** | **1** |
| **F) Services related to factoring** | **139** | ***139*** | **-** | **-** | **118** |
| **G) Tax collection services** | **-** | **-** | **-** | **-** | **-** |
| **H) Management of multilateral trading facilities** | **-** | **-** | **-** | **-** | **-** |
| **I) Management of current accounts** | **876** | ***876*** | **-** | **-** | **912** |
| **J) Other services** | **2,059** | ***1,677*** | ***382*** | **-** | **2,023** |
| **TOTAL** | **6,298** | ***5,913*** | ***382*** | ***3*** | **6,494** |

Other services mostly recorded fees on credit and debit cards of 724 million euro as well as commissions on loans of 735 million euro.

### 2.2 Fee and commission income: distribution channels of products and services – Banking group

(millions of euro)

| | 2011 | 2010 |
|---|---|---|
| **A) Group branches** | **1,175** | **1,465** |
| 1. portfolio management | 900 | 999 |
| 2. placement of securities | 143 | 229 |
| 3. third party services and products | 132 | 237 |
| **B) "Door-to-door" sales** | **665** | **639** |
| 1. portfolio management | 607 | 563 |
| 2. placement of securities | 11 | 17 |
| 3. third party services and products | 47 | 59 |
| **C) Other distribution channels** | **24** | **25** |
| 1. portfolio management | 11 | 10 |
| 2. placement of securities | 1 | 3 |
| 3. third party services and products | 12 | 12 |

### 2.3 Fee and commission expense: breakdown

(millions of euro)

| | 2011 | Of which: | | | 2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **A) Guarantees received** | **22** | ***22*** | **-** | **-** | **41** |
| **B) Credit derivatives** | **9** | ***9*** | **-** | **-** | **3** |
| **C) Management, dealing and consultancy services** | **645** | ***635*** | ***10*** | **-** | **643** |
| 1. trading in financial instruments | 41 | *40* | *1* | - | 31 |
| 2. currency dealing | 2 | *2* | - | - | 2 |
| 3. portfolio management: | 69 | *68* | *1* | - | 81 |
| *3.1 own portfolio* | *68* | *68* | - | - | *79* |
| *3.2 third party portfolio* | *1* | - | *1* | - | *2* |
| 4. custody and administration of securities | 72 | *64* | *8* | - | 66 |
| 5. placement of financial instruments | 34 | *34* | - | - | 39 |
| 6. "door-to-door" sale of financial instruments, products and services | 427 | *427* | - | - | 424 |
| **D) Collection and payment services** | **108** | ***108*** | **-** | **-** | **115** |
| **E) Other services** | **494** | ***362*** | ***132*** | **-** | **515** |
| **TOTAL** | **1,278** | ***1,136*** | ***142*** | **-** | **1,317** |

E - Other services includes 259 million euro fees on credit and debit cards, 115 million euro on the placement of investment insurance products, 35 million euro on banking services related to Italian branches, 65 million euro on banking services related to foreign branches and 20 million euro on other minor services.

## SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

### 3.1 Dividend and similar income: breakdown

(millions of euro)

| | 2011 | | Of which: | | | | | | 2010 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | *Banking group* | | *Insurance companies* | | *Other companies* | | | |
| | **Dividends** | **Income from quotas of UCI** | *Dividends* | *Income from quotas of UCI* | *Dividends* | *Income from quotas of UCI* | *Dividends* | *Income from quotas of UCI* | **Dividends** | **Income from quotas of UCI** |
| A. Financial assets held for trading | 362 | 3 | 362 | 3 | - | - | - | - | 314 | 5 |
| B. Financial assets available for sale | 78 | 18 | *44* | *6* | *34* | *12* | - | - | 84 | 9 |
| C. Financial assets designated at fair value through profit and loss | 41 | 14 | - | *14* | *41* | - | - | - | 45 | 8 |
| D. Investments in associates and companies subject to joint control | 26 | X | *26* | *X* | - | *X* | - | *X* | 25 | X |
| **TOTAL** | **507** | **35** | ***432*** | ***23*** | ***75*** | ***12*** | **-** | **-** | **468** | **22** |

## SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

### 4.1 Profits (Losses) on trading: breakdown

(millions of euro)

| | Revaluations | Profits on trading | Write-downs | Losses on trading | Net result |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **112** | **768** | **-511** | **-871** | **-502** |
| 1.1 Debt securities | 99 | 594 | -345 | -493 | -145 |
| 1.2 Equities | 5 | 98 | -13 | -290 | -200 |
| 1.3 Quotas of UCI | 8 | 61 | -151 | -87 | -169 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | 15 | -2 | -1 | 12 |
| **2. Financial liabilities held for trading** | **8** | **843** | **-38** | **-1,201** | **-388** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Payables | - | - | - | - | - |
| 2.3 Other | 8 | 843 | -38 | -1,201 | -388 |
| **3. Financial assets and liabilities: foreign exchange differences** | **X** | **X** | **X** | **X** | **86** |
| **4. Derivatives** | **23,023** | **43,287** | **-25,228** | **-41,230** | **600** |
| 4.1 Financial derivatives | 20,896 | 41,778 | -22,789 | -40,168 | 465 |
| *- on debt securities and interest rates* | *19,432* | *34,801* | *-20,848* | *-34,002* | *-617* |
| *- on equities and stock indexes* | *1,364* | *3,554* | *-1,846* | *-2,781* | *291* |
| *- on currencies and gold* | *X* | *X* | *X* | *X* | *748* |
| *- other* | *100* | *3,423* | *-95* | *-3,385* | *43* |
| 4.2 Credit derivatives | 2,127 | 1,509 | -2,439 | -1,062 | 135 |
| **TOTAL** | **23,143** | **44,898** | **-25,777** | **-43,302** | **-204** |

"Net result" includes profits, losses, revaluations and write-downs on currency and gold derivatives.
For detailed information on structured financial products and their impact on the income statement, please refer to Part E of these Notes to the consolidated financial statements - Information on risks and relative hedging policies.

### *4.1 Of which Banking group*

(millions of euro)

| | Revaluations | Profits on trading | Write-downs | Losses on trading | Net result |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **100** | **753** | **-439** | **-865** | **-451** |
| 1.1 Debt securities | 88 | 582 | -294 | -491 | -115 |
| 1.2 Equities | 5 | 98 | -13 | -289 | -199 |
| 1.3 Quotas of UCI | 7 | 58 | -130 | -84 | -149 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | 15 | -2 | -1 | 12 |
| **2. Financial liabilities held for trading** | **8** | **843** | **-38** | **-1,201** | **-388** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Payables | - | - | - | - | - |
| 2.3 Other | 8 | 843 | -38 | -1,201 | -388 |
| **3. Financial assets and liabilities: foreign exchange differences** | **X** | **X** | **X** | **X** | **66** |
| **4. Derivatives** | **23,021** | **43,277** | **-25,228** | **-41,214** | **598** |
| 4.1 Financial derivatives | 20,894 | 41,768 | -22,789 | -40,152 | 463 |
| *- on debt securities and interest rates* | *19,430* | *34,801* | *-20,848* | *-33,996* | *-613* |
| *- on equities and stock indexes* | *1,364* | *3,544* | *-1,846* | *-2,771* | *291* |
| *- on currencies and gold* | *X* | *X* | *X* | *X* | *742* |
| *- other* | *100* | *3,423* | *-95* | *-3,385* | *43* |
| 4.2 Credit derivatives | 2,127 | 1,509 | -2,439 | -1,062 | 135 |
| **TOTAL** | **23,129** | **44,873** | **-25,705** | **-43,280** | **-175** |

### *4.1 Of which Insurance companies*

(millions of euro)

| | Revaluations | Profits on trading | Write-downs | Losses on trading | Net result |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **12** | **15** | **-72** | **-6** | **-51** |
| 1.1 Debt securities | 11 | 12 | -51 | -2 | -30 |
| 1.2 Equities | - | - | - | -1 | -1 |
| 1.3 Quotas of UCI | 1 | 3 | -21 | -3 | -20 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | - | - | - | - |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Payables | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - |
| **3. Financial assets and liabilities: foreign exchange differences** | **X** | **X** | **X** | **X** | **17** |
| **4. Derivatives** | **2** | **10** | **-** | **-16** | **2** |
| 4.1 Financial derivatives | 2 | 10 | - | -16 | 2 |
| *- on debt securities and interest rates* | *2* | *-* | *-* | *-6* | *-4* |
| *- on equities and stock indexes* | *-* | *10* | *-* | *-10* | *-* |
| *- on currencies and gold* | *X* | *X* | *X* | *X* | *6* |
| *- other* | *-* | *-* | *-* | *-* | *-* |
| 4.2 Credit derivatives | - | - | - | - | - |
| **TOTAL** | **14** | **25** | **-72** | **-22** | **-32** |

### *4.1 Of which Other companies*

The net result for 2011 pertaining to other companies was immaterial (+3 million euro).

## SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

### 5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

| | 2011 | *Of which:* | | | 2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **A. Income from** | | | | | |
| A.1 fair value hedge derivatives | 5,796 | *5,795* | *1* | - | 3,443 |
| A.2 financial assets hedged (fair value) | 3,206 | *3,096* | *110* | - | 1,247 |
| A.3 financial liabilities hedged (fair value) | 1,203 | *1,203* | - | - | 4,246 |
| A.4 cash flow hedge: derivatives | 75 | *75* | - | - | 1 |
| A.5 currency assets and liabilities | 38 | *38* | - | - | 37 |
| **Total income from hedging (A)** | **10,318** | ***10,207*** | ***111*** | **-** | **8,974** |
| **B. Expenses for** | | | | | |
| B.1 fair value hedge derivatives | -5,817 | *-5,707* | *-110* | - | -4,369 |
| B.2 financial assets hedged (fair value) | -263 | *-263* | - | - | -609 |
| B.3 financial liabilities hedged (fair value) | -4,133 | *-4,133* | - | - | -4,138 |
| B.4 cash flow hedge: derivatives | - | - | - | - | -38 |
| B.5 currency assets and liabilities | -113 | *-113* | - | - | -2 |
| **Total expense from hedging (B)** | **-10,326** | ***-10,216*** | ***-110*** | **-** | **-9,156** |
| **C. Fair value adjustments in hedge accounting (A - B)** | **-8** | ***-9*** | ***1*** | **-** | **-182** |

## SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

### 6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Profits | Losses | Net result | Profits | Losses | Net result |
| **Financial assets** | | | | | | |
| 1. Due from banks | 1 | - | 1 | - | -7 | -7 |
| 2. Loans to customers | 47 | -64 | -17 | 49 | -53 | -4 |
| 3. Financial assets available for sale | 816 | -226 | 590 | 485 | -250 | 235 |
| *3.1 Debt securities* | *207* | *-190* | *17* | *405* | *-170* | *235* |
| *3.2 Equities* | *581* | *-32* | *549* | *60* | *-80* | *-20* |
| *3.3 Quotas of UCI* | *28* | *-4* | *24* | *20* | *-* | *20* |
| *3.4 Loans* | *-* | *-* | *-* | *-* | *-* | *-* |
| 4. Investments held to maturity | - | -1 | -1 | - | - | - |
| **Total assets** | **864** | **-291** | **573** | **534** | **-310** | **224** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | - | - | - | - | - | - |
| 2. Due to customers | 1 | - | 1 | - | - | - |
| 3. Securities issued | 191 | -12 | 179 | 29 | -24 | 5 |
| **Total liabilities** | **192** | **-12** | **180** | **29** | **-24** | **5** |

### *6.1 Of which Banking group*

(millions of euro)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Profits | Losses | Net result | Profits | Losses | Net result |
| **Financial assets** | | | | | | |
| 1. Due from banks | 1 | - | 1 | - | -7 | -7 |
| 2. Loans to customers | 47 | -64 | -17 | 49 | -53 | -4 |
| 3. Financial assets available for sale | 619 | -22 | 597 | 108 | -48 | 60 |
| *3.1 Debt securities* | *90* | *-22* | *68* | *90* | *-47* | *43* |
| *3.2 Equities* | *522* | *-* | *522* | *5* | *-1* | *4* |
| *3.3 Quotas of UCI* | *7* | *-* | *7* | *13* | *-* | *13* |
| *3.4 Loans* | *-* | *-* | *-* | *-* | *-* | *-* |
| 4. Investments held to maturity | - | -1 | -1 | - | - | - |
| **Total assets** | **667** | **-87** | **580** | **157** | **-108** | **49** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | - | - | - | - | - | - |
| 2. Due to customers | 1 | - | 1 | - | - | - |
| 3. Securities issued | 191 | -12 | 179 | 29 | -24 | 5 |
| **Total liabilities** | **192** | **-12** | **180** | **29** | **-24** | **5** |

### 6.1 *Of which Insurance companies*

(millions of euro)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Profits | Losses | Net result | Profits | Losses | Net result |
| **Financial assets** | | | | | | |
| 1. Due from banks | - | - | - | - | - | - |
| 2. Loans to customers | - | - | - | - | - | - |
| 3. Financial assets available for sale | 197 | -204 | -7 | 377 | -202 | 175 |
| *3.1 Debt securities* | *117* | *-168* | *-51* | *315* | *-123* | *192* |
| *3.2 Equities* | *59* | *-32* | *27* | *55* | *-79* | *-24* |
| *3.3 Quotas of UCI* | *21* | *-4* | *17* | *7* | *-* | *7* |
| *3.4 Loans* | *-* | *-* | *-* | *-* | *-* | *-* |
| 4. Investments held to maturity | - | - | - | - | - | - |
| **Total assets** | **197** | **-204** | **-7** | **377** | **-202** | **175** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | - | - | - | - | - | - |
| 2. Due to customers | - | - | - | - | - | - |
| 3. Securities issued | - | - | - | - | - | - |
| **Total liabilities** | **-** | **-** | **-** | **-** | **-** | **-** |

## SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE - CAPTION 110

### 7.1 Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(millions of euro)

| | Revaluations | Profits on trading | Write-downs | Losses on trading | Net result |
|---|---|---|---|---|---|
| **1. Financial assets** | **616** | **994** | **-1,628** | **-987** | **-1,005** |
| 1.1 Debt securities | 444 | 343 | -1,037 | -209 | -459 |
| 1.2 Equities | 69 | 371 | -232 | -401 | -193 |
| 1.3 Quotas of UCI | 94 | 216 | -343 | -305 | -338 |
| 1.4 Loans | 9 | 64 | -16 | -72 | -15 |
| **2. Financial liabilities** | **850** | **-** | **-7** | **-1** | **842** |
| 2.1 Debt securities | 7 | - | -5 | -1 | 1 |
| 2.2 Due to banks | - | - | - | - | - |
| 2.3 Due to customers | 843 | - | -2 | - | 841 |
| **3. Foreign currency financial assets and liabilities: foreign exchange differences** | **X** | **X** | **X** | **X** | **-** |
| **4. Credit and financial derivatives** | **1** | **88** | **-59** | **-77** | **-47** |
| **TOTAL** | **1,467** | **1,082** | **-1,694** | **-1,065** | **-210** |

The fair value change attributable to the Intesa Sanpaolo Group credit rating entailed the recognition of income of 6 million euro compared to charges of 1 million euro recorded in the previous year. The recognised residual capital gain at year end amounts to 21 million euro (16 million as at 31 December 2010).
For information on the methods used to determine credit spread, reference should be made to Part A of the Notes to the consolidated financial statements on fair value measurement.

### *7.1 Of which Banking group*

(millions of euro)

| | Revaluations | Profits on trading | Write-downs | Losses on trading | Net result |
|---|---|---|---|---|---|
| **1. Financial assets** | **14** | **1** | **-58** | **-3** | **-46** |
| 1.1 Debt securities | 14 | 1 | -51 | -3 | -39 |
| 1.2 Equities | - | - | - | - | - |
| 1.3 Quotas of UCI | - | - | -7 | - | -7 |
| 1.4 Loans | - | - | - | - | - |
| **2. Financial liabilities** | **7** | **-** | **-5** | **-1** | **1** |
| 2.1 Debt securities | 7 | - | -5 | -1 | 1 |
| 2.2 Due to banks | - | - | - | - | - |
| 2.3 Due to customers | - | - | - | - | - |
| **3. Foreign currency financial assets and liabilities: foreign exchange differences** | **X** | **X** | **X** | **X** | **-** |
| **4. Credit and financial derivatives** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL** | **21** | **1** | **-63** | **-4** | **-45** |

### *7.1 Of which Insurance companies*

(millions of euro)

| | Revaluations | Profits on trading | Write-downs | Losses on trading | Net result |
|---|---|---|---|---|---|
| **1. Financial assets** | **602** | **993** | **-1,570** | **-984** | **-959** |
| 1.1 Debt securities | 430 | 342 | -986 | -206 | -420 |
| 1.2 Equities | 69 | 371 | -232 | -401 | -193 |
| 1.3 Quotas of UCI | 94 | 216 | -336 | -305 | -331 |
| 1.4 Loans | 9 | 64 | -16 | -72 | -15 |
| **2. Financial liabilities** | **843** | **-** | **-2** | **-** | **841** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Due to banks | - | - | - | - | - |
| 2.3 Due to customers | 843 | - | -2 | - | 841 |
| **3. Foreign currency financial assets and liabilities: foreign exchange differences** | **X** | **X** | **X** | **X** | **-** |
| **4. Credit and financial derivatives** (*) | **1** | **88** | **-59** | **-77** | **-47** |
| **TOTAL** | **1,446** | **1,081** | **-1,631** | **-1,061** | **-165** |

(*) Revaluations include 6 million euro relating to currencies and gold.

## SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

### 8.1 Net impairment losses on loans: breakdown

(millions of euro)

| | Impairment losses | | | Recoveries | | | | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| | Individual | | Collective | Individual | | Collective | | | |
| | write-offs | other | | of interest | other | of interest | other | | |
| A. Due from banks | - | -4 | -8 | - | 1 | - | 12 | 1 | -11 |
| - Loans | - | *-4* | *-6* | - | *1* | - | *12* | *3* | *-10* |
| - Debt securities | - | - | *-2* | - | - | - | - | *-2* | *-1* |
| B. Loans to customers | -149 | -5,093 | -1,252 | 353 | 1,560 | - | 351 | -4,230 | -2,807 |
| - Loans | *-149* | *-5,093* | *-787* | *353* | *1,560* | - | *351* | *-3,765* | *-2,797* |
| - Debt securities | - | - | *-465* | - | - | - | - | *-465* | *-10* |
| **C. Total** | **-149** | **-5,097** | **-1,260** | **353** | **1,561** | **-** | **363** | **-4,229** | **-2,818** |

### *8.1 Of which Banking group*

(millions of euro)

| | Impairment losses | | | Recoveries | | | | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| | Individual | | Collective | Individual | | Collective | | | |
| | write-offs | other | | of interest | other | of interest | other | | |
| A. Due from banks | - | -4 | -8 | - | 1 | - | 12 | 1 | -11 |
| - Loans | - | *-4* | *-6* | - | *1* | - | *12* | *3* | *-10* |
| - Debt securities | - | - | *-2* | - | - | - | - | *-2* | *-1* |
| B. Loans to customers | -149 | -5,093 | -1,252 | 353 | 1,560 | - | 351 | -4,230 | -2,795 |
| - Loans | *-149* | *-5,093* | *-787* | *353* | *1,560* | - | *351* | *-3,765* | *-2,789* |
| - Debt securities | - | - | *-465* | - | - | - | - | *-465* | *-6* |
| **C. Total** | **-149** | **-5,097** | **-1,260** | **353** | **1,561** | **-** | **363** | **-4,229** | **-2,806** |

B Loans to customers - Debt securities includes -414 million euro associated with the impairment of debt securities attributable to Greece. For further information, see the discussion in Part E of the Notes to the consolidated financial statements on sovereign risk.

### *8.1 Of which Other companies*

As at 31 December 2011, there were no impairment losses on loans attributable to other companies, whereas they amounted to -12 million euro at the end of 2010.

### 8.2 Net impairment losses on financial assets available for sale: breakdown

(millions of euro)

| | Impairment losses | | Recoveries | | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | Individual | | Individual | | | |
| | write-offs | other | of interest | other | | |
| A. Debt securities | - | -655 | - | - | -655 | -4 |
| B. Equities | - | -116 | X | X | -116 | -66 |
| C. Quotas of UCI | - | -5 | X | - | -5 | -9 |
| D. Due from banks | - | - | - | - | - | - |
| E. Loans to customers | - | - | - | - | - | - |
| **F. Total** | **-** | **-776** | **-** | **-** | **-776** | **-79** |

### *8.2 Of which Banking group*

(millions of euro)

| | Impairment losses | | Recoveries | | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | Individual | | Individual | | | |
| | write-offs | other | of interest | other | | |
| A. Debt securities | - | -468 | - | - | -468 | -4 |
| B. Equities | - | -62 | X | X | -62 | -42 |
| C. Quotas of UCI | - | -5 | X | - | -5 | -4 |
| D. Due from banks | - | - | - | - | - | - |
| E. Loans to customers | - | - | - | - | - | - |
| **F. Total** | **-** | **-535** | **-** | **-** | **-535** | **-50** |

A – Debt Securities includes -445 million euro associated with the impairment of debt securities attributable to Greece. For further information please refer to the details provided in Part E of the Notes to the consolidated financial statements on sovereign risk.

### *8.2 Of which Insurance companies*

(millions of euro)

| | Impairment losses | | Recoveries | | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | Individual | | Individual | | | |
| | write-offs | other | of interest | other | | |
| A. Debt securities | - | -187 | - | - | -187 | - |
| B. Equities | - | -54 | X | X | -54 | -24 |
| C. Quotas of UCI | - | - | X | - | - | -5 |
| D. Due from banks | - | - | - | - | - | - |
| E. Loans to customers | - | - | - | - | - | - |
| **F. Total** | **-** | **-241** | **-** | **-** | **-241** | **-29** |

A – Debt Securities includes -187 million euro associated with the impairment of debt securities attributable to Greece. For further information please refer to the details provided in Part E of the Notes to the consolidated financial statements on sovereign risk.

### 8.3 Net impairment losses on investments held to maturity: breakdown

As at 31 December 2011, there were -2 million euro in net impairment losses on investments held to maturity attributable to the banking group.

### 8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

| | Impairment losses | | | Recoveries | | | | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| | Individual | | Collective | Individual | | Collective | | | |
| | write-offs | other | | of interest | other | of interest | other | | |
| A. Guarantees given | - | -34 | -45 | - | 38 | - | 26 | -15 | -1 |
| B. Credit derivatives | - | - | - | - | - | - | - | - | - |
| C. Commitments to lend funds | - | -15 | -14 | - | 15 | - | 17 | 3 | 3 |
| D. Other operations | -1 | -5 | -2 | - | 2 | - | 4 | -2 | -1 |
| **E. Total** | **-1** | **-54** | **-61** | **-** | **55** | **-** | **47** | **-14** | **1** |

### *8.4 Of which Banking group*

(millions of euro)

| | Impairment losses | | | Recoveries | | | | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| | Individual | | Collective | Individual | | Collective | | | |
| | write-offs | other | | of interest | other | of interest | other | | |
| A. Guarantees given | - | -34 | -45 | - | 38 | - | 26 | -15 | -1 |
| B. Credit derivatives | - | - | - | - | - | - | - | - | - |
| C. Commitments to lend funds | - | -15 | -14 | - | 15 | - | 17 | 3 | 3 |
| D. Other operations | -1 | -3 | -2 | - | 2 | - | 4 | - | -1 |
| **E. Total** | **-1** | **-52** | **-61** | **-** | **55** | **-** | **47** | **-12** | **1** |

### *8.4 Of which Other companies*

As at 31 December 2011, there were -2 million euro in net impairment losses on other financial activities attributable to other companies.

## SECTION 9 - NET INSURANCE PREMIUMS - CAPTION 150

### 9.1 Net insurance premiums: breakdown

(millions of euro)

| Premiums deriving from insurance business | Direct work | Indirect work | 2011 | 2010 |
|---|---|---|---|---|
| **A. Life business** | | | | |
| A.1 Gross accounted premiums (+) | 9,094 | - | 9,094 | 8,326 |
| A.2 Premiums ceded for reinsurance (-) | -1 | X | -1 | -3 |
| **A.3 Total** | **9,093** | **-** | **9,093** | **8,323** |
| **B. Non-life business** | | | | |
| B.1 Gross accounted premiums (+) | 222 | - | 222 | 198 |
| B.2 Premiums ceded for reinsurance (-) | -5 | X | -5 | -5 |
| B.3 Changes in the gross amount of premium reserve (+/-) | -48 | - | -48 | -27 |
| B.4 Changes in premium reserves reassured with third parties (-/+) | -2 | - | -2 | -6 |
| **B.5 Total** | **167** | **-** | **167** | **160** |
| **C. Total net premiums** | **9,260** | **-** | **9,260** | **8,483** |

## SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

### 10.1 Other net insurance income (expense): breakdown

(millions of euro)

| | 2011 | 2010 |
|---|---|---|
| 1. Net change in technical reserves | -2,889 | -4,028 |
| 2. Claims accrued and paid during the year | -6,765 | -4,601 |
| 3. Other income/expenses arising from insurance business | -362 | -421 |
| **TOTAL** | **-10,016** | **-9,050** |

### 10.2 Breakdown of Net change in technical reserves

(millions of euro)

| Net change in technical reserves | 2011 | 2010 |
|---|---|---|
| **1. Life business** | | |
| A. Mathematical reserves | -4,692 | -3,875 |
| *A.1 Gross annual amount* | *-4,684* | *-3,872* |
| *A.2 Amount reinsured with third parties (-)* | *-8* | *-3* |
| B. Other technical reserves | 257 | 56 |
| *B.1 Gross annual amount* | *257* | *56* |
| *B.2 Amount reinsured with third parties (-)* | - | - |
| C. Technical reserves for investment risks to be borne by the insured | 1,546 | -209 |
| *C.1 Gross annual amount* | *1,546* | *-209* |
| *C.2 Amount reinsured with third parties (-)* | - | - |
| **Total "life business reserves"** | **-2,889** | **-4,028** |
| **2. Non-life business** | **-** | **-** |
| Changes in other technical reserves of non-life business other than claims fund, net of ceded reinsurance | - | - |

### 10.3 Breakdown of Claims accrued and paid during the year

(millions of euro)

| Charges associated to claims | 2011 | 2010 |
|---|---|---|
| **Life business: charges associated to claims, net of reinsurance ceded** | **-6,718** | **-4,543** |
| A. Amounts paid | -6,783 | -4,400 |
| *A.1 Gross annual amount* | *-6,784* | *-4,401* |
| *A.2 Amount reinsured with third parties (-)* | *1* | *1* |
| B. Change in funds for amounts to be disbursed | 65 | -143 |
| *B.1 Gross annual amount* | *64* | *-143* |
| *B.2 Amount reinsured with third parties (-)* | *1* | *-* |
| **Non-life business: charges associated to claims, net of recoveries and reinsurance ceded** | **-47** | **-58** |
| C. Amounts paid | -39 | -42 |
| *C.1 Gross annual amount* | *-40* | *-42* |
| *C.2 Amount reinsured with third parties (-)* | *1* | *-* |
| D. Change in recoveries net of quotas borne by reinsurers | - | 8 |
| E. Change in damage fund | -8 | -24 |
| *E.1 Gross annual amount* | *-8* | *-23* |
| *E.2 Amount reinsured with third parties (-)* | *-* | *-1* |

### 10.4 Breakdown of Other income/expenses arising from insurance business

(millions of euro)

| | 2011 | 2010 |
|---|---|---|
| **Other income** | **130** | **92** |
| Life business | 126 | 88 |
| Non-life business | 4 | 4 |
| **Other expenses** | **-492** | **-513** |
| Life business | -473 | -503 |
| Non-life business | -19 | -10 |

## SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

### 11.1 Personnel expenses: breakdown

(millions of euro)

| | 2011 | *Of which:* *Banking group* | *Insurance companies* | *Other companies* | 2010 |
|---|---|---|---|---|---|
| **1) Personnel employed** | **6,162** | ***6,104*** | ***57*** | ***1*** | **5,607** |
| a) wages and salaries | 3,833 | *3,793* | *39* | *1* | 3,967 |
| b) social security charges | 981 | *971* | *10* | - | 1,003 |
| c) termination indemnities | 139 | *139* | - | - | 100 |
| d) supplementary benefits | 6 | *6* | - | - | 5 |
| e) provisions for termination indemnities | 62 | *62* | - | - | 61 |
| f) provisions for post employment benefits | 62 | *62* | - | - | 55 |
| *- defined contribution plans* | - | - | - | - | - |
| *- defined benefit plans* | *62* | *62* | - | - | *55* |
| g) payments to external pension funds | 230 | *227* | *3* | - | 257 |
| *- defined contribution plans* | *228* | *225* | *3* | - | *255* |
| *- defined benefit plans* | *2* | *2* | - | - | *2* |
| h) costs from share based payments | - | - | - | - | - |
| i) other benefits in favour of employees | 849 | *844* | *5* | - | 159 |
| **2) Other non-retired personnel** | **17** | ***16*** | ***1*** | **-** | **21** |
| **3) Directors and statutory auditors** | **44** | ***41*** | ***3*** | **-** | **37** |
| **4) Early retirement costs** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL** | **6,223** | ***6,161*** | ***61*** | ***1*** | **5,665** |

It should be specified that 3) Directors and Statutory Auditors includes remuneration to members of the Supervisory and Management Boards of the Parent Company and members of the Board of Directors and the Board of Statutory Auditors of the various Group companies.

### 11.2 Average number of employees by categories

| | 2011 | *Of which:* *Banking group* | *Insurance companies* | *Other companies* | 2010 |
|---|---|---|---|---|---|
| **Personnel employed** | **97,093** | ***96,387*** | ***706*** | **-** | **97,711** |
| a) managers | 1,791 | *1,757* | *34* | - | 1,726 |
| b) total officers | 33,342 | *33,094* | *248* | - | 32,022 |
| c) other employees | 61,960 | *61,536* | *424* | - | 63,963 |
| **Other personnel** | **447** | ***420*** | ***27*** | **-** | **469** |
| **TOTAL** | **97,540** | ***96,807*** | ***733*** | **-** | **98,180** |

### 11.3 Post employment defined benefit plans: total expense

(millions of euro)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Employee Termination Indemnities** | **Internal plans** | **External plans** | **Employee Termination Indemnities** | **Internal plans** | **External plans** |
| Current service cost | -8 | -3 | -21 | -5 | -3 | -21 |
| Financial costs of determining the present value of the defined benefit obligations | -59 | -18 | -146 | -56 | -15 | -142 |
| Expected return from the fund's assets | - | 5 | 150 | - | 5 | 130 |
| Reimbursement from third parties | - | - | - | - | - | - |
| Actuarial gains recognised | - | - | - | - | - | - |
| Actuarial losses recognised | - | -3 | - | - | -1 | - |
| Past service cost | - | - | - | - | - | - |
| Curtailment of the fund | - | - | - | - | - | - |
| Settlement of the fund | - | - | - | - | - | - |
| Assets incurred in the year and not recognised | - | - | - | - | - | - |

This table illustrates the economic components referred to "Allowances for risks and charges - post employment benefits" recorded under liabilities line 120-a in the Consolidated balance sheet.

### 11.4 Other benefits in favour of employees

The balance as at 31 December 2011 amounted to 849 million euro, of which 718 million euro referred to charges for incentive-driven exit plans. The residual 131 million euro essentially referred to contributions for health assistance, lunch vouchers, premiums of insurance policies stipulated in favour of employees and provisions for seniority bonuses.

### 11.5 Other administrative expenses: breakdown

(millions of euro)

| | 2011 | 2010 |
|---|---|---|
| Expenses for maintenance of information technology and electronic equipment | 596 | 639 |
| Telephonic, teletransmission and transmission expenses | 124 | 150 |
| **Information technology expenses** | **720** | **789** |
| Rentals and service charges - real estate | 398 | 423 |
| Security services | 67 | 69 |
| Cleaning of premises | 56 | 58 |
| Expenses for maintenance of real estate assets | 95 | 90 |
| Energy costs | 122 | 123 |
| Property costs | 17 | 7 |
| **Management of real estate assets** | **755** | **770** |
| Printing, stationery and consumables expenses | 62 | 61 |
| Transport and related services expenses (including counting of valuables) | 109 | 107 |
| Information expenses | 78 | 132 |
| Postal and telegraphic expenses | 127 | 147 |
| **General structure costs** | **376** | **447** |
| Expenses for consultancy fees | 230 | 224 |
| Legal and judiciary expenses | 188 | 203 |
| Insurance premiums - banks and customers | 52 | 106 |
| **Professional and legal expenses** | **470** | **533** |
| **Advertising and promotional expenses** | **167** | **171** |
| **Services rendered by third parties** | **262** | **156** |
| **Indirect personnel costs** | **127** | **129** |
| **Other costs** | **162** | **169** |
| **Indirect taxes and duties** | **663** | **638** |
| **Recovery of taxes and duties** | **-** | **-** |
| **Recovery of other expenses** | **-86** | **-120** |
| **TOTAL** | **3,616** | **3,682** |

* * * * *

Administrative expenses for 2011, included in tables 11.1 "Personnel expenses: breakdown" and 11.5 "Other administrative expenses: breakdown", include charges for integration and exit incentives, gross of the tax effect detailed below, for 747 million euro.

*Charges for integration and exit incentives: breakdown*

(millions of euro)

| | 2011 | 2010 |
|---|---|---|
| **Personnel expenses** | **718** | **29** |
| - expenses for incentive-driven exit plans | 718 | 29 |
| **Other administrative expenses** | **29** | **46** |
| - information technology expenses | 19 | 26 |
| - management of real estate assets | 2 | - |
| - professional and legal expenses | 2 | 8 |
| - advertising and promotional expenses | 1 | - |
| - services rendered by third parties | 2 | 2 |
| - indirect personnel costs | - | - |
| - other costs | 3 | 10 |
| **TOTAL** | **747** | **75** |

## SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

### 12.1 Net provisions for risks and charges: breakdown

(millions of euro)

| | Provisions | Uses | 2011 |
|---|---|---|---|
| Net provisions for legal disputes | -183 | 58 | -125 |
| Net provisions for other personnel charges | -3 | - | -3 |
| Net provisions for risks and charges | -122 | 28 | -94 |
| **TOTAL** | **-308** | **86** | **-222** |

The amounts listed above include a 18 million euro funds increase due to time value.

## SECTION 13 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT – CAPTION 200

### 13.1 Net adjustments to property and equipment: breakdown

(millions of euro)

| | Depreciation | Impairment losses | Recoveries | Net result |
|---|---|---|---|---|
| **A. Property and equipment** | | | | |
| A.1 Owned | -371 | -9 | - | -380 |
| *- used in operations* | *-368* | *-5* | - | *-373* |
| *- investment* | *-3* | *-4* | - | *-7* |
| A.2 Acquired under finance lease | -1 | - | - | -1 |
| *- used in operations* | *-1* | - | - | *-1* |
| *- investment* | - | - | - | - |
| **TOTAL** | **-372** | **-9** | **-** | **-381** |

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

## SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 210

### 14.1 Net adjustments to intangible assets: breakdown

(millions of euro)

| | Amortisation | Impairment losses | Recoveries | Net result |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| A.1 Owned | -722 | -1 | - | -723 |
| *- internally generated* | *-173* | *-* | *-* | *-173* |
| *- other* | *-549* | *-1* | *-* | *-550* |
| A.2 Acquired under finance lease | - | - | - | - |
| **TOTAL** | **-722** | **-1** | **-** | **-723** |

For a description of the impairment testing methods for intangible assets and related impairment recognised to the income statement, see Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements.

### *14.1 Of which Banking group*

(millions of euro)

| | Amortisation | Impairment losses | Recoveries | Net result |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| A.1 Owned | -629 | -1 | - | -630 |
| *- internally generated* | *-173* | *-* | *-* | *-173* |
| *- other* | *-456* | *-1* | *-* | *-457* |
| A.2 Acquired under finance lease | - | - | - | - |
| **TOTAL** | **-629** | **-1** | **-** | **-630** |

### *14.1 Of which Insurance companies*

(millions of euro)

| | Amortisation | Impairment losses | Recoveries | Net result |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| A.1 Owned | -93 | - | - | -93 |
| *- internally generated* | *-* | *-* | *-* | *-* |
| *- other* | *-93* | *-* | *-* | *-93* |
| A.2 Acquired under finance lease | - | - | - | - |
| **TOTAL** | **-93** | **-** | **-** | **-93** |

## SECTION 15 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 220

### 15.1 Other operating expenses: breakdown

(millions of euro)

| | **2011** | *Of which:* | | |
|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* |
| Other expenses for consumer credit and leasing transactions | 71 | *71* | *-* | *-* |
| Settlements for legal disputes | 5 | *5* | *-* | *-* |
| Amortisation of leasehold improvements | 56 | *56* | *-* | *-* |
| Contributions to Interbank Deposit Protection Fund | 25 | *25* | *-* | *-* |
| Other non-recurring expenses | 97 | *93* | *3* | *1* |
| Other | 73 | *70* | *3* | *-* |
| **TOTAL 31.12.2011** | **327** | *320* | *6* | *1* |
| **TOTAL 31.12.2010** | **335** | *325* | *9* | *1* |

### 15.2 Other operating income: breakdown

(millions of euro)

| | 2011 | Of which: | | |
|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* |
| Recovery of expenses | 556 | *555* | - | *1* |
| Income IT companies | 31 | *31* | - | - |
| Insurance reimbursements | 1 | *1* | - | - |
| Reimbursements for services rendered to third parties | 48 | *48* | - | - |
| Income related to consumer credit and leasing | 45 | *45* | - | - |
| Rentals and recovery of expenses on real estate | 23 | *19* | - | *4* |
| Other non-recurring income | 50 | *45* | *5* | - |
| Other | 67 | *67* | - | - |
| **TOTAL 31.12.2011** | **821** | ***811*** | ***5*** | ***5*** |
| **TOTAL 31.12.2010** | **863** | ***852*** | ***8*** | ***3*** |

## SECTION 16 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 240

### 16.1 Profits (Losses) on investments in associates and companies subject to joint control: breakdown

(millions of euro)

| | 2011 | Of which: | | | 2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| **1) Companies subject to joint control** | | | | | |
| A. Revenues | 14 | *14* | - | - | 8 |
| *1. Revaluations* | *14* | *14* | - | - | *8* |
| *2. Profits on disposal* | - | - | - | - | - |
| *3. Write-backs* | - | - | - | - | - |
| *4. Other* | - | - | - | - | - |
| B. Charges | -8 | *-8* | - | - | -7 |
| *1. Write-downs* | *-1* | *-1* | - | - | *-7* |
| *2. Impairment losses* | *-7* | *-7* | - | - | - |
| *3. Losses on disposal* | - | - | - | - | - |
| *4. Other* | - | - | - | - | - |
| **Net result** | **6** | ***6*** | - | - | **1** |
| **2) Investments in associates** | | | | | |
| A. Revenues | 125 | *125* | - | - | 357 |
| *1. Revaluations* | *87* | *87* | - | - | *346* |
| *2. Profits on disposal* | *21* | *21* | - | - | *11* |
| *3. Write-backs* | - | - | - | - | - |
| *4. Other* | *17* | *17* | - | - | - |
| B. Charges | -338 | *-338* | - | - | -65 |
| *1. Write-downs* | *-54* | *-54* | - | - | *-60* |
| *2. Impairment losses* | *-283* | *-283* | - | - | *-1* |
| *3. Losses on disposal* | *-1* | *-1* | - | - | *-4* |
| *4. Other* | - | - | - | - | - |
| **Net result** | **-213** | ***-213*** | - | - | **292** |
| **TOTAL** | **-207** | ***-207*** | - | - | **293** |

For companies subject to joint control and significant influence, income from registration at fair value of the equity stakes is recorded under Revaluations.
As indicated in Part A - Accounting policies, for companies subject to significant influence, income of 17 million euro from the application of IFRS 3 is recorded under Other revenues.

## SECTION 17 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 250

### 17.1 Valuation differences on property, equipment and intangible assets measured at fair value: breakdown

Not applicable to the Group.

## SECTION 18 – GOODWILL IMPAIRMENT - CAPTION 260

### 18.1 Goodwill impairment: breakdown

See Part A – Accounting policies for details on the means of determination of goodwill impairment.

The results of impairment testing on goodwill recorded in the financial statements for 2011 have led to impairment losses of 10,338 million euro, including approximately 21 million euro associated with the recognition in the income statement of the related negative exchange rate valuation reserve.

For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 13 – Intangible Assets in these Notes to the consolidated financial statements.

## SECTION 19 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 270

### 19.1 Profits (Losses) on disposal of investments: breakdown

(millions of euro)

| | 2011 | *Of which:* | | | 2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| A. Real estate assets | 40 | *40* | - | - | 8 |
| *- profits on disposal* | *42* | *42* | - | - | *8* |
| *- losses on disposal* | *-2* | *-2* | - | - | - |
| B. Other assets [(a)] | 131 | *131* | - | - | - |
| *- profits on disposal* | *170* | *170* | - | - | 8 |
| *- losses on disposal* | *-39* | *-39* | - | - | *-8* |
| **Net result** | **171** | ***171*** | **-** | **-** | **8** |

[(a)] Included profits and losses on disposal of subsidiaries.

## SECTION 20 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 290

### 20.1 Taxes on income from continuing operations: breakdown

(millions of euro)

| | 2011 | *Of which:* | | | 2010 |
|---|---|---|---|---|---|
| | | *Banking group* | *Insurance companies* | *Other companies* | |
| 1. Current taxes (-) | -3,402 | *-3,370* | *-32* | - | -1,467 |
| 2. Changes in current taxes of previous years (+/-) | 27 | *27* | - | - | 125 |
| 3. Reduction in current taxes of the year (+) | 14 | *14* | - | - | 34 |
| 4. Changes in deferred tax assets (+/-) | 4,252 | *4,177* | *75* | - | 173 |
| 5. Changes in deferred tax liabilities (+/-) | 524 | *660* | *-136* | - | -20 |
| **6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)** | **1,415** | ***1,508*** | ***-93*** | **-** | **-1,155** |

### 20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

| | 2011 |
|---|---|
| Income before tax from continuing operations | -9,542 |
| Income before tax from discontinued operations | - |
| **Theoretical taxable income** | **-9,542** |

| | Taxes | % |
|---|---|---|
| **Income taxes - theoretical tax charge** | **-3,158** | **33.1** |
| **Increase in taxes** | **6,141** | **-64.3** |
| Greater IRAP tax rate | 86 | -1.0 |
| Substitute tax realignment of goodwill, trademarks and other intangible assets (*) | 2,069 | -21.7 |
| Non-deductible costs (goodwill impairment) | 3,317 | -34.7 |
| Other non-deductible costs | 669 | -6.9 |
| **Decrease in taxes** | **-4,398** | **46.1** |
| Effects of the participation exemption | -67 | 0.7 |
| Effects of international companies lower rates | -132 | 1.4 |
| Effect of the realignment of goodwill, trademarks and other intangible assets (*) | -4,199 | 44.0 |
| **Total changes in taxes** | **1,743** | **-18.2** |
| **Total income tax expense for the period** | **-1,415** | **14.9** |
| **of which: - total income tax expense from continuing operations** | **-1,415** | |
| **- total income tax expense from discontinued operations** | **-** | |

(*) Positive economic effect of 2,130 million euro on "Taxes"

## SECTION 21 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 310

### 21.1 Income (Loss) after tax from discontinued operations: breakdown

As at 31 December 2011, there was no income (loss) after tax from discontinued operations, whereas the caption came to 694 million euro at the end of 2010.

### 21.2 Breakdown of taxes on discontinued operations

As at 31 December 2011, there were no taxes on discontinued operations, whereas the caption came to -30 million euro at the end of 2010.

## SECTION 22 – MINORITY INTERESTS - CAPTION 330

### 22.1 Breakdown of caption 330 Minority interests

As at 31 December 2011, minority interests amount to 63 million euro. Among the more significant elements is the contribution of minority interests of the Privredna Banka Zagreb Group (40 million euro) and the Cassa di Risparmio di Firenze Group (12 million euro).

## SECTION 23 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

## SECTION 24 – EARNINGS PER SHARE

### Earnings per share

| | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| | Ordinary shares | Savings shares | Ordinary shares | Savings shares |
| Weighted average number of shares | 13,774,655,034 | 932,305,682 | 11,846,108,874 | 932,187,784 |
| Income attributable to the various categories of shares *(millions of euro)* | -7,752 | -438 | 2,498 | 207 |
| Basic EPS (*euro*) | -0.56 | -0.47 | 0.21 | 0.22 |
| Diluted EPS (*euro*) | -0.56 | -0.47 | 0.21 | 0.22 |

### 24.1 Weighted average number of ordinary shares (fully diluted)

For further information on this section, see the chapter "Shareholder base, stock price performance and other information" in the Report on operations.

# Part D – Consolidated comprehensive income

## DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(millions of euro)

| | | Gross amount | Income tax | Net amount |
|---|---|---|---|---|
| **10.** | **NET INCOME (LOSS)** | **X** | **X** | **-8,127** |
| | **Other comprehensive income** | | | |
| 20. | Financial assets available for sale: | -2,410 | 714 | -1,696 |
| | a) fair value changes | -2,777 | 846 | -1,931 |
| | b) reversal to income statement | 367 | -132 | 235 |
| | *- impairment losses* | *490* | *-145* | *345* |
| | *- gains/losses from disposals* | *-123* | *13* | *-110* |
| | c) other changes | - | - | - |
| 30. | Property and equipment | - | - | - |
| 40. | Intangible assets | - | - | - |
| 50. | Hedges of foreign investments: | - | - | - |
| | a) fair value changes | - | - | - |
| | b) reversal to income statement | - | - | - |
| | c) other changes | - | - | - |
| 60. | Cash flow hedges: | -658 | 224 | -434 |
| | a) fair value changes | -424 | 145 | -279 |
| | b) reversal to income statement | -234 | 79 | -155 |
| | c) other changes | - | - | - |
| 70. | Foreign exchange differences: | -141 | - | -141 |
| | a) fair value changes | - | - | - |
| | b) reversal to income statement | - | - | - |
| | c) other changes | -141 | - | -141 |
| 80. | Non current assets held for sale: | - | - | - |
| | a) fair value changes | - | - | - |
| | b) reversal to income statement | - | - | - |
| | c) other changes | - | - | - |
| 90. | Actuarial gains (losses) on defined benefit plans | - | - | - |
| 100. | Share of valuation reserves connected with investments carried at equity: | 24 | - | 24 |
| | a) fair value changes | - | - | - |
| | b) reversal to income statement | - | - | - |
| | *- impairment losses* | - | - | - |
| | *- gains/losses from disposals* | - | - | - |
| | c) other changes | 24 | - | 24 |
| **110.** | **Total other comprehensive income** | **-3,185** | **938** | **-2,247** |
| **120.** | **TOTAL COMPREHENSIVE INCOME** | **X** | **X** | **-10,374** |
| **130.** | **Total consolidated comprehensive income pertaining to minority interests** | **X** | **X** | **60** |
| **140.** | **Total consolidated comprehensive income pertaining to the Parent Company** | **X** | **X** | **-10,434** |

# Part E – Information on risks and relative hedging policies

## SECTION 1 – RISKS OF THE BANKING GROUP

The Intesa Sanpaolo Group attaches great importance to risk management and control as conditions to ensure reliable and sustainable value creation in a context of controlled risk, where capital adequacy, earnings stability, liquidity and a strong reputation are key to protecting current and prospective profitability.
The risk management strategy aims to achieve a complete and consistent overview of risks, given both the macroeconomic scenario and the Group's risk profile, by fostering a culture of risk-awareness and enhancing the transparent representation of the risk level of the Group's portfolios.
The efforts of recent years to secure the Supervisory Authority's validation of internal models for credit, operational, market and credit derivative risk should be seen in this context.
The definition of the Risk Appetite Framework and the resulting operating limits related to market risk indicators, the use of risk measurement instruments in granting and monitoring loans and controlling operational risk and the use of capital at risk measures for management reporting and assessment of capital adequacy within the Group represent fundamental milestones in the operational application of the strategic and management guidelines defined by the Supervisory Board and the Management Board along the Group's entire decision-making chain, down to the single operating units and to the single desk.
The main principles in risk management and control are:
– clear identification of responsibility for acceptance of risk;
– measurement and control systems in line with international best practices;
– organisational separation between the functions that carry out day-to-day operations and those that carry out controls.

The policies relating to the acceptance of risks are defined by the Supervisory Board and the Management Board of the Parent Company with support from specific operating Committees, the most important of which is the Control Committee, and from the Group Risk Governance Committee and Chief Risk Officer reporting directly to the Chief Executive Officer.
Assessments of each single type of risk for the Group are integrated in a summary amount – the economic capital – defined as the maximum "unexpected" loss the Group might incur over a year. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario under normal and stress conditions. The assessment of capital is included in business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord.
The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a comprehensive framework of governance, control limits and procedures.
The risks identified, covered and incorporated within the economic capital, considering the benefits of diversification, are as follows:
– credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
– market risk (trading book), including position, settlement and concentration risk on the trading book;
– financial risk of the banking book, mostly represented by interest rate and foreign exchange rate risk;
– operational risk, including legal risk;
– strategic risk;
– risk on equity investments not subject to line by line consolidation;
– risk on real estate assets owned for whichever purpose;
– insurance risk.

Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.
Particular attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at the Group level and operating sub-areas in accordance with international regulations and the risk appetite approved at the Group level.
The Group also intends to maintain adequate levels of protection against reputation risk so as to minimise the risk of negative events that might jeopardise its image. To that end, it has embarked upon an ex-ante risk management process to identify the major reputation and compliance risks for the Group, define prevention and mitigation tools and measures in advance and implement specific, dedicated reporting flows.
The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. For the main Group subsidiaries, these functions are performed, on the basis of an outsourcing contract, by the Parent Company's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiary.
For the purposes described above, Intesa Sanpaolo uses a wide-ranging set of tools and techniques for risk assessment and management, detailed in this Part E of the Notes to the consolidated financial statements.
The information provided in this part of the document is based on internal management data and does not necessarily coincide with that contained in Parts B and C. Tables and information for which the indication of "book values" is specifically required represent an exception.

## Other risks

In addition to credit, market, operational and insurance risks, discussed in detail in the following paragraphs, the Group has also identified and monitors the following other risks.

### Strategic risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as risk associated with a potential decline in profits or capital due to changes in the operating context, misguided company decisions, inadequate implementation of decisions, or an inability to react sufficiently to changes in the competitive scenario.

The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Supervisory Board and the Management Board, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions, ensures that strategic risk is mitigated.

An analysis of the definition of strategic risk leads to the observation that this risk is associated with two distinct fundamental components:

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

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

### Reputation risk

The Intesa Sanpaolo Group attaches great importance to reputation risk, namely the current and prospective risk of a decline in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and supervisory authorities.

The Group has adopted and published a Code of Ethics that sets out the basic values to which it intends to commit itself and enunciates the principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with objectives more ambitious than those required by mere compliance with the law. On the subject of customer relations, it should be recalled that the Group has set up a systematic dialogue process. It has also issued voluntary conduct policies (environmental policy and arms industry policy) and adopted international principles (UN Global Compact, UNEP FI, Equator Principles) aimed at pursuing respect for the environment and human rights.

The Group also provides effective governance for compliance risk as a prerequisite for mitigating reputation risk.

There has been a particular focus on financial advisory services for customers, for which the MiFID Directive was taken as an opportunity to update the entire marketing process and associated controls.

Accordingly, the Group has reinforced its longstanding general arrangement, which calls for the adoption of processes supported by quantitative methods for managing the risk associated with customers' investments in accordance with a broad interpretation of the law with the aim of safeguarding customers' interests and the Group's reputation.

This has allowed assessments of adequacy during the process of structuring products and rendering advisory service to be supported by objective assessments that contemplate the true nature of the risks borne by customers when they undertake derivative transactions or subscribe for financial investments.

More in particular, the marketing of financial products is also governed by specific advance risk assessment policies from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (sustainability in terms of risk to return ratio, flexibility, concentration, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered).

### Risk on owned real-estate assets

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

## The Basel 2 Project

The goal of the Basel 2 Project is the adoption of advanced approaches for credit and operating risks by the main Group companies.

The credit risk situation differs by portfolio:

- for the Corporate segment, authorisation has been obtained from the Supervisory Authority for the use of the AIRB approach on a scope that extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano (effective 31 December 2010; the FIRB approach had been in use since December 2008) and the foreign company Intesa Sanpaolo Bank Ireland Plc. (effective reporting as at 31 December 2011). In January 2012, an application was submitted for authorisation for the use of the AIRB approach with internal LGD estimates for the Corporate segment in relation to the product companies Leasint and Mediofactoring (where the FIRB method has been used since December 2008). The foreign bank VUB Banka obtained permission to use the FIRB approach effective the report as at 31 December 2010. An application for authorisation for use of the AIRB method for Banca IMI will be submitted in the first half of 2012;

– for the Retail Mortgage segment, permission was granted for the use of the IRB approach effective June 2010, extended to the former Casse del Centro network banks effective the report as at 31 December 2011. The application for authorisation of extension to VUB Banka was submitted in December 2011;
– an application for authorisation of transition to the IRB approach for the SME Retail segment is expected to be submitted in the first half of 2012.

The Group is also proceeding with development of the rating models for the other segments and the extension of the scope of companies for their application in accordance with a plan presented to the Supervisory Authority.
With regard to Operational Risk, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes:

– effective 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
– effective 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
– effective 31 December 2011, a third set including Banca Infrastrutture Innovazione e Sviluppo.

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced Approaches starting from the end of 2012, based on the roll-out plan presented to the Management and Supervisory Authorities.
In 2011 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 (www.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.

## The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.
Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Corporate Governance Code for listed companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo’s internal control system is built around a set of rules, procedures and organisational structures aimed at ensuring compliance with Company strategies and the achievement of the following objectives:

– the effectiveness and efficiency of Company processes;
– the safeguard of asset value and protection from losses;
– reliability and integrity of accounting and management information;
– transaction compliance with the law, supervisory regulations as well as policies, plans, procedures and internal regulations.

The internal control system is characterised by a documentary infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls within the business, incorporating both the Company policies and the instructions of the Supervisory Authorities, and provisions of law, including the principles laid down in Legislative Decree 231/2001 and Law 262/2005.
The regulatory framework consists of “Governance Documents” that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Regulations, Authorities and powers, Policies, Guidelines, Function charts of the Organisational Structures, Organisational Models, etc.) and of more strictly operational regulations that govern business processes, individual operations and the associated controls.
More specifically, the Company rules set out organisational solutions that:

– ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
– are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
– enable the recording, with an adequate level of detail, of every operational event and, in particular, of every transaction, ensuring their correct allocation over time;
– guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the functions of governance and control;
– ensure the prompt notification to the appropriate levels within the business and the swift handling of any anomalies found by the business units and the control functions.

The Company’s organisational solutions also enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.
At Corporate Governance level, Intesa Sanpaolo has adopted a dual governance model, in which the functions of control and strategic management, performed by the Supervisory Board, are separated from the management of the Company, which is exercised by the Management Board in accordance with the provisions of art. 2409-*octies* and subsequent of the Italian Civil Code and art. 147-*ter* and subsequent of the Consolidated Law on Finance.
The Supervisory Board has established an internal Control Committee that proposes, advises and enquires on matters regarding the internal control system, risk management and the accounting and IT system. The Committee also performs the duties and tasks of a Surveillance Body pursuant to Legislative Decree 231/2001 on the administrative liability of companies, supervising operations and compliance with the Organisational, Management and Control Model adopted by the Bank.
From a more strictly operational perspective the Bank has identified the following macro types of control:

– line controls, aimed at ensuring the correct application of day-to-day activities and single transactions. Normally, such controls are carried out by the productive structures (business or support) or incorporated in IT procedures or executed as part of back office activities;

- risk management controls, which are aimed at contributing to the definition of risk management methodologies, at verifying the respect of limits assigned to the various operating functions and at controlling the consistency of operations of single productive structures with assigned risk-return targets. These are not normally carried out by the productive structures;
- compliance controls, made up of policies and procedures which identify, assess, check and manage the risk of non-compliance with laws, Supervisory Authority measures or self-regulating codes, as well as any other rule which may apply to the Bank;
- internal auditing, aimed at identifying anomalous trends, violations of procedures and regulations, as well as assessing the overall functioning of the internal control system. It is performed by different structures which are independent from productive structures.

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

### Internal Validation

The internal control system implemented by the Bank includes the validation function, the purpose of which is ongoing evaluation, in accordance with the New Regulations for Prudential Supervision issued by the Bank of Italy, of the compliance of internal risk measurement and management systems over time as regards determination of the capital requirements with regulatory provisions, company needs and changes in the market of reference. The validation function is entrusted to Internal Validation, which is responsible for the activity at the Group level in accordance with the requirements of supervisory regulations governing uniform management of the control process on internal risk measurement systems. Internal Validation reports directly to the Chief Risk Officer and is independent of the functions that manage internal system development activities and the function in charge of internal auditing. Its tasks may be summarised as follows:

- ensuring that internal models, whether already operative or in development, are validated with regard to all risk profiles covered by Pillars I and II of the Basel II Accord, in accordance with the independence requirements established by the Bank of Italy;
- conducting ongoing assessments of risk management and measurement systems in terms of models, processes, information technology infrastructure and their compliance over time with regulatory provisions, company needs and changes in the market of reference by developing adequate methodologies, tools and operating solutions;
- managing the internal validation process at the Group level, interacting with Supervisory Authorities, the company bodies of reference and the functions responsible for the level-three controls provided for in regulations;
- conducting analyses of methodologies in support of the overall assessment of capital adequacy, verifying in particular that the measurement or assessment metrics adopted in quantifying significant risks are economically and statistically consistent, the methodologies adopted and estimates produced to measure and assess significant risks are robust and comparing alternative methodologies for measuring and aggregating individual risks.

At the Group level, the internal validation function adopts a decentralised approach for companies with local validation functions (certain foreign companies), coordinating and supervising the activities of such companies, and a centralised approach for the others.
The methodologies adopted were developed in implementation of the principles that inspire the New Regulations for Prudential Supervision issued by the Bank of Italy, Community Directives, general orientations of international committees and international best practices in the area and take the form of documentary, empirical and operating practice analyses.
With respect to Pillar I risks, both during the initial application phase and on an ongoing basis (at least annually), the results of Internal Validation activities, documented in accordance with pre-determined standards, are presented to the competent functions, transmitted to the Internal Auditing Department for its related internal auditing work, as well as to the competent managerial committees and governance bodies for the resolution certifying the compliance of internal systems with regulatory requirements, and forwarded to the Supervisory Authorities. With respect to Pillar II risks, the main analyses are conducted in the context of the prudential control process and summarised in the ICAAP book.
The function generally also provides advice and suggestions to company and Group functions on an ongoing basis with the aim of improving the efficacy of the processes of risk management, control and governance of internal risk measurement and management systems for determining capital requirements.
In 2011, the main validation activities in the area of credit risks pertained to:

- the adoption of the AIRB approach for the regulatory Corporate segment (PD and LGD models);
- the periodic quantitative analyses required by the Bank of Italy for the regulatory Retail Mortgage (PD and LGD models) and Corporate segments;
- monitoring analyses (backtesting, performance analyses and empirical analyses of use tests) for the Residential mortgages to private individuals segment authorised for the IRB approach in the context of the annual validation report;
- analyses referring to upgrades to ratings models for the Regulatory Corporate segment (recalibration, update of master scale and integration of modules);
- the update of analyses of adequacy of the Corporate FIRB system for VUB and analyses functional to the submission of the application for the IRB approach for the Mortgages of VUB, conducted in concert with the local validation team.

Validation activities for Operational Risk conducted in 2011 primarily took the form of:

- monitoring the measures taken in accordance with the requirements set in the AMA authorisation order of February 2011 and the regulatory capital "floor" revision order of summer 2011;
- performing validation activities aimed at submitting the AMA application for Banca Infrastrutture Innovazione e Sviluppo;
- executing the annual validation analyses (annual report).

For the purposes of such validation activities, the information drawn from documentary and empirical analyses was supplemented, for certain organisational units, by specific onsite inspections aimed at ascertaining the actual application of the monitoring and

management process for operational risks and by methodological analyses.
In parallel, in the first half of 2011 Internal Validation completed the revision of the operational risk validation process with the aim of ensuring that it is sustainable and complete as the authorised scope expands and formal consent has been granted by the Bank of Italy for the use of the new process in January 2012.
With regard to the market risks component, Internal Validation's activity was aimed, on the one hand, at conducting further review of the scope of the internal model risks previously authorised by the Bank of Italy for the purposes of the annual validation report, and, on the other, at conducting an analysis of the specific risk calculation model for debt securities (the VaR Spread and Incremental Risk Charge models) for application purposes and an analysis of the Stressed VaR model used for regulatory purposes beginning in December 2011.
The annual validation report was submitted to the Bank's governance bodies in June 2011 and then forwarded to the Bank of Italy.
With respect to activities relating to the validation of the specific risk model for debt securities, during the year analyses were completed of the VaR Spread model, following launch of those analyses in 2010, and further review was conducted of analyses of the Incremental Risk Charge component.
Lastly, Internal Validation assessed the adequacy of the Stressed VaR measure implemented by the Risk Management Department with respect to regulatory requirements and examined the criteria that resulted in the identification of historical stress scenarios for the two Group legal entities affected (the Parent Company and Banca IMI).
The main analyses conducted in 2011 with regard to Pillar II risks pertain to:
- methodological changes made to the assessment model for loan portfolio concentration risk;
- an evaluation of the "Guidelines for Group Liquidity Risk Management" (December 2011);
- updates to the risk aggregation and capital reallocation methodology;
- an assessment of behavioural components (prepayment of residential mortgages for private individuals and demand positions) relating to the interest rate risk model for the banking book.

Stress testing methodologies, foreign exchange risk, property risk and equity risk for the banking book and strategic risk, which were validated in previous years, were not subject to change in 2011. It was therefore not deemed necessary to update the associated validation analyses.

**The Compliance Department**

The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.
The management of non-compliance risk is assigned to the Compliance Department, established in June 2008, in accordance with the supervisory regulations issued by the Bank of Italy on 10 July 2007 and the rules contained in the Joint Regulation issued by Consob and the Bank of Italy on 29 October 2007. The Compliance Department reports to the Chief Risk Officer.
The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Management Board and Supervisory Board. These Guidelines identify the responsibilities and macro processes for compliance, aimed at mitigating the risk of non-compliance through a joint effort by all the company functions. The Compliance Department is responsible, in particular, for overseeing the guidelines, policies and methodologies relating to the management of non-compliance risk. The Compliance Department, including through the coordination of other corporate functions, is also responsible for the identification and assessment of the risks of non-compliance, the proposal of the functional and organisational measures for their mitigation, the assessment of the company's bonus system, the pre-assessment of the compliance of innovative projects, operations and new products and services, the provision of advice and assistance to the governing bodies and the business units in all areas with a significant risk of non-compliance, the monitoring, including through the use of information provided by the Internal Auditing Department, of ongoing compliance, and the promotion of a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules.
The Compliance Department submits periodic reports to Corporate Bodies on the adequacy of compliance control. On an annual basis, these reports include an identification and assessment of the primary non-compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a semi-annual basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.
The Compliance Guidelines call for the adoption of two distinct models in relation to direction and control of the Group. These models are organised in such a way as to account for the Intesa Sanpaolo Group's structure in operational and territorial terms. In particular:
- compliance supervision activities for specifically identified Network Banks and Italian Companies whose operations show a high degree of integration with the Parent Company are centralised with the Compliance Department;
- for the other Companies, specifically identified on the basis of the existence of a legal obligation or their material nature, as well as for Branches Abroad, an internal compliance function is established and a local Compliance Officer is appointed. In functional terms, the Compliance Officer reports to the Compliance Department and is assigned compliance responsibilities.

The activities carried out during the year concentrated on the regulatory areas considered to be the most significant in terms of non-compliance risk. In particular:
- in the financial intermediation and investment services area, monitoring of the procedural organisational structure in support of the service model adopted by the Bank continued. In this context, work was done on both the internal rules that govern the provision of investment services and the procedures that apply to operations with the aim of improving the service rendered to customers. In particular, such work involved:
  - refining the customer profiling and adequacy assessment model by completing implementations that allow a long-term holding period to be surveyed and managed;
  - automating the process of printing the information sheets for the bonds placed;
  - adjusting the rules that apply to the provision of investment services to the changed economic and financial context. Work also continued in the area of monitoring personal transactions and related training initiatives, clearing new products and services and monitoring customer operations in order to prevent market abuse. In the specific area of conflict of interest management and the circulation of insider information, work continued to be done with the aim of enhancing the model adopted by the Bank, including through changes to the internal rules applicable in the area;
- legislative developments in the areas of banking products and services were monitored, with a particular focus on the issue of

transparency, consumer credit and usury. Rules, procedures and operational practices were established to prevent violations or infractions of applicable rules governing such products and services in order to ensure that support and guidance are provided to business units with the aim of ensuring that customer-protection provisions are properly managed;
- in the area of insurance and pension services, ongoing advice was provided to business functions in support of the entry of the Bank into the motor liability policies segment. In addition, developments in regulations governing policies paired with loan contracts were monitored and planned initiatives continued in the area of a specific project aimed at reinforcing the coverage of non-compliance risk relating to the insurance and pension segment, with regard to the Group's distribution networks;
- the organisational, management and control Model pursuant to Italian Legislative Decree 231/2001 was overseen by verifying its compliance with the Company regulations, updating it to take into account the new predicate offences, and coordinating the training activities and the verification of its proper implementation;
- controls of company processes functional to certification by the Manager responsible for preparing the Company's financial reports in accordance with art. 154-*bis* of the Consolidated Law on Finance continued and assurance activities were enhanced according to a risk-based approach.

### The Anti-Money Laundering Function

In August 2011, in line with the regulatory provisions issued by the Bank of Italy on 20 March 2011, responsibilities in the area of the prevention of money laundering and embargo management, previously entrusted to the Compliance Department, were reassigned to a specific Anti-Money Laundering Function reporting directly to the Chief Risk Officer. The function is charged with monitoring compliance risk in the area of money laundering, combating financing of terrorism and embargo management by:
- laying down the general principles to be adopted within the Group for the management of compliance risk;
- conducting ongoing monitoring, with the support of the competent functions, of developments in the national and international context of reference, verifying the adequacy of company processes and procedures with respect to applicable regulations and proposing appropriate organisational and procedural changes;
- providing advice to the functions of the Parent Company and subsidiaries on a centralised basis and establishing adequate training plans;
- preparing appropriate periodic information for corporate bodies and top management;
- discharging the required specific obligations on behalf of the Parent Company and subsidiaries on a centralised basis, including, in particular, enhanced customer reviews, controls of proper management of the Single Electronic Archive and the assessment of reports of suspicious transactions received from operating departments for the submission to the Financial Reporting Unit of reports deemed accurate.

During 2011, the Anti-Money Laundering Function devoted the utmost attention to projects aimed at reinforcing coverage of the Group's Italian and foreign companies in the area of money laundering and embargoes, including in light of the new provisions of law enacted at the national and international level. In further detail, organisational, information technology and training activities were performed with the aim of implementing applicable regulations in this area.

### The Internal Auditing Department

With regard to internal auditing activities, the Internal Auditing Department is responsible for ensuring the ongoing and independent supervision of the regular progress of the Bank's operations and processes for the purpose of preventing or identifying any anomalous or risky behaviour or situation. The Internal Auditing Department assesses the functionality of the overall internal control system and its adequacy to ensure:
- the effectiveness and efficiency of Company processes;
- the safeguarding of asset value and protection from losses;
- the reliability and integrity of accounting and management information;
- the compliance of transactions with the policies set by Company governance bodies and internal and external regulations.

Furthermore, it provides consulting to the Bank's and the Group's departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management and organisation governance processes.
The Internal Auditing Department uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practice and standards for internal auditing established by the Institute of Internal Auditors (IIA). In 2011, the Function has earned the maximum rating in the external Quality Assurance Review envisaged by the international standards: Generally Compliant.
The Internal Auditing Department has a structure and a control model which is organised consistently with the divisional model of Intesa Sanpaolo and the Group.
During the year, the auditing was performed directly for the Parent Company Intesa Sanpaolo and for Banche dei Territori, and also for a limited number of other subsidiaries with an outsourcing contract. For the other Group companies second level controls were conducted (indirect surveillance).
The Internal Auditing Department also enjoyed free access to the data and documents of all company functions.
Supervision activity was conditioned by the continuing delicate economic scenario. Consequently, also in accordance with instructions issued by the Control Committee and the top management, verifications were aimed at monitoring the evolution of the risks associated with credit quality, transactions with counterparties from the Financial Institutions segment, liquidity risk management, internal capital adequacy estimation criteria and international activities.
Control activity was generally oriented towards the processes of structures with the aim of assessing:
- the functionality of line and risk management controls;
- compliance with internal and external rules;
- the reliability of operating structures and delegation mechanisms;
- the accuracy of the information available in the various activities and the adequate use of the same.

Direct surveillance was carried out in particular through:
- control of the processes of the network and central structures, including through onsite intervention;
- the surveillance, via distance monitoring integrated by on-site visits, of the credit origination and management process, verifying its adequacy with respect to the risk control system and the functioning of measurement mechanisms in place;
- the surveillance over the process for the measurement, management and control of the Group's exposure to market, counterparty, operational and credit risks. Particular attention was dedicated to the adequacy of the processes and criteria for

estimating internal capital in accordance with Basel 2 and Prudential Supervision regulations;
- the verification of the control processes carried out by compliance risk governance functions, in particular of provisions of law concerning embargoes, money laundering, investment services, conflicts of interest, transactions with related parties, transparency, and the administrative liability of entities pursuant to Legislative Decree 231/01;
- the valuation of adequacy and effectiveness of information technology system development and management processes, to ensure their reliability, security and functionality;
- the surveillance of the processes related to financial operations and the adequacy of related risks control systems;
- the verification of the operations performed by foreign branches, with interventions by internal auditors both local and from the Head Office;
- the timely performance of the activities requested by Supervisory Authorities in specific areas such as management remuneration and incentive systems, the Parent Company's management and coordination powers over asset management companies and obligations under new authorisations.

During the year the Internal Auditing Department also ensured the supervision of all the main development projects, primarily arising from the 2011-2013 Business Plan, paying particular attention to control mechanisms in the new Bank's models and processes and, in general, to the efficiency and the effectiveness of the control system established within the Group.

Indirect audit was conducted via the steering and practical coordination of subsidiary Auditing departments, to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Direct reviews and verification interventions were also conducted.

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

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

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

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

Finally, the Internal Auditing Department ensured constant assessment of its own efficacy and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of international standards for professional practice.

### Certification as required by art. 154-bis of the Consolidated Law on Finance

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

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

The monitoring of the quality of accounting and financial information is based on a joint review of:
- the organisational arrangements and functionality of internal controls of financial information, through a review plan aimed at constantly evaluating the adequacy and effective application of the administrative and accounting procedures instrumental to the preparation of financial statement documents and all other financial disclosures including, in particular, the Basel 2 Pillar 3 disclosure document. To the extent helpful to accurately documenting the quality of arrangements for controlling accounting data flows and information presented to the market, reviews are conducted not only of administrative and accounting processes, narrowly construed, but also of all phases of work that involve acquiring, recording, processing and presenting data managed in guidance and control processes (planning, management control and risk control), business processes (lending, financial intermediation, asset management and insurance, etc.), supporting processes (operations) and general governance rules for technological infrastructure and applications conceived to ensure proper management of information processes and appropriate forms of monitoring of development activities regarding systems;
- the completeness and consistency of the information disclosed to the market by enhancing surveillance of internal communications processes with the management by the Manager responsible for preparing the Company's financial reports of a structured system of information flows that the functions of the Parent Company and subsidiaries regularly transpose, reporting significant events for the purposes of accounting and financial information, especially as regards the main risks and uncertainties to which they are exposed.

The Manager responsible for preparing the Company's financial reports, aided by the Administrative and Financial Governance Unit, has identified the scope of the subsidiaries viewed as material to financial information on the basis of their respective contributions to captions of the consolidated income statement and balance sheet and assessments of business complexity and underlying risk types. In detail, the schedule of reviews of the adequacy and effective application of administrative and accounting procedures privileged the examination of:
- the reliability of the processes of producing, processing and disseminating the financial statement information deemed most sensitive;
- the processes of presenting the main risks and uncertainties to which the Company and the Group are exposed, as well as the methods used to determine the assumptions on which forecasting estimates and valuation models are based.

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

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

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

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

- the outcomes of reviews conducted by control functions that support the work schedule set by the Manager responsible for preparing the Company's financial reports and further inquiries conducted with the management and any suggestions from the Independent Auditors in the performance of their duties;
- the information flows sent to the Manager responsible for preparing the Company's financial reports by the companies with the aim of presenting facts that may have a material effect on earnings or financial position and the elements helpful to an analysis of operating performance and margins, as well as for an appreciation of the main risks and potential uncertainties to which they are exposed.

The Reports present an overview of the Company's situation, with a particular focus on the factors of greatest operational complexity to be dealt with to ensure the quality of accounting information processes and the efficacy of the system of internal controls safeguarding them. In addition, a presentation is provided of the schedule of reviews and audits carried out during the year, with a summary of the results and a description of the situations of deficiency detected and the measures taken to restore full functionality of processes sensitive to financial reporting.

The Administrative and Financial Governance Unit provides operational coordination of the assessment process conducted within each company according to the methods and technical instructions disseminated, which is then completed through the submission to the Manager responsible for preparing the Company's financial reports of an equal number of reports on the internal control system for financial reporting, accompanied by certification of responsibility by the respective delegated body. Once the inquiry and assessment phase has been completed on a company basis, the deficiencies detected are factored and evaluated on a consolidated basis, assessing the possible connections and the risk of potential distortion effects on financial reporting, and setting the related intervention priorities and work schedules to be implemented accordingly. In completion of the activities performed on the Group, the Administrative and Financial Governance Unit prepares periodic information including:

- the degree of dissemination of the administrative and financial governance model within the Group, with regards to which 2011 saw the continuation of the gradual extension to companies of more modest operating size and the systematic monitoring of the proper functionality of the organisational and control arrangements previously adopted by all significant companies, with a review of the regularity of the communication flows provided for with the management, control bodies and independent auditors;
- the main initiatives carried out with the aim of enhancing the administrative and accounting system in 2011, with regards to the substantial completion of the development project aimed at rationalising the information technology architecture in support of the generation of the Group's accounting information and further intervention recently promoted to refine the calculation processes instrumental to the generation of consolidated supervisory reports;
- the refinement activities that were conducted in 2011 on company processes, which contemplate the phases of acquisition, recording, processing and presentation of data sensitive to financial reporting, with an assessment of the compliance of accounting processing phases with respect to changes in regulations that have been reflected in timely indications in the Group Accounting Rules;
- the malfunctions detected, specifying the potential risk of the distortion of information contained in the transaction flows, the accounts that may be affected and the compensatory controls that had a mitigating effect, scaling assessments of deficiencies on the basis of the values and information presented at the consolidated level;
- an overarching judgment is expressed, considering both the information provided during the period by the Parent Company's functions and the subsidiaries and the opinions stated by management of any suggestions made by the independent auditors.

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

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

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

The information was presented to the Control Committee, Management Board and Supervisory Board in relation to their respective spheres of competence.
The work done provided the basis for the Managing Director – CEO and Manager responsible for preparing the Company's financial reports to issue the certifications required by art. 154-*bis* of Legislative Decree 58/98 with respect to the 2011 Annual Report, in accordance with the model established by the Consob Regulation (Annex 3c-*ter* to the Issuers Regulation).

**Subsidiaries subject to the laws of non-EU member states**

As is common knowledge, Consob, in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, 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).
In connection with this provision, the "material" companies included in the scope of compulsory monitoring in accordance with art. 36 of the Market Regulation for 2011 have been identified. These companies have been identified through a process of quantitative analysis of their individual contributions to the captions of the consolidated income statement and balance sheet and of qualitative assessments aimed at determining the level of complexity of the processes of generating financial information resulting from the specific nature of their businesses and the contexts in which they operate. For all "material" companies, compliance was achieved with provisions requiring that:

a) the public be provided access to the accounting positions of subsidiaries prepared for the purposes of drafting the consolidated financial statements;
b) articles of association, membership and powers of the control bodies be acquired;
c) the Independent Auditor of the Parent Company, Intesa Sanpaolo, be provided with the information necessary to perform annual and interim audits of the parent company, ensure that there is an administrative and accounting system appropriate for regular reporting to the management and independent auditor of the parent company of the income statement, balance sheet and financial data necessary for the preparation of the consolidated financial statements.

In further detail, with respect to the provisions of c) above, which represent the most complex component of their responsibilities, the companies:

- regularly provided the Parent Company with the information required to allow the public to be given access to the accounting positions employed to prepare the consolidated financial statements;
- awarded a specific audit engagement to certify the information forwarded to the Parent Company to prepare the consolidated financial statements (auditing of the reporting package);
- took measures to ensure, in accordance with the Regulation "Guidelines for administrative and financial governance", that:
  - the Manager responsible for preparing the Company's financial reports regularly received the required set of information flows and notice of any material facts bearing on accounting and financial information;
  - the schedule of reviews aimed at determining that administrative and accounting procedures were adequate was conducted in accordance with the instructions provided by the Administrative and Financial Governance Unit.

The Report is drafted according to the same conditions as apply to the obligations pursuant to Article 154-*bis* of the Consolidated Law on Finance, in order to ensure that the approach taken to the supervision of financial reporting is organic and consistent. This permits a high level of integration of the administrative and financial governance model within the entire Group, thus enhancing the ability to arrive at comparative judgments of the quality of the administrative and accounting procedures established within the various entities, which are especially useful in assessing the estimation and valuation processes for financial statement balances at times of severe turbulence and a high degree of uncertainty in certain local markets. Coordination of subsidiaries, with the local management and independent auditors, with the aim of reviewing observations concerning the accounting information control system and agreeing upon enhancement measures, ensures an adequate level of exchange and communication between all parties involved in the interest of informed, timely information management.
Similarly, even those companies considered "immaterial" were involved in the standardisation of the control model, entailing the acquisition of the articles of association, powers and details of membership of corporate bodies and extension – where controlled by "material" subsidiaries acting as sub-holding companies – some forms of control, such as the audit of the reporting package and/or local financial statements by the sub-holding company's independent auditor. Finally, companies considered "exempt" by law were subject to more indirect forms of supervision, consisting of an audit in accordance with local laws and the discharge of obligations towards the Parent Company.
On the specific subject of the scope of subsidiaries based in non-EU Member States subject to compulsory auditing in accordance with the provisions of the cited art. 36, the work done by the competent units allowed the acquisition of the necessary information and the conduct of reviews aimed at determining whether legal conditions had been met.
As part of the filing process for documents due before the Shareholders' Meeting, the Parent Company will ensure that the public is provided access to the accounting positions prepared by these companies for use in drafting the consolidated financial statements.
On this basis, the listed Parent Company's administrative body may certify that the conditions required by law have been met.

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*As required by the instructions provided by the Bank of Italy, the information in this section - Risks of the Banking Group - is furnished solely with respect to the banking group, as defined in the Supervisory Instructions, except when it is expressly indicated to the contrary that all companies within the scope of consolidation are considered.*
*The tables that refer to the banking group alone include the share proportional to the interest held of the assets and liabilities of jointly controlled banking, financial and instrumental companies consolidated proportionally for regulatory purposes. Amounts are stated gross of transactions with other companies within the scope of consolidation.*
*Where the contribution of transactions between the banking group and the other companies in the financial statement scope of consolidation is material, the details of such transactions are provided.*

## 1.1. CREDIT RISK

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

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

### QUALITATIVE INFORMATION

#### Credit risk management policies

***Organisation***

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the Corporate Bodies, which, each to the extent of its competence, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.
The coverage and governance of credit ensured by the Corporate Bodies is reflected in the current organisational structure, which identifies four important areas of central responsibility, in addition to the business units:
- the Chief Lending Officer;
- the Chief Risk Officer;
- the Chief Operating Officer; and
- the Chief Financial Officer.

They ensure that risk control activities are managed and implemented with an appropriate level of segregation.
The Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion, manages and monitors non-performing loans and the recovery of doubtful loans and sets the Credit Granting and Management Rules, ensures that positions classified as non-performing, within his purview, are properly measured for financial statement purposes, and also defines operating credit processes, in collaboration with the subsidiary Intesa Sanpaolo Group Services, on some occasions at the proposal of the Group’s various functions/structures.
The Chief Risk Officer is responsible for measuring and controlling the Group’s risk exposures, defines the metrics used to measure credit risk, provides risk-adjusted pricing models and guidelines for expected loss, economic capital (ECAP), RWA and acceptance thresholds, formulates proposals for assigning Credit Granting and Managing Powers and constantly monitors risk and credit quality performance.
The Chief Operating Officer provides specialised support in defining credit processes while ensuring cost and performance synergies in the service offered.
In accordance with the strategic guidelines and risk management policies set by the Management Board and approved by the Supervisory Board, the Chief Financial Officer coordinates the process of formulating credit strategies (a process in which the other chiefs and the business units participate), oversees pricing from a risk/return standpoint according to value creation objectives and coordinates the process of assessing loans for reporting purposes. The Chief Financial Officer is also responsible for identifying and implementing hedging transactions for the risk exposures of the asset classes in the loan portfolio by taking advantage of the opportunities presented by the secondary credit market with a view towards active management of company value.
The levels of autonomy assigned to the decision-making bodies are determined by agreement between the Bank/Banking Group regarding the borrower/economic group. The rating assigned, along with any other credit-risk mitigating factors, conditions the determination of the decision-making competence of each delegated body. Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.
In the credit-granting phase, coordination mechanisms have been introduced with which Intesa Sanpaolo exercises its direction, governance and support of the Group:
- the system of Credit Powers and Granting and Monitoring Rules governing the ways in which credit risk to customers is assumed;
- “Credit-granting limit”, intended as the overall limit of line of credit which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- the “Compliance opinion” on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

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

### *Management, measurement and control systems*

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

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

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

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

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

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

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

The models applied to the Retail portfolio are as follows:

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

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

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

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

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

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

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

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

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

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

portfolio in terms of its development over time and quantitative and qualitative composition and to carry out loan-related processes aimed at identifying any areas showing potential critical weaknesses. The information available refers to all Group banks and companies that operate on the target information technology system.
The Credit Monitoring Portal was launched in 2010. The Portal, into which data is input through the Credit Control Panel, is used by the peripheral units within the Banca dei Territori and Corporate & Investment Banking Divisions down to the Area level to access "informational" dashboards that provide an organic, structured report prepared with the aim of:

– providing a structured, navigable overview of the phenomenon under review;
– reducing the time required to search for and process information;
– facilitating the identification of critical areas and defining priority action;
– supporting the exchange of information between units on a consistent basis.

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

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

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

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

– the Parent Company's Risk Management Department, which is responsible for the counterparty risk measurement system by defining calculation methods, producing and analysing measures of exposure;
– the central and divisional credit functions that use the measurements produced to monitor the positions assumed;
– the marketing and credit functions that draw on the foregoing measures as part of the granting process to determine the limits of lines of credit.

The project yielded the following results:

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

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

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

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

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

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

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

### *Non-performing financial assets*

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

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

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

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

## QUANTITATIVE INFORMATION

### A. CREDIT QUALITY

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

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

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

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

(millions of euro)

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

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

(millions of euro)

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

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

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

(millions of euro)

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

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

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

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

(millions of euro)

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

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

(millions of euro)

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

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

(millions of euro)

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

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

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

(millions of euro)

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

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

(millions of euro)

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

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

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

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

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

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

(millions of euro)

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

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

***Mapping of long-term ratings issued by external rating agencies***

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

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

*Short-term ratings for exposures to supervised issuers and enterprises*

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

*Ratings for exposures to UCI*

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

*Long-term ratings for exposures to securitisations*

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

*Short-term ratings for exposures to securitisations*

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

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

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

The breakdown of exposures by internal rating class and ratings for the Corporate and Retail Mortgage segment are based on all ratings available in the credit risk management system. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.
Unrated exposures account for 19% of all exposures to performing counterparties and refer to customer segments for which a rating model is not yet available (primarily personal loans to private parties and consumer credit), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries, which have yet to be fully integrated into the credit risk management system.
For the purposes of calculating the risk indicators, unrated counterparties are assigned an estimated rating on the basis of the average probabilities of default, deriving from the past experience of the respective sectors.
When unrated counterparties and non-performing loans are excluded, there is a high concentration of investment grade classes (classes 1, 2 and 3, representing ratings between AAA and BBB-) at 67% of the total, whilst 24% fall within the BB+/BB- range (class 4) and 9% fall under higher risk classes (of which around 1% are below B-).

(millions of euro)

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

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

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

(millions of euro)

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

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

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

(millions of euro)

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

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

## B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

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

(millions of euro)

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

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

(millions of euro)

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

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

(millions of euro)

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

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

(millions of euro)

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

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

(millions of euro)

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

### B.6. Large risks

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

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

## C. SECURITISATIONS AND ASSET SALES

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

### C.1. Securitisations

### Qualitative information

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

### Quantitative information

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

*On-balance sheet*

(millions of euro)

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

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

*Off- balance sheet*

(millions of euro)

| | Guarantees given | | | | | | Credit lines | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | exposure | | exposure | | exposure | | exposure | | exposure | | exposure | |
| | gross | net | gross | net | gross | net | gross | net | gross | net | gross | net |
| **A. Originated underlying assets** | - | - | - | - | - | - | **742** | **742** | - | - | - | - |
| a) Non-performing | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Other | - | - | - | - | - | - | 742 | 742 [(1)] | - | - | - | - |
| **B. Third party underlying assets [(*)]** | **24** | **24** | - | - | - | - | **1,584** | **1,584** | - | - | - | - |
| a) Non-performing | - | - | - | - | - | - | - | - | - | - | - | - |
| b) Other | 24 | 24 | - | - | - | - | 1,584 | 1,584 | - | - | - | - |
| **TOTAL** | **24** | **24** | - | - | - | - | **2,326** | **2,326** | - | - | - | - |

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

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

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

*On-balance sheet*

(millions of euro)

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

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

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

*Off- balance sheet*

(millions of euro)

| | Guarantees given | | | | | | Credit lines | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries |
| **A. Fully derecognised** | **-** | **-** | **-** | **-** | **-** | **-** | **94** | **-** | **-** | **-** | **-** | **-** |
| A.1 Duomo Funding Plc. | | | | | | | | | | | | |
| *- trade receivables* | *-* | *-* | *-* | *-* | *-* | *-* | *94* | *-* | *-* | *-* | *-* | *-* |
| **B. Partly derecognised** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Not derecognised** | **-** | **-** | **-** | **-** | **-** | **-** | **648** | **-** | **-** | **-** | **-** | **-** |
| C.1 Duomo Funding Plc. | | | | | | | | | | | | |
| *- trade receivables* | *-* | *-* | *-* | *-* | *-* | *-* | *648* | *-* | *-* | *-* | *-* | *-* |
| **TOTAL** | **-** | **-** | **-** | **-** | **-** | **-** | **742** | **-** | **-** | **-** | **-** | **-** |

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

*On-balance sheet*

(millions of euro)

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

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

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

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

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

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

(millions of euro)

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

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

## *Off- balance sheet*

(millions of euro)

| | Guarantees given | | | | | | Credit lines | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries | Net exposure | Adjust./ recoveries |
| A.1 Duomo - *ABCP Conduit transactions* | - | - | - | - | - | - | *1,535* | - | - | - | - | - |
| A.2 Romulus - *ABCP Conduit transactions* | *24* | - | - | - | - | - | *49* | - | - | - | - | - |
| **Total** | **24** | **-** | **-** | **-** | **-** | **-** | **1,584** | **-** | **-** | **-** | **-** | **-** |

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

### *C.1.4. Banking group - Breakdown of exposures deriving from securitisations by portfolio and by type*

(millions of euro)

| | On-balance sheet exposures (*) | | | Off-balance sheet exposures | | |
|---|---|---|---|---|---|---|
| | Senior | Mezzanine | Junior | Senior | Mezzanine | Junior |
| Financial assets held for trading | 1,349 | 84 | 3 | - | - | - |
| Financial assets measured at fair value | - | - | - | - | - | - |
| Financial assets available for sale | 58 | 15 | 32 | - | - | - |
| Investments held to maturity | 118 | - | - | - | - | - |
| Loans (**) | 4,153 | 334 | 50 | 1,702 | - | - |
| **Total 31.12.2011** | **5,678** | **433** | **85** | **1,702** | **-** | **-** |
| **Total 31.12.2010** | **5,207** | **462** | **98** | **2,371** | **-** | **-** |

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

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

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

(millions of euro)

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

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

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

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

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

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

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

### *C.1.8. Banking group – Subsidiary special purpose vehicles*

*Intesa Sec*
Securitisation of performing mortgages

(millions of euro)

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

*Intesa Sec 2*

Securitisation of performing residential mortgages

(millions of euro)

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

*Intesa Sec 3*

Securitisation of performing residential mortgages

(millions of euro)

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

*Intesa Sec Npl*

Securitisation of non-performing mortgages

(millions of euro)

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

*Split 2*

Securitisation of loans arising from leasing contracts

(millions of euro)

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

*Intesa Lease Sec*

Securitisation of performing loans arising from leasing contracts

(millions of euro)

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

*CR Firenze Mutui*

Securitisation of performing residential mortgages

(millions of euro)

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

## C.2. Sales

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

(millions of euro)

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

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

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

(millions of euro)

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

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

### C.3. Banking group - Covered bond transactions

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

Starting from 2009, the Intesa Sanpaolo Group has carried out two Covered Bonds issue programmes.
The first programme, launched at the end of July 2009, had an initial maximum of 10 billion euro, raised to 20 billion euro in 2011. The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by Banca Infrastrutture Innovazione e Sviluppo (BIIS), was transferred.
As at 31 December 2011, BIIS completed five sales of performing assets to the guarantor vehicle ISP CB Pubblico, to enable the Parent Company Intesa Sanpaolo to issue Covered Bonds. In detail, performing loans and securities to the public sector with a nominal value of 7.6 billion euro were sold from 2009 to 2010, in addition to sales made during 2011, as illustrated below:
– in March 2011, BIIS sold the vehicle a portfolio of performing securities to the public sector, deriving from the closure of the two self-securitisations CBO1 and CBO2, carried out through the vehicle SPQR II S.r.l., amounting to a nominal value of 2.9 billion euro;
– in June 2011, the subsidiary sold the vehicle a portfolio exclusively comprising performing loans to the public sector, for a nominal value of 2.4 billion euro;
– in December 2011, BIIS repurchased from the vehicle a nominal amount of 450 million euro of loans in breach, i.e. loans which were no longer eligible to be used as underlyings for the Covered Bonds issues carried out by Intesa Sanpaolo.

From 2009 to 2010, against these sales, Covered Bonds were issued for a total nominal value of 5 billion euro (of which 3 billion euro relating to a covered bond which matured in the fourth quarter of 2011), in addition to the issues carried out in 2011, detailed below:
– in January 2011, against the third sale of assets, carried out at the end of 2010, Intesa Sanpaolo issued and placed on the market a tranche of Covered Bonds with a nominal value of 1.5 billion euro, with a fixed-rate coupon and a 10-year maturity;
– in March 2011, a new Covered Bonds issue with a nominal value of 2.4 billion euro was carried out against the fourth sale of assets finalised by BIIS. The bonds issued have a floating-rate coupon linked to the 6-month Euribor, were purchased in full by BIIS, which allocated them as security for its funding at the European Central Bank, through transactions carried out via the Parent Company;
– in July 2011, Intesa Sanpaolo carried out an additional issue with a nominal value of 2 billion euro, maturing in 2013; these bonds were also purchased in full by BIIS, to be able to use them, where necessary, as security for its funding in the Eurosystem, through transactions to be carried out by the Parent Company;
– in December 2011, Intesa Sanpaolo carried out an additional issue of Covered Bonds with a nominal value of 2.4 billion euro, maturing in 2014; these bonds were purchased in full by BIIS, to be able to use them, where necessary, as security for its funding in the Eurosystem, through transactions to be carried out by the Parent Company.

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

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

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

(millions of euro)

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

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

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

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

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

## 1.2. BANKING GROUP - MARKET RISKS

The Intesa Sanpaolo Group policies relating to financial risk acceptance are defined by the Parent Company's Management Bodies, with the support of specific Committees, including the Group Risk Governance Committee and Group Financial Risks Committee.
The Group Risk Governance Committee is in charge, among other things, of proposing to the Statutory bodies group risk management strategies and policies, of ensuring compliance with the guidelines and indications of Supervisory authority concerning risk governance and of assessing the adequacy of the Group's economic and regulatory capital. The Committee coordinates the activities of specific Technical Committees, monitoring financial and operational risks, and is chaired by the Managing Director and CEO.
The Group Financial Risks Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Statutory bodies and on the basis of the coordination action of the Group Risk Governance Committee.
The Group's overall financial risk profile and the appropriate interventions aimed at changing it are examined periodically by the Group Financial Risks Committee.
The Parent Company's Risk Management Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Bank's and the Group's system of operating limits. The Risk Management Department is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

The valuation of financial instruments, also defined as the "fair value policy", is summarised in Part A of the Notes to the consolidated financial statements (Fair value measurement section). Part A of the Notes also presents quantitative disclosure on allocation of the various accounting portfolios in accordance with fair value levels (section A.3.2. Fair value hierarchy).
The various stages of that process together with additional information on the valuation models used to measure the financial instruments are described below.

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

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

### Model Risk Management

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

*Model Validation*

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

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

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

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

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

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

**Adjustments adopted to reflect model risk and other uncertainties related to the valuation**
If problems are found by the Model Validation process or the Model Risk Monitoring process in the calculation of the fair value of particular financial instruments, the appropriate Mark-to-Market Adjustments to be made to the valuations are identified. These adjustments are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in selected models and their implementation.

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

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

Conversely, for derivatives for which fair value is determined with a valuation technique (levels 2 and 3), the adjustment may be calculated with different means according to the availability on the market of bid and ask prices and products with similar characteristics in terms of contract type, underlying asset, currency, maturity and volumes traded which may be used as benchmarks.

Where none of the indications above is available, stress tests are performed on input parameters deemed to be relevant in the model. The main factors considered to be illiquid (in addition to the inputs for the valuation of structured credit derivatives, to be discussed in further detail below) and for which the respective adjustments have been calculated, are represented in this market context, are connected to risks on Commodities, on Dividends and Variance Swaps, FOI (Consumer price index for blue and white-collar worker households) inflation and options on inflation, on specific indexes such as Rendistato, volatility of 12-month cap indexes, correlations between swap rates and "quanto" correlation (connected to pay offs and index-linking expressed in different currencies).

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

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

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

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products), on the valuation models used to measure the various instruments referred to in Part A Accounting policies – Paragraph 18 "Other information - Fair value measurement".

***I. Pricing model for non-contributed securities***

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

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

In any case the different seniority of the security to be priced is considered relatively to the issuer's debt structure.
Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar quoted securities.
If there is also an embedded option a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and the illiquidity of the underlyings. This component is calculated on the basis of the type of option and its maturity.

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

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

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

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

Moreover, the determination of fair value of OTC derivatives must consider, in addition to market factors and the nature of the contract (maturity, type of contract, etc.), also the credit quality of the counterparty. In particular:
- mark-to-market, namely the pricing using risk free (particularly interest rate curve and volatility) market data;
- fair value, which considers counterparty credit risk and future exposures of the contract.

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

### *III. Model for pricing structured credit products*

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

With reference to complex credit derivatives (CDOs), in view of the market dislocations between the financial and credit markets, Intesa Sanpaolo has paid particular attention to pricing methodologies, and prepared a new Fair Value Policy that has been applied since the 2007 financial statements. No material changes were made to the Policy, although the ongoing improvement of input treatment continued, in order to ensure consistent adherence to the market figures. At the same time the Waterfall assessment was refined. The Fair Value Policy also sets out specific procedures on the inputs necessary for valuations.
Regarding CDO pricing, Intesa Sanpaolo uses a quantitative model which estimates joint losses on collateral with a simulation of the relevant cash flows which uses copula functions.
The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default derived from market spreads, recovery rates, the correlation between the value of collaterals present in the structure and the expected residual life of the contract.
For spreads, the valuation process incorporates, as promptly as possible, all the market inputs (including synthetic indexes such as LCDX, Levx and CMBX) considered to be significant: consensus parameters calculated by multicontribution platforms and market spread estimates made available by major dealers are used.
The Market Data Reference Guide, which sets out credit spread contribution sources, was moreover integrated with specific policies for the other inputs such as correlations and recovery rates.
For specific types of collateral, such as trust preferred securities, the probability of default is estimated using the Expected Default Frequency from Moody's - KMV.
In order to incorporate high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters; in particular:

- stress of recovery rates: expected recovery rates on the assets held as collateral in every deal have been decreased by 25% (50% for underlying REITS);
- stress of asset value correlation: inter and intra correlations have been increased by 15% or 25% depending on the type of product;
- stress of spreads: the spreads, used to determine the marginal distributions of defaults, have been increased by 10%;
- stress of expected residual lives: the latter have been increased by 1 year.

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

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

After this valuation, credit analyses on underlying assets were fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis are condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.) which are summarised in an indicator representing credit quality. On the basis of the value of this synthetic indicator, specific thresholds have been identified which correspond to a number of downgrades, so to proceed to a consistent adjustment in the valuation. Lastly, for this class of products, an additional adjustment may be applied, subject to an authorisation procedure that, above a certain warning threshold, involves both the area of the Chief Risk Officer and the area of the Chief Financial Officer.

### *IV. The pricing model for hedge funds*

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

- counterparty risk
- illiquidity risk.

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

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

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

The application of the foregoing prudential adjustments (counterparty risk and illiquidity risk) is subject to an authorisation procedure that, above a certain warning threshold, involves both the area of the Chief Risk Officer and the area of the Chief Financial Officer.

## REGULATORY TRADING BOOK

### 1.2.1. INTEREST RATE RISK AND PRICE RISK

Consistent with the use of internal risk measurement models, the sections relative to interest rate and price risk have been grouped within the relevant portfolio.

### QUALITATIVE INFORMATION

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

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

A number 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 portfolios are interest rates and foreign exchange rates, both relating to linear pay-offs.

#### *Internal model validation*

For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.

In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) position risk on dividend derivatives and (iv) position risk on commodities for Banca IMI, the only legal entity in the Group authorised to hold open positions in commodities.

#### *Stressed VaR*

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

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

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

As at the date of preparation of the document, the period relevant to the measurement of stressed VaR had been set as:

- 1 July 2008 to 30 June 2009 for Banca IMI;
- 1 October 2010 to 30 September 2011 for Intesa Sanpaolo.

#### *VaR*

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).

VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period. The section "Quantitative information" presents the estimates and development of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.

#### *Incremental Risk Charge (IRC)*

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

#### *Stress tests*

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

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

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

## QUANTITATIVE INFORMATION

### Daily VaR evolution
During the fourth quarter of 2011, the market risks originated by Intesa Sanpaolo and Banca IMI increased compared to the previous periods: the average daily VaR for the fourth quarter of 2011 was 95.6 million euro, up by 43% on the third quarter.
With regard to the whole 2011, the Group's average risk profile (58.8 million euro) increased compared to the average values in 2010 (38 million euro).

### *Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and the 3rd quarter of 2011* [(a)]

(millions of euro)

| | average 4th quarter | minimum 4th quarter | maximum 4th quarter | average 3rd quarter | average 2nd quarter | average 1st quarter |
|---|---|---|---|---|---|---|
| Intesa Sanpaolo | 25.0 | 23.5 | 26.4 | 21.4 | 15.3 | 18.7 |
| Banca IMI | 70.6 | 48.4 | 92.4 | 45.3 | 21.1 | 17.4 |
| **Total** | **95.6** | **73.0** | **118.0** | **66.7** | **36.4** | **36.1** |

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

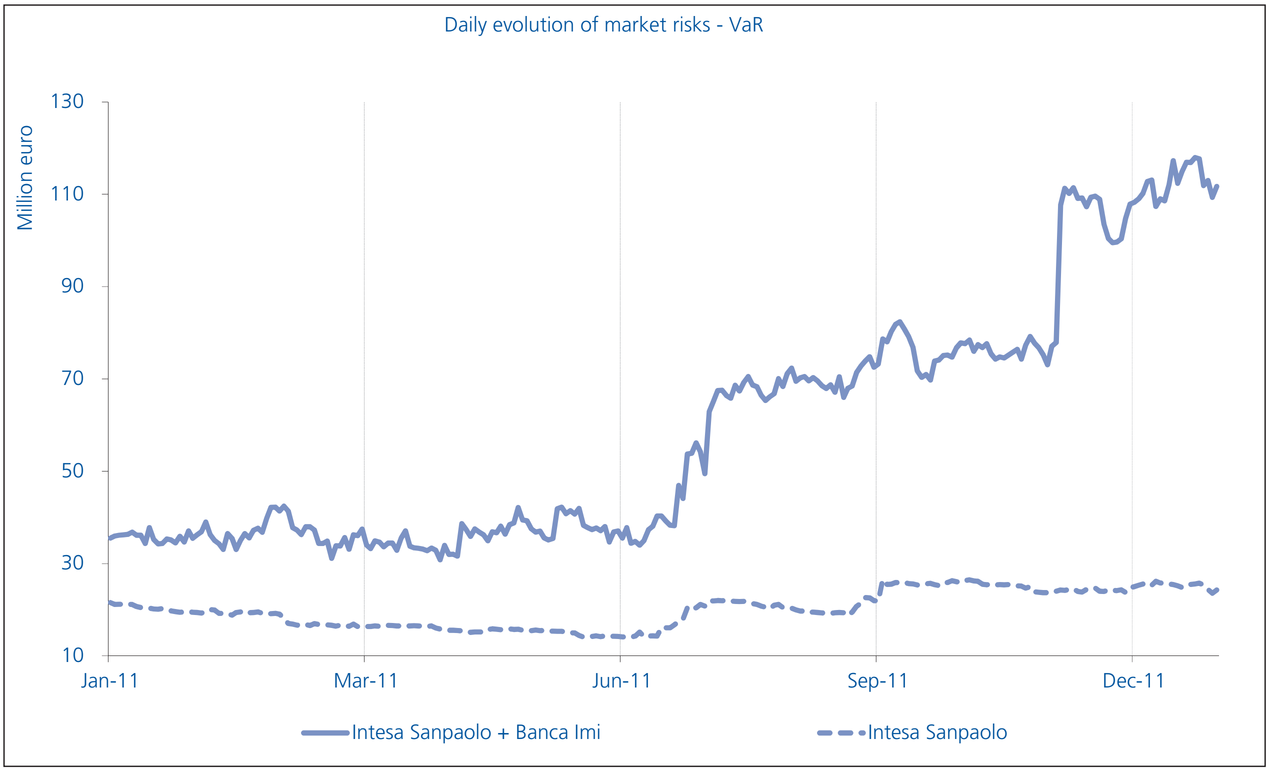
### *Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between 2011-2010* [(a)]

(millions of euro)

| | 2011 | | | | 2010 | | |
|---|---|---|---|---|---|---|---|
| | average | minimum | maximum | last day | average | minimum | maximum |
| Intesa Sanpaolo | 20.1 | 14.0 | 26.5 | 24.6 | 24.1 | 17.8 | 32.2 |
| Banca IMI | 38.7 | 13.6 | 92.4 | 87.4 | 13.9 | 8.9 | 22.4 |
| **Total** | **58.8** | **30.7** | **118.0** | **112.0** | **38.0** | **27.6** | **49.9** |

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

The Parent Company alone recorded an average VaR in decline compared with the previous year. Observing the performance over the year, it may be remarked that risk measurements increased, especially for Banca IMI, at moments coinciding with the euro area sovereign market crisis. In further detail, the crisis manifested itself in the form of increasing volatility of the spreads on Italian government bonds from July 2011 onwards, with peak volatility in early November.




For Intesa Sanpaolo, the breakdown of the risk profile in the fourth quarter of 2011 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 38% of total VaR. Credit spread risk, which includes the risk associated with sovereign government bonds, was the most significant component for Banca IMI, representing 81% of the total.

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

| 4th quarter 2011 | Shares | Hedge funds | Interest rates | Credit spreads | Foreign exchange rates | Other parameters | Commodities |
|---|---|---|---|---|---|---|---|
| Intesa Sanpaolo | 1% | 38% | 14% | 37% | 4% | 7% | 0% |
| Banca IMI | 5% | - | 7% | 81% | 1% | 4% | 3% |
| **Total** | **3%** | **12%** | **9%** | **68%** | **1%** | **5%** | **2%** |

(a) Each line in the table sets out the contribution of risk factors considering the overall VaR 100%, calculated as the average of daily estimates in the fourth quarter of 2011, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall VaR.

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

### *Contribution of strategies to portfolio breakdown* [(a)]

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| - Catalyst Driven | - | - |
| - Credit | 81% | 75% |
| - Non credit strategies | - | 5% |
| - Directional trading | 4% | 4% |
| - Equity hedged | 14% | 8% |
| - Fixed Income Arbitrage | - | 8% |
| - Multi-strategy | 1% | - |
| - Volatility | - | - |
| **Total hedge funds** | **100%** | **100%** |

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

In 2011 the hedge fund portfolio maintained an asset allocation with a focus on strategies relating to distressed credit (81% of the total in terms of portfolio value).
Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of December is summarised in the following table.

(millions of euro)

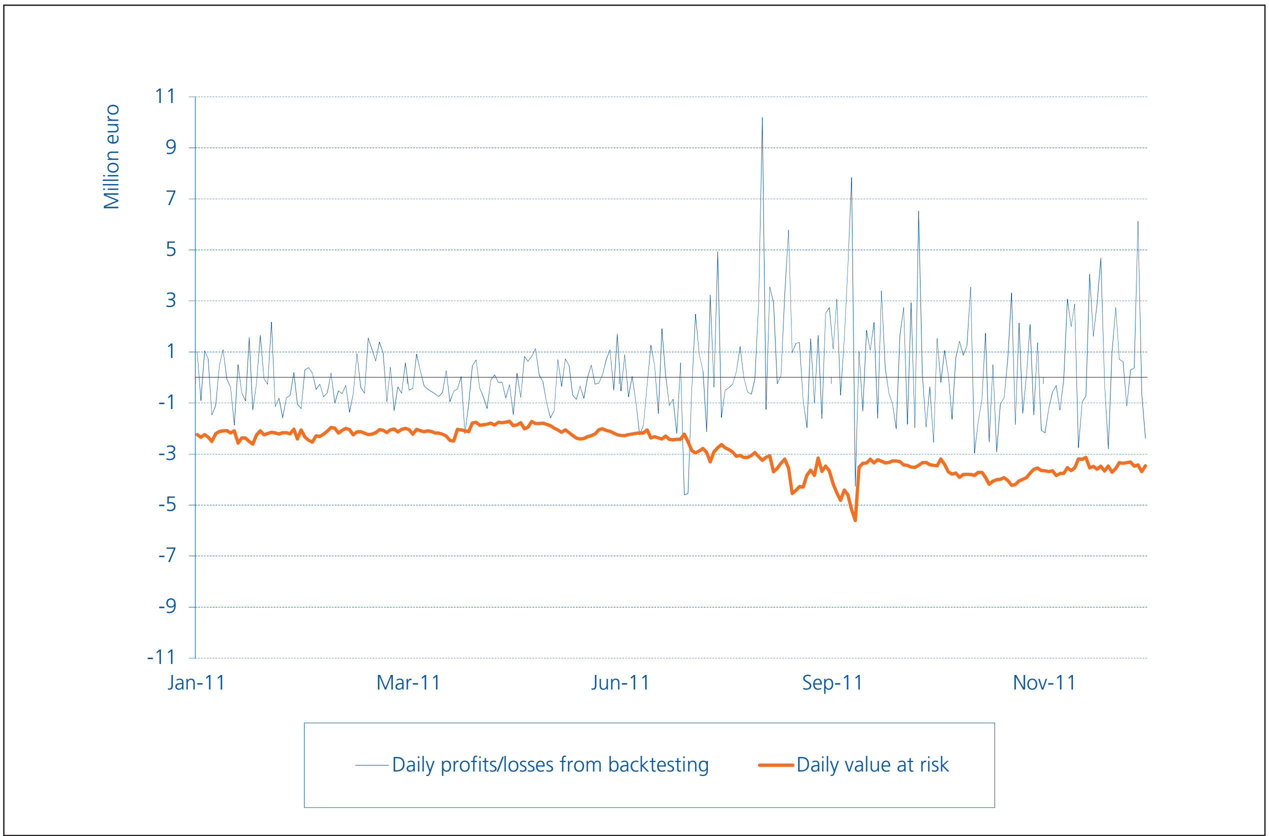
| | EQUITY | | INTEREST RATES | | CREDIT SPREADS | | FOREIGN EXCHANGE RATES | | COMMODITIES | |
|---|---|---|---|---|---|---|---|---|---|---|
| | volatility +10% and prices -5% | volatility -10% and prices +5% | -25bp | +25bp | -25bp | +25bp | -10% | +10% | -50% | +50% |
| Total | -2 | 0 | 6 | -3 | 90 | -89 | 14 | -12 | -4 | 5 |
| *of which SCP* | | | | | *5* | *-5* | | | | |

In particular:
- on stock market positions, a 5% decrease in stock prices with a resulting 10% increase in volatility would have led to a loss of approximately 2 million euro;
- for exposures to interest rates, a parallel +25 basis point shift in the yield curve would have led to a 3 million euro loss, whereas a parallel -25 basis point shift would have led to a 6 million euro gain;
- for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to an 89 million euro loss, of which about 5 million euro attributable to structured credit products (SCP);
- on foreign exchange exposures, the revaluation of the euro would have recorded a loss of about 12 million euro;
- lastly, on commodity exposures a 4 million euro loss would have been recorded had there been a 50% decrease in prices.

### Backtesting
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:
- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

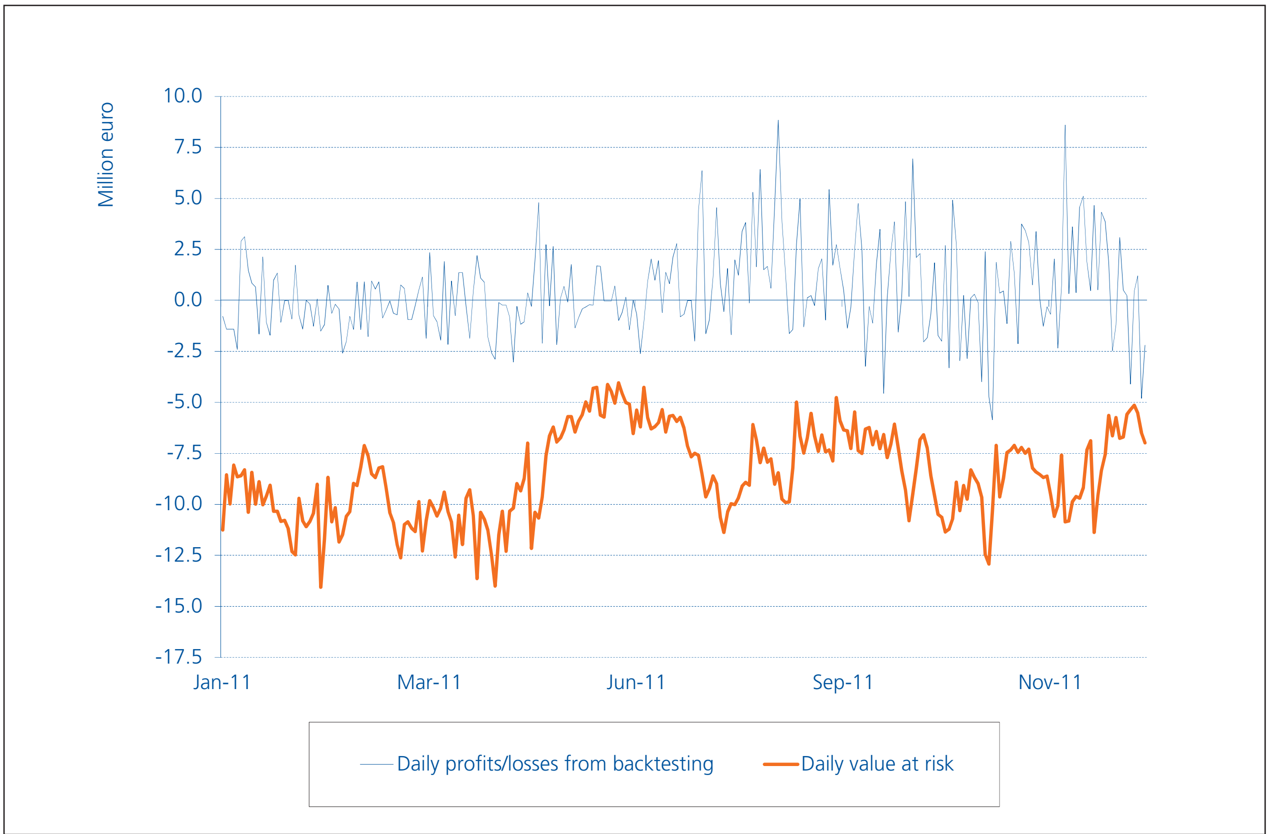
Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situation relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate.

### Backtesting in Intesa Sanpaolo
Intesa Sanpaolo's regulatory backtesting, shown in the following graph, found four cases where the daily losses from backtesting were higher than the VaR estimate. Two of the four excesses (April and July) were not significant in extent. The other two backtesting exceptions (8 and 11 July 2011) were due to the government bond crisis, and the Italian government bond crisis in particular, which manifested itself in the form of high volatility of spreads beginning in July 2011. It should be emphasised that the VaR subject to the internal model for Intesa Sanpaolo (reduced perimeter of factors compared to VaR) is concentrated on the interest rate risk factor.



### Backtesting in Banca IMI

Banca IMI's regulatory backtesting, shown in the following graph, did not reveal any critical situations. For Banca IMI, there are validated risk factors affected by a diversification benefit (rates and equities).




### Issuer risk

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

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

| | Total | of which | | | | |
|---|---|---|---|---|---|---|
| | | Corporate | Financial | Emerging | Covered | Securitis. |
| Intesa Sanpaolo | 58% | 1% | 42% | 1% | 56% | 0% |
| Banca IMI | 42% | -16% | 40% | 2% | 7% | 67% |
| **Total** | **100%** | **2%** | **40%** | **-** | **35%** | **23%** |

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

Period-end percentage on area total, excluding Government bonds, own bonds and including cds.

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

### Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction described below.

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

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

In the third quarter 2011, the Management Board resolved a new VaR limit for the Group of 80 million euro, an increase compared to the previous 70 million euro. This increase is not indicative of a greater risk appetite for the Group, but rather was defined, in light of the volatility of the spread on Italian government bonds, the effects of which are reflected in an increase in risks, in order to permit the business continuity of Intesa Sanpaolo and Banca IMI.

With respect to the component sub-allocated to the organisational units, it may be noted that the use of the VaR limit (held for trading component) for Intesa Sanpaolo averaged 65% in 2011, with a maximum use of 96%. For Banca IMI, the average VaR limit came to 101%, with a maximum use of 188%. It should be specified that for Banca IMI the VaR limit also includes the AFS component, inasmuch as these assets are managed in close synergy with HFT assets. Net of that AFS component, the average use of the limit comes to 36%, with a peak of 56%.

The use of the IRC limits at year end amounted to 59% for Intesa Sanpaolo (limit of 220 million euro) and 57% for Banca IMI (limit of 230 million euro).

The use of VaR operating limits on the AFS component (excluding Banca IMI) at year end was 106%. The limit for the AFS component was revised in the third quarter of 2011, raising it from 55 million euro to 100 million euro. The increase in this limit was decided in light of the volatility of the spread on Italian government bonds, the effects of which are reflected in an increase in risks, considering that 85% of the AFS position refers to Italian sovereign risk.

### BANKING BOOK
### 1.2.2 INTEREST RATE RISK AND PRICE RISK

### QUALITATIVE INFORMATION

#### A. General aspects, interest rate risk and price risk management processes and measurement methods
Market risk originated by the banking book arises primarily in the Parent Company and the main Group companies involved in retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted 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). Besides measuring the equity portfolio, VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, thereby taking into account diversification benefits. Value at Risk calculation models have certain limitations, as they are based on the statistical assumption of the normal distribution of the returns and on the observation of historical data that may not be repeated in the future. Consequently, VaR results cannot guarantee that the possible future losses will not exceed the statistically calculated estimates.
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 on demand customer loans and deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. Equity risk sensitivity is measured as the impact of a price shock of ±10%.
Furthermore the sensitivity of the interest margin is also 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.

#### B. Fair value hedging
#### C. Cash flow hedging
Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover the risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.
Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets and liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. Moreover, macro-hedging is carried out on the stable portion of on demand deposits and in order to cover the risk of fair value changes intrinsic in the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the date of payment of the relevant interests.
Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on variable rate funding to the extent that the latter finances fixed-rate investments (macro cash flow hedge). In other cases, cash flow hedges are applied to specific assets or liabilities (micro cash flow hedge).
The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting standards.
During the year no hedging activities were performed to cover the price risk of the banking book.

#### D. Hedging of foreign investments
For equity investments in Group companies held in foreign currencies, risk hedging policies are assessed by the Group Risk Governance Committee and the Group Financial Risks Committee, taking into consideration the advantages and the costs embedded in hedging transactions.
During the year foreign exchange hedges were implemented against the exchange risk on gains in foreign currency generated by the Parent Company's branches abroad.

## QUANTITATIVE INFORMATION

### Banking book: internal models and other sensitivity analysis methodologies

Interest margin sensitivity – assuming a 100 basis point rise in interest rates – amounted to +240 million euro (-241 million euro in the event of reduction) at the end of 2011; these values increased compared to the 2010 year-end figures (+163 million euro and -166 million euro, respectively, in the event of an increase/decrease in interest rates).
In the case of invariance of the other income components, the aforesaid potential impact would be reflected also in the Group's year-end net income and taking into account the abovementioned assumptions concerning the measurement procedures.
In 2011, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 313 million euro with a year-end figure of 482 million euro, almost entirely concentrated on the euro currency; these figures compare with 426 million euro at the end of 2010. Interest rate risk, measured in terms of VaR, averaged 109 million euro in 2011, with a minimum value of 67 million euro and a maximum value of 173 million euro. At the end of December 2011 VaR totalled 139 million euro (98 million euro at the end of 2010).
Price risk generated by minority stakes in quoted companies, mostly held in the AFS (Available for Sale) category and measured in terms of VaR, recorded an average level during 2011 of 91 million euro (86 million euro at the end of 2010), with minimum and maximum values of 71 million euro and 110 million euro respectively. The VaR at the end of 2011 amounted to 102 million euro.
Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for the abovementioned quoted assets recorded in the AFS category.

***Price risk: impact on Shareholders' Equity***

| | | **Impact on shareholders' equity** (millions of euro) |
|---|---|---|
| Price shock | -10% | -64 |
| Price shock | 10% | 64 |

## 1.2.3. FOREIGN EXCHANGE RISK

## QUALITATIVE INFORMATION

### A. General aspects, foreign exchange risk management processes and measurement methods

"Foreign exchange risk" is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Group's balance sheet aggregates. The key sources of exchange rate risk lie in:

- foreign currency loans and deposits held by corporate and retail customers;
- purchases of securities, equity investments and other financial instruments in foreign currencies;
- conversion into domestic currency of assets, liabilities and income of branches and subsidiaries abroad;
- trading of foreign currencies and banknotes;
- collection and/or payment of interest, commissions, dividends and administrative costs in foreign currencies.

More specifically, "structural" foreign exchange risk refers to the exposures deriving from the commercial operations and the strategic investment decisions of the Intesa Sanpaolo Group.
Foreign exchange transactions, spot and forward, are carried out mostly by Banca IMI, which also operates in the name and on behalf of the Parent Company with the task of guaranteeing pricing throughout the Bank and the Group while optimizing the proprietary risk profile deriving from brokerage of foreign currencies traded by customers.
The main types of financial instruments traded include: spot and forward exchange transactions in foreign currencies, forex swaps, domestic currency swaps, and foreign exchange options.

### B. Foreign exchange risk hedging activities

Foreign exchange risk deriving from operating positions in foreign currency in the banking book is systematically transferred from the business units to the Parent Company's Treasury Department, for the purpose of guaranteeing the elimination of such risk. Similar risk containment is performed by the various Group companies for their banking book. Essentially, foreign exchange risk is mitigated by the practice of raising funds in the same currency as assets.
Held for trading exposures are included in the trading book where foreign exchange risk is measured and subjected to daily VaR limits.

## QUANTITATIVE INFORMATION

### 1. Breakdown by currency of assets and liabilities and of derivatives

(millions of euro)

| | Currencies | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | US dollar | GB pound | Swiss franc | Hungarian forint | Egyptian pound | Croatian kuna | Yen | Other currencies |
| **A. FINANCIAL ASSETS** | **23,603** | **2,063** | **4,009** | **2,383** | **3,786** | **3,293** | **1,237** | **7,533** |
| A.1 Debt securities | 5,655 | 1,087 | 184 | 501 | 1,309 | 599 | 266 | 2,256 |
| A.2 Equities | 656 | 146 | 9 | 2 | 66 | 31 | 1 | 46 |
| A.3 Loans to banks | 4,284 | 93 | 151 | 451 | 484 | 902 | 158 | 1,030 |
| A.4 Loans to customers | 13,008 | 737 | 3,665 | 1,429 | 1,927 | 1,761 | 812 | 4,201 |
| A.5 Other financial assets | - | - | - | - | - | - | - | - |
| **B. OTHER ASSETS** | **1,329** | **337** | **66** | **509** | **54** | **53** | **89** | **315** |
| **C. FINANCIAL LIABILITIES** | **18,821** | **2,710** | **745** | **3,324** | **3,268** | **1,977** | **870** | **3,660** |
| C.1 Due to banks | 7,610 | 945 | 455 | 124 | 10 | 219 | 1 | 890 |
| C.2 Due to customers | 5,891 | 423 | 278 | 3,018 | 2,350 | 1,758 | 152 | 2,278 |
| C.3 Debt securities | 5,320 | 1,342 | 12 | 182 | 908 | - | 717 | 492 |
| C.4 Other financial liabilities | - | - | - | - | - | - | - | - |
| **D. OTHER LIABILITIES** | **1,019** | **523** | **44** | **192** | **92** | **243** | **38** | **330** |
| **E. FINANCIAL DERIVATIVES** | | | | | | | | |
| - Options | | | | | | | | |
| *long positions* | *1,239* | *388* | *283* | *7* | - | - | *197* | *101* |
| *short positions* | *1,493* | *36* | *205* | *7* | - | - | *264* | *78* |
| - Other derivatives | | | | | | | | |
| *long positions* | *44,800* | *6,655* | *1,077* | *2,191* | - | *173* | *1,964* | *5,351* |
| *short positions* | *49,337* | *6,135* | *4,289* | *1,079* | - | *138* | *2,268* | *7,857* |
| **TOTAL ASSETS** | **70,971** | **9,443** | **5,435** | **5,090** | **3,840** | **3,519** | **3,487** | **13,300** |
| **TOTAL LIABILITIES** | **70,670** | **9,404** | **5,283** | **4,602** | **3,360** | **2,358** | **3,440** | **11,925** |
| **IMBALANCE (+/-)** | **301** | **39** | **152** | **488** | **480** | **1,161** | **47** | **1,375** |

### 2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is included in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as already illustrated.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 61 million euro as at 31 December 2011. This potential impact would only be reflected in the Shareholders' Equity.

### 1.2.4. DERIVATIVES

### A. FINANCIAL DERIVATIVES

#### A.1. Regulatory trading book: period-end and average notional amounts

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| **1. Debt securities and interest rates** | **2,929,078** | **188,079** | **2,609,337** | **210,215** |
| a) Options | 328,496 | 105,366 | 373,205 | 126,555 |
| b) Swaps | 2,599,155 | - | 2,235,310 | - |
| c) Forwards | 199 | - | 764 | - |
| d) Futures | 1,228 | 82,713 | 58 | 83,660 |
| e) Others | - | - | - | - |
| **2. Equities and stock indices** | **27,431** | **18,627** | **36,937** | **17,658** |
| a) Options | 26,817 | 18,059 | 36,543 | 16,012 |
| b) Swaps | 445 | - | 156 | - |
| c) Forwards | 169 | - | 238 | - |
| d) Futures | - | 568 | - | 1,646 |
| e) Others | - | - | - | - |
| **3. Foreign exchange rates and gold** | **114,384** | **129** | **101,916** | **7** |
| a) Options | 12,807 | - | 11,793 | - |
| b) Swaps | 20,328 | - | 25,052 | - |
| c) Forwards | 80,645 | - | 64,597 | - |
| d) Futures | - | 129 | - | 7 |
| e) Others | 604 | - | 474 | - |
| **4. Commodities** | **4,504** | **1,452** | **2,615** | **1,513** |
| **5. Other underlying assets** | **-** | **-** | **-** | **-** |
| **TOTAL** | **3,075,397** | **208,287** | **2,750,805** | **229,393** |
| **AVERAGE VALUES** | **2,930,368** | **215,414** | **2,719,832** | **300,071** |

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

## A.2. Banking book: period-end and average notional amounts

### *A.2.1. Hedging*

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| **1. Debt securities and interest rates** | **262,464** | **-** | **264,509** | **-** |
| a) Options | 9,584 | - | 8,946 | - |
| b) Swaps | 252,880 | - | 255,563 | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **2. Equities and stock indices** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - |
| b) Swaps | - | - | - | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **3. Foreign exchange rates and gold** | **5,344** | **-** | **5,718** | **-** |
| a) Options | - | - | - | - |
| b) Swaps | 5,344 | - | 5,718 | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **4. Commodities** | - | **-** | - | **-** |
| **5. Other underlying assets** | - | **-** | - | **-** |
| **TOTAL** | **267,808** | **-** | **270,227** | **-** |
| **AVERAGE VALUES** | **262,677** | **-** | **263,820** | **-** |

### *A.2.2. Other derivatives*

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| **1. Debt securities and interest rates** | **12,979** | **-** | **13,860** | **-** |
| a) Options | 7,857 | - | 8,763 | - |
| b) Swaps | 5,122 | - | 5,097 | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **2. Equities and stock indices** | **6,109** | **-** | **6,920** | **-** |
| a) Options | 6,109 | - | 6,920 | - |
| b) Swaps | - | - | - | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **3. Foreign exchange rates and gold** | **5,003** | **-** | **4,688** | **-** |
| a) Options | 41 | - | 31 | - |
| b) Swaps | 2,308 | - | 714 | - |
| c) Forwards | 2,654 | - | 3,943 | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** |
| **5. Other underlying assets** | **-** | **-** | **-** | **-** |
| **TOTAL** | **24,091** | **-** | **25,468** | **-** |
| **AVERAGE VALUES** | **24,400** | **-** | **16,620** | **-** |

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

### A.3. Financial derivatives gross positive fair value – breakdown by product

(millions of euro)

| | Positive fair value | | | |
|---|---|---|---|---|
| | 31.12.2011 | | 31.12.2010 | |
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| **A. Regulatory trading book** | **37,081** | **670** | **35,244** | **782** |
| a) Options | 5,889 | 574 | 5,367 | 676 |
| b) Interest rate swaps | 28,666 | - | 27,373 | - |
| c) Cross currency swaps | 1,161 | - | 1,508 | - |
| d) Equity swaps | 33 | - | 4 | - |
| e) Forwards | 1,113 | - | 810 | - |
| f) Futures | - | 58 | - | 37 |
| g) Others | 219 | 38 | 182 | 69 |
| **B. Banking book - hedging** | **10,208** | **-** | **7,377** | **-** |
| a) Options | 524 | - | 505 | - |
| b) Interest rate swaps | 8,996 | - | 6,503 | - |
| c) Cross currency swaps | 688 | - | 369 | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | - | - |
| **C. Banking book - other derivatives** | **757** | **-** | **699** | **-** |
| a) Options | 169 | - | 319 | - |
| b) Interest rate swaps | 485 | - | 370 | - |
| c) Cross currency swaps | 98 | - | 6 | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | 5 | - | 4 | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | - | - |
| **TOTAL** | **48,046** | **670** | **43,320** | **782** |

### A.4. Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

| | Negative fair value | | | |
|---|---|---|---|---|
| | 31.12.2011 | | 31.12.2010 | |
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| **A. Regulatory trading book** | **40,868** | **795** | **38,083** | **674** |
| a) Options | 7,145 | 712 | 6,525 | 579 |
| b) Interest rate swaps | 30,661 | - | 28,749 | - |
| c) Cross currency swaps | 1,502 | - | 1,880 | - |
| d) Equity swaps | 7 | - | 7 | - |
| e) Forwards | 1,371 | - | 745 | - |
| f) Futures | - | 42 | - | 57 |
| g) Others | 182 | 41 | 177 | 38 |
| **B. Banking book - hedging** | **8,324** | **-** | **5,753** | **-** |
| a) Options | 156 | - | 176 | - |
| b) Interest rate swaps | 7,939 | - | 5,037 | - |
| c) Cross currency swaps | 229 | - | 540 | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | - | - |
| **C. Banking book - other derivatives** | **878** | **-** | **1,223** | **-** |
| a) Options | 603 | - | 879 | - |
| b) Interest rate swaps | 187 | - | 219 | - |
| c) Cross currency swaps | 59 | - | 5 | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | 29 | - | 120 | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | - | - |
| **TOTAL** | **50,070** | **795** | **45,059** | **674** |

### A.5. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

| | Governments and Central Banks | Public entities | Banks | Financial institutions | Insurance companies | Non-financial companies | Other counterparties |
|---|---|---|---|---|---|---|---|
| **1. Debt securities and interest rates** | | | | | | | |
| - notional amount | - | 3,679 | 39,224 | 12,896 | 2,570 | 41,025 | 333 |
| - positive fair value | - | 505 | 526 | 139 | 20 | 1,789 | 11 |
| - negative fair value | - | -93 | -880 | -205 | -47 | -309 | -33 |
| - future exposure | - | 31 | 129 | 64 | 8 | 214 | 2 |
| **2. Equities and stock indices** | | | | | | | |
| - notional amount | 1 | 1 | 267 | 3,096 | 3,791 | 8 | 23 |
| - positive fair value | - | - | 1 | 28 | - | 1 | - |
| - negative fair value | - | - | -2,135 | -14 | -14 | - | -2 |
| - future exposure | - | - | 1 | 11 | 4 | - | - |
| **3. Foreign exchange rates and gold** | | | | | | | |
| - notional amount | - | 159 | 14,062 | 12,601 | 272 | 9,950 | 134 |
| - positive fair value | - | - | 102 | 144 | 7 | 232 | 3 |
| - negative fair value | - | -121 | -616 | -176 | -1 | -157 | -1 |
| - future exposure | - | 12 | 90 | 181 | 3 | 136 | 1 |
| **4. Other values** | | | | | | | |
| - notional amount | - | - | 2 | 28 | - | 3,726 | - |
| - positive fair value | - | - | - | 2 | - | 96 | - |
| - negative fair value | - | - | -2 | - | - | -94 | - |
| - future exposure | - | - | - | 3 | - | 403 | - |

### A.6. Over the counter financial derivatives: regulatory trading book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

(millions of euro)

| | Governments and Central Banks | Public entities | Banks | Financial institutions | Insurance companies | Non-financial companies | Other counterparties |
|---|---|---|---|---|---|---|---|
| **1. Debt securities and interest rates** | | | | | | | |
| - notional amount | 2,350 | - | 1,665,755 | 1,159,205 | 896 | 1,145 | - |
| - positive fair value | 724 | - | 25,953 | 4,154 | 15 | 55 | - |
| - negative fair value | -8 | - | -29,469 | -3,781 | -15 | -10 | - |
| **2. Equities and stock indices** | | | | | | | |
| - notional amount | - | - | 12,684 | 7,455 | 105 | - | - |
| - positive fair value | - | - | 358 | 131 | - | - | - |
| - negative fair value | - | - | -335 | -166 | -7 | - | - |
| **3. Foreign exchange rates and gold** | | | | | | | |
| - notional amount | - | - | 66,419 | 7,183 | 480 | 3,125 | - |
| - positive fair value | - | - | 1,082 | 434 | 127 | 337 | - |
| - negative fair value | - | - | -1,877 | -107 | - | -142 | - |
| **4. Other values** | | | | | | | |
| - notional amount | - | - | - | 32 | - | 716 | - |
| - positive fair value | - | - | 90 | 4 | - | 11 | - |
| - negative fair value | - | - | -17 | -4 | - | -30 | - |

### A.7. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

| | Governments and Central Banks | Public entities | Banks | Financial institutions | Insurance companies | Non-financial companies | Other counterparties |
|---|---|---|---|---|---|---|---|
| **1. Debt securities and interest rates** | | | | | | | |
| - notional amount | - | - | 73,102 | 1,471 | - | - | 8,534 |
| - positive fair value | - | - | 1,366 | 164 | - | - | 3 |
| - negative fair value | - | - | -3,919 | -540 | - | - | -395 |
| - future exposure | - | - | 27 | 19 | - | - | 4 |
| **2. Equities and stock indices** | | | | | | | |
| - notional amount | - | - | 2,856 | 96 | - | 293 | 1,666 |
| - positive fair value | - | - | 1 | - | - | - | - |
| - negative fair value | - | - | -177 | - | - | -72 | -42 |
| - future exposure | - | - | 6 | 2 | - | 2 | - |
| **3. Foreign exchange rates and gold** | | | | | | | |
| - notional amount | 388 | - | 2,664 | 10 | - | 70 | 27 |
| - positive fair value | - | - | 51 | - | - | - | - |
| - negative fair value | -10 | - | -172 | - | - | -2 | - |
| - future exposure | 4 | - | 29 | - | - | - | - |
| **4. Other values** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |

### A.8. Over the counter financial derivatives: banking book – notional amounts, gross positive and negative fair values by counterparty – contracts included under netting arrangements

(millions of euro)

| | Governments and Central Banks | Public entities | Banks | Financial institutions | Insurance companies | Non-financial companies | Other counterparties |
|---|---|---|---|---|---|---|---|
| **1. Debt securities and interest rates** | | | | | | | |
| - notional amount | - | - | 185,834 | 6,502 | - | - | - |
| - positive fair value | - | - | 8,365 | 218 | - | - | - |
| - negative fair value | - | - | -3,321 | -405 | - | - | - |
| **2. Equities and stock indices** | | | | | | | |
| - notional amount | - | - | 977 | 221 | - | - | - |
| - positive fair value | - | - | 40 | 6 | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| **3. Foreign exchange rates and gold** | | | | | | | |
| - notional amount | - | - | 6,590 | 598 | - | - | - |
| - positive fair value | - | - | 682 | 69 | - | - | - |
| - negative fair value | - | - | -145 | -2 | - | - | - |
| **4. Other values** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

### A.9. Residual maturity of over the counter financial derivatives: notional amounts

(millions of euro)

| | Up to 1 year | Between 1 and 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **A. Regulatory trading book** | **1,395,331** | **1,078,395** | **601,671** | **3,075,397** |
| A.1 Financial derivatives on debt securities and interest rates | 1,291,992 | 1,047,799 | 589,287 | 2,929,078 |
| A.2 Financial derivatives on equities and stock indices | 8,352 | 15,908 | 3,171 | 27,431 |
| A.3 Financial derivatives on foreign exchange rates and gold | 92,728 | 12,443 | 9,213 | 114,384 |
| A.4 Financial derivatives - other values | 2,259 | 2,245 | - | 4,504 |
| **B. Banking book** | **101,267** | **123,151** | **67,481** | **291,899** |
| B.1 Financial derivatives on debt securities and interest rates | 92,817 | 118,257 | 64,369 | 275,443 |
| B.2 Financial derivatives on equities and stock indices | 2,020 | 3,130 | 959 | 6,109 |
| B.3 Financial derivatives on foreign exchange rates and gold | 6,430 | 1,764 | 2,153 | 10,347 |
| B.4 Financial derivatives - other values | - | - | - | - |
| **Total 31.12.2011** | **1,496,598** | **1,201,546** | **669,152** | **3,367,296** |
| **Total 31.12.2010** | **1,372,821** | **1,081,481** | **592,198** | **3,046,500** |

### A.10 Over the counter financial derivatives: counterparty risk/financial risk – internal models

Since as at 31 December 2011, the Group was not authorised to use EPE internal models to calculate counterparty risk for regulatory purposes, it has not prepared this table; rather, it has prepared tables from A.3 to A.8 above. As at 31 December 2011, for Banca IMI the Group used EPE internal model metrics to monitor replacement risk for operational purposes through daily calculation of the PFE (Potential Future Exposure) measure at the 95$^{th}$ percentile associated with the OTC derivatives in the trading and banking book. Operational use is also expected to be extended to the Parent Company in 2012. During 2012, an application will be submitted to the Supervisory Authority for Banca IMI to be authorised to use the EPE internal model for regulatory purposes.

## B. CREDIT DERIVATIVES

### B.1. Credit derivatives: period-end and average notional amounts

(millions of euro)

| | Regulatory trading book | | Banking book | |
|---|---|---|---|---|
| | single counterparty | more counterparties (*basket*) | single counterparty | more counterparties (*basket*) |
| **1. Protection purchases** | | | | |
| - Credit default products | 29,817 | 29,399 | - | - |
| - Credit spread products | - | - | - | - |
| - Total rate of return swap | 807 | - | - | - |
| - Others | - | - | - | - |
| **Total 31.12.2011** | **30,624** | **29,399** | **-** | **-** |
| **Average values** | **30,110** | **29,146** | **-** | **-** |
| **Total 31.12.2010** | **29,459** | **28,894** | **-** | **-** |
| **2. Protection sales** | | | | |
| - Credit default products | 28,121 | 29,686 | - | - |
| - Credit spread products | - | - | - | - |
| - Total rate of return swap | 148 | - | - | - |
| - Others | - | - | - | - |
| **Total 31.12.2011** | **28,269** | **29,686** | **-** | **-** |
| **Average values** | **33,227** | **29,681** | **-** | **-** |
| **Total 31.12.2010** | **26,286** | **29,677** | **-** | **-** |

Part of the contracts in force as at 31 December 2011, shown in the table above, has been included within the structured credit products, namely: 496 million euro of protection purchases and 800 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the chapter on market risks in this Part of the Notes to the consolidated financial statements.

### B.2. Over the counter credit derivatives: gross positive fair value – breakdown by product

(millions of euro)

| | Positive fair value | |
|---|---|---|
| | 31.12.2011 | 31.12.2010 |
| **A. Regulatory trading book** | **3,342** | **2,233** |
| a) Credit default products | 3,099 | 1,824 |
| b) Credit spread products | - | - |
| c) Total rate of return swap | 243 | 409 |
| d) Others | - | - |
| **B. Banking book** | **-** | **-** |
| a) Credit default products | - | - |
| b) Credit spread products | - | - |
| c) Total rate of return swap | - | - |
| d) Others | - | - |
| **TOTAL** | **3,342** | **2,233** |

Part of the positive fair values, recognised as at 31 December 2011, and shown in the table above, has been included within the structured credit products, namely: 145 million euro attributable to positions taken to hedge the exposure in structured credit products and protection purchases as part of structured packages.
For more details, see the market risks chapter in this part of the Notes to the consolidated financial statements.

### B.3. Over the counter credit derivatives: gross negative fair value – breakdown by product

(millions of euro)

| | Negative fair value | |
|---|---|---|
| | 31.12.2011 | 31.12.2010 |
| **A. Regulatory trading book** | **3,789** | **2,382** |
| a) Credit default products | 3,579 | 2,146 |
| b) Credit spread products | - | - |
| c) Total rate of return swap | 210 | 236 |
| d) Others | - | - |
| **B. Banking book** | **-** | **-** |
| a) Credit default products | - | - |
| b) Credit spread products | - | - |
| c) Total rate of return swap | - | - |
| d) Others | - | - |
| **TOTAL** | **3,789** | **2,382** |

Part of the negative fair values, recognised as at 31 December 2011, and shown in the table above, has been included within the structured credit products, namely: 397 million euro almost entirely attributable to exposures not included under the US subprime category.
For more details, see the market risks chapter in this part of the Notes to the consolidated financial statements.

### B.4. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts not included under netting arrangements

(millions of euro)

| | Governments and Central Banks | Public entities | Banks | Financial institutions | Insurance companies | Non-financial companies | Other counterparties |
|---|---|---|---|---|---|---|---|
| **REGULATORY TRADING BOOK** | | | | | | | |
| **1. Protection purchases** | | | | | | | |
| - notional amount | - | 75 | 1,795 | 1,753 | - | - | - |
| - positive fair value | - | 87 | 145 | 101 | - | - | - |
| - negative fair value | - | - | -255 | -2 | - | - | - |
| - future exposure | - | 7 | 123 | 113 | - | - | - |
| **2. Protection sales** | | | | | | | |
| - notional amount | - | - | 1,258 | 1,830 | - | - | - |
| - positive fair value | - | - | 1 | 2 | - | - | - |
| - negative fair value | - | - | -73 | -285 | - | - | - |
| - future exposure | - | - | 23 | 44 | - | - | - |
| **BANKING BOOK** | | | | | | | |
| **1. Protection purchases** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| **2. Protection sales** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

### B.5. Over the counter credit derivatives: gross (positive and negative) fair values by counterparty – contracts included under netting arrangements

(millions of euro)

| | Governments and Central Banks | Public entities | Banks | Financial institutions | Insurance companies | Non-financial companies | Other counterparties |
|---|---|---|---|---|---|---|---|
| **REGULATORY TRADING BOOK** | | | | | | | |
| **1. Protection purchases** | | | | | | | |
| - notional amount | - | - | 43,914 | 12,486 | - | - | - |
| - positive fair value | - | - | 1,964 | 811 | - | - | - |
| - negative fair value | - | - | -102 | -14 | - | - | - |
| **2. Protection sales** | | | | | | | |
| - notional amount | - | - | 40,984 | 13,883 | - | - | - |
| - positive fair value | - | - | 49 | 182 | - | - | - |
| - negative fair value | - | - | -2,007 | -1,051 | - | - | - |
| **BANKING BOOK** | | | | | | | |
| **1. Protection purchases** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| **2. Protection sales** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

### B.6. Residual maturity of credit derivatives: notional amounts

(millions of euro)

| | Up to 1 year | Between 1 and 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **A. Regulatory trading book** | **14,376** | **96,553** | **7,049** | **117,978** |
| A.1 Credit derivatives with "qualified reference obligation" | 9,974 | 74,670 | 6,126 | 90,770 |
| A.2 Credit derivatives with "unqualified reference obligation" | 4,402 | 21,883 | 923 | 27,208 |
| **B. Banking book** | **-** | **-** | **-** | **-** |
| B.1 Credit derivatives with "qualified reference obligation" | - | - | - | - |
| B.2 Credit derivatives with "unqualified reference obligation" | - | - | - | - |
| **Total 31.12.2011** | **14,376** | **96,553** | **7,049** | **117,978** |
| **Total 31.12.2010** | **13,048** | **92,210** | **9,058** | **114,316** |

## C. CREDIT AND FINANCIAL DERIVATIVES

### C.1. Over the counter credit and financial derivatives: net fair values and future exposure by counterparty

(millions of euro)

| | Governments and Central Banks | Public entities | Banks | Financial institutions | Insurance companies | Non-financial companies | Other counterparties |
|---|---|---|---|---|---|---|---|
| **1. Financial derivatives - bilateral agreements** | | | | | | | |
| - positive fair value | 716 | - | 1,726 | 404 | 141 | 296 | - |
| - negative fair value | - | - | -1,693 | -231 | -20 | -74 | - |
| - future exposure | 30 | - | 840 | 2,708 | 34 | 125 | - |
| - net counterparty risk | 745 | - | 1,167 | 2,949 | 170 | 421 | - |
| **2. Credit derivatives - bilateral agreements** | | | | | | | |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| - net counterparty risk | - | - | - | - | - | - | - |
| **3. "Cross product" agreements** | | | | | | | |
| - positive fair value | - | - | 1,608 | 366 | - | - | - |
| - negative fair value | - | - | -2,630 | -57 | - | - | - |
| - future exposure | - | - | 3,687 | 673 | - | - | - |
| - net counterparty risk | - | - | 3,625 | 758 | - | - | - |

## 1.3 BANKING GROUP - LIQUIDITY RISK

### QUALITATIVE INFORMATION

#### General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to procure funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
Preparing an adequate management and monitoring system for this risk is of fundamental importance in maintaining stability, not only at the level of each individual bank, but also of the market at large, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.
In implementation of Community Directives, the Bank of Italy began in 2010 to issue a series of updates to the "New regulations for the prudential supervision of banks and banking groups" – Circular 263 of 27 December 2006 (hereinafter the "New Supervisory Regulations"). In further detail, the fourth update of 13 December 2010 transposed Directive 2009/111/EC ("CRD II"), which introduced important changes concerning the management and monitoring of liquidity risk.
In order to reflect the aforementioned New Supervisory Regulations governing liquidity and the experience with recent financial market turbulence, in 2011 Intesa Sanpaolo's corporate bodies approved new "Guidelines for Group Liquidity Risk Management", which represent an update to the previous Liquidity Policy.
The Guidelines illustrate the tasks of the various company departments, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. The Guidelines for the Fund Transfer Pricing System were also updated both as regards governance and the general principles to be applied to defining transfer prices.
The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

- the existence of liquidity management guidelines approved by senior management and clearly disseminated throughout the bank;
- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- a prudential approach to the estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
- the constant availability of an adequate amount of liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
- the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
- integration into the larger risk management and measurement system, with incisive controls consistent with developments in the context of reference;
- the adoption of a fund internal transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalises the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.
From an organisational standpoint, a detailed definition is prepared of the tasks assigned to the strategic and management supervision bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of warning indicators used to activate emergency plans.
In order to pursue an integrated, consistent risk management policy, strategic decisions regarding liquidity risk monitoring and management at the Group level fall to the Parent Company's corporate bodies. From this standpoint, the Parent Company performs its functions of monitoring and managing liquidity not only in reference to its own organisation, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed.
The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Department, responsible for liquidity management, and the Risk Management Department, directly responsible for measuring liquidity risk on a consolidated basis.
The aforementioned Guidelines include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies. Within this framework, liquidity risk measurement metrics are laid down, distinguishing between short-term liquidity, structural liquidity and stress tests.
The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows the timing of which is certain or estimated to fall within a period of 12 months, in order to respond to periods of tension, including extended periods of tension, on the various funding sourcing markets, including by establishing adequate liquidity reserves in the form of liquid securities on private markets and securities eligible for refinancing with Central Banks. To that end, and in keeping with the liquidity risk appetite, the system of limits is established by determining two short-term indicators for holding periods of one week and one month:

- an indicator of cumulative projected imbalances in wholesale operations: this measures the independence from unsecured wholesale funding in the event of a freeze of the money market, assuming the use of only the most readily liquidated liquidity reserves;
- the short-term gap indicator: this measures, for the various short-term time brackets, the relationship between the availability of reserves and expected positive cash flows and expected cash outflows in reference to all on- and off-balance sheet positions, considering behavioural maturities for positions characterised by an expected liquidity profile differing from the contractual profile.

The structural Liquidity Policy of the Intesa Sanpaolo Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

The Guidelines also call for the periodic preparation of an impact estimate in an acute combined stress scenario (including both stresses specific to the Group and at the level of the market), with an indication of the scenarios of reference to be used and the presentation of a target threshold for the stressed short-term gap, aimed at establishing an overall level of reserves suitable to meeting greater cash outflows during a period of time adequate to take the required operating measures to restore the Group to balanced conditions.

Together with the short term and structural Liquidity Policy and the stress test, the Guidelines also provide for management methods for a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The pre-warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Risk Management Department.

In a market situation characterised by severe tensions correlated with economic problems in the eurozone and the crisis in peripheral euro area countries and Italy in particular, the system of indexes provided for in the Contingent Liquidity Plan has proved efficient in providing timely reports, through pre-warning signals, of the intensification of tension and activating specific measures aimed at combating vulnerability factors and allowing the timely implementation of the required corrective measures.

In 2011, the Group's liquidity position remained within the risk limits provided for in the Group's Liquidity Policy both in terms of short-term and structural liquidity indicators. Adequate, timely information regarding the development of market conditions and the position of the Bank and/or Group was provided to company bodies and internal committees in order to ensure full awareness and manageability of the prevalent risk factors.

In 2011, the extensive liquidity reserves available to the Group allowed the use of secured funding in response to the difficulties in the orderly functioning of the interbank market. As at 31 December 2011, the liquidity reserves eligible with the various Central Banks came to 97 billion euro, of which 37 billion euro was available spot (net of the haircut) and remained unused.

## QUANTITATIVE INFORMATION

### 1. Breakdown by contractual residual maturity of financial assets and liabilities

The breakdown by maturity of assets and liabilities is shown in the tables below according to the rules set forth in financial statement regulations (Bank of Italy circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity.

Therefore, no operational data was used that would require, for example, the modelling of demand liabilities and the representation of cash items according to their level of liquidability.

### *Currency of denomination: Euro*

(millions of euro)

| | On demand | Between 1 and 7 days | Between 7 and 15 days | Between 15 days and 1 month | Between 1 and 3 months | Between 3 and 6 months | Between 6 months and 1 year | Between 1 and 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **56,891** | **10,003** | **6,060** | **19,184** | **24,341** | **23,866** | **33,544** | **121,870** | **113,350** | **4,330** |
| A.1 Government bonds | 139 | 1 | 2 | 672 | 3,604 | 4,464 | 6,358 | 8,420 | 7,075 | - |
| A.2 Other debt securities | 342 | 8 | 3 | 89 | 672 | 2,651 | 2,687 | 9,760 | 10,510 | 60 |
| A.3 Quotas of UCI | 1,367 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 55,043 | 9,994 | 6,055 | 18,423 | 20,065 | 16,751 | 24,499 | 103,690 | 95,765 | 4,270 |
| *- Banks* | *6,378* | *4,753* | *323* | *2,118* | *2,044* | *1,065* | *839* | *315* | *49* | *4,044* |
| *- Customers* | *48,665* | *5,241* | *5,732* | *16,305* | *18,021* | *15,686* | *23,660* | *103,375* | *95,716* | *226* |
| **Cash liabilities** | **151,710** | **15,637** | **3,670** | **35,531** | **16,498** | **9,655** | **15,651** | **108,678** | **38,476** | **4,164** |
| B.1 Deposits and current accounts | 150,011 | 6,315 | 1,366 | 3,862 | 4,738 | 3,648 | 5,290 | 5,518 | 3,044 | 1 |
| *- Banks* | *4,704* | *565* | *88* | *686* | *398* | *240* | *291* | *1,978* | *1,175* | *-* |
| *- Customers* | *145,307* | *5,750* | *1,278* | *3,176* | *4,340* | *3,408* | *4,999* | *3,540* | *1,869* | *1* |
| B.2 Debt securities | 603 | 2,060 | 802 | 4,451 | 5,266 | 4,734 | 8,961 | 86,399 | 31,377 | 4,163 |
| B.3 Other liabilities | 1,096 | 7,262 | 1,502 | 27,218 | 6,494 | 1,273 | 1,400 | 16,761 | 4,055 | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| *- Long positions* | *3* | *14,013* | *5,824* | *9,949* | *11,838* | *5,905* | *3,914* | *6,714* | *5,694* | *6* |
| *- Short positions* | *6* | *12,968* | *2,999* | *5,781* | *9,612* | *3,892* | *5,040* | *8,744* | *6,462* | *6* |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| *- Long positions* | *40,786* | *75* | *8* | *85* | *60* | *132* | *261* | *1,006* | *535* | *-* |
| *- Short positions* | *41,654* | *56* | *21* | *81* | *78* | *150* | *292* | *1,086* | *672* | *-* |
| C.3 Deposits and loans to be settled | | | | | | | | | | |
| *- Long positions* | *198* | *264* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| *- Short positions* | *114* | *131* | *8* | *182* | *-* | *32* | *2* | *-* | *-* | *-* |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | |
| *- Long positions* | *3,329* | *6,805* | *1* | *36* | *943* | *2,894* | *4,616* | *31,367* | *5,085* | *8* |
| *- Short positions* | *23,729* | *3,933* | *2* | *22* | *841* | *1,516* | *3,524* | *34,663* | *3,009* | *9* |
| C.5 Financial guarantees given | 110 | 207 | - | 14 | 80 | 75 | 99 | 259 | 139 | 11 |

### *Currency of denomination: US dollar*

(millions of euro)

| | On demand | Between 1 and 7 days | Between 7 and 15 days | Between 15 days and 1 month | Between 1 and 3 months | Between 3 and 6 months | Between 6 months and 1 year | Between 1 and 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **3,095** | **1,945** | **1,501** | **2,666** | **1,920** | **1,238** | **1,697** | **6,076** | **3,495** | **3** |
| A.1 Government bonds | 5 | - | 8 | 6 | - | 21 | 39 | 277 | 193 | - |
| A.2 Other debt securities | 547 | 584 | 577 | 288 | 25 | 72 | 717 | 1,206 | 1,014 | 3 |
| A.3 Quotas of UCI | 636 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 1,907 | 1,361 | 916 | 2,372 | 1,895 | 1,145 | 941 | 4,593 | 2,288 | - |
| *- Banks* | *1,030* | *456* | *72* | *599* | *739* | *675* | *255* | *363* | *75* | *-* |
| *- Customers* | *877* | *905* | *844* | *1,773* | *1,156* | *470* | *686* | *4,230* | *2,213* | *-* |
| **Cash liabilities** | **3,818** | **1,153** | **781** | **2,547** | **4,601** | **585** | **1,117** | **3,053** | **824** | **-** |
| B.1 Deposits and current accounts | 3,693 | 968 | 308 | 1,581 | 888 | 200 | 275 | 130 | 3 | - |
| *- Banks* | *926* | *280* | *147* | *1,070* | *200* | *32* | *72* | *80* | *-* | *-* |
| *- Customers* | *2,767* | *688* | *161* | *511* | *688* | *168* | *203* | *50* | *3* | *-* |
| B.2 Debt securities | - | 36 | 84 | 470 | 222 | 385 | 841 | 2,415 | 764 | - |
| B.3 Other liabilities | 125 | 149 | 389 | 496 | 3,491 | - | 1 | 508 | 57 | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| *- Long positions* | *178* | *10,093* | *3,780* | *5,849* | *7,087* | *3,107* | *4,052* | *5,973* | *3,356* | *1* |
| *- Short positions* | *160* | *12,081* | *5,648* | *8,090* | *9,519* | *2,693* | *3,367* | *4,546* | *3,013* | *1* |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| *- Long positions* | *1,613* | *-* | *-* | *-* | *173* | *52* | *42* | *16* | *59* | *-* |
| *- Short positions* | *1,410* | *45* | *1* | *-* | *10* | *50* | *-* | *32* | *59* | *-* |
| C.3 Deposits and loans to be settled | | | | | | | | | | |
| *- Long positions* | *15* | *48* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| *- Short positions* | *-* | *43* | *-* | *15* | *5* | *-* | *-* | *-* | *-* | *-* |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | |
| *- Long positions* | *4* | *-* | *39* | *35* | *338* | *1,400* | *1,012* | *10,185* | *1,759* | *11* |
| *- Short positions* | *9,726* | *47* | *-* | *41* | *298* | *635* | *499* | *20,932* | *1,106* | *13* |
| C.5 Financial guarantees given | - | - | - | 5 | 10 | 25 | 7 | 2 | - | 16 |

### *Currency of denomination: Pound sterling*

(millions of euro)

| | On demand | Between 1 and 7 days | Between 7 and 15 days | Between 15 days and 1 month | Between 1 and 3 months | Between 3 and 6 months | Between 6 months and 1 year | Between 1 and 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **120** | **45** | **12** | **89** | **168** | **283** | **92** | **658** | **485** | **-** |
| A.1 Government bonds | 13 | - | - | - | - | 245 | - | 259 | 36 | - |
| A.2 Other debt securities | 2 | - | - | - | - | 7 | - | 79 | 310 | - |
| A.3 Quotas of UCI | 1 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 104 | 45 | 12 | 89 | 168 | 31 | 92 | 320 | 139 | - |
| *- Banks* | *24* | *32* | *3* | *12* | *20* | *1* | - | - | - | - |
| *- Customers* | *80* | *13* | *9* | *77* | *148* | *30* | *92* | *320* | *139* | - |
| **Cash liabilities** | **226** | **112** | **326** | **31** | **705** | **44** | **90** | **37** | **1,007** | **-** |
| B.1 Deposits and current accounts | 225 | 82 | 63 | 19 | 46 | 32 | 6 | 7 | - | - |
| *- Banks* | *31* | *6* | *24* | *4* | *10* | - | - | - | - | - |
| *- Customers* | *194* | *76* | *39* | *15* | *36* | *32* | *6* | *7* | - | - |
| B.2 Debt securities | - | - | - | 12 | 84 | 12 | 84 | 30 | 1,006 | - |
| B.3 Other liabilities | 1 | 30 | 263 | - | 575 | - | - | - | 1 | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| *- Long positions* | - | *1,126* | *56* | *864* | *784* | *261* | *859* | *322* | *2,198* | *1* |
| *- Short positions* | - | *1,771* | *574* | *539* | *460* | *265* | *534* | *406* | *1,593* | *1* |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| *- Long positions* | *235* | *1* | - | - | *6* | - | - | - | - | - |
| *- Short positions* | *252* | - | - | - | *12* | - | - | - | - | - |
| C.3 Deposits and loans to be settled | | | | | | | | | | |
| *- Long positions* | *29* | - | - | - | - | - | - | - | - | - |
| *- Short positions* | - | - | - | *29* | - | - | - | - | - | - |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | |
| *- Long positions* | - | - | - | - | - | - | *33* | *347* | *3* | *2* |
| *- Short positions* | *384* | - | - | - | - | - | - | - | - | *2* |
| C.5 Financial guarantees given | - | - | - | - | - | - | - | - | - | - |

### *Currency of denomination: Hungarian forint*

(millions of euro)

| | On demand | Between 1 and 7 days | Between 7 and 15 days | Between 15 days and 1 month | Between 1 and 3 months | Between 3 and 6 months | Between 6 months and 1 year | Between 1 and 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **393** | **509** | **226** | **232** | **108** | **175** | **113** | **472** | **164** | **-** |
| A.1 Government bonds | - | 19 | 61 | 45 | 25 | 8 | 1 | 30 | 8 | - |
| A.2 Other debt securities | - | 144 | 159 | - | - | - | - | - | - | - |
| A.3 Quotas of UCI | - | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 393 | 346 | 6 | 187 | 83 | 167 | 112 | 442 | 156 | - |
| *- Banks* | *101* | *201* | - | *148* | - | - | - | - | - | - |
| *- Customers* | *292* | *145* | *6* | *39* | *83* | *167* | *112* | *442* | *156* | - |
| **Cash liabilities** | **985** | **258** | **154** | **316** | **878** | **95** | **156** | **230** | **257** | **-** |
| B.1 Deposits and current accounts | 985 | 258 | 154 | 316 | 851 | 83 | 85 | 157 | 257 | - |
| *- Banks* | *4* | *10* | *1* | *2* | *6* | *4* | *45* | *21* | *32* | - |
| *- Customers* | *981* | *248* | *153* | *314* | *845* | *79* | *40* | *136* | *225* | - |
| B.2 Debt securities | - | - | - | - | 27 | 12 | 71 | 73 | - | - |
| B.3 Other liabilities | - | - | - | - | - | - | - | - | - | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| *- Long positions* | - | *370* | *51* | *101* | *1,304* | *25* | *44* | - | - | - |
| *- Short positions* | - | *347* | *27* | *35* | *110* | *25* | *62* | *7* | - | - |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| *- Long positions* | - | *5* | *32* | *35* | *116* | *349* | *273* | *601* | *45* | - |
| *- Short positions* | - | *5* | *32* | *34* | *118* | *269* | *353* | *602* | *44* | - |
| C.3 Deposits and loans to be settled | | | | | | | | | | |
| *- Long positions* | - | - | - | - | - | - | - | - | - | - |
| *- Short positions* | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | |
| *- Long positions* | *25* | - | - | - | - | - | - | - | - | - |
| *- Short positions* | - | *38* | - | *1* | *10* | *37* | *67* | *6* | - | - |
| C.5 Financial guarantees given | - | - | - | - | - | - | - | - | - | - |

### *Currency of denomination: Swiss franc*

(millions of euro)

| | On demand | Between 1 and 7 days | Between 7 and 15 days | Between 15 days and 1 month | Between 1 and 3 months | Between 3 and 6 months | Between 6 months and 1 year | Between 1 and 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **286** | **46** | **48** | **118** | **158** | **104** | **231** | **1,062** | **2,030** | **-** |
| A.1 Government bonds | - | - | - | - | - | - | - | - | - | - |
| A.2 Other debt securities | - | - | - | - | - | - | 8 | 7 | 169 | - |
| A.3 Quotas of UCI | - | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 286 | 46 | 48 | 118 | 158 | 104 | 223 | 1,055 | 1,861 | - |
| *- Banks* | *28* | *18* | *5* | *20* | *39* | *4* | *36* | *-* | *-* | *-* |
| *- Customers* | *258* | *28* | *43* | *98* | *119* | *100* | *187* | *1,055* | *1,861* | *-* |
| **Cash liabilities** | **159** | **25** | **16** | **18** | **55** | **21** | **31** | **150** | **267** | **-** |
| B.1 Deposits and current accounts | 157 | 25 | 6 | 18 | 55 | 21 | 31 | 147 | 267 | - |
| *- Banks* | *13* | *8* | *1* | *9* | *5* | *6* | *4* | *139* | *267* | *-* |
| *- Customers* | *144* | *17* | *5* | *9* | *50* | *15* | *27* | *8* | *-* | *-* |
| B.2 Debt securities | - | - | 10 | - | - | - | - | 2 | - | - |
| B.3 Other liabilities | 2 | - | - | - | - | - | - | 1 | - | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| *- Long positions* | *-* | *105* | *113* | *340* | *104* | *99* | *160* | *220* | *-* | *1* |
| *- Short positions* | *-* | *822* | *384* | *1,036* | *853* | *178* | *201* | *598* | *409* | *1* |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| *- Long positions* | *24* | *3* | *-* | *45* | *195* | *273* | *380* | *-* | *-* | *-* |
| *- Short positions* | *111* | *2* | *8* | *65* | *244* | *451* | *401* | *-* | *-* | *-* |
| C.3 Deposits and loans to be settled | | | | | | | | | | |
| *- Long positions* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| *- Short positions* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | |
| *- Long positions* | *-* | *-* | *-* | *-* | *6* | *-* | *-* | *14* | *-* | *-* |
| *- Short positions* | *20* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| C.5 Financial guarantees given | - | - | - | - | - | - | - | - | - | - |

### *Currency of denomination: Other currencies*

(millions of euro)

| | On demand | Between 1 and 7 days | Between 7 and 15 days | Between 15 days and 1 month | Between 1 and 3 months | Between 3 and 6 months | Between 6 months and 1 year | Between 1 and 5 years | Over 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **1,794** | **2,042** | **453** | **827** | **1,823** | **2,001** | **2,213** | **3,834** | **1,641** | **10** |
| A.1 Government bonds | 1 | 35 | 6 | 81 | 373 | 481 | 874 | 487 | 174 | - |
| A.2 Other debt securities | 29 | 76 | 47 | 62 | 514 | 456 | 319 | 318 | 201 | - |
| A.3 Quotas of UCI | 65 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 1,699 | 1,931 | 400 | 684 | 936 | 1,064 | 1,020 | 3,029 | 1,266 | 10 |
| *- Banks* | *616* | *1,255* | *268* | *129* | *254* | *14* | *61* | *110* | *-* | *10* |
| *- Customers* | *1,083* | *676* | *132* | *555* | *682* | *1,050* | *959* | *2,919* | *1,266* | *-* |
| **Cash liabilities** | **4,098** | **793** | **765** | **350** | **1,206** | **598** | **704** | **1,595** | **351** | **-** |
| B.1 Deposits and current accounts | 4,095 | 662 | 454 | 338 | 1,098 | 532 | 487 | 207 | 15 | - |
| *- Banks* | *141* | *109* | *175* | *76* | *53* | *38* | *9* | *14* | *1* | *-* |
| *- Customers* | *3,954* | *553* | *279* | *262* | *1,045* | *494* | *478* | *193* | *14* | *-* |
| B.2 Debt securities | 1 | 2 | 2 | 12 | 44 | 66 | 217 | 1,387 | 336 | - |
| B.3 Other liabilities | 2 | 129 | 309 | - | 64 | - | - | 1 | - | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| *- Long positions* | *13* | *1,525* | *179* | *1,318* | *1,358* | *889* | *1,249* | *1,153* | *332* | *-* |
| *- Short positions* | *11* | *2,331* | *733* | *3,040* | *1,136* | *825* | *907* | *1,502* | *193* | *-* |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| *- Long positions* | *271* | *42* | *21* | *1* | *18* | *30* | *42* | *76* | *-* | *-* |
| *- Short positions* | *497* | *23* | *7* | *1* | *130* | *20* | *55* | *78* | *-* | *-* |
| C.3 Deposits and loans to be settled | | | | | | | | | | |
| *- Long positions* | *18* | *19* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| *- Short positions* | *-* | *30* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | |
| *- Long positions* | *2* | *27* | *10* | *23* | *12* | *99* | *93* | *78* | *108* | *-* |
| *- Short positions* | *968* | *508* | *-* | *3* | *113* | *86* | *74* | *71* | *19* | *1* |
| C.5 Financial guarantees given | - | 3 | - | - | 4 | 25 | 73 | 12 | - | - |

## 2. Self-securitisations

The Intesa Sanpaolo Group has carried out securitisations in which all the liabilities issued by the vehicle companies involved were subscribed by Group companies.
The self-securitisations carried out through the vehicle SPQR II S.r.l. were closed ahead of the due date during 2011, through the sale to Banca Infrastrutture Innovazione e Sviluppo of the entire portfolios underlying the CBO1 and CBO2 securitisations and redemption of the senior and junior bonds issued, which were entirely held by BIIS. Subsequently, BIIS sold the securities repurchased to the vehicle ISP CB Pubblico S.r.l. to proceed with the covered bond issue.
A brief description of the existing transactions as at 31 December 2011 is provided below.

### *Adriano Finance*

These involved securitisations carried out with the aid of two special purpose vehicles, Adriano Finance S.r.l. and Adriano Finance 2 S.r.l..
In further detail, through the vehicle Adriano Finance S.r.l.:

- on 4 August 2008, securitisation was completed of a portfolio of performing mortgages of 7,998 million euro, sold without recourse to the vehicle, which issued RMBSs of a like amount at par (Adriano Finance F/R Notes December 2055). The class-A notes, eligible for repurchase transactions with the ECB, are listed on the Luxembourg Stock Exchange. On 20 October 2010, Intesa Sanpaolo S.p.A. transferred all outstanding class-A Adriano Finance RMBS F/R Dec 2055 notes to the vehicle ISP CB Ipotecario S.r.l. in support of its inaugural issue of covered bonds of 1 billion euro intended for the euromarket as part of an issuance programme of 20 billion euro;
- on 18 December 2008, securitisation was completed of a portfolio of performing residential mortgages of 5,679 million euro originating with the former Intesa network, sold without recourse to the vehicle, which issued MBSs of a like amount at par (Adriano Finance F/R Notes due December 2058). On 7 April 2011, Adriano Finance S.r.l. authorised the early unwinding of the securitisation through the early redemption of both classes of notes, issued and subscribed by the Parent Company in their entirety. The repurchase of the portfolio of securitised loans took effect in economic terms on 23 May 2011 for the price of 3,780 million euro. The class-A notes were redeemed in their entirety at their nominal values on 31 May;
- on 20 July 2009, securitisation was completed of a portfolio of performing residential mortgages of 5,860 million euro, sold without recourse to the vehicle, which issued a third series of RMBSs of a like amount at par (Adriano Finance F/R Notes due June 2065). The class-A notes are eligible for refinancing transactions with the Eurosystem.

Through the vehicle Adriano Finance 2 S.r.l., on 31 December 2008 securitisation was completed of a portfolio of performing residential mortgages of 13,050 million euro originating with the former Sanpaolo network, sold without recourse to the vehicle, which issued RMBSs of a like amount at par (Adriano Finance F/R Notes due June 2061). The class-A notes, listed on the Luxembourg Stock Exchange, are eligible for repurchase transactions with the ECB.

On 25 November 2011, Intesa Sanpaolo S.p.A. completed the sale without recourse to the vehicle Adriano Finance 2 S.r.l. of a second portfolio of performing residential mortgages for approximately 5,349 million euro, with economic effects as of 7 November. The notes are expected to be issued in the first quarter of 2012.

### *Adriano Lease SEC S.r.l.*

The transaction in question is a securitisation undertaken with the support of the vehicle Adriano Lease SEC S.r.l., which took the form of the sale by the subsidiary Leasint of loans arising to car, equipment and property lease rentals of a total amount of approximately 5.8 billion euro. The purpose of the transaction is to expand the liquidity reserve that may be activated through refinancing transactions at the European level. In December 2011, the vehicle Adriano Lease SEC issued two series of notes:

- a senior series, with a nominal value of 2.8 billion euro, listed and assigned a triple-A rating;
- a junior series, with a nominal value of 3 billion euro, unlisted and unrated.

All of these notes were purchased by the subsidiary Leasint. In 2012, the senior notes will be used to undertake refinancing transactions with the European Central Bank through the Parent Company, Intesa Sanpaolo.

The table below shows the characteristics of the securities issued by the vehicles and subscribed by the Group companies.

(millions of euro)

| Vehicle | Type of security issued | Type of asset securitised | External rating | Principal as at 31.12.2011 |
|---|---|---|---|---|
| **Adriano Finance S.r.l.** | | | | **6,300** |
| - of which first mortgage portfolio securitised (4 August 2008) (*) | Senior | Performing mortgages | AAA | - |
| | Junior | Performing mortgages | no rating | 440 |
| - of which second mortgage portfolio securitised (Adriano bis Securitisation) (18 December 2008) | Senior | Performing residential long-term mortgages | AAA | - |
| | Junior | Performing residential long-term mortgages | no rating | - |
| - of which third mortgage portfolio securitised (Adriano ter Securitisation) (20 July 2009) | Senior | Performing residential mortgages | AAA | 5,297 |
| | Junior | Performing residential mortgages | no rating | 563 |
| **Adriano Finance 2 S.r.l.** | | | | **13,050** |
| | Senior | Performing residential mortgages | AAA | 12,174 |
| | Junior | Performing residential mortgages | no rating | 876 |
| **Adriano Lease SEC S.r.l.** | | | | **5,832** |
| | Senior | Loans deriving from leasing contracts | AAA | 2,788 |
| | Junior | Loans deriving from leasing contracts | no rating | 3,044 |
| **TOTAL** | | | | **25,182** |

(*) The amount, totalling 7,558 million euro and used in covered bond issues, is shown in Section C.3. of Part E of these Notes to the financial statements.

## INFORMATION ON SOVEREIGN RISK

The economic and financial environment during 2011 was severely affected by the sovereign debt crisis. The European Union and International Monetary Fund intervened on several occasions to provide financial support to the countries in greatest difficulty. Such actions involved Greece, Ireland and Portugal, however it is only in relation to Greece that the action envisaged involvement of the private sector. The most significant exposure, which is illustrated in further detail in the following paragraph, is towards the Greek government. Regarding exposures to Ireland and Portugal, it is considered that, also as a result of the aforementioned public aid, at present there are no conditions to consider a write-down of the exposures as there has been no breach of contracts such as default of interest or capital payments.
The Intesa Sanpaolo Group has a total of 98 billion euro in exposure to sovereign debtors, of which 74 billion euro is represented by debt securities and 24 billion euro by other loans. In further detail, the exposure to the Italian government came to 82 billion euro as at 31 December 2011, of which 60 billion euro was represented by securities and 22 billion euro by other loans.

### *Exposure to Greece*

The constant intensification of the Greek debt crisis led Heads of State and Government of eurozone countries to approve a structured plan of aid for Greece which envisages involvement of the European Union, through the European Financial Stability Facility (the "EFSF"), the International Monetary Fund (IMF) and private institutional investors. As part of this plan, in the second half of 2011 and first few months of 2012 banks and insurance companies, under the direction of the Institute of International Finance (IIF), defined a number of support options for Greece (Private Sector Involvement – PSI), which were crystallised in an agreement dated 21 February 2012.
The legal and financial terms of the agreement are described in the Report on Operations – Balance sheet aggregates - to which reference should be made for more information.
The agreement of 21 July 2011, which was not subsequently finalised, and, even more so, the agreement of 21 February 2012, which envisaged the restructuring of Greek debt, triggered the impairment indicator pursuant to IAS 39 par. 59 lett. c), i.e., the presence of concessions which would otherwise not be granted by the lender in the absence of the borrower's financial difficulty.
Therefore, the Intesa Sanpaolo Group decided it was necessary to adopt an approach which aligns the overall carrying amounts of the securities with their exchange value under the agreement of 21 February 2012, and which takes account of both the haircut and the value of the securities received in exchange, determined on the basis of the yield established in the agreement.
The Intesa Sanpaolo Group has thus opted to adjust for impairment all Greek government bonds and the Hellenic Railways bond, included in the above restructuring agreement, by an average of approximately 75% of the nominal value of the bonds, substantially in line with the valuation deriving from the restructuring agreement.
In particular, in order to quantify the impairment of securities classified in the available for sale portfolio, given that the deterioration of their creditworthiness is attributable to the issuing Greek government and not to the specific market in general, the Intesa Sanpaolo Group referred to mid-market price listings (halfway between the bid/ask price), considering the presence of indicators of partial illiquidity in the Greek bond market (high bid/ask spread) and the effects of market distortions (displaced curve with short-term returns higher than long-term ones, typical situation for distressed issuers).
For securities classified in the loan portfolio, the objective evidence of impairment led to the quantification of impairment as the difference between the asset's carrying value and the present value of expected future cash flows, discounted at the original effective interest rate. For securities hedged for interest rate risk, the original interest rate was determined by taking account of the change in fair value due to the risk hedged, a change which was deducted from the amortised cost of the security. If the securities were classified in the loan portfolio as a result of the amendment to IAS 39 of October 2008, any AFS reserve crystallised at the time of the reclassification was not considered in the security's amortised cost, but fully reversed to the income statement.
As for the treatment of hedging derivatives, according to IAS 39, recognition of impairment of a hedged underlying does not constitute a break in the hedging relationship. Nonetheless, if the hedged instrument is impaired, the expected future cash flows of the hedged instrument contrast with unchanged cash flows on the hedging derivative. As a result of this asymmetry of cash flows, the conditions envisaged by IAS 39 – AG105 – to consider the hedge highly effective are no longer met. However, the present and future effectiveness of the hedge was assessed based on the estimates of recoverability of cash flows and the passing of the post-impairment effectiveness tests. The results of the effectiveness tests, conducted following recognition of the impairment, were not in line with the requirements envisaged by IAS regulations, with a resulting break in the hedging relationship. The derivatives have thus been reclassified to the portfolio held for trading and the difference between the delta fair value of the derivative at the date of the most recent positive effectiveness test and the delta fair value determined as at 31 December 2011 or, in the event of the early unwinding of the derivatives, the amount settled with the counterparty has been recognised under "Profits (Losses) on trading – caption 80", with a negative impact of 73 million euro in 2011.
To complete the overview of hedging against the risk of exposure to the Greek government, the purchase of credit risk protection, which cannot be classified as hedge accounting, on a security classified in the AFS portfolio resulted in a net impact on the income statement of 7 million euro, used to decrease the impairment losses on the security.
In terms of classification, the Intesa Sanpaolo Group decided to keep the credit risk exposure to the Greek government and Hellenic Railways among performing loans, considering that the Bank of Italy's definition of non-performing loans does not include exposures whose anomalous situation is attributable to causes relating to country risk, and that the agreement for restructuring of Greek debt was defined only on 21 February 2012.
The table below shows the Intesa Sanpaolo Group's exposure to the Greek government and Hellenic Railways as at 31 December 2011. In brief, the measurements performed resulted in the recording of a total of 1,046 million euro of impairment of the bonds (939 million euro net of amounts allocated to insurance products under separate management).

(millions of euro)

| | Nominal value as at 31.12.2011 | Amortised cost | Adjustment on security due to fair value hedge | Book value before valuation (net of accruals) | Profits (losses) on trading/Income from insurance business (*) | Impairment as at 31.12.2011 | Book value as at 31.12.2011 (net of accruals) |
|---|---|---|---|---|---|---|---|
| **Government bonds** | | | | | | | |
| Loans and receivables | 192 | 180 | 110 | 290 | -63 (1) | -238 (1) | 64 |
| Financial assets available for sale | 654 | 664 | 128 | 792 | -8 (1) | -632 (3) | 153 |
| Financial assets held for trading | 12 | - | - | 8 | - (4) | - | 2 |
| **TOTAL GOVERNMENT BONDS** | **858** | **844** | **238** | **1,090** | **-71** | **-870** | **219** |
| | | | | | | | |
| **Bonds issued by public entities** | | | | | | | |
| *Hellenic Railways* | | | | | | | |
| Loans and receivables | 200 | 203 | 23 | 226 | -2 (1) | -176 | 50 |
| **TOTAL OTHER SECURITIES** | **200** | **203** | **23** | **226** | **-2** | **-176** | **50** |
| | | | | | | | |
| **GRAND TOTAL** | **1,058** | **1,047** | **261** | **1,316** | **-73** | **-1,046** | **269** |
| | | | | | | | |
| **TOTAL ADJUSTMENTS (net of amounts allocated to insurance portfolios under separate management)** | | | | | | **-939** | |

(*) Includes -69 million euro comprised in Profits (Losses) on trading and -4 million euro in Income from insurance business in the reclassified income statement.

(1) Amounts referring to derivatives reclassified in the trading portfolio.

(2) Includes 12 million euro adjustment for the elimination of the AFS reserve, "crystallised" when reclassifying the security pursuant to IAS 39 amendment (October 2008).

(3) The amount of impairment takes into account the presence of income from financial guarantees of 7 million euro.

(4) Includes impairment of trading securities of -6 million euro and realised net income of +6 million euro.

## INFORMATION ON STRUCTURED CREDIT PRODUCTS

### Qualitative information

In 2011 structured credit products contributed about 55 million euro to the income statement, down on the figure for 2010 (+103 million euro). While the positive contribution in the previous year took account of the closure of several structured products at prices higher than their valuations, and a greater reduction in counterparty risk on structured packages, the positive result of 2011 is almost entirely attributable to the effect of amortisation of the structured products, in addition to the increase in counterparty risk on packages.

The general strategy for management of the portfolio continued to involve reducing exposure, in line with the opportunities which may arise over time on the market. It is planned to benefit as much as possible from the amortisation of the structured products, unless they are liquidated when the collateral no longer generates sufficient cash flows, prepayments slow down and it is necessary to recognise additional impairment.

Exposure in structured packages is gradually decreasing, while there are slim margins for action on the portfolio of funded ABSs/CDOs classified under loans. Assets included in this segment are liquidated only in the event of increases in the level of risk or undesirable deteriorations.

The risk exposure to structured credit products amounted to 2,772 million euro as at 31 December 2011 with respect to funded and unfunded ABSs/CDOs, compared to 3,715 million euro as at 31 December 2010, in addition to an exposure of 41 million euro with respect to structured packages (87 million euro as at 31 December 2010). The decrease in exposure in 2011 is due to the total/partial repayment of assets held in portfolio. In particular, the year 2011 saw the settlement of two unfunded positions included in the "Other structured credit products – unfunded Super Senior CDOs" aggregate for a notional value of approximately 500 million euro and the reduction of several funded positions included in the loans portfolio due to amortisation.

In the fourth quarter of 2011, the last tranche of transfer of securities of the vehicle Romulus to the Parent Company was completed. As these were recognised at fair value, this transfer did not have any effects on the consolidated income statement.

It is also noted that in the fourth quarter of 2011, an unfunded position was settled, with the resulting delivery of the underlying asset, recorded at fair value in the Parent Company's books.

As at 31 December 2011, 3.5% of the outstanding positions was affected by a reduction in creditworthiness. This percentage, which amounted to 4% as at 31 December 2010, remained substantially stable. The situation of the structured credit product portfolio at December 2011 is described by the following indicators:

- 70% of exposure was Investment Grade, compared to 80% as at 31 December 2010 – this decrease is due to the closure of unfunded positions with an AA/A rating, in addition to the progressive deterioration of the portfolio due to the overall performance of the market;
- 36% had an AAA rating;
- 30% had a BBB rating or less, compared to 20% as at 31 December 2010;
- 12% of the exposure has a pre-2005 vintage[3];
- 34% has a 2005 vintage;
- only 11% of exposure refers to the US Residential segment, and 18% to the US non-residential segment;
- the remaining exposure (71% of the total) is almost entirely (67%) European.

[3] 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.

In terms of underlying contract types, slightly less than half the exposure consisted of CLOs (25%) and CDOs (22%); the rest was made up of ABSs (13%, down due to the closure of certain unfunded positions) and RMBSs (33%), with CMBSs representing 7% of the total.
As concerns valuation methods, of "long" positions, approximately 30% are measured using the mark-to-model (100% of unfunded positions, 18% of funded positions, 100% of positions in funds, 100% of the monoline risk and the non-monoline "packages"), 58% with the comparable approach (68% of funded positions) and 12% are measured using effective market quotes (14% of funded positions). Of the "short" positions, 25% are measured using the mark-to-model (100% of unfunded positions and 100% of positions of funds) and 75% are measured using effective market quotes (100% of CMBX-CDS hedges).
In the summary tables provided below, table (a) sets out risk exposure as at 31 December 2011 and income statement captions (sum of realised charges and profits, write-downs and write-backs) of 2011, compared with the corresponding values recorded as at 31 December 2010.
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.
Values expressed in USD as at 31 December 2010 were translated to euro at an exchange rate of 1.3362 euro per dollar, and as at 31 December 2011 at an exchange rate of 1.2939 euro per dollar.

### *Structured credit products: summary tables*

*a) Exposure in funded and unfunded ABSs/CDOs*

(millions of euro)

| **Financial assets held for trading** | **31.12.2011** | | **31.12.2010** | |
|---|---|---|---|---|
| | **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** | **28** | **8** | **24** | **1** |
| **Contagion area** | **162** | **24** | **140** | **19** |
| - Multisector CDOs | 87 | 11 | 61 | -4 |
| - Alt-A | - | - | - | - |
| - TruPS | 75 | 13 | 79 | 23 |
| - Prime CMOs | - | - | - | - |
| **Other structured credit products** | **769** | **12** | **1,298** | **40** |
| - European/US ABSs/CDOs | 625 | 1 | 607 | 3 |
| - Unfunded super senior CDOs | 155 | 4 | 672 | 26 |
| - Other unfunded positions | -11 | 7 | 19 | 11 |
| **Total** | **959** | **44** | **1,462** | **60** |
| in addition to: | | | | |
| Positions of funds | - | -5 | - | 16 |
| **Total Financial assets held for trading** | **959** | **39** | **1,462** | **76** |

| **Loans** | **31.12.2011** | | **31.12.2010** | |
|---|---|---|---|---|
| | **Risk exposure** (**) (including write-downs and write-backs) | **Income Statement** | **Risk exposure** (**) (including write-downs and write-backs) | **Income Statement** |
| **US subprime exposure** | **3** | **-** | **3** | **-** |
| **Contagion area** | **63** | **-1** | **89** | **-** |
| - Multisector CDOs | 9 | -1 | 15 | - |
| - Alt-A | 36 | - | 49 | - |
| - TruPS | - | - | - | - |
| - Prime CMOs | 18 | - | 25 | - |
| **Other structured credit products** | **1,747** | **7** | **2,161** | **7** |
| - Funded European/US ABSs/CDOs | 1,280 | -9 | 1,253 | 3 |
| - Funded super senior CDOs | 467 | 16 | 777 | 8 |
| - Other Romulus funded securities | - | - | 131 | -4 |
| **Total** | **1,813** | **6** | **2,253** | **7** |
| in addition to: | | | | |
| Positions of funds | - | - | - | - |
| **Total Loans** | **1,813** | **6** | **2,253** | **7** |
| **TOTAL** | **2,772** | **45** | **3,715** | **83** |

(*) 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 amount of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the effective interest rate net of net value adjustments to the portfolio.

*b) Exposure in packages*

(millions of euro)

| | 31.12.2011 | | 31.12.2010 | |
|---|---|---|---|---|
| | **Credit exposure to monoline insurers** (CDS fair value post write-down for CRA) | **Income Statement** Profits (Losses) on trading | **Credit exposure to monoline insurers** (CDS fair value post write-down for CRA) | **Income Statement** Profits (Losses) on trading |
| Monoline risk | 25 | 9 | 17 | 19 |
| Non monoline packages | 16 | 1 | 70 | 1 |
| **TOTAL** | **41** | **10** | **87** | **20** |

From an income statement perspective, structured credit products generated a net income of +55 million euro as at 31 December 2011 compared to + 103 million euro for 2010.
The exposure in funded and unfunded ABSs/CDOs had an effect on "Profits (Losses) on trading – Caption 80" of +39 million euro. The profit on this segment was a result of the effects of:
- unfunded Super Senior CDO positions included in "Other structured credit products" (+4 million euro as at 31 December 2011); the profit in this segment was positive, despite a reduction in 2011, due to a widening of the spreads of European issuers;
- European and US funded ABSs/CDOs (+1 million euro) and other unfunded positions (+7 million euro), also included in the area "Other structured credit products";
- US subprime exposure (+8 million euro), entirely attributable to unfunded positions included in the segment. The difference compared to last year's result (+1 million euro) is mainly attributable to the previously described settlement of the position included in unfunded CDOs;
- instruments included in the "Contagion Area"; in particular, TruPS recorded a positive result of 13 million euro and the positions included under Multisector CDOs recorded 11 million euro, also influenced by the settlement of the aforementioned unfunded position.

The securities reclassified to the loan portfolio showed an overall impact on the income statement of 6 million euro as at 31 December 2011. This figure was made up of the following:
- 1 million euro loss from the impairment of a security included in the portfolio of Multisector CDOs;
- 3 million euro loss from the impairment of a security included in the portfolio of the vehicle Romulus, which was transferred to the books of the Parent Company in the fourth quarter;
- 7 million euro loss from the impairment of ABSs issued by European parties;
- 1 million euro in profits on disposals of funded European ABSs/CDOs;
- 16 million euro profits from the market sale of positions in reclassified debt securities, including 7 million euro attributable to the subsidiary Banca IMI and 9 million euro to international branches.

As at 31 December 2011 the loan portfolio contained ABSs issued by parties resident in EU countries in situations of financial difficulty (known as "PIGS"). In particular, these consist of:
- 242 million euro in nominal value of securities issued by parties resident in Spain; as at 31 December 2011 these securities had a book value of 204 million euro and a fair value of 152 million euro;
- 37 million euro in nominal value of securities issued by parties resident in Portugal; as at 31 December 2011 these securities had a book value of 34 million euro and a fair value of 19 million euro;
- 7 million euro in nominal value of securities issued by parties resident in Greece; as at 31 December 2011 these securities had a book value of 6 million euro and a fair value of 3 million euro;
- 2 million euro in nominal value of securities issued by parties resident in Ireland; as at 31 December 2011 these securities had a book value of 1 million euro and a fair value of almost zero.

The "Monoline risk" and "Non-monoline packages" made a positive contribution of 10 million euro as at 31 December 2011, compared to +20 million euro recorded at the end of 2010. Despite the reduction in the provision percentage, the effect of packages on the income statement decreased compared to the end of the previous year, partly due to the effect of the reduction in the exchange rate and partly due to the reduction in gross exposure, which was written-down.
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 31 December 2011, the aggregate included bonds reclassified as loans, which are summarised in the tables below.

(millions of euro)

| | Nominal value | Risk exposure (**) (including write-downs and write-backs) | Fair value as at 31.12.2011 | Benefit from the reclassification as at 31.12.2011 | Effect on Shareholders' Equity |
|---|---|---|---|---|---|
| **Reclassified securities:** | | | | | |
| - from financial assets available for sale to loans | 168 | 156 | 45 | - | 111 |
| - from financial assets held for trading to loans | 1,541 | 1,450 | 1,236 | 214 | - |
| **Total Securities reclassified to loans** | **1,709** | **1,606** | **1,281** | **214** | **111** |
| **Securities classified under loans from inception** | 211 | 207 | | | |
| **Total securities classified under loans from inception** | **211** | **207** | | | |
| **TOTAL LOANS** | **1,920** | **1,813** | **1,281** | **214** | **111** |

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

(millions of euro)

| | |
|---|---|
| Negative economic effect without reclassification for 2008 | -299 |
| Negative economic effect without reclassification for 2009 | -7 |
| Positive economic effect without reclassification for 2010 | 117 |
| Negative economic effect without reclassification for 2011 | -25 |
| **BENEFIT FROM THE RECLASSIFICATION AS AT 31.12.2011** | **-214** |

For the sake of completeness, please note that, in addition to structured credit products included in the area described above, as part of its ordinary operations, the Intesa Sanpaolo Group holds securities which can be classified as Asset Backed Securities (ABS), with underlyings represented by consumer loans, lease receivables and, only a small part, residential mortgages. In particular, securities were recorded in the loan portfolio of the conduit Duomo for a nominal value of 762 million euro, with underlyings originated in recent years and not impacted by the 2007 crisis. As at 31 December 2011, there were no signs of impairment of the collateral of the structured products in question.

## 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, manage specific assets, separating them from the financial statements of the Originator, both for the purpose of carrying out securitisations of assets and for acquiring funding through self-securitisations;
– 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 finance, securitising its assets, for funding and other purposes, or offering to customers a financial service. There are no changes in the scope of consolidation with respect to those adopted in the previous year.

### Funding SPEs

These are entities incorporated abroad to raise funds on specific markets. The SPEs issue financial instruments, normally guaranteed by Intesa Sanpaolo, and transfer the funds raised to the Parent Company. The change in Italian law which enables the Parent Company Intesa Sanpaolo to directly issue hybrid notes eliminated the funding activities carried out through these methods.
The only SPE of this type which falls within the scope of the Group's consolidated financial statements pursuant to IAS 27 is Intesa Funding LLC, with headquarters in the USA. This is a subsidiary which issues commercial paper on the U.S. market.
In 2011, the call option on the hybrid instrument issued by IntesaBCI Preferred Capital Co. LLC was exercised for 500 million euro. The company's liquidation ended in September 2011.
The table below shows the information and figures for the vehicle as at 31 December 2011.

(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 | 306 | - | - | - | (1) | 306 | 306 | | | |

(1) Subordinated guarantee given by Intesa Sanpaolo.

The total assets of this vehicle was almost entirely made up of loans to Intesa Sanpaolo. The sharp reduction in funding achieved by the vehicle compared to the previous year (securities issued as at 31 December 2010 of 9.4 billion euro) is linked to the liquidity crisis and Intesa Sanpaolo's difficulty in acquiring funding on the U.S. market as a result of its repeated downgrading.
Total funding of SPE above had a 0.1% incidence on total direct customer deposits in consolidated financial statements.

### SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of the Group's insurance companies, which retain the majority of the risks and rewards; SPEs for insurance products are consolidated pursuant to IAS 27 / SIC 12.
In the Group there are 69 entities of this type with total net assets of approximately 16 billion euro (of which 7 billion euro relative to funds that report to Fideuram Gestions).
As at 31 December 2011, the assets of the funds in which Intesa Sanpaolo Vita/Intesa Sanpaolo Life hold the majority of the quotas in circulation are invested in bonds and liquidity for around 63% (except for the SPLux Sicav 2 Equity 100 fund, which has invested around 90% of the portfolio in equity funds and shares) and, for the remainder, in equity and bond mutual funds (around 15%), in corporate bonds (around 13%), and in shares and equity mutual funds (around 9%). 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 around 3% of the Group's total consolidated assets.

### Securitisation SPEs

These are SPEs that enable an entity to transfer assets from its balance sheet assets, transforming them in securities which can be placed on the market. The crisis which began in 2007 caused a sharp slowdown in this type of transactions, which were replaced by structures used for raising funds through securitisations of a portion of assets owned by the transferor. In particular, this involves the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle which, to finance the purchase, issues securities later placed on the market (traditional securitisations) or purchased in full by the transferor (self-securitisations). In the first case, the funds raised in this way are reversed to the seller, whereas the commitments to the subscribers are met using the cash funds generated by the loans sold. This category also includes SPEs used by Intesa Sanpaolo to implement the covered bond issue programme.
SPEs of this type that were part of the scope of consolidation as at 31 December 2011 pursuant to IAS 27 or SIC 12, were: Intesa SEC S.p.A., Intesa SEC 2 S.r.l., Intesa SEC 3 S.r.l., Intesa SEC NPL S.p.A., Intesa Lease SEC S.r.l., Split 2 S.r.l., ISP CB Ipotecario S.r.l., ISP CB Pubblico S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l..
This category also included ISP SEC 4 S.r.l., which was not operational as at 31 December 2011.
These companies, incorporated under Italian law, are used to securitise the performing assets (mortgage loans, leasing contracts)

or non-performing assets (mortgage loans) of Intesa Sanpaolo or Group companies. Specifically, the vehicles Adriano Finance S.r.l., Adriano Finance 2 S.r.l. and Adriano Lease SEC S.r.l. are used to implement self-securitisation. For more details on this type of transaction, see section 1.3 – Liquidity risk – in Part E of the Notes to the consolidated financial statements.
In the case of ISP CB Pubblico S.r.l. and ISP CB Ipotecario S.r.l., the sale of the assets to the vehicle is aimed at implementing covered bond issue programmes. Additional details on the operations of these vehicles are provided in Section C of Part E of the Notes to the consolidated financial statements.
Augusto, Colombo and Diocleziano are securitisation vehicles for assets, primarily land and public works financing, of a company subject to joint control and later sold.
The securities held by Intesa Sanpaolo or by Group companies have been measured according to the provisions for the specific IAS category for each security, as indicated in the table below, which shows the information and figures for these vehicles as at 31 December 2011.

(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 | book value | amount | IAS classification | Valuation |
| INTESA SEC SPA (1) | performing mortgages | 2 | - | - | - | | - | 2 | 1 | AFS | Fair value |
| INTESA SEC 2 SRL (2) (14) | performing mortgages | 195 | 1 | - | - | | - | 148 | 20 | HFT - Loans | Fair value/ amortised cost |
| INTESA SEC 3 SRL (3) (14) | performing mortgages | 1,395 | 8 | - | - | | - | 1,315 | 89 | AFS - HFT - Loans | Fair value/ amortised cost |
| INTESA SEC NPL SPA (4) | non-performing loans | 45 | - | - | - | | - | 155 | 29 | AFS - Loans | Fair value/ amortised cost |
| INTESA LEASE SEC SRL (5) | performing leasing contracts | 23 | 3 | - | - | | - | 6 | - | | |
| Adriano Lease SEC | performing leasing contracts | 5,874 | - | - | - | | - | 5,832 | - | | |
| SPLIT 2 SRL | performing leasing contracts | 156 | - | - | - | | - | 147 | 25 | Loans - HFT - HTM | Fair value/ amortised cost |
| ISP CB IPOTECARIO SRL (6) | residential mortgages | 15,163 | - | 14,829 | 14,829 | | - | 12,561 | 8,180 | Loans | Amortised cost |
| ISP CB PUBBLICO SRL (6) | public sector loans | 13,994 | - | 22,900 | 13,551 | | - | 10,530 | 6,830 | Loans | Amortised cost |
| ISP SEC 4 SRL | | (11) | - | - | - | | - | - | - | | |
| ADRIANO FINANCE SRL - Series 1 (7) (14) | performing mortgages | 5,326 | 38 | - | - | | - | 5,045 | - | | |
| ADRIANO FINANCE SRL - Series 2 (8) | performing mortgages | 1 | - | - | - | | - | - | - | | |
| ADRIANO FINANCE SRL - Series 3 (9) (14) | performing mortgages | 4,334 | 39 | - | - | | - | 4,107 | - | | |
| ADRIANO FINANCE 2 SRL (10) (14) | performing mortgages | 8,995 | 46 | - | - | | - | 8,295 | - | | |
| CR Firenze Mutui S.r.l. | performing mortgages | 98 | - | - | - | | - | 89 | 5 | Loans | Amortised cost |
| AUGUSTO SRL (12) | land financing (100%) | 20 | 10 | - | - | | - | 29 | 4 | AFS | Fair value |
| COLOMBO SRL (13) | public works financing | 79 | 10 | - | - | | - | 71 | 5 | HFT - Loans | Fair value/ amortised cost |
| DIOCLEZIANO SRL (15) | land financing (82%) Public works (12%) Indus. (6%) | 59 | 37 | - | - | | - | 93 | 8 | AFS | Fair value |

(1) ISP is committed to supporting the vehicle through limited recourse subordinated loan, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature other than the securities and operating costs deriving from the securitisation.

(2) ISP is committed to supporting the vehicle through limited recourse subordinated loan, in relation to any higher charge of a fiscal, legal, regulatory or supervisory nature other than the securities and operating costs deriving from the securitisation. ISP also granted a subordinated loan of 19 million euro used by the vehicle to set up the cash reserve which makes up the credit enhancement of the operation required by the rating agencies. The residual of the deferred fixed price amounts to 1 million euro at 31 December 2011. Swap contracts exist as interest rate risk hedge.

(3) ISP granted a limited recourse subordinated loan of 23 million euro used by the vehicle to set up the cash reserve which makes up the credit enhancement of the operation 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 0.2 million euro, in case of declarations or guarantees which lead to a reduction in loan value. The bank is also committed to support the vehicle through limited recourse subordinated loan, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. Subordinated loan was granted for approximately 2.7 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 ISP.

(7) ISP granted a limited recourse subordinated loan of 50 million euro used by the vehicle to set up the cash reserve required by the rating agencies in order to support the liquidity of the vehicle; 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 completed the unwinding of the transaction which involved the retrocession of the mortgage portfolio to ISP, effective 23 May 2011. On 31 May 2011 the subordinated loan of 50 million euro, Class A securities and part of Class B securities, was completely repaid.

(9) ISP granted a limited recourse subordinated loan of 75 million euro used by the vehicle to set up the cash reserve required by the rating agencies in order to support the liquidity of the vehicle; 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 a limited recourse subordinated loan of 150 million euro used by the vehicle to set up the cash reserve required by the rating agencies in order to support the liquidity of the vehicle; 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 company not yet operative as at 31 December 2011.

(12) The company issued two series of bonds with different portfolios as underlying assets. The figures indicated represent the sum of the issues and refer to 31 December 2010.

(13) ISP granted the vehicle a subordinated loan of 1 million euro. The figures refer to 30 June 2011.

(14) During the year, ISP granted two subordinated loans 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 and 3) and Adriano Finance 2 S.r.l. The transaction totalled 30 million euro.

(15) The figures refer to 31 December 2010.

The IAS rules on first time adoption (IFRS 1) and the derecognition of financial assets and liabilities have been applied in full to the securitisations.
The securitised assets of this type of vehicle are represented by performing residential mortgages, with the exception of the vehicles Intesa SEC NPL S.p.A., whose securitised assets are represented by non-performing mortgages, and the vehicles Intesa Lease SEC S.r.l., Adriano Lease SEC and Split 2 S.r.l., whose securitised assets are represented by performing loans deriving from lease contracts.
The vehicle's remaining cash commitments are in addition to the above assets.
The total assets of Augusto, Colombo and Diocleziano are instead almost entirely made up of land financing or receivables for public works.

The total assets of the consolidated SPEs not derecognised (Intesa SEC 3 S.r.l., Adriano Lease SEC, Split 2 S.r.l., Adriano Finance

S.r.l. and Adriano Finance 2 S.r.l., ISP CB Pubblico S.r.l. and ISP CB Ipotecario S.r.l.) made up 8.6% of the total consolidated assets. For the sake of completeness, C.R. Firenze Mutui S.r.l., a securitisation vehicle with its own underlying assets (performing mortgages), from the Carifirenze sub-group, should also be mentioned. This vehicle, consolidated at equity, had total securitised assets as at 31 December 2011 of 91 million euro.
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.

During 2011, there was a shift in the allocation of the assets between the two vehicles, resulting – in part due to the transfer of securities from Romulus to the Parent Company – in a concentration of the assets originated by customers in Duomo, leaving Romulus the sole activity of fund-raising on the U.S. market. However, it should be noted that due to the difficult liquidity situation in the U.S. commercial paper market, as at 31 December 2011 the securities issued by Romulus had been fully subscribed by the Parent Company Intesa Sanpaolo with a nominal value of approximately 2 billion euro.

The table below shows the information and figures for the above two vehicles as at 31 December 2011.

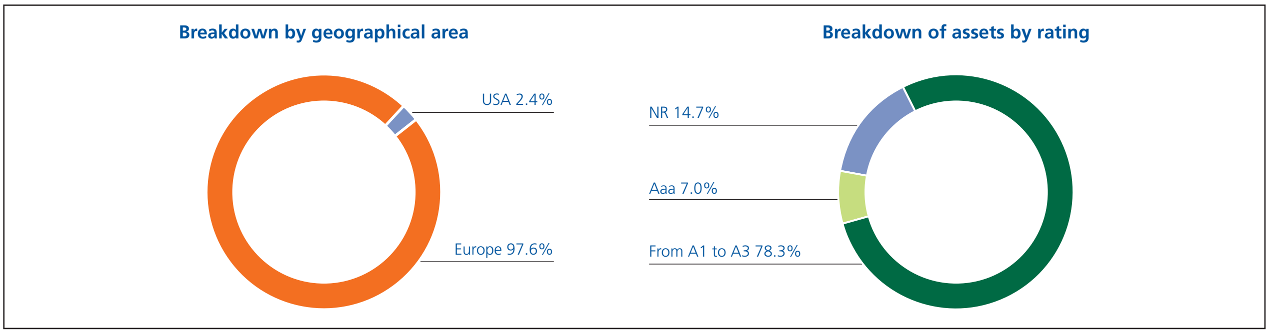
(millions of euro)

| 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-backed commercial paper conduit | 2,011 (1) | | 49 | 49 | Letter of credit | 24 | 2,005 | 2,005 | Loans | Amortised cost |
| DUOMO FUNDING CORP. | asset-backed commercial paper conduit | 1,922 | - | 2,277 (2) | - | | - | - | | | |

(1) of which 1,919 million euro for loans disbursed to Duomo, for transactions reported in the latter's financial statements.
(2) of which 648 million euro referring to credit lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39.

The total assets of the vehicle Romulus include loans to Duomo of 1,919 million euro and loans to third parties of 50 million euro. During 2011, the securities within the scope of structured credit products, which had been present at the end of 2010, were transferred to the Parent Company Intesa Sanpaolo, at their fair values, without any impact on the consolidated income statement. The vehicle's assets are completed by financial derivatives hedging against foreign exchange risk with a positive fair value of 38 million euro as at 31 December 2011, in addition to cash and other assets of 4 million euro.
At the end of 2011, the vehicle Duomo's portfolio consisted of loans to Group banks (34 million euro to Intesa Sanpaolo, 105 million euro to Intesa Sanpaolo Bank Ireland and 620 million euro to Société Européenne de Banque S.A.) and loans to customers of 1,122 million euro. Of these, 762 million euro consisted of structured credit products subscribed in the context of normal customer lending activity, the collateral for which had not shown any sign of impairment as at 31 December 2011. In the fourth quarter of 2011, the vehicle held in portfolio quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 41 million euro as at 31 December 2011.
The total assets of the above SPEs made up 0.6% of the total consolidated assets.

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




Following the aforementioned transfer of eligible securities from the vehicle Romulus to the Parent Company, the composition of the portfolio of the two vehicles changed, showing a sharp reduction in exposures to U.S. entities (from 11% as at 31 December 2010 to 2.4% as at 31 December 2011). The rating of exposures was also changed, concentrating approximately 85% of exposure in ratings classes higher than A1. Please note that, although a minimum portion of the uses (approximately 15%) in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were not supported by an external rating, they were of sufficient quality for the commercial papers issued by Romulus to maintain the A-1/P-1 ratings.

The self-securitisations carried out through the vehicle SPQR II S.r.l. were closed ahead of the due date during the first half of 2011, through the sale to Banca Infrastrutture Innovazione e Sviluppo of the entire portfolios underlying the CBO 1 and CBO 2 securitisations and redemption of the senior and junior bonds issued, which were entirely held by BIIS. Subsequently, BIIS sold the securities repurchased to the vehicle ISP CB Pubblico S.r.l. to proceed with the covered bond issue.
Lastly, Intesa Sanpaolo acquired protection on its credit risk exposure from the synthetic securitisation vehicle "Da Vinci" (to hedge and actively manage risk exposure in the aircraft and aeronautic sector).

As at 31 December 2011, the Group’s exposure to vehicle Da Vinci amounted to 8 million euro in nominal value, entirely represented by securities, classified as available for sale. Their book value at the end of 2011 amounted to 4 million euro. Their fair value adjustment was recorded with an offsetting entry in the Shareholders’ equity valuation reserves.

### Financial Engineering SPEs

These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions, through its special structures aimed at optimising accounting, tax and/or regulatory aspects. These structures have been set up to respond to the needs of primary customers and provide solutions that offer financing at competitive interest rates and investments with higher returns.
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 currently on stand-by.
The shareholders’ equity of the company is entirely deposited with Intesa Sanpaolo.

(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 | 922 | - | - | - | | - | - | - | | |

The assets of the vehicle are almost entirely made up of term deposits with the Parent Company Intesa Sanpaolo.
The SPEs of this type in the scope of consolidation comprise Lunar Funding Plc., a vehicle set up in Ireland, used for repackaging operations by a leading bank.

### *Project Financing SPEs*

These are financing instruments for capital intensive projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the “entrepreneurial” idea. The financing of the initiative is based on the project’s capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital.
Such vehicles are established by sponsor “entrepreneurs”, mostly abroad in order to benefit from operating and legal/bureaucratic efficiency.
Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, as the Bank does not hold any stake or interest in the share capital of these companies and does not have any control over them. Where there are guarantees represented by pledges of shares of the SPE, contractual terms exclude the possibility of exercise of voting rights by the Bank.

### *Asset Backed SPEs*

These are transactions aimed at acquisition / construction / management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend upon the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate disposal plan). Generally the assets are also the real guarantee for the financing obtained from the vehicle.
Intesa Sanpaolo has financed entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk accepted is always a normal credit risk and the benefits are represented by the return on the financing granted.
The Group consolidates only those entities in which it holds the majority of voting rights. Only one entity is this type of SPE (with total assets of around 44 million euro as at 31 December 2011), whose capital is held by an international subsidiary.

### *Leveraged & Acquisition Finance SPEs*

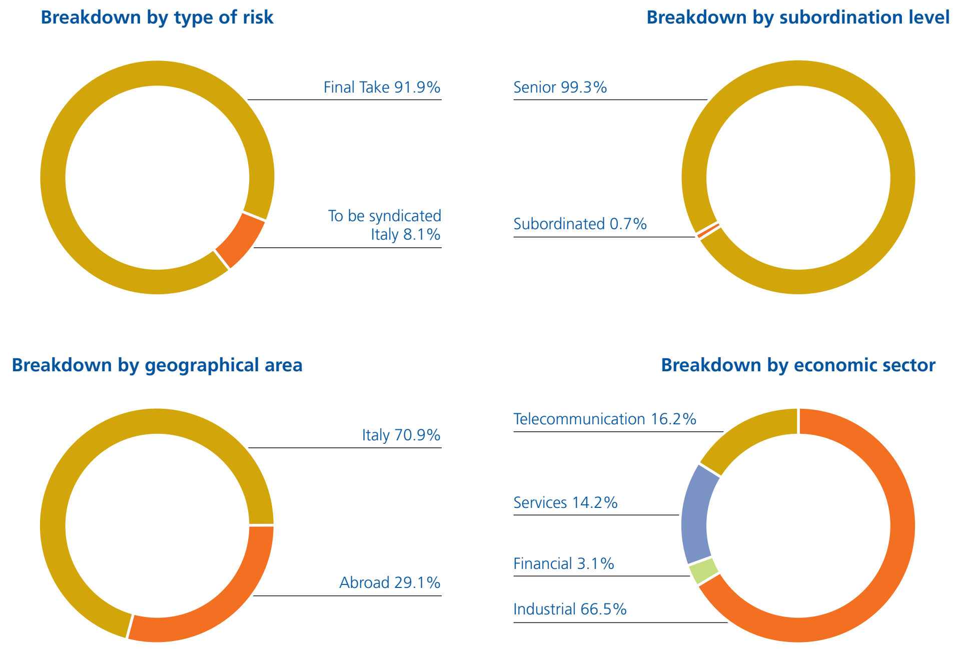
For the description of the transactions which involve these vehicles see the specific section dedicated to Leveraged Finance transactions.

### *Credit Derivatives SPEs*

Credit derivatives are contracts which permit the synthetic transfer of credit risk of a specific borrower from the protection buyer to the protection seller. Especially in structures connected to synthetic securitisations, it is possible to achieve the transfer of credit risk of a portfolio of assets from a SPE to the Bank, both by a credit derivative protection sold or by the purchase of securities with embedded credit derivatives. In certain cases (e.g. monoline) the SPE is protection seller and offers to the Bank the possibility of hedging risk on portfolios of assets.
There are never equity investments or other interests which might lead to the role of sponsor.
None of these SPEs is consolidated, since there are no equity investments or forms of indirect control by the Bank. The relations with the parties are fundamentally based on the stipulation of derivative contracts or the acquisition of securities with embedded credit derivatives. This never leads to the transfer to the Bank of most of the risks and benefits deriving from the activities of the vehicle.

## INFORMATION ON 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 operations, 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 shares/quotas 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 31 December 2011, 111 transactions for a total amount granted of 4,418 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.




## INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The hedge funds portfolio as at 31 December 2011 totalled 665 million euro, compared to the 814 million euro recorded at year-end 2010. The reduction in the value of the portfolio is attributable to the significant capital losses deriving from outstanding positions at the end of 2011, in addition to several sales of units and the effect of the change in the exchange rate on positions denominated in U.S. dollars.
As at the same date, the contribution to "Profits (Losses) on trading – caption 80" of these investments was highly negative at -114 million euro (including -5 million euro abrovementioned in the structured credit products disclosure). Of these net charges:
- -10 million euro related to trading of funds for the year (including -1 million euro in the structured credit products disclosure);
- -111 million euro consisting of net valuations of positions outstanding at the period end (including -4 million euro in the structured credit products disclosure);
- 7 million of profits on foreign exchange transactions.

Taking into account the net capital losses on the final residual amount (-111 million euro), these were spread across 45 positions, 19 of which recording capital gains (4 million euro) and 26 capital losses (-115 million euro).
The negative performance of the portfolio (-16% on an annual basis) is comparable to the benchmark HFRX Global Hedge Fund Index, which showed negative performance of 9% over the same time period.
The positions which generated the greatest capital losses are connected to "global equity long/short" and "event-driven" strategies, with underlying investments in the financial and extraction sectors, harshly penalised by the negative performance of the markets. The strategy for management of the portfolio in 2011 was, in any event, characterised by a conservative approach aimed at both reducing its size and repositioning it towards sectors with strong growth potential and towards less liquid strategies which are less correlated to the performance of the markets.

## INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

The Intesa Sanpaolo Group is active in the sale of "over the counter" (OTC) derivatives to various customer segments, through two main poles (in terms of volumes traded):

- Banca dei Territori Division, for the sale of derivative products to retail and corporate customers with consolidated turnover under 150 million euro, through the branch network of Intesa Sanpaolo and of the Group's Italian banks. Derivatives sold by the network are hedged back to back with a swap house which, in most cases, is Banca IMI;
- Corporate Division, for the sale of derivative products to corporate customers with consolidated turnover over 150 million euro, through the branch network of Intesa Sanpaolo and the Group's Italian banks, and to public entities, through Banca Infrastrutture Innovazione e Sviluppo. Derivatives sold by the network are hedged back to back with Banca IMI.

Customer financial needs that the Intesa Sanpaolo Group aims to satisfy through derivative instruments are diverse and depend on customer segment. In short, the following picture emerges:

1) retail and business customers served by Banca dei Territori acquire derivative instruments for investment or the hedging of financial risks, with a few typical differences:
   i) companies enter into derivative contracts to hedge risks, mostly interest rate and foreign exchange risk;
   ii) individuals normally do not stipulate derivatives explicitly with the Intesa Sanpaolo Group as counterparty, with the exception of contracts aimed at hedging interest rate risk on retail mortgages;
2) customers of the Corporate Division (mostly large businesses, mainly qualified operators) sign derivative contracts for hedging/managing risks, mostly interest rate and foreign exchange risk;
3) entities of the Public Administration, served by Banca Infrastrutture Innovazione e Sviluppo, sign derivative contracts to manage their liquidity and modify/hedge their debt positions.

The centres of responsibility which sign contracts with customers (essentially, Intesa Sanpaolo, Network Banks, as well as Banca Infrastrutture Innovazione e Sviluppo) do not take market risks, since these are systematically hedged back to back, in most cases with the Group's securities house, Banca IMI. The latter hedges the risks transferred to it dynamically and collectively, in respect of assigned limits, for the purpose of maximising financial effectiveness. Counterparty risk is not transferred.

Considering only relations with customers, as at 31 December 2011, 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, not having applied netting agreements, of 3,818 million euro (3,268 million euro as at 31 December 2010). The notional value of such derivatives totalled 50,708 million euro (45,875 million euro as at 31 December 2010). Of these, notional value of plain vanilla contracts was 44,113 million euro (35,054 million euro as at 31 December 2010), and of structured contracts was 6,595 million euro (10,821 million euro as at 31 December 2010).
The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 335 million euro (309 million euro as at 31 December 2010). The same indicator, referred to the total contracts with a positive fair value, was 1,517 million euro (1,472 million euro as at 31 December 2010).
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 960 million euro as at 31 December 2011 (552 million as at 31 December 2010). The notional value of such derivatives totalled 14,751 million euro (13,157 million euro as at 31 December 2010). Of these, notional value of plain vanilla contracts was 13,690 million euro (11,576 million euro as at 31 December 2010), and of structured contracts was 1,061 million euro (1,581 million euro as at 31 December 2010).

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 contracts outstanding as at 31 December 2011, this led to a negative effect of 75 million euro being recorded under Profits (Losses) on trading in the income statement, compared to a positive impact of 17 million euro as at 31 December 2010. Adjustments were recorded, for every single contract, on the market value determined using the risk free curves.
As regards 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 Part A of the Notes to the consolidated financial statements - Fair value measurement. 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 with banks and financial companies.

## 1.4. BANKING GROUP – OPERATIONAL RISK

### QUALITATIVE INFORMATION

**General aspects, operational risk management processes and measurement methods**
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, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
With regard to Operational Risk, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes:
- effective 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
- effective 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
- effective 31 December 2011, a third set including Banca Infrastrutture Innovazione e Sviluppo.

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2012, based on the roll-out plan presented to the Management and Supervisory Authorities.
The control of the Group's operational risks was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

The Group has 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 allows 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 Internal Auditing) that supervise specific regulations and issues (Legislative Decree 231/01, Law 262/05) or conduct tests of the effectiveness of controls of company processes.

As well as last year, in 2011, the analysis identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing monitoring 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 (from the Operational Risk Management 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 case); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment and internal control factors, to take account of the effectiveness of internal controls in the various organisational units.

Operational risks are monitored by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in the process of managing and mitigating operational risk.

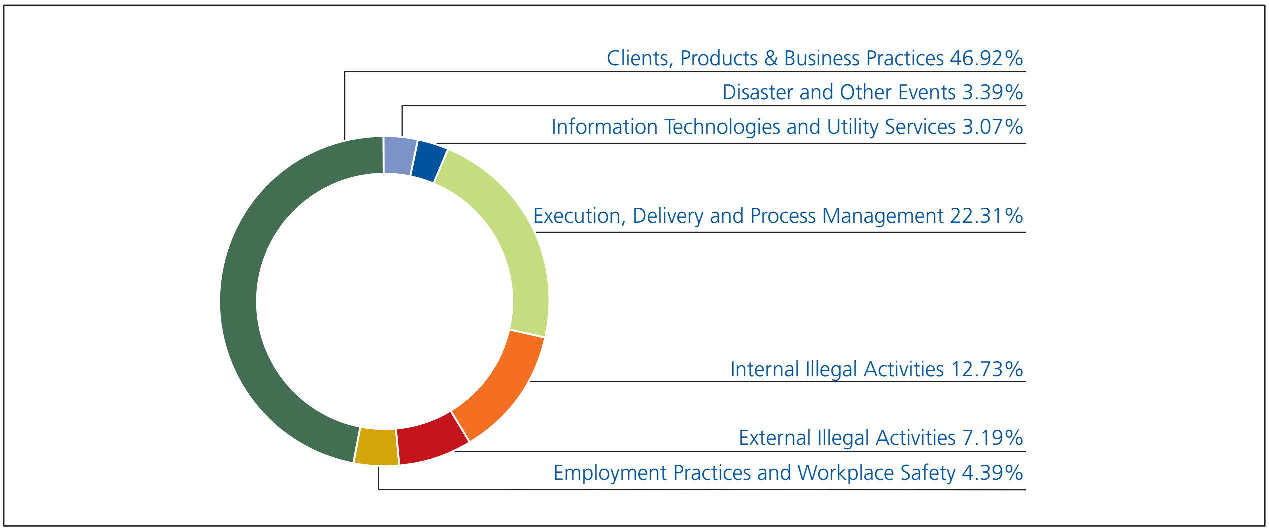
In addition, the Group has activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements. Coverage has already been extended to higher deductible and limit of liability levels, and the internal model insurance mitigation component will be submitted for regulatory approval in 2012.

### QUANTITATIVE INFORMATION

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 1,986 million euro.

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

***Breakdown of capital requirement (Advanced Measurement Approach - AMA) by type of operational event***




### Legal risks

Legal risks are thoroughly and individually analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges when there are legal obligations for which it is probable that funds will be disbursed to meet such obligations and where the amount of the disbursement may be reliably estimated.
The most complex legal procedures are described in the paragraphs below.

*Dispute relating to anatocism* - After March 1999, the Italian Court of Cassation reversed its stance and found the quarterly capitalisation of interim interest payable on current accounts to be unlawful, assuming that the relevant clauses in bank contracts do not integrate the contract with a "regulatory" standard practice, but rather with a "commercial" practice, and therefore, such clauses are not adequate to derogate from the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.
The subsequent Legislative Decree 342 of 1999 confirmed the legitimacy of interim capitalisation of interest on current accounts, as long as interest is calculated with the same frequency on deposits and loans. From April 2000 (the date on which this regulation came into effect), quarterly capitalisation of both interest income and expense was applied to all current accounts.
Therefore the dispute on this issue concerns only those contracts which were stipulated before the indicated date.
In the judgment of the United Sections of 4 November 2004, the Court of Cassation again excluded the possibility that said use may be considered regulatory for the period prior to 2000.
In the judgment no. 24418 handed down by its United Sections on 2 December 2010, the Court of Cassation again made its voice heard on the matter, finding any form of capitalisation of interest to be unlawful and further ruling that the ten-year term of prescription applicable to account-holders' entitlement to reimbursement of unduly paid interest begins to toll on the date the account is closed, if the account had an overdraft facility and the facility's limit was respected, or on the date on which deposits were made to cover part or all of previous interest debits if the account was drawn beyond such limits or did not have an overdraft facility.
Although the application of such principles is limited to contracts entered into prior to 2000, it is not believed possible to prepare a general, a priori estimate of the impact that this judgment may have on ongoing litigation, given that a case-by-case assessment is instead required.
With Law Decree 225 of 29 December 2010, enacted, with amendments, as Law 10/2011, the legislator set forth an official interpretation, establishing that the term of prescription of rights arising from account entries begins to toll on the date of the entry itself (and thus, for usurious interest, on the date of each individual account debit), thus putting to rest any remaining uncertainty on this point.
The constitutionality of this provision has been challenged and a ruling on the matter by the Constitutional Court is pending.
The overall number of pending cases is at an insignificant level in absolute terms, and is the subject of constant monitoring. The risks related to these disputes are covered by specific, adequate provisions to the allowances for risks and charges.

*Litigation regarding bonds in default* - Group policy on management of complaints on financial instruments sold sets out a case-by-case assessment, with particular attention paid to the suitability with respect to the position of the single investor.
Disputes relating to the Parmalat bonds in particular have always remained at modest levels and are now coming to an end. This result is due in part to the measures taken on behalf of the customers of the two banking networks (the former Intesa and former Sanpaolo IMI) through the two different but complementary avenues of joint conciliation and the formation of the Parmalatbond Committee to protect participants' rights to compensation in a legal venue.

For the Argentina bonds, complaints are managed by the ordinary procedure in place for any other financial product, according to a case-by-case assessment of the individual positions.
As in other legal risk assessment procedures, provisions to account for a dispute are authorised on an individual basis after reviewing the specific circumstances that apply to particular cases.
The same criteria are applied to the assessments of claims relating to bonds issued by companies belonging to the Lehman Brothers Group whose default was declared in September 2008. The related dispute, which is limited in extent, is covered by appropriate allowances that reflect the specific nature of each case. The judgments to this point – with the exception of single isolated precedent subject to appeal – have all been favourable to the Bank. As part of a system-wide initiative, the Intesa Sanpaolo Group oversaw and secured the establishment of proof of debt in the insolvency procedures pending in various foreign countries for its customers who hold the aforementioned bonds, at no cost to its customers.

*The Cirio Group default* - In November 2002, the Cirio Group, one of Italy's largest agro-industrial operators, defaulted on the repayment of a loan issued on the Euromarket. This event led to a cross default on all its existing issues. The bonds issued by the Cirio Group had a nominal value totalling approximately 1.25 billion euro. Both the former Intesa Group and the former Sanpaolo IMI Group – like the other major banking groups – had granted loans to the Cirio Group.
In April 2007, 10 companies of the Cirio Group in Extraordinary Administration notified Intesa Sanpaolo and Banca Caboto, as well as five other banks, considered to be severally liable, of the filing of a claim for the reimbursement of alleged damages deriving from:
- the worsening of the default of the Cirio Group, from the end of 1999 to 2003, favoured also by the issue in the 2000-2002 period of 6 bond issues; the damages thereof are quantified – adopting three different criteria – with the main criteria in 2,082 million euro and, with the control criteria, in 1,055 million euro or 421 million euro;
- the impossibility by the Extraordinary Administration procedures of undertaking bankruptcy repeal, for undetermined amounts, in the event that the default of Cirio Group companies was not postponed in time;
- the payment of fees of 9.8 million euro for the placement of the various bond issues.

In a judgment filed on 3 November 2009, the Court of Rome found the Cirio Group's claims to be unfounded on the merits and therefore rejected said claims on the grounds of a lack of a causal relationship between the actions of the banks named defendants in the suit and the claimed damage event.
The claimants appealed this judgment and the proceedings were adjourned until 27 January 2016.

*Equitalia Polis S.p.A. (formerly Gest Line S.p.A.) - Tax-collection litigation* - With three different transactions, the first in September 2006, the second in December 2007 and the last in April 2008, the Bank, as part of the state's internalisation of tax collection activities, sold to Equitalia S.p.A. (a company owned by Agenzia delle Entrate - Italian Revenue Agency - and INPS – the Italian Social Security Institute) the entire share capital of Gest Line S.p.A., now Equitalia Polis, which performed tax-collection activities in the former Sanpaolo IMI Group.
Intesa Sanpaolo also undertook to indemnify the buyer against any out-of-period expenses associated with the collection activity carried out up to the moment of sale of the investment (September 2006): the most significant share of such contingent liabilities may be attributed to ongoing proceedings before the Court of Auditors regarding alleged irregularities committed by the collection agent, in particular in activity performed in the early Nineties.
In addition, a statute, that calls for any payment obligations associated with the collection activity carried out by the transferred company prior to the sale to be transferred directly to the seller, entered into force in 2005.
Although Gest Line availed itself of the option afforded to it by Law 311/2004 to remedy irregularities deriving from the performance of collection activity by paying an amount determined according to the parameter of three euro per inhabitant served, some regional sections of the Court of Auditors, which were hearing the cases regarding those irregularities, and later the Central Sections on appeal, have found that the amnesty statute does not apply to the circumstances at issue in the case.
Law Decree 248/2007 was then enacted with the aim of providing an official interpretation of the scope of application of the above amnesty. Nonetheless, the situation in case law has remained essentially unchanged.
Finally, Law Decree 40 of 25 March 2010 allowed parties that have sold their interests in collection agencies to settle on advantageous terms all proceedings pending at 26 May 2010 in connection with collection activity conducted through 30 June 1999 by paying 10.91% of the amounts at issue.

On 29 October 2010, the Bank opted to reach such an advantageous settlement, paying the indicated percentage of 10.91% by the stated terms.
The Group is awaiting the announcement of discontinuation of all proceedings affected by the provision in question, following the review delegated by the Court of Auditors to the regional offices of the Agenzia delle Entrate (Italian Revenue Agency) in order to establish that the sums paid by the Bank had been properly determined.

*Banca Infrastrutture Innovazione e Sviluppo and Municipality of Taranto litigation* - Banca Infrastrutture Innovazione e Sviluppo (BIIS), as the successor to Banca OPI, was involved in a case pending before the Court of Taranto brought by the Municipality of Taranto in relation to the subscription in May 2004 by Banca OPI for a 250 million euro bond issued by the Municipality.
In its judgement of 27 April 2009, the Court declared the invalidity of the operation, ordering the Bank to reimburse, with interest, the partial repayments of the loan made by the Municipality of Taranto. The latter was ordered to reimburse, with interest, the loan granted. Lastly, the Court ordered compensation in favour of the Municipality, to be calculated by separate proceedings.

Both parties appealed against the judgement. Moreover, the Bank requested the stay of enforcement of the judgement and brought a case for negative clearance. The Municipality and Bank have agreed not to enforce the judgement, given that the trial is expected to be concluded soon.
According to the legal firms assisting BIIS, there are valid grounds to believe that the first level judgement will be modified.
In the meantime, the insolvency procedure entity for the Municipality of Taranto informed BIIS that the Municipality's debt to the Bank for the repayment of the 250 million euro bond had been added to "the insolvency procedures' list of debts". The fact that the Municipality's debt to the Bank has been included in "the insolvency procedure's list of debts" instead of in the "rebalanced financial statements" does not, in and of itself, have consequences for the Bank's right to repayment of its loan to the Municipality and, accordingly, on the position's risk profile. The Bank nonetheless appealed the judgment before the Regional Administrative Court of Puglia, which found the appeal inadmissible, ruling that the dispute fell within the jurisdiction of the civil courts and establishing – albeit on an incidental basis – that the appealed judgment was devoid of dispositional content and was thus incapable of undermining the Banks' credit claims.

*Codacons class action* - On 5 January 2010, Codacons, acting on behalf of a single account holder, served Intesa Sanpaolo with a writ of summons for a class-action suit pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit, brought before the Court of Turin, seeks a finding that the new fee structure introduced by the Bank to replace the overdraft charges is unlawful and, accordingly, a sentence ordering the Bank to provide compensation for the alleged damages, which may also be determined on an equitable basis, suffered by the claimant (who has quantified them at 1,250 euro) and all other customers in the same class who elect to participate in the initiative.
On 4 June 2010, the Court of Turin filed an order stating the inadmissibility of such class action. The order was appealed before the Turin Court of Appeal, which in an order filed on 25 October 2010 rejected the appeal. Codacons also appealed this judgment before the Court of Cassation, where the proceedings are still pending.

*Altroconsumo class action* - On 17 November 2010, the association Altroconsumo, acting on behalf of three account holders, served Intesa Sanpaolo with a writ of summons for a class-action suit pursuant to art. 140-*bis* of Legislative Decree 206/2005 (Consumer Code).
The suit originally sought a finding that application of overdraft charges and the new fee for overdrawing accounts without credit facilities in place is unlawful. It also sought an inquiry into whether the "threshold rate" set out in Law 108/96 (usury) has been exceeded and a sentence enjoining the restitution of any amounts collected by the Bank in excess of that threshold.
The claim had been quantified at a total of 456 euro in connection with the three accounts cited in the suit.
By order of 28 April 2010, the Court of Turin declared the suit inadmissible.
Following the complaint filed by the plaintiffs, the Turin Court of Appeal, by order of 16 September 2011, overturned the previous order, declaring the suit admissible as limited solely to account overdraft charges applied effective 16 August 2009.
The trial thus resumed before the Court with the aim of seeking findings determining the criteria for identifying the class of account holders who may join the suit, the methods for publicising the action and the terms within which applications for joinder must be filed.
In the interim, the Bank has appealed the order of the Turin Court of Appeal to the Court of Cassation.
With respect to the merits of the dispute – which will be examined *ex professo* only after the term for submission of applications for joinder has lapsed – it is believed that the Bank has valid arguments in support of the legitimacy of the account overdraft charge.

*Angelo Rizzoli litigation* - In September 2009, Angelo Rizzoli filed suit against Intesa Sanpaolo (as the successor of the former Banco Ambrosiano) and four other parties seeking a finding of nullity for the transactions undertaken between 1977 and 1984 alleged to have resulted in a detrimental loss of the control that he would have exercised over Rizzoli Editore S.p.A. and claiming compensation in an amount ranging from 650 to 724 million euro according to entirely subjective damage quantification criteria.
Rizzoli's claims, in addition to being without foundation on the merits due to the lack of a breach of the provision that prohibits preferential collateral rights argued to have occurred in the transactions whereby Rizzoli Editore S.p.A. was transferred, are also inadmissible at a preliminary procedural level, as held by the Bank in its motion of appearance, on the grounds that the Milan Court of Appeal had already decided the matter in its judgment of 1996, which has become res judicata, as well as that Rizzoli lacked an interest to sue due to prescription of claims for compensation or restitution and usucaption by third parties.
In a judgment filed on 11 January 2012, the Court of Milan granted the preliminary objections of prescription and change into res judicata of the subject of the dispute and rejected the claims brought by Angelo Rizzoli, sentencing him to compensate Intesa Sanpaolo for expenses and frivolous litigation.

*Allegra Finanz AG* – On 31 January 2011, Allegra Finanz AG and 16 international institutional investors sued Intesa Sanpaolo and Eurizon Capital SGR, along with six other major international financial institutions, before the Court of Milan. The claimants are seeking compensation of approximately 129 million euro due to the losses they sustained as a result of various investments in bonds and shares issued by Parmalat Group companies.
According to the claimants, those investments were allegedly undertaken under the assumption that the issuers were solvent, an assumption deliberately fabricated by the banks named as defendants in the suit, which are alleged to have acted in various capacities and ways to permit the Parmalat Group to survive, despite an awareness of its state of insolvency.
Intesa Sanpaolo's involvement is claimed to derive from a private placement of 300 million euro by Parmalat Finance Corporation BV, fully underwritten by Morgan Stanley and placed with Nextra in June 2003, a transaction that subsequently gave rise to disputes with the Administration procedure to which the Parmalat Group companies were subject and a settlement between the Administration procedure and Intesa Sanpaolo (which succeeded Nextra due to the subsequent corporate events affecting the latter).
Intesa Sanpaolo defended itself by raising a number of objections at a preliminary level and on the merits (including the lack of a causal relationship between the actions attributed to Nextra and the loss claimed by the claimants, considering their capacity as professional operators and the speculative nature of the investments undertaken).

The judge's decisions concerning the preliminary matters raised by Intesa Sanpaolo and the other defendants are currently pending.
The claimants' claims are believed to be without foundation and it is therefore not considered necessary to recognise specific provisions.

*Other judicial and administrative proceedings involving the New York branch* - A criminal investigation is underway in the United States, instigated by the New York District Attorney's Office and the Department of Justice, aimed at verifying the methods used for clearing through the United States payments in dollars to/from countries embargoed by the U.S. government in the years from 2001 to 2008.
The investigation involves the treatment of payment orders in dollars generally issued in the SWIFT interbank payments settled through U.S. banks, and the alleged omission or alteration of the information relating to the originators and beneficiaries of these payments. The Bank is cooperating in full with this investigation.
A parallel administrative proceeding is also underway, initiated in March 2007 by the U.S. banking supervisory authorities that, having found certain weaknesses in 2006 in the anti-money laundering systems of the New York branch, requested a series of actions (already implemented) to strengthen the anti-money laundering procedures and an examination of the payment traffic of the first half of 2006 by an independent consultant to verify the existence of any violations of the local anti-money laundering and embargo regulations.
While a settlement involving the payment of a fine by ISP is still possible, available information do not allow for a forecast of the timing, outcome and amount of the possible fine.

*Labour litigation*
There were no significant cases of labour litigation from either a qualitative or quantitative standpoint as at 31 December 2011. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

**Tax litigation**
Overall tax litigation risks are covered by adequate provisions to allowances for risks and charges.
The Parent Company is a party to 182 litigation proceedings, in which a total of 602 million euro are at issue, including disputes in both administrative and judicial venues at various instances. The actual risks associated with these proceedings were quantified at 100 million euro at 31 December 2011.
Specific mention should be made of the fact that in 2011 settlements were reached, through special dispute settlement mechanisms, of disputes with the financial authorities based on the use of the prohibition against "misuse of a right" – a concept deriving from case law but not formally established in Italian statute – in connection with certain financial transactions, a detailed description of which has already been given in the Notes to the 2010 consolidated financial statements – Part E and the Notes to the Half-yearly Report as at 30 June 2011 (under "Legal risks"):
- structured finance transactions undertaken by the Parent Company in 2005 involving shares of companies listed in Italy;
- repurchase agreement transactions involving international bonds, undertaken by the Parent Company and other companies currently or formerly belonging to the Group from 2005 to 2009, resulting in credits for taxes paid abroad;
- an investment held by Intesa Investimenti S.p.A. in an English open-end investment company (OEIC), the dividends from which were reclassified by the financial authorities;
- equity-swap transactions undertaken by Banca IMI and reclassified by the financial authorities as beneficial ownership of shares.

At the Group level, the settlement of these disputes resulted in a total charge, including taxes and penalties, of approximately 270 million euro, plus interest, compared to the 1,150 million euro claimed by the financial authorities.
The Bank opted for the settlement of the above disputes though fully confident of the fairness of its operations and only in view of long lasting litigation proceedings, and associated costs, and unforeseeable judiciary opinions on the specific subject concerned. It should be recalled that in this light provisions for risks and charges of 100 million euro had already been recognised in 2010, whereas other companies had established provisions of 47 million euro, with the consequence that the charge to the income statement, considering interest and auxiliary expenses, amounted to 158 million euro (147 million euro net of the deductibility of interest expense).
Contrary to their most recent practice, the audits conducted by the financial authorities in 2011 were characterised by an absence of new interpretative themes, inasmuch as they were essentially aimed at extending avenues of inquiry embarked upon in previous years to other annual periods and Group entities. Of these, we cite in particular the report of findings served on the Parent Company on 17 January 2012, in conclusion of the audit of 2006 and 2007, disputing structured finance transactions involving shares of listed Italian companies and a total tax claim of 117 million euro, in addition to penalties and interest, on the basis of arguments similar to those in the assessment of the previous year, which was settled through judicial reconciliation, as mentioned above.

In addition, in late December 2011, dismissal during the preliminary phase resulted in the discontinuation of the dispute amounting to 42 million euro, in addition to penalties and interest, relating to alleged irregularities in the trading of raw gold with a counterparty belonging to a Swiss multinational, an account of which was provided in Part E of the Notes to the 2010 consolidated financial statements.

The Group's other Italian companies within the scope of consolidation are parties to tax litigation proceedings in which a total of 986 million euro is at stake at 31 December 2011, reflected by specific allowances of 36 million euro.
The most significant disputes that arose in 2011 in this area also revolve around interpretative issues; the charges brought in this connection appear largely groundless.

These include:

- Fideuram Investimenti SGR, which received a new report of findings concerning the years 2003 to 2006. The auditors disputed the fictitious interposition of the Irish company Fideuram Asset Management Ireland LTD in the management under mandate of certain Luxembourg funds, attributing additional income of 686 million euro to the Italian company and reporting costs associated with such income of 105 million euro. This finding is believed to be groundless. Similarly, Fideuram Investimenti had already been served, on 21 July 2010, with a report of findings from the same Tax Police squad in Rome following an onsite inspection and audit of the years 2005, 2006 and 2007. In further detail, the auditors disputed the inadequacy, according to transfer pricing principles, of compensation for financial advice provided by the firm in 2005 and 2006 to the Irish company; owing to the advisability of avoiding burdensome, complex litigation before the tax courts, acceptance of the assessment findings was formalised through the payment of approximately 17 million euro;
- Banca IMI, on which assessment notices of a total of 28 million euro were served, including taxes, penalties and interest, in connection with the part of the observations attributable to 2006 presented in the report of findings marking the conclusion at the audit to which the company was subject in 2009, in relation to its transactions in share dividends and other matters related to its core capital markets and investment banking business;
- Leasint, which in three separate reports of findings of a total of 17 million euro, consisting of taxes only, was charged with violations relating to a complex pool property transaction, a nautical lease transaction (which renewed the vexed question of whether the transaction in question was subject to the ordinary VAT regime or the special lump-sum regime applicable to the type of assets concerned) and various property leasing and sale-and-lease-back transactions, contested from the standpoint of misuse of a right. Other observations concern certain transactions claimed to be non-existent on a subjective and objective basis. A further 27 million euro in VAT, penalties and interest associated with 2006 is claimed in an equal number of assessment notices, also regarding nautical leasing and alleged non-existent transactions.

Pending international charges, whose total amount comes to approximately 11 million euro, are not material in amount when compared to the size of the company involved and the Group.

Specific prudential provisions of adequate amount have been recognised to account for the risks associated with such charges.

# SECTION 2 – RISKS OF INSURANCE COMPANIES

## 2.1 INSURANCE RISKS

### QUALITATIVE AND QUANTITATIVE INFORMATION

**Life business**

The typical risks of the life insurance portfolio (managed by Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita) may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.

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). During the definition of a product, profit testing is used, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses. The issue process for a product involves its prior presentation to the Product Committee in order to take account of and validate its structure and features.

Actuarial and demographic risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of "reserves". The loss ratio refers not only to actuarial loss, but also to financial loss (guaranteed interest rate risk). The Company guards against these risks by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.

Reserve risk is guarded against through the exact calculation of mathematical reserves, with a series of detailed checks (for example, checking that all the variables required for the calculation such as yields, quotations, technical foundations, parameters for the supplementary reserves, and recalculation of the value of single contracts are correctly saved in the system) as well as overall verifications, by comparing results with the estimates produced on a monthly basis. Specific attention is paid to checking the correct assumption of contracts, by checking the relative portfolio against the reconstruction of movements during the period, divided by purpose, and checking the consistency of the amounts settled compared with the movements of reserves.

In the tables below, the structure of the mathematical reserves by expiry date, excluding reserves for amounts to be paid and before intercompany netting, and the structure of the guaranteed minimum yield as at 31 December 2011 are shown.

(millions of euro)

| Breakdown of mathematical reserves of life branch: maturity | Mathematical reserve | % |
|---|---|---|
| up to 1 year | 2,398 | 4.43 |
| 1 to 5 years | 7,625 | 14.08 |
| 6 to 10 years | 2,342 | 4.32 |
| 11 to 20 years | 2,190 | 4.04 |
| over 20 years | 39,617 | 73.13 |
| **TOTAL** | **54,172** | **100.00** |

(millions of euro)

| Breakdown of risk concentration by type of guarantee | Total Reserves | % |
|---|---|---|
| **Insurance and investment products with guaranteed annual yield** | | |
| 0% - 1% | 2,911 | 5.78 |
| from 1% to 3% | 34,663 | 68.87 |
| from 3% to 5% | 8,036 | 15.96 |
| **Insurance products** | **8,562** | **17.01** |
| **Shadow reserve** | **-3,836** | **-7.62** |
| **TOTAL** | **50,336** | **100.00** |

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.

The following table shows a breakdown by maturity of financial liabilities, before intercompany netting, represented by assets covering commitments arising under unit- and index-linked policies and subordinated liabilities.

(millions of euro)

| Breakdown of financial liabilities by maturity | Within 12 months | Over 12 months | Total as at 31.12.2011 | Total as at 31.12.2010 |
|---|---|---|---|---|
| Unit linked | 201 | 20,358 | 20,559 | 21,309 |
| Index linked | - | 1,564 | 1,564 | 5,343 |
| Subordinated liabilities | - | 257 | 257 | 338 |
| **Total** | **201** | **22,179** | **22,380** | **26,990** |

### Non-life business

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita) mainly relate to premium and reserve risks.
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 the 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. More specifically, for companies with non-life businesses the technical reserves may be broken down into: premium reserves, claims reserves, profit sharing and reversal reserves, other technical reserves and the equalisation reserve.
With regard to risk assumption, policies are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check is thus not only formal, but also substantive, and in particular allows the identification of exposures in terms of capital and limits of liability, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network.
Subsequently, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and health branches). This is also carried out in order to provide the Reinsurance department with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

The following table presents the development of claims by year of generation, broken down into the major business lines of operation, as at 31 December 2011. The total claims reserves associated with Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita come to 101 million euro.

(millions of euro)

| Development of Claims Reserves | Year of generation/event | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | TOTAL |
| **Reserve amount:** | | | | | | |
| as at 31/12 generation year N | 33 | 42 | 60 | 66 | 68 | |
| as at 31/12 year N+1 | 33 | 40 | 60 | 59 | | |
| as at 31/12 year N+2 | 30 | 41 | 53 | | | |
| as at 31/12 year N+3 | 31 | 36 | | | | |
| as at 31/12 year N+4 | 29 | | | | | |
| **Total claims paid** | **26** | **31** | **40** | **38** | **18** | **153** |
| **Claims reserve booked as at 31.12.2011** | **3** | **5** | **13** | **21** | **50** | **92** |
| **Final claims reserve for previous years 2007** | | | | | | **4** |
| **Total claims reserve booked as at 31.12.2011** | | | | | | **96** |

## 2.2 FINANCIAL RISKS

### ALM and 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 risk-based capital.
With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Framework Resolution is the control and monitoring instrument for market and credit risks.
The Resolution 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).
Investment decisions, portfolio evolution and compliance with operating limits, articulated in diverse types, are discussed, normally on a monthly basis, by specific investment committees. During 2011, a Risk Committee was also formed to support top management in setting the risk profile and associated levels of economic capital, monitoring the risk profile on the basis of reporting by the responsible services and supporting the top management in identifying any corrective strategies.
In order to measure and manage all the underwriting and financial risks together, a simulation tool is also used with the objective of measuring the intrinsic value, the fair value of the liabilities and the economic capital.
The system is based on a dynamic Asset Liability Management (ALM) model that forecasts stochastically-generated economic scenarios, simulating the evolution of the value of assets and liabilities based on the technical features of the products, the trend in significant financial variables and a management rule which guides investments and disinvestments.
This model measures the capital required to cover actuarial and financial risk factors. Among the former, the FAP models risks deriving from the dynamics of an extreme surrendering of policies, from sharp changes in mortality and longevity, and from pressure on costs; among the latter, the FAP takes into consideration stress scenarios over year-long time spans on interest rates, on credit spread and on stock market trends.
By means of the ALM system, the process makes it possible to calculate the sensitivity of liabilities with respect to the movements of market risk factors in order to effectively manage the financial assets covering technical provisions.
Any gap between projected outflows and cash in hand are evaluated on a monthly basis in order to monitor liquidity risk arising from the difficulty of meeting outlay requirements not sufficiently covered by the redemption of investments. The asset and liability maturity profile is evaluated on a monthly basis, seeking to keep the indicators of the average financial duration of these two components in a fixed range of compatibility, so as to ensure that assets are managed consistently with the maturity profile of the corresponding liabilities while also reflecting tactical views and market expectations.

### Investment portfolios

As at 31 December 2011, the investment portfolios of the Group companies, recorded at book value, amounted to 73,772 million euro (before consolidation entries and intercompany netting); of these, the part regarding life policies with profit participation, non-life policies and free capital ("Class C portfolio" or "portfolio at risk") amounted to 42,904 million euro, while the other component ("Class D portfolio" or "portfolio with total risk retained by the insured") mostly comprised investments related to index- and unit-linked policies and pension funds totalling 30,868 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the financial assets included in the "portfolio at-risk".

### Financial assets under segregated funds and free capital

In terms of breakdown by asset class, net of loans on policies and positions in derivative financial instruments (8 million euro at book value) detailed below, 94% of the assets (40,484 million euro) consisted of bonds, whereas assets subject to equity price risk represented 2% of the total and amounted to 776 million euro. The remainder (4%, 1,636 million euro) consisted of investments relating to UCI, private equity and hedge funds.
Investments relating to the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to 2,445 million euro (market values, net of current account balances) and had a risk level in terms of Value at Risk (99% confidence level, 10-day holding period) of 82 million euro.

### Interest rate risk exposure

The breakdown by maturity of bonds showed 6% short-term (under 1 year), 35% medium-term and 53% long-term (over five years).

(millions of euro)

| Financial assets | Book value | % | Duration |
|---|---|---|---|
| **Fixed-rate bonds** | **33,996** | **79.25** | **5.60** |
| up to 1 year | 1,686 | 3.93 | |
| 1 to 5 years | 12,647 | 29.48 | |
| over 5 years | 19,663 | 45.84 | |
| **Floating rate/indexed bonds** | **6,488** | **15.13** | **1.10** |
| up to 1 year | 873 | 2.04 | |
| 1 to 5 years | 2,534 | 5.91 | |
| over 5 years | 3,081 | 7.18 | |
| **TOTAL** | **40,484** | **94.38** | **-** |
| **Equities or similar capital securities** | **776** | **1.81** | |
| **UCI, Private Equity, Hedge Fund** | **1,636** | **3.81** | |
| **TOTAL AS AT 31.12.2011** | **42,896** | **100.00** | |

The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 4.9 years. The reserves relating to the life policies with profit participation under segregated funds have an average modified duration of 5.7 years. The related portfolios of assets have a modified duration of around 4.5 years.
The sensitivity of the fair value of the portfolio of financial assets to interest rate movements is summarised in the table below which highlights both exposure of the securities portfolio and the effect of positions represented by hedging derivatives which reduce its sensitivity. For example, a parallel shift in the yield curve of +100 basis points leads to a negative fair value change in the bond portfolios of 1,854 million euro. In this scenario, the value of hedging derivatives increases by 133 million euro which partly offsets the capital loss registered by bonds.

(millions of euro)

| | Book value | % | Fair value changes due to interest rate fluctuations | |
|---|---|---|---|---|
| | | | +100 bps | -100 bps |
| Fixed-rate bonds | 33,997 | 83.98 | -1,797 | 1,985 |
| Floating rate/indexed bonds | 6,487 | 16.02 | -57 | 66 |
| Interest rate risk hedging effect | - | - | 133 | -162 |
| **TOTAL** | **40,484** | **100.00** | **-1,721** | **1,889** |

### Credit risk exposure

The investment portfolio has a high credit quality: as shown in the table below, AAA/AA bonds represented equal to 12% of total investments and A bonds approximately 75%. Low investment grade securities (BBB) constituted around 6% of the total and the portion of speculative grade or unrated securities was marginal (1%).

(millions of euro)

| Breakdown of financial assets by issuer rating | Book value | % |
|---|---|---|
| **Bonds** | **40,484** | **94.38** |
| AAA | 3,211 | 7.49 |
| AA | 1,756 | 4.09 |
| A | 32,313 | 75.33 |
| BBB | 2,638 | 6.15 |
| Speculative grade | 460 | 1.07 |
| Unrated | 106 | 0.25 |
| **Equities or similar capital securities** | **776** | **1.81** |
| **UCI, Private Equity, Hedge Fund** | **1,636** | **3.81** |
| **TOTAL** | **42,896** | **100.00** |

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by governments, central banks and other public entities approximately made up 71% of the total investments, whereas the securities of corporate issuers contributed around 23%.
The sensitivity values of the fair value of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of ±100 basis points, as at end of 2011, are shown in the table below.

(millions of euro)

| | Book value | % | Fair value changes due to credit spread fluctuations | |
|---|---|---|---|---|
| | | | +100 bps | -100 bps |
| Government bonds | 30,559 | 75.48 | -1,667 | 1,828 |
| Corporate bonds | 9,925 | 24.52 | -403 | 449 |
| **TOTAL** | **40,484** | **100.00** | **-2,070** | **2,277** |

## Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to 78 million euro, as shown in the table below.

(millions of euro)

| | Book value | % | Fair value changes due to stock price fluctuations |
|---|---|---|---|
| | | | -10% |
| Equities - Financial institutions | 246 | 31.70 | 25 |
| Equities - Non-financial companies and other counterparties | 530 | 68.30 | 53 |
| **TOTAL** | **776** | **100.00** | **78** |

## Exchange risk exposure

The investment portfolio is not appreciably exposed to foreign exchange risk: approximately 98% of investments are made up of assets denominated in euro. The remaining part hedges the reserves of the insurance policies which lead to payments in foreign currency.

## Financial derivative instruments

Financial derivative instruments are used to hedge the financial risks of the investment portfolio or for effective management.
Liquidity risk associated with positions in financial derivative instruments is primarily attributable to plain-vanilla derivatives (chiefly interest rate swaps, constant-maturity swaps and swaptions) traded on OTC markets with significant liquidity characteristics and sizes. These instruments are thus also liquid and easily liquidated both with the counterparty with which they were traded and with other market operators.
The table below shows the book values of the financial derivative instruments as at 31 December 2011.

(millions of euro)

| Type of underlying | Interest rates | | Equities, equity indices, commodities, exchange rates | | TOTAL | |
|---|---|---|---|---|---|---|
| | Quoted | Unquoted | Quoted | Unquoted | Quoted | Unquoted |
| Hedging derivatives | - | -251 | - | - | - | -251 |
| Effective management derivatives | - | -25 | - | 4 | - | -21 |
| **TOTAL** | **-** | **-276** | **-** | **4** | **-** | **-272** |

The capital losses shown for the hedging derivatives are offset, due to the nature of the instruments, by the capital gains on the positions hedged.

# SECTION 3 – RISKS OF OTHER COMPANIES

## QUALITATIVE INFORMATION

The risks of other companies are essentially concentrated in the companies Romulus Funding Corporation and Duomo Funding Plc., which are asset-backed commercial paper conduits, established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international commercial paper market. During 2011, there was a shift in the allocation of the assets between the two vehicles, resulting – in part due to the transfer of securities from Romulus to the Parent Company – in a concentration of the assets originated by customers in Duomo, leaving Romulus the sole activity of fund-raising on the U.S. market. However, it should be noted that due to the difficult liquidity situation in the U.S. commercial paper market, as at 31 December 2011 the securities issued by Romulus had been fully subscribed by the Parent Company Intesa Sanpaolo with a nominal value of approximately 2 billion euro.
The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.
As already indicated for Banking Group risks, risk management performs dynamic hedging on the OTC derivatives market to manage both volatility and interest rate risk, as well as listed derivatives to optimise interest rate strategies.
Companies are not generally permitted to take foreign-exchange positions.

## QUANTITATIVE INFORMATION

As at 31 December 2011, the investment portfolio of vehicle Romulus included 1,969 million euro of financial instruments classified under loans to customers, almost all of which, 1,919 million euro, consisted of loans to the vehicle Duomo. During 2011, the securities within the scope of structured credit products, which had been present at the end of 2010, were transferred to the Parent Company Intesa Sanpaolo, at their fair values, without any impact on the consolidated income statement. The vehicle's assets are completed by financial derivatives hedging against foreign exchange risk with a positive fair value of 38 million euro as at 31 December 2011, in addition to cash and other assets of 4 million euro.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a nominal value of approximately 2 billion euro, which, as mentioned above, were fully subscribed by the Parent Company Intesa Sanpaolo.
At the end of 2011, the vehicle Duomo's portfolio consisted of loans to Group banks (34 million euro to Intesa Sanpaolo, 105 million euro to Intesa Sanpaolo Bank Ireland and 620 million euro to Société Européenne de Banque S.A.) and loans to customers of 1,122 million euro. Of these, 762 million euro consisted of structured credit products subscribed in the context of normal customer lending activity, the collateral for which had not shown any sign of impairment as at 31 December 2011. In the fourth quarter of 2011, the vehicle held in portfolio quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 41 million euro as at 31 December 2011.

# Part F – Information on consolidated capital

## SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

### A. Qualitative information

The control of Group and Group company capital adequacy is ensured by capital management which defines the size and optimum combination of the different capital instruments in accordance with regulatory constraints and consistently with the risk exposure taken on by the Group.
The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, also to run its operations. Once the underlying strategy that the Group intends to pursue has been defined, resources are allocated to the various businesses in a process that identifies specific growth potential and ability to create value in order to allow profitability, capital soundness and liquidity targets to be met.
The concept of capital at risk varies in relation to its measurement approach:
- regulatory capital covering Pillar 1 risks;
- overall internal capital covering Pillar 2 risks, for ICAAP purposes.

Regulatory capital and overall internal capital differ from each other by definition and by their coverage of risk categories. The first arises from formats defined in supervisory provisions, the second from the actual measurement of exposure amounts.
Hence, capital management activity comprises the management of current and prospective capital soundness through careful control of both regulatory constraints (Pillar 1) and operational constraints (Pillar 2). The latter are also assessed under stress conditions in order to ensure that the financial resources available are adequate to cover all risks, even in adverse conditions.
This activity is dynamic over time and first of all reflects the capital requirements linked to the multi-annual objectives set out in the Business Plan. As part of the process of defining annual budget targets, a compatibility analysis is conducted at Group level and at the level of individual entities in the Group, on the basis of the expected performance of balance sheet and income statement aggregates.
Compliance with capital adequacy is obtained via various levers, such as pay-out policy, definition of strategic finance operations (capital increases, issue of convertible loans and subordinated bonds, disposal of non-core assets, etc.) and the management of loan policy on the basis of counterparty risk.
Compliance with the target levels of capitalisation is monitored during the year and on a quarterly basis, taking appropriate actions, where necessary, for the management and control of the balance sheets aggregates.
Further analyses for preliminary assessment of capital adequacy are performed when planning extraordinary operations (mergers, acquisitions, disposals, etc.) whether internal to the Group or changing the scope of consolidation of the Group.

## B. Quantitative information

### *B.1. Consolidated shareholders' equity: breakdown by type of company*

(millions of euro)

| | Banking group | Insurance companies | Other companies | Netting and adjustments on consolidation | Total | *of which: minority interests* |
|---|---|---|---|---|---|---|
| **Share capital** | **8,949** | **-** | **161** | **-161** | **8,949** | ***403*** |
| Ordinary shares | 8,461 | - | 161 | -161 | 8,461 | *400* |
| Savings shares | 488 | - | - | - | 488 | *3* |
| **Share premium reserve** | **36,213** | **-** | **2** | **-2** | **36,213** | ***70*** |
| **Reserves** | **14,019** | **212** | **-90** | **-122** | **14,019** | ***176*** |
| Legal reserve | 1,329 | - | - | - | 1,329 | - |
| Extraordinary reserve | 4,984 | - | - | - | 4,984 | - |
| Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990) | 232 | - | - | - | 232 | - |
| Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990) | 302 | - | - | - | 302 | - |
| Consolidation reserve | 7,110 | 212 | -90 | -122 | 7,110 | *176* |
| Other reserves | 62 | - | - | - | 62 | - |
| **Equity instruments** | **-** | **-** | **-** | **-** | **-** | - |
| **(Treasury shares)** | **-2** | **-2** | **-** | **-** | **-4** | **-** |
| **Valuation reserves** | **-3,292** | **-977** | **11** | **966** | **-3,292** | ***6*** |
| Financial assets available for sale | -1,380 | -975 | - | - | -2,355 | *-2* |
| Property and equipment | - | - | - | - | - | - |
| Intangible assets | - | - | - | - | - | - |
| Hedges of foreign investments | - | - | - | - | - | - |
| Cash flow hedges | -924 | - | 4 | -4 | -924 | *-2* |
| Foreign exchange differences | -393 | - | 5 | -5 | -393 | *1* |
| Non current assets held for sale | - | - | - | - | - | - |
| Actuarial gains (losses) on defined benefit plans | - | - | - | - | - | - |
| Share of valuation reserves connected with investments carried at equity | -947 | -2 | 2 | 975 | 28 | *1* |
| Legally-required revaluations | 352 | - | - | - | 352 | *8* |
| **Parent Company's net income (loss) and minority interest** | **-8,127** | **-28** | **-41** | **69** | **-8,127** | ***63*** |
| **Shareholders' equity** | **47,760** | **-795** | **43** | **750** | **47,758** | ***718*** |

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

### *B.2. Valuation reserves of financial assets available for sale: breakdown*

(millions of euro)

| | Banking group | | Insurance companies | | Other companies | | Netting and adjustments on consolidation | | Total as at 31.12.2011 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities | 97 | -2,697 | 65 | -1,024 | 2 | - | -67 | 1,024 | 97 | -2,697 |
| 2. Equities | 401 | -134 | 9 | -18 | - | - | -9 | 18 | 401 | -134 |
| 3. Quotas of UCI | 24 | -44 | 5 | -12 | - | - | -5 | 12 | 24 | -44 |
| 4. Loans | 14 | -14 | - | - | - | - | - | - | 14 | -14 |
| **Total as at 31.12.2011 (*)** | **536** | **-2,889** | **79** | **-1,054** | **2** | **-** | **-81** | **1,054** | **536** | **-2,889** |
| **Total as at 31.12.2010** | **787** | **-1,445** | **224** | **-507** | **2** | **-22** | **-226** | **529** | **787** | **-1,445** |

(*) This amount includes 2 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

Approximately 95% of the negative reserve on equities is attributable to quoted securities classified as level 1, while the remaining 5% is attributable to securities classified as level 2 and 3.

### *B.3. Valuation reserves of financial assets available for sale: annual changes*

(millions of euro)

| | Debt securities | Equities | Quotas of UCI | Loans |
|---|---|---|---|---|
| **1. Initial amount** | **-1,060** | **386** | **17** | **-1** |
| **2. Positive fair value differences** | **667** | **198** | **24** | **1** |
| 2.1 Fair value increases | 115 | 163 | 15 | - |
| 2.2 Reversal to the income statement of negative reserves | 400 | 20 | 1 | - |
| *- impairment* | *326* | *19* | *-* | - |
| *- disposal* | *74* | *1* | *1* | - |
| 2.3 Other changes | 152 | 15 | 8 | 1 |
| **3. Negative fair value differences** | **-2,207** | **-317** | **-61** | **-** |
| 3.1 Fair value decreases | -1,983 | -171 | -45 | - |
| 3.2 Impairment losses | - | - | - | - |
| 3.3 Reversal to the income statement of positive reserves: disposal | *-50* | *-132* | *-4* | - |
| 3.4 Other changes | -174 | -14 | -12 | - |
| **4. Closing amount (*)** | **-2,600** | **267** | **-20** | **-** |

(*) This amount includes 2 million euro of net positive valuation reserves of financial assets available for sale attributable to investments carried at equity.

**Trading on treasury shares**

During the year, Intesa Sanpaolo and Group companies – on the basis of specific Shareholders' Meeting authorisations – carried out the following transactions on treasury shares:

*Ordinary shares:*

| | | |
|---|---|---|
| Initial number | no. | 4,139,257 |
| Purchased | no. | 40,279,945 |
| Sold | no. | -41,592,526 |
| End-of-year number | no. | 2,826,676 |

*Non-convertible savings shares:*

| | | |
|---|---|---|
| Initial number | no. | 298,254 |
| Purchased | no. | 969,299 |
| Sold | no. | -1,105,553 |
| End-of-year number | no. | 162,000 |

## SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

### 2.1. Scope of application of regulations

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

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

Regulatory capital and capital ratios have been calculated on the basis of the provisions in effect (11th update to Circular 263 of December 2006 and 14th update to Circular 155 of December 1991) issued by the Bank of Italy following the implementation of the amendments of Community Directives that govern the capital requirements for banks and banking groups introduced by the New Basel Capital Accord ("Basel 2").

### 2.2. Bank regulatory capital

### A. Qualitative information

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

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

- Tier 1 capital includes ordinary paid-in share capital, reserves, innovative and non-innovative capital instruments, grandfathered capital instruments, and retained net income for the period; plus positive "prudential filters" of Tier 1 capital; the total of these elements, net of treasury shares or quotas, intangible assets, losses recorded in previous years and in the current year, "other negative components", as well as negative Tier 1 "prudential filters", makes up "Tier 1 capital before items to be deducted".
  Tier 1 capital is made up of the difference between "Tier 1 capital before items to be deducted" and 50% of "items to be deducted";
- Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses up to the limit of 0.6% of assets weighted for credit and/or counterparty risk, and the other positive elements that constitute capital items of a secondary nature. The positive "prudential filters" of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity investments, negative items related to loans, other negative elements, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before items to be deducted".
  Tier 2 capital is made up of the difference between "Tier 2 capital before items to be deducted" and 50% of "items to be deducted".

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

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

- for financial assets available for sale, relatively to equities, quotas of UCI and debt securities, unrealised profits and losses are offset: the balance, if negative, reduces Tier 1 capital; if positive it contributes for 50% to Tier 2 capital. Furthermore, any unrealised profits and losses on loans classified among assets available for sale are excluded. It should be noted that the Group has decided to apply the Regulation issued by the Bank of Italy on 18 May 2010 which allows for the effect of valuation reserves for available-for-sale (AFS) securities issued by the central governments of EU countries on regulatory capital to be neutralised;
- for hedges, unrealised profits and losses on cash flow hedges, recorded in a specific reserve, are sterilised;
- it should be noted that, compared to the previous year, the prudential filter on income arising from the tax realignment of goodwill has been removed pursuant to the specific notification of the Bank of Italy as a result of the provisions of Law 10/2011 on the matter of deferred tax assets.

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

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

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

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

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

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

It should be noted that on 6 February Intesa Sanpaolo announced an invitation to repurchase the following Tier 1 subordinated notes issued by the Parent Company.

(euro)

| | Nominal value issued | Purchase Price (% of Nominal value) |
|---|---|---|
| 9,5% Fixed Rate Resettable Perpetual Subordinated Notes | 1,000,000,000 | 90% |
| 8,375% Fixed to Floating Rate Perpetual Subordinated Notes | 1,500,000,000 | 91% |
| 8,047% Fixed to Floating Rate Perpetual Subordinated Notes | 1,250,000,000 | 88% |

The above instruments were included in Tier 1 Capital but excluded from Core Tier 1 Capital as at 31 December 2011.
The transaction allows Intesa Sanpaolo to increase its Core Tier 1 Capital as a result of the capital gain arising from the repurchase of subordinated notes tendered at prices below par. It should also be noted that such instruments – pursuant to the Capital Requirements Directive (CRD IV) published by the European Commission – will be subject to grandfathering regime and, thus, progressively derecognised as Additional Tier 1 Capital.
The invitation concluded, according to the announced timetable, on 14 February 2012. As a result of the buy back finalisation, the Intesa Sanpaolo Group net income for the first quarter of 2012 will register a contribution of approximately 180 million euro, including the positive impact of the unwinding of interest rate derivatives, which corresponds to approximately 6 basis points of Core Tier 1 ratio, considering the RWAs as at 31 December 2011.

### *1. Tier 1 capital*

| Issuer | Interest rate | Step-up | Issue date | Expiry date | Early redemption as of | Currency | Original amount in currency | Contribution to regulatory capital (millions of euro) |
|---|---|---|---|---|---|---|---|---|
| Intesa Sanpaolo | 9.5% fixed rate | NO | 01-Oct-2010 | perpetual | 01-Jun-2016 | Eur | 1,000,000,000 | 1,000 |
| Intesa Sanpaolo (*) | up to 20/6/2018 (excluded): 8.047%; thereafter 3-month Euribor + 4.10% | YES | 20-Jun-2008 | perpetual | 20-Jun-2018 | Eur | 1,250,000,000 | 1,250 |
| Intesa Sanpaolo (*) | up to 24/9/2018 (excluded): 8.698%; thereafter 3-month Euribor + 5.05% | YES | 24-Sep-2008 | perpetual | 24-Sep-2018 | Eur | 250,000,000 | 250 |
| Intesa Sanpaolo (*) | 8.375% fixed rate up to 14/10/2019; thereafter 3-month Euribor + 6.87% | YES | 14-Oct-2009 | perpetual | 14-Oct-2019 | Eur | 1,500,000,000 | 1,500 |
| **Total preference shares and innovative and non-innovative equity instruments (Tier I)** | | | | | | | | **4,000** |

(*) Securities subject to grandfathering, calculated in Tier I capital in application of the transitional arrangements envisaged by Title I, Chapter 2, Section II, paragraph 1.4.1 of Circular No. 263 of 27 December 2006 – 11th update of 31 January 2012, "New regulations for the prudential supervision of banks".

## *2. Tier 2 capital*

| Issuer | Interest rate | Step-up | Issue date | Expiry date | Early redemption as of | Currency | Original amount in currency | Contribution to regulatory capital (millions of euro) |
|---|---|---|---|---|---|---|---|---|
| Intesa Sanpaolo | 6.625% fixed rate | NO | 08-May-2008 | 08-May-2018 | NO | Eur | 1,250,000,000 | 1,222 |
| Intesa Sanpaolo | 6.16% fixed rate | NO | 27-Jun-2008 | 27-Jun-2018 | NO | Eur | 120,000,000 | 120 |
| Banca CR Firenze | 6-month Euribor + 1.40% | NO | 21-Jun-2002 | 21-Jun-2012 | NO | Eur | 200,000,000 | 189 |
| Banca CR Firenze | 6-month Euribor + 0.95% | NO | 05-Dec-2003 | 05-Dec-2013 | NO | Eur | 200,000,000 | 149 |
| Centro Leasing Banca | 3-month Euribor + 0.85% | NO | 17-Jul-2007 | 17-Jul-2017 | NO | Eur | 30,000,000 | 27 |
| **Total hybrid instruments (Upper Tier II)** | | | | | | | | **1,707** |
| Banca CR Firenze | 6-month Euribor + 0.15% | NO | 22-May-2006 | 22-May-2013 | NO | Eur | 85,000,000 | 34 |
| Banca Intesa Beograd | 6-month Euribor + 2.25% | NO | 15-Jun-2006 | 15-Dec-2012 | 15-Jun-2012 | Eur | 60,000,000 | 12 |
| Intesa Sanpaolo | 8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%) | NO | 16-Jun-1998 | 17-Jun-2013 | NO | Lit | 500,000,000,000 | 71 |
| Intesa Sanpaolo | 8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%) | NO | 30-Jun-1998 | 01-Jul-2013 | NO | Lit | 200,000,000,000 | 29 |
| Intesa Sanpaolo | 8% for 1st coupon, 5% for 2nd coupon, 4% for 3rd coupon, thereafter 70% of 10-year swap rate | NO | 09-Mar-1999 | 09-Mar-2014 | NO | Lit | 480,000,000,000 | 126 |
| Intesa Sanpaolo | 8% 1st coupon, 5.5% 2nd coupon, 4% 3rd coupon, thereafter 65% of 10-year swap rate with minimum 4% | NO | 15-Jul-1999 | 15-Jul-2014 | NO | Eur | 250,000,000 | 131 |
| Intesa Sanpaolo | 6.11% fixed rate; as of 23/02/2005 97% of 30-year euro swap mid rate | NO | 23-Feb-2000 | 23-Feb-2015 | NO | Eur | 65,000,000 | 52 |
| Intesa Sanpaolo | 92% of 30-year Euro Swap mid rate: never less than that of previous coupon | NO | 12-Mar-2001 | 23-Feb-2015 | NO | Eur | 50,000,000 | 40 |
| Intesa Sanpaolo | 5.20% fixed rate | NO | 15-Jan-2002 | 15-Jan-2012 | NO | Eur | 265,771,000 | 53 |
| Intesa Sanpaolo | 5.50% fixed rate | NO | 12-Apr-2002 | 12-Apr-2012 | NO | Eur | 126,413,000 | 25 |
| Intesa Sanpaolo | 6.375% fixed rate; as of 12/11/2012 3-month GBP Libor | YES | 12-Oct-2007 | 12-Nov-2017 | 12-Nov-2012 | Gpb | 250,000,000 | 299 |
| Intesa Sanpaolo | 5.375% fixed rate | NO | 13-Dec-2002 | 13-Dec-2012 | NO | Eur | 300,000,000 | 60 |
| Intesa Sanpaolo | up to 20/2/2013 (excluded): 3-month Euribor + 0.25% p.a.; thereafter 3-month Euribor + 0.85% p.a. | YES | 20-Feb-2006 | 20-Feb-2018 | 20-Feb-2013 | Eur | 750,000,000 | 732 |
| Intesa Sanpaolo | up to 18/03/2019 (excluded): 5.625% p.a.; thereafter: 3-month Sterling LIBOR + 1.125% p.a. | YES | 18-Mar-2004 | 18-Mar-2024 | 18-Mar-2019 | Gbp | 165,000,000 | 198 |
| Intesa Sanpaolo | up to 02/03/2015 (excluded): 3.75% p.a.; thereafter: 3-month Euribor +0.89% p.a. | YES | 02-Mar-2005 | 02-Mar-2020 | 02-Mar-2015 | Eur | 500,000,000 | 495 |
| Intesa Sanpaolo | up to 26/6/2013 (excluded): 4.375% p.a.; thereafter: 3-month Euribor + 1.00% p.a. | YES | 26-Jun-2006 | 26-Jun-2018 | 26-Jun-2013 | Eur | 500,000,000 | 491 |
| Intesa Sanpaolo | 5.87% fixed rate | NO | 26-Nov-2008 | 26-Nov-2015 | NO | Eur | 415,000,000 | 323 |
| Intesa Sanpaolo | 6.25% fixed rate | NO | 12-Nov-2008 | 12-Nov-2015 | NO | Eur | 545,000,000 | 427 |
| Intesa Sanpaolo | 6.16% fixed rate | NO | 29-Oct-2008 | 29-Oct-2015 | NO | Eur | 382,401,000 | 297 |
| Intesa Sanpaolo | 4.80% fixed rate | NO | 28-Mar-2008 | 28-Mar-2015 | NO | Eur | 800,000,000 | 636 |
| Intesa Sanpaolo | 4.00% fixed rate | NO | 30-Sep-2008 | 30-Sep-2015 | NO | Eur | 1,097,000,000 | 846 |
| Intesa Sanpaolo | 5.75% fixed rate; as of 28/5/2013 3-month Euribor + 1.98% | YES | 28-May-2008 | 28-May-2018 | 28-May-2013 | Eur | 1,000,000,000 | 972 |

| Issuer | Interest rate | Step-up | Issue date | Expiry date | Early redemption as of | Currency | Original amount in currency | Contribution to regulatory capital (millions of euro) |
|---|---|---|---|---|---|---|---|---|
| Intesa Sanpaolo | (3-month Euribor +4%)/4 | NO | 24-Feb-2009 | 24-Feb-2016 | NO | Eur | 635,350,000 | 626 |
| Intesa Sanpaolo | (3-month Euribor +4%)/4 | NO | 12-Mar-2009 | 12-Mar-2016 | NO | Eur | 165,050,000 | 154 |
| Intesa Sanpaolo | 5% fixed rate | NO | 23-Sep-2009 | 23-Sep-2019 | NO | Eur | 1,500,000,000 | 1,459 |
| Intesa Sanpaolo | quarterly interests according to the formula (3-month Euribor + 1.6%)/4 | NO | 30-Sep-2010 | 30-Sep-2017 | NO | Eur | 805,400,000 | 792 |
| Intesa Sanpaolo | 5.15% fixed rate | NO | 16-Jul-2010 | 16-Jul-2020 | NO | Eur | 1,250,000,000 | 1,246 |
| Intesa Sanpaolo | quarterly interests according to the formula: (3-month Euribor + 1.60%)/4 | NO | 10-Nov-2010 | 10-Nov-2017 | NO | Eur | 479,050,000 | 473 |
| Intesa Sanpaolo | quarterly interests according to the formula: (3-month Euribor + 2%)/4 | NO | 31-Mar-2011 | 31-Mar-2018 | NO | Eur | 373,400,000 | 371 |
| Pravex Bank | 7.025% (Libor + 5%) | NO | other issues placed as of 12/09/2000 | other issues with final expiry at 31/07/2016 | NO | Usd | 14,100,000 | 10 |
| Banca Monte Parma | 4.00% up to 19/10/08, 4.25% up to 19/10/09, 4.50% up to 19/10/10, 4.75% up to 19/10/11, 5.00% up to 19/11/12 | NO | 19-Oct-2007 | 19-Oct-2012 | NO | Eur | 5,000,000 | 1 |
| Banca Monte Parma | 4.40% fixed rate | NO | 21-Dec-2007 | 21-Dec-2012 | NO | Eur | 5,000,000 | 1 |
| Banca Monte Parma | 3.80% fixed rate | NO | 20-Feb-2008 | 20-Feb-2013 | NO | Eur | 10,000,000 | 4 |
| Banca Monte Parma | 4.30% fixed rate | NO | 27-May-2008 | 27-May-2013 | NO | Eur | 9,905,000 | 4 |
| Banca Monte Parma | 4.60% fixed rate | NO | 25-Jun-2008 | 25-Jun-2013 | NO | Eur | 10,000,000 | 4 |
| Banca Monte Parma | 4.60% fixed rate | NO | 26-Aug-2008 | 26-Aug-2013 | NO | Eur | 20,000,000 | 8 |
| Banca Monte Parma | 3.25% fixed rate | NO | 04-Feb-2009 | 04-Feb-2014 | NO | Eur | 11,500,000 | 7 |
| Banca Monte Parma | 4.50% fixed rate | NO | 05-Feb-2009 | 05-Feb-2014 | NO | Eur | 5,000,000 | 3 |
| Banca Monte Parma | 2.80% fixed rate | NO | 22-Apr-2009 | 22-Apr-2014 | NO | Eur | 10,000,000 | 6 |
| Banca Monte Parma | 3.10% fixed rate | NO | 09-Jul-2009 | 09-Jul-2014 | NO | Eur | 9,000,000 | 5 |
| Banca Monte Parma | 3.50% fixed rate | NO | 11-Aug-2009 | 11-Aug-2016 | NO | Eur | 5,000,000 | 5 |
| Banca Monte Parma | 3.20% fixed rate | NO | 25-Sep-2009 | 25-Sep-2016 | NO | Eur | 5,000,000 | 5 |
| Banca Monte Parma | 3.00% fixed rate | NO | 30-Jul-2010 | 30-Oct-2015 | NO | Eur | 20,000,000 | 16 |
| **Total eligible subordinated liabilities (Lower Tier II)** | | | | | | | | **11,549** |
| **TOTAL** | | | | | | | | **13,256** |

### *3. Tier 3 capital*

No subordinated debts have been issued which are eligible to be considered in Tier 3 Capital, net of intragroup operations, to "hedge" market risks.

### B. Quantitative information

(millions of euro)

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **A. Tier 1 capital before the application of prudential filters** | **39,442** | **33,981** |
| **B. Tier 1 capital prudential filters** | **-669** | **-955** |
| *B.1 Positive IAS/IFRS prudential filters (+)* | *-* | *-* |
| *B.2 Negative IAS/IFRS prudential filters (-)* | *-669* | *-955* |
| **C. Tier 1 before items to be deducted (A+B)** | **38,773** | **33,026** |
| **D. Items to be deducted from Tier 1** | **1,478** | **1,851** |
| **E. Total Tier 1 capital (C-D)** | **37,295** | **31,175** |
| **F. Tier 2 capital before the application of prudential filters** | **13,737** | **18,315** |
| **G. Tier 2 capital prudential filters** | **-58** | **-116** |
| *G.1 Positive IAS/IFRS prudential filters (+)* | *-* | *-* |
| *G.2 Negative IAS/IFRS prudential filters (-)* | *-58* | *-116* |
| **H. Tier 2 before items to be deducted (F+G)** | **13,679** | **18,199** |
| **I. Items to be deducted from Tier 2** | **1,478** | **1,851** |
| **L. Total Tier 2 capital (H-I)** | **12,201** | **16,348** |
| **M. Items to be deducted from total Tier 1 and Tier 2 capital** | **3,144** | **3,721** |
| **N. Regulatory capital (E+L-M)** | **46,352** | **43,802** |
| **O. Tier 3 capital** | **-** | **-** |
| **P. Regulatory capital including Tier 3 (N+O)** | **46,352** | **43,802** |

## 2.3. Capital adequacy

### A. Qualitative information

According to the "New regulations for the prudential supervision of banks" (Bank of Italy Circular 263 of 27 December 2006 and subsequent amendments), which adopt the provisions on the International convergence of capital measurement and capital standards (Basel 2), the banking Group's capital must amount to at least 8% of total risk-weighted assets (total capital ratio) arising from the risks typically associated with banking and financial activity (credit, counterparty, market, and operational risk), weighted according to the regulatory segmentation of borrowers and considering credit risk mitigation techniques.
In general terms, the group-level capital requirement is calculated as the sum of the individual requirements of the individual companies that make up the Banking group, net of exposures arising from intragroup relations included in the calculation of credit, counterparty and settlement risk.
Moreover, the Intesa Sanpaolo Group was subject to a capital requirement restriction, consisting in a floor of 90% of the sum of the requirements for credit, market, counterparty and operational risk, calculated based on the Basel 1 rules. This penalty was prudently introduced by the Bank of Italy on authorising the use of Internal Methods for the calculation of requirements for credit risk in relation to several aspects deemed worthy of implementing. Taking account of the improvement achieved by the Intesa Sanpaolo Group in relation to the problems detected, the Bank of Italy authorised the reduction of said floor from 90% to 85% starting from 30 June 2011.
In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital soundness: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preferred shares and, effective 31 December 2010, preferred savings and ordinary shares) and risk-weighted assets.
It should be recalled that in late October 2011 the European Banking Authority (EBA) had proposed a capital exercise, requiring banks to strengthen their capital positions by building up a temporary capital buffer against sovereign debt exposures to reflect market prices. In further detail, it required them to establish a buffer such that the Core Tier 1 capital ratio reaches a level of 9% by the end of June 2012. The amount of any final capital shortfall identified was based on September 2011 figures. Following completion of the capital exercise conducted by the European Banking Authority, in close cooperation with the competent national authority, the exercise had determined that Intesa Sanpaolo had met the 9% Core Tier 1 ratio after the removal of the prudential filters on sovereign assets in the Available-for-Sale portfolio and prudent valuation of sovereign debt in the Held-to-Maturity and Loans and Receivables portfolios, reflecting current market prices.

For the calculation of credit and counterparty risk capital requirements, the Intesa Sanpaolo Group, having received authorisation from the Supervisory Authority, uses the Advanced IRB approach (AIRB) and the foundation IRB approach for the Corporate segment and the IRB approach[1] for the Retail Mortgage segment (Residential mortgages for private individuals), from the report as at 31 December 2008 (31 December 2010 for the Advanced approach) and 30 June 2010 respectively. With respect to the report as at 31 December 2011, it should be noted that the IRB approach was extended for the Retail Mortgage segment to the former Intesa Casse del Centro and the AIRB model was adopted for Intesa Sanpaolo Ireland. The scope of application of the foundation and Advanced IRB approaches is presented below.

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

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

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

Banks must also comply with capital requirements for market risks calculated on the whole trading book separately for the various types of risk: position risk on debt securities and equities and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk, settlement risk and position risk on commodities must be calculated. The use of internal models to calculate the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply the internal model to calculate general position risk (price fluctuation risk) and specific risk (issuer risk) for equities, and general position risk (rate fluctuation risk) for debt securities. Banca IMI's internal model also includes the position risk on quotas of UCI (for the Constant Proportion Portfolio Insurance - CPPI component). The scope of validated risks has subsequently been extended to dividend derivatives and commodity risk positions for Banca IMI. In addition, Banca IMI and Intesa Sanpaolo S.p.A. have been using stressed VaR to calculate the requirement for market risks since December 2011. Standardised approaches are used for the other types of risk. Counterparty risk is calculated independently of the portfolio of allocation.

With respect to Operational Risks, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirements for regulatory purposes:

– effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
– effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;
– effective from 31 December 2011, a third set including Banca Infrastrutture Innovazione e Sviluppo.

The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2012, based on the roll-out plan presented to the Management and Supervisory Authorities.

### B. Quantitative information

(millions of euro)

| | Unweighted amounts | | Weighted amounts/ requirements | |
|---|---|---|---|---|
| | 31.12.2011 | 31.12.2010 | 31.12.2011 | 31.12.2010 |
| **A. RISK ASSETS** | | | | |
| **A.1 Credit and counterparty risk** | **563,946** | **544,764** | **277,498** | **289,172** |
| 1. Standard methodology | 274,917 | 270,698 | 132,167 | 135,773 |
| 2. Methodology based on internal ratings | 284,785 | 268,494 | 139,272 | 147,866 |
| *2.1 Base* | *29,885* | *27,798* | *22,907* | *22,589* |
| *2.2 Advanced* | *254,900* | *240,696* | *116,365* | *125,277* |
| 3. Securitisations | 4,244 | 5,572 | 6,059 | 5,533 |
| **B. CAPITAL REQUIREMENTS** | | | | |
| **B.1 Credit and counterparty risks** | | | **22,200** | **23,134** |
| **B.2 Market risk** | | | **1,399** | **1,231** |
| 1. Standard methodology | | | 979 | 978 |
| 2. Internal models | | | 420 | 202 |
| 3. Concentration risk | | | - | 51 |
| **B.3 Operational risk** | | | **1,986** | **2,174** |
| 1. Base methodology | | | 87 | 129 |
| 2. Standard methodology | | | 326 | 422 |
| 3. Advanced methodology | | | 1,573 | 1,623 |
| **B.4 Other capital requirements** | | | **-** | **-** |
| **B.5 Other calculation elements** | | | **432** | **34** |
| **B.6 Total capital requirements** | | | **26,017** | **26,573** |
| **C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS** | | | | |
| **C.1 Risk-weighted assets** | | | **325,206** | **332,158** |
| **C.2 Tier 1 capital / Risk-weighted assets** (Tier 1 capital ratio) | | | **11.5%** | **9.4%** |
| **C.3 Total capital / Risk-weighted assets** (Total capital ratio) | | | **14.3%** | **13.2%** |

For the standard methodology, in compliance with regulatory provisions, “unweighted amounts" equal the value of the exposure which takes into account prudential filters, techniques for the mitigation of risk and credit conversion factors. For base methodology based on internal ratings, "unweighted amounts” equal "exposure at default" (EAD). For guarantees given and commitments to disburse funds, credit conversion factors also contribute to determining the EAD.

## SECTION 3 – INSURANCE REGULATORY CAPITAL AND CAPITAL RATIOS

The insurance companies controlled solely by Intesa Sanpaolo Group and subject to insurance supervision are:
– Intesa Sanpaolo Vita;
– Intesa Sanpaolo Life;
– Intesa Sanpaolo Assicura;
– Fideuram Vita.

It should be noted that the merger by incorporation of Intesa Sanpaolo Vita (formerly Intesa Vita), Sud Polo Vita and Centrovita into Eurizon Vita (renamed Intesa Sanpaolo Vita) entered into effect on 31 December 2011 (with respect to effects on third parties). The transaction came into force for accounting and tax purposes on 1 January 2011.
As insurance parent company, Intesa Sanpaolo Vita calculates the aggregate solvency situation for insurance companies. Under ISVAP Regulation 18 of 12 March 2008 (the insurers' code), Intesa Sanpaolo Vita is required to prepare a "consolidated aggregate". Intesa Sanpaolo Assicura (formerly EurizonTutela) and Intesa Sanpaolo Life (formerly EurizonLife) fall within the scope of this aggregate, inasmuch as they are 100% subsidiaries, as does Fideuram Vita, inasmuch as it is subject to unitary management in accordance with the insurers' code.
The elements that constitute the solvency margin are therefore calculated separately from the figures in the consolidated/aggregate financial statements due to unitary management prepared by Intesa Sanpaolo Vita. Corrections represented by the "prudential filters" are then applied to these figures. The application of these filters, which involves an asymmetrical approach, aims to eliminate only the effects of the application of IAS/IFRS deemed inconsistent with the objective of a calculation for prudential purposes. Prudential filter provisions refer to:
– the re-measurement of technical reserves;
– unrealised capital gains;
– other filters.

For the purposes of the adjusted solvency situation, the elements that make up the available solvency margin are compared with the associated capital use, represented by the required solvency margin. The latter, which is computed according to the provisions of ISVAP Regulation 28 of 17 February 2009, consists of the sum of the parent insurance company's minimum solvency margin and the proportional share of the minimum solvency margin of the subsidiary or associate insurance companies of the parent insurance company or insurance companies subject to unitary management.
As at 31 December 2011, Intesa Sanpaolo Vita had a solvency ratio in terms of adjusted solvency, defined as the ratio of available margin to required margin, of approximately 134%.
The Intesa Sanpaolo Group does not hold any investments in insurance companies subject to joint control.
The Group has an equity investment of a marginal amount in an insurance company located in Slovakia, controlled through Vseobecna Uverova Banka (VUB).

## SECTION 4 – THE CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

(millions of euro)

| | Amounts |
|---|---|
| A. Financial conglomerate amount | 50,861 |
| B. Capital requirements for banking elements | 26,016 |
| C. Solvency margins for insurance elements | 2,343 |
| **D. Total capital requirements of the financial conglomerate (B+C)** | **28,359** |
| **E. Financial conglomerate surplus (defincit) (A-D)** | **22,502** |

The Intesa Sanpaolo Group operates as a financial conglomerate that engages in universal banking activity and insurance services. The capital adequacy of the Intesa Sanpaolo financial conglomerate was calculated in accordance with the supplementary supervisory provisions issued by the Bank of Italy.
As at 31 December 2011 the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by approximately 22,502 million euro.

# Part G – Business combinations

## SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

### 1.1 Business combinations

(millions of euro)

| Companies | Date of the transaction (a) | Cost of the transaction | Equity stake % (b) | Net interest and other banking income (c) | Net income / loss for the year (d) | Net income / loss recorded as of acquisition date (e) |
|---|---|---|---|---|---|---|
| 1. Banca Monte Parma | 26-Jul-2011 | 134 | 64.05 | 71 | -57 | -10 |
| 2. Banco Emiliano Romagnolo (f) | 01-Aug-2011 | 26 | 99.97 | 68 | -9 | -8 |
| 3. Banca Sara (g) | 01-Jun-2011 | - | 100.00 | n.a. | n.a. | n.a. |

(a) Date of acquisition of control.

(b) Percentage of voting rights at the Ordinary Shareholders' Meeting and possible options on minorities stakes.

(c) Net interest and other banking income (Caption 120 of the income statement) referred to full year 2011.

(d) Net income / loss recorded by the subsidiary for full year 2011.

(e) Net income / loss recorded after acquisition date and included in in the consolidated result of the Intesa Sanpaolo Group.

(f) Net interest and other banking margin and the loss for the year refer to amounts accrued as of the beginning of the special administration period.

(g) On 1 October 2011 the company was split up into Banca Fideuram and Sanpaolo Invest.

In addition to business combinations governed by IFRS 3 and summarised in the table, several extraordinary intragroup transactions were carried out during the year, which had no effects on the consolidated financial statements. Such transactions, which are scoped out of IFRS 3, involved the transfer of business lines or legal entities between companies within the Intesa Sanpaolo Group or business combinations between entities 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 recorded line by line in the individual statements of the companies involved, without recognition of any economic effect.
The main intragroup transactions completed during the year concerned:
– several reorganisation transactions internal to the CIB Group;
– the partial de-merger of Moneta through assignment to Intesa Sanpaolo of 100% of the investment in Setefi;
– the full spin-off of Banca Sara into Banca Fideuram and Sanpaolo Invest;
– the merger by incorporation of Eurizon Capital A.I. SGR into Eurizon Capital SGR;
– the merger by incorporation of Intesa Sanpaolo Vita (formerly Intesa Vita), Sud Polo Vita and Centrovita into Eurizon Vita (renamed Intesa Sanpaolo Vita).

*Annual changes in goodwill*

(millions of euro)

| | 31.12.2011 |
|---|---|
| **Initial goodwill** | **19,217** |
| **Increases** | **152** |
| - Goodwill recorded in the year | 88 |
| - Positive foreign exchange differences and other changes | 64 |
| **Decreases** | **-10,680** |
| - Impairment recorded in the year | -10,317 |
| - Disinvestments | -255 |
| - Negative foreign exchange differences and other changes | -108 |
| **Final Goodwill** | **8,689** |

*Goodwill*

(millions of euro)

| CGUs/Goodwill | 31.12.2011 | 31.12.2010 restated | 31.12.2010 |
|---|---|---|---|
| Banca dei Territori | 5,039 | 11,727 | 11,727 |
| Corporate and Investment Banking | 867 | 3,198 | 3,177 |
| Public Finance [(1)] | - | - | 21 |
| Eurizon Capital | 1,038 | 1,411 | 1,411 |
| Banca Fideuram | 1,002 | 1,002 | 1,002 |
| International Subsidiary Banks | 743 | 864 | 1,879 |
| Bank of Alexandria (Egypt) [(2)] | - | 1,015 | - |
| Pravex Bank (Ukraine) | - | - | - |
| **Total** | **8,689** | **19,217** | **19,217** |

(1) The Public Finance CGU was merged into the Corporate and Investment Banking CGU after revision of the organisational structure.

(2) Bank of Alexandria was treated separately from the International Subsidiary Banks CGU.

It should be remarked that due to a reorganisation of operating responsibilities within the Group and the interest in benefiting from a more effective model for collaboration with product companies (and investment banking in particular) and the international branch network, services rendered to the central government, public entities and local authorities, which previously represented a separate business unit, were consolidated into the Corporate and Investment Banking Division.
Moreover, as stated in Part B of the Notes to the consolidated financial statements, given the political crisis that broke out in Egypt in 2011, the Egyptian subsidiary Bank of Alexandria was treated separately from the International Subsidiary Banks CGU for impairment testing purposes.

### 1.2 Other information

#### Acquisition of Banca Monte Parma

On 16 December 2010, Intesa Sanpaolo reached an agreement with Fondazione Monte di Parma for the acquisition of 51% of Banca Monte Parma share capital. The agreement also allowed for an option for other shareholders who were parties to the previous shareholders' agreement to sell their respective interests to Intesa Sanpaolo, at a discount on the majority premium paid on the interest sold by Fondazione Monte di Parma of approximately 15%.
Following the positive completion of the antitrust procedure involving Intesa Sanpaolo in connection with the agreements with Crédit Agricole subsequent to the merger with Sanpaolo IMI, the authorisation process was completed and the deal was closed on 26 July 2011. In further detail, Intesa Sanpaolo acquired 51.0% and 9.8% of the shares of Banca Monte Parma, from Fondazione Monte Parma and Banca Sella Group respectively, for a provisional total outlay of approximately 158 million euro. The agreements called for this price to be subject to an upwards or downwards adjustment based on the amount of the bank's gross income and shareholders' equity at the date of execution of the agreement.
It should also be noted that as at the acquisition date a put and call agreement was in place with Fondazione Monte di Parma on 3.25% of the bank's capital, to be exercised at the price per share paid for the majority stake. The option in question was exercised on 10 November 2011.
As at 31 July 2011, the bank's shareholders' equity stood at approximately 60 million euro. A comparison with the total acquisition cost of 134 million, including the valuation of the put option held by Fondazione Monte di Parma and the effects of the price adjustments, amounting to 31 million euro, results in a difference of 95 million euro to be allocated. That difference was allocated to the accounting captions for which differences between fair value and the carrying amount in the financial statements of Banca Monte Parma were found to exist through the analyses conducted. In further detail, the allocation involved:

- property for 1 million euro;
- intangible assets related to the management of "core deposits" for 11 million euro;
- a reduction in the fair value of unlisted AFS equities held also by other Intesa Sanpaolo Group companies for 3 million euro;
- securities issued for 7 million euro;
- deferred tax liabilities relating to the foregoing fair value differences for 6 million euro.

On the whole, the sum of the amounts allocated was 10 million euro, of which 7 million may be attributed to Intesa Sanpaolo on a pro-rata basis. The residual difference to be allocated of 88 million euro was recognised as goodwill.

***Book value and fair value of assets and liabilities acquired***

(millions of euro)

| Assets/Liabilities | Banca Monte Parma | |
|---|---|---|
| | Book value | Fair value |
| **Assets** | | |
| Financial assets | 67 | 64 |
| Due from banks | 166 | 166 |
| Loans to customers | 2,559 | 2,559 |
| Investments in associates and companies subject to joint control | - | - |
| Property and equipment | 64 | 65 |
| Intangible assets | - | 11 |
| Goodwill | - | 88 |
| Other assets | 102 | 102 |
| **Total Assets** | **2,958** | **3,055** |
| **Liabilities** | | |
| Due to banks | 514 | 514 |
| Due to customers | 1,356 | 1,356 |
| Securities issued | 918 | 911 |
| Financial liabilities | 6 | 6 |
| Technical reserves | - | - |
| Other liabilities and allowances for risks | 104 | 110 |
| Minority interests | 21 | 24 |
| Shareholders' equity | 39 | 134 |
| **Total Liabilities and Shareholders' Equity** | **2,958** | **3,055** |

**Acquisition of Banco Emiliano Romagnolo**

On 17 February 2011, Intesa Sanpaolo acquired a majority interest (52%) in Banco Emiliano Romagnolo by subscribing for a capital increase of approximately 26 million euro (of which approximately 12.1 million euro as equity and 13.9 million euro as share premium). 52% of the capital increase was reserved for Intesa Sanpaolo; the remaining portion of the capital increase was offered with pre-emptive rights to the other shareholders and was subscribed for and paid in advance by Intesa Sanpaolo under a termination clause in the event the purchase option was exercised by the other shareholders. The prospectus for the capital increase was published on 12 June 2011; the option period ended in July and the stake held by Sanpaolo came to 99.97%.

It should be recalled that effective 8 July 2009 Banco Emiliano Romagnolo had been placed in extraordinary administration by decree of the Ministry of the Economy and Finance on proposal by the Bank of Italy. On 6 December 2010, given the insufficiency of cash assets to meet liabilities coming due and the inability to access alternative channels of financial support, the special administrators resolved to suspend payment of the bank’s liabilities. Intesa Sanpaolo’s equity investment in Banco Emiliano Romagnolo was contingent on the satisfaction of certain conditions, including the renegotiation of debt with creditor banks, subsequently achieved pursuant to the agreements.

The extraordinary administration procedure was formally concluded on 1 August 2011, after the Shareholders’ Meeting of 29 July 2011 which appointed company bodies in accordance with indications from Intesa Sanpaolo. Formal hand-over of the Bank by the special Administrators to the new management bodies took place on 1 August 2011. That date is considered relevant to the assumption of control by Intesa Sanpaolo and therefore represents the acquisition date pursuant to IFRS 3.

The final financial statements prepared by the special administrators as at 31 July 2011 show separate shareholders’ equity for the bank of approximately 42 million euro, including a loss for the administration period of 9.2 million euro. A comparison between the shareholders’ equity above, which already included the fair value of assets and liabilities as accounted for in the final financial statements prepared by the special administrators, and the acquisition cost of 26 million euro yields badwill recognised in the consolidated income statement of approximately 16 million euro.

***Book value and fair value of assets and liabilities acquired***

(millions of euro)

| **Assets/Liabilities** | **Banco Emiliano Romagnolo** | |
|---|---|---|
| | **Book value** | **Fair value** |
| **Assets** | | |
| Financial assets | 7 | 7 |
| Due from banks | 22 | 22 |
| Loans to customers | 119 | 119 |
| Investments in associates and companies subject to joint control | - | - |
| Property and equipment | - | - |
| Intangible assets | - | - |
| Goodwill | - | - |
| Other assets | 18 | 18 |
| **Total Assets** | **166** | **166** |
| **Liabilities** | | |
| Due to banks | - | - |
| Due to customers | 10 | 10 |
| Securities issued | 83 | 83 |
| Financial liabilities | 5 | 5 |
| Other liabilities and allowances for risks | 26 | 26 |
| Shareholders' equity | 42 | 42 |
| **Total Liabilities and Shareholders' Equity** | **166** | **166** |

**Acquisition of Banca Sara**

On 22 December 2010, Banca Fideuram and Sara Assicurazioni entered into a purchase and sale agreement for 100% of the shares of Banca Sara for the price of 1 euro. The entry into force of the agreement was contingent upon the satisfaction by 30 June 2011 of certain conditions precedent such as the issuance of legal and supervisory authorisations.

Following the satisfaction of all conditions set out in the agreement, transfer of ownership of the shares of Banca Sara was completed on 1 June 2011.

For the purposes of the application of IFRS 3, the difference between the company's shareholders' equity (11.7 million euro) and the price paid was allocated to the derecognition of assets and the recognition of liabilities, largely attributable to the activities of financial advisors, in the amount of 10.8 million euro. The remaining difference of 0.9 million euro was recognised to the income statement as badwill.

It should be noted that the full spin-off of Banca Sara into Banca Fideuram and Sanpaolo Invest SIM entered into effect on 1 October 2011. The plan was approved by the extraordinary shareholders' meetings of the companies involved on 6 September 2011. The transaction had previously been authorised by the Bank of Italy on 11 August 2011.

Due to the spin-off, Banca Fideuram was assigned the banking business unit and Sanpaolo Invest SIM the financial advisor business unit. As customary, the transaction was accounted for while maintaining consistency of values.

## SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

### 2.1 Business combinations

No business combinations governed by IFRS 3 have been undertaken since the end of 2011.

# Part H – Information on compensation and transactions with related parties

## INFORMATION ON COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

### Procedural features

In implementation of Consob Resolution 17221 of 2010 as amended, on 26 November 2010 the Management Board and the Supervisory Board – after obtaining the Control Committee's favourable opinion – approved the "Intesa Sanpaolo Group Regulations on the management of transactions with related parties".

These Regulations, which came into full force from 1 January 2011, set forth criteria for the entire Group for identifying related parties, assessing and approving transactions, and subsequently providing information to Corporate bodies and to the market.

In accordance with the criteria established by the Supervisory Authority, under the new Regulations the following are considered related parties of Intesa Sanpaolo: subsidiaries and associates, joint ventures, pension funds of the Group, shareholders holding an interest of over 2% in the Bank's voting capital and relative corporate groups, key managers, close family members of key managers and related significant shareholdings.

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.

As regards shareholders, the Bank has extended, as a form of self-regulation, the effectiveness of the regulations to companies and their groups with an equity investment with voting rights in the Bank of over 2%, calculated only based on shares owned or under management. This approach allows closer monitoring of transactions with the main shareholders, by subjecting them to the same requirements for assessment, approval and subsequent disclosure to the Corporate bodies and the market 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 of Intesa Sanpaolo, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.

In line with the regulations implemented by Consob, a regime of full and partial exemptions from the application of the regulations is also envisaged.

With regard to decision-making, the procedure in the new Regulations distinguishes between:

- transactions for smaller amounts, excluded from application of the regulations;
- less significant transactions, equal to or greater than the small-amount thresholds (250,000 euro for individuals, 1 million euro for entities connected to key managers, 5 million euro for significant shareholders and related corporate groups, associates and pension funds, and 20 million euro for subsidiaries);
- more significant transactions, if they exceed the threshold of 5% of the indicators defined by Consob (approximately 2 billion euro for Intesa Sanpaolo);
- strategic transactions pursuant to the Articles of Association;
- transactions attributed to the Shareholders' meeting.

An important role is reserved in the approval process for the Related Party Transactions Committee, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence requirements laid down in the Corporate Governance Code of Listed Companies. The Related Party Transactions Committee can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party.

For more significant or strategic transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.

All transactions – that are not minor and not exempt – undertaken by the Parent Company with one of its related parties are subject to approval by the Management Board upon recommendation by the Related Party Transactions Committee, and, for strategic transactions, authorisation of the Supervisory Board is also required.

The Management Board may decide on a more significant transaction and the Supervisory Board may authorise a strategic transaction, despite the negative opinion of the independent Committee: the transaction, without prejudice to its effectiveness, must in both cases be submitted for non-binding resolution by the ordinary Shareholders' meeting. For transactions attributed to the Shareholders' meeting, the resolution proposal by the Management Board, approved where required by the Supervisory Board, is governed according to the procedures envisaged for less/more significant or strategic transactions, depending on the type of transaction. More significant transactions that are approved despite the negative opinion of the Committee cannot be carried out if, during the Shareholders' meeting, the majority of unrelated voting shareholders express an unfavourable vote, provided that the unrelated shareholders present at the meeting represent at least 10% of the share capital with voting rights.

Transactions undertaken by subsidiaries with related parties of Intesa Sanpaolo must be approved, subject to authorisation from the Parent Company, by the Board of Directors of the subsidiaries concerned. Each company may also choose to include specific internal control measures in its own decision-making process that can also cover transactions carried out by the company with its "own related parties".

The Regulations also 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. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts equal to or greater than the thresholds of less significant importance. Bank funding transactions and intragroup loans are excluded from this requirement, regardless of the amount.
Finally, please note that if the related party also qualifies as a relevant person pursuant to art. 136 of the Consolidated Law on Banking the special decision-making procedure established under that law also applies. This requires the transaction to be submitted for prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.
In accordance with the abovementioned art. 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. The special decision-making procedure also applies to contractual obligations entered into by the Bank or other companies in the Banking Group with companies controlled by corporate officers or companies in which these corporate officers have administration, steering or control duties. Moreover, it also applies to related subsidiaries and parent companies (unless the obligations are contracted between companies in the same Banking Group or refer to transactions on the interbank market).
Furthermore, the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors are confirmed, insofar as art. 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may be significant 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 of the Italian Civil Code.

## 1. Information regarding compensation of Supervisory and Management Board Members and Managers with strategic responsibilities

The following table shows the amounts of the compensation paid in 2011 to Supervisory and Management Board Members and the General Managers of the Parent Company and of fully consolidated companies, as well as the compensation paid to other Managers of the Parent Company with strategic responsibilities ("Key Managers") which fall within the notion of "related party".

(millions of euro)

| | Supervisory Board/ Statutory Auditors [1] | | Management Board/ [2] | | Other managers [3] | | TOTAL as at 31.12.2011 | |
|---|---|---|---|---|---|---|---|---|
| | Compensation to be paid | Compensation paid | Compensation to be paid | Compensation paid | Compensation to be paid | Compensation paid | Compensation to be paid | Compensation paid |
| Short-term benefits [4] | 16 | 13 | 23 | 19 | 39 | 34 | 78 | 66 |
| Post-employement benefits [5] | - | - | - | - | 3 | 3 | 3 | 3 |
| Other long-term benefits [6] | - | - | - | - | 3 | - | 3 | - |
| Termination benefits [7] | - | - | - | - | 2 | 2 | 2 | 2 |
| Share-based payments [8] | - | - | - | - | 3 | - | 3 | - |
| **Total** | **16** | **13** | **23** | **19** | **50** | **39** | **89** | **71** |

[1] Figures referring to 279 positions. The table does not include approximately 1 million euro relating to 14 positions on the Boards of Statutory Auditors (or similar bodies), as this was fully reversed to other Group Companies.

[2] Figures referring to 507 positions. The table does not include approximately 2 million euro relating to 107 positions on the Boards of Directors (or similar bodies), as this was fully reversed to other Group Companies.

[3] Includes 83 members. The table does not include approximately 7.5 million euro relating to 28 General Manager positions (or similar positions), as this was fully reversed to other Group Companies.

[4] Includes fixed and variable compensation of directors that may be assimilated with labour cost and social security charges paid by the company for its employees.

[5] Includes company contribution to pension funds and allocation to employee termination indemnities pursuant to legislation and company regulations.

[6] Includes estimate of allocations for length of service awards for employees.

[7] Includes indemnities due under the employment contract for termination of employment.

[8] The cost refers to the variable portion of remuneration which will be paid in Intesa Sanpaolo shares, following the resolutions of the Shareholders' Meeting called for 28 May 2012.

For detailed information on remuneration policies, pursuant to art. 123 ter of the Consolidated Law on Finance, refer to the separate document "Report on Corporate Governance and Ownership Structures – Report on Remuneration" which sets forth data previously reported in the financial statements, specifically:

- a detailed indication of the compensation paid to Supervisory and Management Board Members and General Managers and, in aggregate, Key Managers, as well as the stock option plans reserved for Supervisory and Management Board Members, General Managers and Key Managers;
- the details and the evolution of the stock option plans relative to Key Managers;
- Parent Company's and subsidiary companies' shares held by Supervisory and Management Board Members, General Managers, Key Managers and other associated entities.

## 2. Information on transactions with related parties

### *More significant transactions*

During the year the Parent Company did not carry out any transactions that qualified as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Intesa Sanpaolo Group Regulations on the management of transactions with related parties – in an obligation to publish a market disclosure document.

### *More significant intragroup transactions*

With regard to more significant intragroup transactions – exempt, pursuant to the aforementioned internal Regulations, from the special decision-making procedure and from the obligation to publish a market disclosure document, unless other related parties hold significant interests in the subsidiary – several securitisation transactions took place during the year, as well as transactions aimed at the issue of Covered Bonds. These transactions are described in the Notes to the consolidated financial statements – Part E – Information on risks and relative hedging policies, to which reference is made. Note that more significant transactions are those that exceed the threshold of 5% of consolidated regulatory capital (approximately 2 billion euro for the year for Intesa Sanpaolo) or of the other indicators defined by the Consob regulation.

### *Transactions of ordinary or recurrent nature*

Ordinary or recurring transactions entered into with related parties fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.
Receivable and payable balances with related parties as at 31 December 2011 within the consolidated accounts – other than those intragroup – amount to a total that is insignificant compared to the size of the Bank's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.
The scope of related parties considered for the tables in this section has been adjusted to take account of the revised version of IAS 24 and consequently, with effect from 1 January 2011, also includes the subsidiaries of the associates and of the companies subject to joint control of Intesa Sanpaolo.

| | 31.12.2011 | |
|---|---|---|
| | **Amount** (millions of euro) | **Impact** (%) |
| Total financial assets | 8,016 | 1.4 |
| Total other assets | 177 | 0.9 |
| Total financial liabilities | 3,030 | 0.9 |
| Total other liabilities | 116 | 0.0 |

| | 31.12.2011 | |
|---|---|---|
| | **Amount** (millions of euro) | **Impact** (%) |
| Total interest income | 226 | 1.2 |
| Total interest expense | -48 | 0.6 |
| Total fee and commission income | 67 | 1.1 |
| Total fee and commission expense | -34 | 2.7 |
| Total operating costs | -186 | 1.9 |

During the year, there were no provisions for non-performing loans related to balances with related parties and no losses were registered in the period in connection with uncollectible or non-performing loans due from related parties, with the exception of 65.1 million euro related to associates and companies subject to joint control (including the adjustment to the Risanamento convertible loan, described below).
In the 2011 consolidated financial statements, the investment in Telco was written down by 251 million euro. Adjustments for 38.7 million euro were also made to other investments in associates (Risanamento, RCS Mediagroup, Noverca Group, Cargoitalia RCN Finanziaria and other minority interests).
For Pension Funds in which Group Companies are co-obliged by virtue of guarantees given, during the year payments were made for the settlement of the technical imbalance of said Funds, as indicated in the Notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Liabilities, Point 12.3 Post employment defined benefit plans, to which reference is made. Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

The table below sets out the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of intragroup operations. Please see the previous paragraph for information on compensation to Supervisory and Management Board Members, General Managers and Key Managers, 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 considering only shares owned) and on parties that are not related pursuant to IAS 24, but are in any case included as a form of self-regulation. With regard to Investments in associates and companies subject to joint control, please see the tables in the Notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets – Section 10.

The table does not, however, show the impact of related party transactions on the Group's cash flows, as this was not significant.

(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 not included in the line-by-linie scope of consolidation | 1 | - | - | - | - | 6 | 1 | - | 12 | 1 | 4 | 1 |
| Companies subject to joint control | 10 | - | 13 | - | - | 99 | - | - | 9 | - | 7 | 16 |
| Associates | 181 | - | 197 | - | 6 | 3,184 | 17 | 35 | 598 | 382 | 8 | 2,734 |
| Key Managers and control bodies | - | - | - | - | - | 1 | - | - | 3 | - | - | 1 |
| Other related parties | 3 | - | - | - | - | 2 | - | - | 195 | - | - | 3 |
| **Total** | **195** | **-** | **210** | **-** | **6** | **3,292** | **18** | **35** | **817** | **383** | **19** | **2,755** |
| Shareholders (*) | 1,627 | 1,026 | 446 | - | 183 | 1,031 | 159 | 344 | 328 | 1,123 | 97 | 1,070 |

(*) 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 Bank 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 consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.
The Group's most significant associates – and the companies controlled by them – are Telco, Telecom, Autostrada BS-VR-VI-PD (Serenissima, now A4 Holding), Autostrada Pedemontana Lombarda, the NH Hoteles Group, Bank of Qingdao, Alitalia - Compagnia Aerea Italiana, Penghua Fund Management, Risanamento, SIA-SSB (now renamed SIA), RCS Mediagroup, the Pirelli Group, Nuovo Trasporto Viaggiatori and Autostrade Lombarde. With regard to this category, please note that, with effect from 1 January 2011, the revised version of IAS 24 also includes the subsidiaries of the associates as related parties.
The joint ventures of the year include Allfunds Bank SA.
A detailed list of unconsolidated subsidiaries and companies subject to significant influence as at 31 December 2011 is provided in the Notes to the consolidated financial statements (Part B – Assets – Section 10).
The category "Other related parties" includes the Bank's pension funds, the close relatives of managers and entities controlled by them.
For information on the transactions entered into by the Parent Company, see the corresponding paragraph in the Notes to the Parent Company's financial statements.

### *Less significant transactions*
Some less significant transactions concluded during 2011 by the Parent Company or subsidiaries with related parties are reported below.
Transactions during the year undertaken with bank managers, their close family members and entities controlled by them, were attributable to the Intesa Sanpaolo Group's normal operations and were fully compliant with applicable legislation.
In the year, the Group granted credit facilities to the Group's Shareholders and Pension Funds, at market conditions, in order to support ordinary operations.

### *Specific transactions*
As for the Group's most significant dealings with associates and the companies controlled by them during the year, loans were granted to the Pirelli Group, the NH Hoteles Group, the Iren Group, Società di Progetto Autostrada diretta Brescia-Milano, Autostrada BS-VR-VI-PD (Serenissima, now called A4 Holding), Autostrada Pedemontana Lombarda (in a pool headed by BIIS, providing guarantees by lodging shares of Autostrada Pedemontana Lombarda as pledges), the Euromilano Group, Telco, Telecom Italia, Alitalia Compagnia Aerea Italiana, RCN Finanziaria/Pietra/ISM Investimenti/Intermarine, the Prelios Group, RCS Mediagroup, Bank of Qingdao, the BEE TEAM Group, Serenissima Partecipazioni (formerly Infragruppo, merged by incorporation into Serenissima Brescia Padova Holding which was concurrently merged into Real Estate Serenissima, then renamed Serenissima Partecipazioni), Cargoitalia (now in voluntary liquidation), Noverca, Novamont and other minor associates and in favour of several joint ventures. All transactions were carried out at market interest rates. Share capital increases were subscribed with respect to Autostrada BS-VR-VI-PD (Serenissima, now called A4 Holding), Bank of Qingdao, Cargoitalia, the Noverca Group, GCL Holdings Sarl, Autostrade Lombarde and other minor associates. Minor transactions also included the transfer of the investment held by IMI Investimenti in Serenissima Partecipazioni, equal to 0.00046% of capital, to Autostrada BS-VR-VI-PD (Serenissima, now called A4 Holding).
In February 2011, as part of a plan to restructure the Company's financial debt, Intesa Sanpaolo subscribed the capital increase of Risanamento (partly in cash and partly through offsetting with pre-existing loans held by the Bank), for a total amount of 81.7 million, at 0.28 euro per share. The investment in the Company, equal to approximately 36% of the share capital, is recorded in the consolidated financial statements as at 31 December 2011 in the amount of 58.3 million euro, equal to 0.20 euro per share. In June, Intesa Sanpaolo subscribed 151.5 million of the Convertible Loan 2011-2014 issued by the Company, through offsetting of pre-existing loans for an equal amount. In the second half of the year new credit lines were granted for the issue of unsecured commitments at market conditions, which resulted in a net increase in risk for a total of 56 million euro (of which 33.6 million euro counterguaranteed by the other Banks participating in said Agreement). In the 2011 Financial Statements, the exposure to Risanamento was adjusted for a total of approximately 101 million euro, of which approximately 78 million attributable to the convertible loan (also to take into consideration the option of reimbursement in shares at maturity) and approximately 23 million euro referring to the shareholding.

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), in addition to ordinary lending transactions, 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 of the entire investment held through the subsidiary Cassa di Risparmio di Firenze in Cassa di Risparmio della Spezia (80% of share capital) and 96 branches of the Group located throughout Italy. The transactions were completed during the first half of 2011, as better described in the Executive Summary.
Moreover, the Parent Company transferred ordinary shares of Banca Prossima, representing 28.33% of the share capital, to Compagnia di San Paolo and Fondazione Cariplo, each of which paid 13.5 million euro, and Fondazione Cassa di Risparmio di Padova e Rovigo, for 7 million euro, while Cassa di Risparmio di Firenze sold a building to Ente Cassa di Risparmio di Firenze for 60 million euro, with the appropriateness of this amount evaluated also with the assistance of independent experts.

Additional information on the Intesa Sanpaolo Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent Company's financial statements.

# Part I – Share-based payments

## A. QUALITATIVE INFORMATION

### 1. Description of share-based payments

***1.1. Stock option plans already resolved upon by SANPAOLO IMI***
On 14 November 2005, the Board of Directors of Sanpaolo IMI launched a new stock option plan, acting on the mandate given to it by the Shareholders' Meeting of 30 April 2002, in favour of 48 executives holding key positions in the Group with a strong influence on the strategic decisions aimed at achieving Business Plan objectives and increasing the value of the Group.
This plan, as redefined after the merger following the resolution of the Shareholders' Meeting of 1 December 2006, provides for the assignment of a total of 30,059,750 options, exercisable after approval of the 2008 financial statements and not later than 30 April 2012 at a strike price of 3.9511 euro.

## B. QUANTITATIVE INFORMATION

### Intesa Sanpaolo

***Stock option plans in 2011***

| | Number of shares | Average strike price (euro) | Market price (euro) |
|---|---|---|---|
| Rights existing as at 31 December 2010 | 23,051,000 | 3.951 | 2.042 (a) |
| Rights exercised in 2011 | - | - | - |
| Rights expired | - | - | - |
| Rights annulled in 2011 | - | - | - |
| Rights assigned in 2011 | - | - | - |
| Rights existing as at 31 December 2011 | 23,051,000 | 3.951 | 1.289 (b) |
| Of which: exercisable as at 31 December 2011 | - | - | - |

(a) Official price as at 30 December 2010.

(b) Official price as at 30 December 2011.

***Details on strike price and residual maturity***

| Strike price (euro) | Exercise period | Number of shares | Of which exercisable as at 31 December 2011 | |
|---|---|---|---|---|
| | | | Number | Contractual average residual maturity |
| 3.951 | March 2009 - April 2012 (*) | 23,051,000 | - | April 2012 |

(*) Can be exercised based on pre-set time windows

# Part L – Segment reporting

## Breakdown by business area: income statement 2011 [a]

(millions of euro)

| | Banca dei Territori | Corporate and Investment Banking | International Subsidiary Banks | Eurizon Capital | Banca Fideuram | Corporate Centre (b) | Total |
|---|---|---|---|---|---|---|---|
| Net interest income | 5,820 | 2,318 | 1,736 | 2 | 141 | -237 | 9,780 |
| Dividends and profits (losses) on investments carried at equity | 1 | -4 | 19 | 14 | - | 42 | 72 |
| Net fee and commission income | 3,234 | 1,053 | 572 | 243 | 556 | -192 | 5,466 |
| Profits (Losses) on trading | 99 | 534 | 101 | 5 | 26 | 155 | 920 |
| Income from insurance business | 492 | - | - | - | 44 | 4 | 540 |
| Other operating income (expenses) | 8 | 27 | -45 | 2 | 4 | 11 | 7 |
| **Operating income** | **9,654** | **3,928** | **2,383** | **266** | **771** | **-217** | **16,785** |
| Personnel expenses | -3,285 | -403 | -598 | -49 | -138 | -946 | -5,419 |
| Other administrative expenses | -2,436 | -559 | -440 | -70 | -194 | 619 | -3,080 |
| Adjustments to property, equipment and intangible assets | -12 | -6 | -133 | -1 | -15 | -471 | -638 |
| **Operating costs** | **-5,733** | **-968** | **-1,171** | **-120** | **-347** | **-798** | **-9,137** |
| **Operating margin** | **3,921** | **2,960** | **1,212** | **146** | **424** | **-1,015** | **7,648** |
| Net provisions for risks and charges | -72 | -18 | -11 | -2 | -38 | -77 | -218 |
| Net adjustments to loans | -2,334 | -943 | -693 | - | - | -273 | -4,243 |
| Net impairment losses on other assets | -107 | -747 | -19 | - | -139 | -57 | -1,069 |
| Profits (Losses) on investments held to maturity and on other investments | - | -265 | 4 | - | 7 | 155 | -99 |
| **Income (Loss) before tax from continuing operations** | **1,408** | **987** | **493** | **144** | **254** | **-1,267** | **2,019** |
| Taxes on income from continuing operations | -764 | -435 | -104 | -29 | -62 | 2,304 | 910 |
| Charges (net of tax) for integration and exit incentives | -456 | -34 | - | - | -10 | -52 | -552 |
| Effect of purchase price allocation (net of tax) | -210 | 3 | - | -38 | -94 | 18 | -321 |
| Goodwill impairment (net of tax) | -6,390 | -2,318 | -1,152 | -373 | - | - | -10,233 |
| Income (Loss) after tax from discontinued operations | - | - | - | - | - | - | - |
| Minority interests | - | - | - | -1 | 1 | -13 | -13 |
| **Net income (loss)** | **-6,412** | **-1,797** | **-763** | **-297** | **89** | **990** | **-8,190** |

## Breakdown by business area: balance sheet as at 31 December 2011[a]

(millions of euro)

| | Banca dei Territori | Corporate and Investment Banking | International Subsidiary Banks | Eurizon Capital | Banca Fideuram | Corporate Centre (b) | Total |
|---|---|---|---|---|---|---|---|
| Loans to customers | 186,414 | 150,701 | 30,881 | 109 | 3,439 | 5,200 | 376,744 |
| Direct deposits from banking business | 200,574 | 87,591 | 30,678 | 9 | 6,367 | 34,772 | 359,991 |

[a] Figures from the reclassified forms as described in the Report on operations, to which reference should be made for comparison with the previous year.

[b] Netting between segments is reported by the Corporate Centre.

## Distribution by geographical area: income statement 2011 [(a)]

(millions of euro)

| | Italy | Europe | Rest of the world | Total |
|---|---|---|---|---|
| Net interest income | 7,213 | 2,168 | 399 | 9,780 |
| Dividends and profits (losses) on investments carried at equity | 33 | 11 | 28 | 72 |
| Net fee and commission income | 4,313 | 1,037 | 116 | 5,466 |
| Profits (Losses) on trading | 875 | 5 | 40 | 920 |
| Income from insurance business | 495 | 45 | - | 540 |
| Other operating income (expenses) | -6 | 14 | -1 | 7 |
| **Operating income** | **12,923** | **3,280** | **582** | **16,785** |
| Personnel expenses | -4,709 | -588 | -122 | -5,419 |
| Other administrative expenses | -2,517 | -515 | -48 | -3,080 |
| Adjustments to property, equipment and intangible assets | -496 | -133 | -9 | -638 |
| **Operating costs** | **-7,722** | **-1,236** | **-179** | **-9,137** |
| **Operating margin** | **5,201** | **2,044** | **403** | **7,648** |
| Net provisions for risks and charges | -205 | -13 | - | -218 |
| Net adjustments to loans | -3,555 | -655 | -33 | -4,243 |
| Net impairment losses on other assets | -1,034 | -35 | - | -1,069 |
| Profits (Losses) on investments held to maturity and on other investments | -111 | 12 | - | -99 |
| **Income (Loss) before tax from continuing operations** | **296** | **1,353** | **370** | **2,019** |
| Taxes on income from continuing operations | 1,249 | -266 | -73 | 910 |
| Charges (net of tax) for integration and exit incentives | -551 | -1 | - | -552 |
| Effect of purchase price allocation (net of tax) | -294 | -27 | - | -321 |
| Goodwill impairment (net of tax) | -9,017 | -201 | -1,015 | -10,233 |
| Income (Loss) after tax from discontinued operations | - | - | - | - |
| Minority interests | 51 | -55 | -9 | -13 |
| **Net income (loss)** | **-8,266** | **803** | **-727** | **-8,190** |

## Distribution by geographical area: balance sheet as at 31 December 2011[(a)]

(millions of euro)

| | Italy | Europe | Rest of the world | Total |
|---|---|---|---|---|
| Loans to customers | 325,929 | 41,156 | 9,659 | 376,744 |
| Direct deposits from banking business | 310,909 | 41,270 | 7,812 | 359,991 |

Breakdown by geographical area is carried out with reference to the country of residence of Group entities.

[(a)] Figures from the reclassified forms as described in the Report on operations, to which reference should be made for comparison with the previous year.

# Certification of the consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Enrico Tommaso Cucchiani (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 consolidated financial statements during 2011.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2011 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[1].

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2011:
   - 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 report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties that they face.

15 March 2012

| | |
|---|---|
| Enrico Tommaso Cucchiani | Ernesto Riva |
| Managing Director and CEO | Manager responsible for preparing the Company's financial reports |

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

# Independent Auditors' Report on the Consolidated financial statements

ERNST & YOUNG

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Independent auditors' report
pursuant to Articles 14 and 16 of Legislative Decree n. 39 of January 27, 2010
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Intesa Sanpaolo S.p.A. and its subsidiaries (the "Intesa Sanpaolo Group") as of and for the year ended December 31, 2011, comprising the balance sheet, the income statement, the statement of comprehensive income, the changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n. 38/2005 is the responsibility of the Intesa Sanpaolo S.p.A.'s Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Management Board. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 29, 2011.

3. In our opinion, the consolidated financial statements of the Intesa Sanpaolo Group at December 31, 2011 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Intesa Sanpaolo Group for the year then ended.

4. The Management Board of Intesa Sanpaolo S.p.A. is responsible for the preparation of the Report on operations and the Report on Corporate Governance and Ownership Structures in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), presented in the Report on Corporate Governance and Ownership Structures, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structures, are consistent with the financial statements of the Intesa Sanpaolo Group as of December 31, 2011.

Turin, Italy, April 23, 2012

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

# Attachments to the Consolidated Financial Statements

## Consolidated reconciliation statements

### Reconciliation between consolidated financial statements and restated consolidated financial statements



### Restated consolidated financial statements



### Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements



## Other Attachments

# Reconciliation between consolidated financial statements and restated consolidated financial statements

## Reconciliation between the consolidated balance sheet as at 31 December 2010 and the restated consolidated balance sheet as at 31 December 2010

(millions of euro)

| Assets | 31.12.2010 Published (*) | Changes in the scope of consolidation | | | | 31.12.2010 Restated |
|---|---|---|---|---|---|---|
| | | Disposals in favour of Crédit Agricole (a) | Purchase of Banca Sara (b) | Disposal of Fideuram Bank Suisse (c) | Purchase of Banca Monte Parma (b) | |
| 10. Cash and cash equivalents | 4,758 | -57 | - | -13 | 19 | 4,707 |
| 20. Financial assets held for trading | 71,899 | -3 | - | - | 49 | 71,945 |
| 30. Financial assets designated at fair value through profit and loss | 35,549 | - | 1 | - | - | 35,550 |
| 40. Financial assets available for sale | 61,612 | -5 | 212 | - | 16 | 61,835 |
| 50. Investments held to maturity | 3,839 | - | - | - | 19 | 3,858 |
| 60. Due from banks | 42,737 | -1,259 | 12 | -14 | 18 | 41,494 |
| 70. Loans to customers | 379,235 | -3,187 | 41 | -2 | 2,740 | 378,827 |
| 80. Hedging derivatives | 7,377 | -6 | - | - | 2 | 7,373 |
| 90. Fair value change of financial assets in hedged portfolios (+/-) | 92 | - | - | - | -1 | 91 |
| 100. Investments in associates and companies subject to joint control | 2,716 | -4 | - | - | - | 2,712 |
| 110. Technical insurance reserves reassured with third parties | 27 | - | - | - | - | 27 |
| 120. Property and equipment | 5,455 | -76 | - | - | 63 | 5,442 |
| 130. Intangible assets | 25,990 | -357 | - | - | 1 | 25,634 |
| *of which* | | | | | | |
| *- goodwill* | *19,217* | *-255* | - | - | - | *18,962* |
| 140. Tax assets | 8,733 | -19 | 9 | - | 46 | 8,769 |
| *a) current* | *2,759* | *-7* | - | - | *3* | *2,755* |
| *b) deferred* | *5,974* | *-12* | *9* | - | *43* | *6,014* |
| 150. Non-current assets held for sale and discontinued operations | 75 | - | - | - | - | 75 |
| 160. Other assets | 8,663 | -45 | 35 | - | 33 | 8,686 |
| **Total Assets** | **658,757** | **-5,018** | **310** | **-29** | **3,005** | **657,025** |

(*) Historic data originally published in the 2010 Annual Report.

(a) Disposal by Banca C.R. Firenze, C.R. Veneto and the Parent Company, of the subsidiary C.R. Spezia and 96 branches.

(b) Acquisition by Banca Fideuram of Banca Sara, subsequently was the subject of a total spin-off to Banca Fideuram and Sanpaolo Invest SIM.

(c) Disposal by Banca Fideuram of Fideuram Bank Suisse.

(d) Acquisition by the Parent Company of Banca Monte Parma.

(millions of euro)

| Liabilities and Shareholders' Equity | | 31.12.2010 Published (*) | Changes in the scope of consolidation | | | | 31.12.2010 Restated |
|---|---|---|---|---|---|---|---|
| | | | Disposals in favour of Crédit Agricole (a) | Purchase of Banca Sara (b) | Disposal of Fideuram Bank Suisse (c) | Purchase of Banca Monte Parma (b) | |
| 10. | Due to banks | 52,860 | -375 | 1 | - | 486 | 52,972 |
| 20. | Due to customers | 221,064 | -4,165 | 275 | -27 | 1,361 | 218,508 |
| 30. | Securities issued | 179,983 | -253 | - | - | 939 | 180,669 |
| 40. | Financial liabilities held for trading | 45,045 | -2 | - | - | 1 | 45,044 |
| 50. | Financial liabilities designated at fair value through profit and loss | 26,144 | - | - | - | - | 26,144 |
| 60. | Hedging derivatives | 5,884 | - | - | - | 4 | 5,888 |
| 70. | Fair value change of financial liabilities in hedged portfolios (+/-) | 1,412 | -2 | - | - | - | 1,410 |
| 80. | Tax liabilities | 3,269 | -30 | - | - | 14 | 3,253 |
| | *a) current* | *661* | - | - | - | - | *661* |
| | *b) deferred* | *2,608* | *-30* | - | - | *14* | *2,592* |
| 90. | Liabilities associated with non-current assets held for sale and discontinued operations | - | - | - | - | - | - |
| 100. | Other liabilities | 13,658 | -101 | 15 | -1 | 72 | 13,643 |
| 110. | Employee termination indemnities | 1,370 | -26 | 1 | - | 9 | 1,354 |
| 120. | Allowances for risks and charges | 3,280 | -17 | 18 | -1 | 10 | 3,290 |
| | *a) post employment benefits* | *374* | *-4* | - | - | - | *370* |
| | *b) other allowances* | *2,906* | *-13* | *18* | *-1* | *10* | *2,920* |
| 130. | Technical reserves | 50,188 | - | - | - | - | 50,188 |
| 140. | Valuation reserves | -1,054 | - | - | - | - | -1,054 |
| 150. | Redeemable shares | - | - | - | - | - | - |
| 160. | Equity instruments | - | - | - | - | - | - |
| 170. | Reserves | 12,143 | - | - | - | - | 12,143 |
| 180. | Share premium reserve | 33,102 | - | - | - | - | 33,102 |
| 190. | Share capital | 6,647 | - | - | - | - | 6,647 |
| 200. | Treasury shares (-) | -10 | - | - | - | - | -10 |
| 210. | Minority interests (+/-) | 1,067 | -47 | - | - | 109 | 1,129 |
| 220. | Net income (loss) | 2,705 | - | - | - | - | 2,705 |
| **Total Liabilities and Shareholders' Equity** | | **658,757** | **-5,018** | **310** | **-29** | **3,005** | **657,025** |

(*) Historic data originally published in the 2010 Annual Report.

(a) Disposal by Banca C.R. Firenze, C.R. Veneto and the Parent Company, of the subsidiary C.R. Spezia and 96 branches.

(b) Acquisition by Banca Fideuram of Banca Sara, subsequently was the subject of a total spin-off to Banca Fideuram and Sanpaolo Invest SIM.

(c) Disposal by Banca Fideuram of Fideuram Bank Suisse.

(d) Acquisition by the Parent Company of Banca Monte Parma.

## Reconciliation between the consolidated income statement for 2010 and the restated consolidated income statement for 2010

(millions of euro)

| | 2010 Published (*) | Changes in the scope of consolidation | | | | | | | 2010 Restated |
|---|---|---|---|---|---|---|---|---|---|
| | | Acquisition of branches of Banca Monte Paschi di Siena (a) | Acquisition of Intesa Vita (b) | Disposals in favour of Crédit Agricole (c) | Acquisition of Banca Sara (d) | Disposal Fideuram Bank Suisse (e) | Acquisition of Banca Monte Parma (f) | **Total change in the scope of consolida-tion** | |
| 10. Interest and similar income | 17,500 | 14 | 428 | -129 | 4 | - | 77 | 394 | 17,894 |
| 20. Interest and similar expense | -6,879 | -1 | -7 | 12 | - | - | -33 | -29 | -6,908 |
| **30. Interest margin** | **10,621** | **13** | **421** | **-117** | **4** | **-** | **44** | **365** | **10,986** |
| 40. Fee and commission income | 6,494 | 12 | 29 | -55 | 37 | -5 | 33 | 51 | 6,545 |
| 50. Fee and commission expense | -1,317 | - | -23 | 1 | -28 | - | -2 | -52 | -1,369 |
| **60. Net fee and commission income** | **5,177** | **12** | **6** | **-54** | **9** | **-5** | **31** | **-1** | **5,176** |
| 70. Dividend and similar income | 490 | - | 9 | - | - | - | - | 9 | 499 |
| 80. Profits (Losses) on trading | 243 | - | -25 | -2 | - | - | -2 | -29 | 214 |
| 90. Fair value adjustments in hedge accounting | -182 | - | - | - | - | - | - | - | -182 |
| 100. Profits (Losses) on disposal or repurchase of | 229 | - | 91 | - | - | - | - | 91 | 320 |
| *a) loans* | *-11* | - | - | - | - | - | - | - | *-11* |
| *b) financial assets available for sale* | *235* | - | *91* | - | - | - | - | *91* | *326* |
| *c) investments held to maturity* | - | - | - | - | - | - | - | - | - |
| *d) financial liabilities* | *5* | - | - | - | - | - | - | - | *5* |
| 110. Profits (Losses) on financial assets and liabilities designated at fair value | 179 | - | 209 | - | - | - | - | 209 | 388 |
| **120. Net interest and other banking income** | **16,757** | **25** | **711** | **-173** | **13** | **-5** | **73** | **644** | **17,401** |
| 130. Net losses / recoveries on impairment | -2,896 | - | -23 | 20 | - | - | -81 | -84 | -2,980 |
| *a) loans* | *-2,818* | - | - | *20* | - | - | *-79* | *-59* | *-2,877* |
| *b) financial assets available for sale* | *-79* | - | *-23* | - | - | - | - | *-23* | *-102* |
| *c) investments held to maturity* | - | - | - | - | - | - | - | - | - |
| *d) other financial activities* | *1* | - | - | - | - | - | *-2* | *-2* | *-1* |
| **140. Net income from banking activities** | **13,861** | **25** | **688** | **-153** | **13** | **-5** | **-8** | **560** | **14,421** |
| 150. Net insurance premiums | 8,483 | - | 2,768 | - | - | - | - | 2,768 | 11,251 |
| 160. Other net insurance income (expense) | -9,050 | - | -3,345 | - | - | - | - | -3,345 | -12,395 |
| **170. Net income from banking and insurance activities** | **13,294** | **25** | **111** | **-153** | **13** | **-5** | **-8** | **-17** | **13,277** |
| 180. Administrative expenses | -9,347 | -15 | -26 | 128 | -17 | 4 | -67 | 7 | -9,340 |
| *a) personnel expenses* | *-5,665* | *-8* | *-11* | *86* | *-8* | *2* | *-38* | *23* | *-5,642* |
| *b) other administrative expenses* | *-3,682* | *-7* | *-15* | *42* | *-9* | *2* | *-29* | *-16* | *-3,698* |
| 190. Net provisions for risks and charges | -401 | - | - | - | -1 | - | -7 | -8 | -409 |
| 200. Net adjustments to / recoveries on property and equipment | -400 | - | - | 3 | - | - | -2 | 1 | -399 |
| 210. Net adjustments to / recoveries on intangible assets | -738 | - | - | 5 | - | - | - | 5 | -733 |
| 220. Other operating expenses (income) | 528 | - | 1 | -6 | -7 | - | 7 | -5 | 523 |
| **230. Operating expenses** | **-10,358** | **-15** | **-25** | **130** | **-25** | **4** | **-69** | **-** | **-10,358** |
| 240. Profits (Losses) on investments in associates and companies subject to joint control | 293 | - | -24 | - | - | - | - | -24 | 269 |
| 250. Valuation differences on property, equipment and intangible assets measured at fair value | - | - | - | - | - | - | - | - | - |
| 260. Goodwill impairment | - | - | - | - | - | - | - | - | - |
| 270. Profits (Losses) on disposal of investments | 8 | - | - | - | - | - | - | - | 8 |
| **280. Income (Loss) before tax from continuing operations** | **3,237** | **10** | **62** | **-23** | **-12** | **-1** | **-77** | **-41** | **3,196** |
| 290. Taxes on income from continuing operations | -1,155 | -4 | -38 | 8 | 3 | - | 17 | -14 | -1,169 |
| **300. Income (Loss) after tax from continuing operations** | **2,082** | **6** | **24** | **-15** | **-9** | **-1** | **-60** | **-55** | **2,027** |
| 310. Income (Loss) after tax from discontinued operations | 694 | - | - | - | - | - | - | - | 694 |
| **320. Net income (loss)** | **2,776** | **6** | **24** | **-15** | **-9** | **-1** | **-60** | **-55** | **2,721** |
| 330. Minority interests | -71 | -6 | -24 | 15 | 9 | 1 | 60 | 55 | -16 |
| **340. Parent Company's net income (loss)** | **2,705** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,705** |

[*] Historic data originally published in the 2010 Annual Report. Since there have been no changes to the allocation of the purchase price of business combinations and no classifications under Income (Loss) after tax from discontinued operations, the consolidated income statement as at 31 December 2010 has not been adjusted in compliance with IFRS 3 and IFRS 5.

[a] 2010 income statement results of 50 branches of Banca Monte dei Paschi di Siena acquired by the Cassa di Risparmio di Firenze Group in June 2010, relating to the period prior to acquisition.

[b] 2010 income statement results of Intesa Vita, relating to the period prior to its acquisition by the Intesa Sanpaolo Group, net of the deconsolidation of the investment carried at equity.

[c] 2010 income statement results of CR Spezia and the 96 branches sold to Crédit Agricole in the first half, relating to the period prior to disposal by the Intesa Sanpaolo Group.

[d] 2010 income statement results of Banca Sara, acquired by Banca Fideuram in June 2011 and subsequently the subject of total spin-off to Banca Fideuram and Sanpaolo Invest SIM, relating to the period prior to acquisition by the Intesa Sanpaolo Group.

[e] 2010 income statement results of Fideuram Bank Suisse, sold in June 2011, relating to the period prior to disposal by the Intesa Sanpaolo Group.

[f] 2010 income statement results of Banca Monte Parma, acquired in July 2011, relating to the period prior to acquisition.

## Reconciliation between the consolidated income statement for 2011 and the restated consolidated income statement for 2011

(in millions of euro)

| | 2011 | Changes in the scope of consolidation | | | | | 2011 |
|---|---|---|---|---|---|---|---|
| | | Disposals in favour of Crédit Agricole (a) | Acquisition of Banca Sara (b) | Disposal of Fideuram Bank Suisse (c) | Acquisition of Banca Monte Parma (d) | **Total change in the scope of consolida-tion** | restated |
| 10. Interest and similar income | 19,149 | -19 | 2 | - | 41 | 24 | 19,173 |
| 20. Interest and similar expense | -7,762 | 1 | - | - | -21 | -20 | -7,782 |
| **30. Interest margin** | **11,387** | **-18** | **2** | **-** | **20** | **4** | **11,391** |
| 40. Fee and commission income | 6,298 | -11 | 14 | -1 | 16 | 18 | 6,316 |
| 50. Fee and commission expense | -1,278 | - | -9 | - | -1 | -10 | -1,288 |
| **60. Net fee and commission income** | **5,020** | **-11** | **5** | **-1** | **15** | **8** | **5,028** |
| 70. Dividend and similar income | 542 | - | - | - | - | - | 542 |
| 80. Profits (Losses) on trading | -204 | - | 1 | - | -1 | - | -204 |
| 90. Fair value adjustments in hedge accounting | -8 | - | - | - | - | - | -8 |
| 100. Profits (Losses) on disposal or repurchase of | 753 | - | - | - | - | - | 753 |
| *a) loans* | *-16* | - | - | - | - | - | *-16* |
| *b) financial assets available for sale* | *590* | - | - | - | - | - | *590* |
| *c) investments held to maturity* | *-1* | - | - | - | - | - | *-1* |
| *d) financial liabilities* | *180* | - | - | - | - | - | *180* |
| 110. Profits (Losses) on financial assets and liabilities designated at fair value | -210 | - | - | - | - | - | -210 |
| **120. Net interest and other banking income** | **17,280** | **-29** | **8** | **-1** | **34** | **12** | **17,292** |
| 130. Net losses / recoveries on impairment | -5,021 | - | - | - | -49 | -49 | -5,070 |
| *a) loans* | *-4,229* | - | - | - | *-50* | *-50* | *-4,279* |
| *b) financial assets available for sale* | *-776* | - | - | - | - | - | *-776* |
| *c) investments held to maturity* | *-2* | - | - | - | - | - | *-2* |
| *d) other financial activities* | *-14* | - | - | - | *1* | *1* | *-13* |
| **140. Net income from banking activities** | **12,259** | **-29** | **8** | **-1** | **-15** | **-37** | **12,222** |
| 150. Net insurance premiums | 9,260 | - | - | - | - | - | 9,260 |
| 160. Other net insurance income (expense) | -10,016 | - | - | - | - | - | -10,016 |
| **170. Net income from banking and insurance activities** | **11,503** | **-29** | **8** | **-1** | **-15** | **-37** | **11,466** |
| 180. Administrative expenses | -9,839 | 28 | -8 | 1 | -32 | -11 | -9,850 |
| *a) personnel expenses* | *-6,223* | *18* | *-4* | *1* | *-19* | *-4* | *-6,227* |
| *b) other administrative expenses* | *-3,616* | *10* | *-4* | - | *-13* | *-7* | *-3,623* |
| 190. Net provisions for risks and charges | -222 | - | - | - | -16 | -16 | -238 |
| 200. Net adjustments to / recoveries on property and equipment | -381 | - | - | - | -1 | -1 | -382 |
| 210. Net adjustments to / recoveries on intangible assets | -723 | - | - | - | - | - | -723 |
| 220. Other operating expenses (income) | 494 | -2 | - | - | 3 | 1 | 495 |
| **230. Operating expenses** | **-10,671** | **26** | **-8** | **1** | **-46** | **-27** | **-10,698** |
| 240. Profits (Losses) on investments in associates and companies subject to joint control | -207 | - | - | - | - | - | -207 |
| 250. Valuation differences on property, equipment and intangible assets measured at fair value | - | - | - | - | - | - | - |
| 260. Goodwill impairment | -10,338 | - | - | - | - | - | -10,338 |
| 270. Profits (Losses) on disposal of investments | 171 | - | - | - | - | - | 171 |
| **280. Income (Loss) before tax from continuing operations** | **-9,542** | **-3** | **-** | **-** | **-61** | **-64** | **-9,606** |
| 290. Taxes on income from continuing operations | 1,415 | 1 | -1 | - | 14 | 14 | 1,429 |
| **300. Income (Loss) after tax from continuing operations** | **-8,127** | **-2** | **-1** | **-** | **-47** | **-50** | **-8,177** |
| 310. Income (Loss) after tax from discontinued operations | - | - | - | - | - | - | - |
| **320. Net income (loss)** | **-8,127** | **-2** | **-1** | **-** | **-47** | **-50** | **-8,177** |
| 330. Minority interests | -63 | 2 | 1 | - | 47 | 50 | -13 |
| **340. Parent Company's net income (loss)** | **-8,190** | **-** | **-** | | **-** | **-** | **-8,190** |

[a] 2011 income statement results of the 96 branches sold to Crédit Agricole in the first half, relating to the period prior to disposal by the Intesa Sanpaolo Group.

[b] 2011 income statement results of Banca Sara, acquired by Banca Fideuram in June 2011 and subsequently the subject of total spin-off to Banca Fideuram and Sanpaolo Invest SIM, relating to the period prior to acquisition by the Intesa Sanpaolo Group.

[c] 2011 income statement results of Fideuram Bank Suisse, sold in June 2011, relating to the period prior to disposal by the Intesa Sanpaolo Group.

[d] 2011 income statement results of Banca Monte Parma, acquired in July 2011, relating to the period prior to acquisition by the Intesa Sanpaolo Group.

# Restated consolidated financial statements

## Restated consolidated balance sheet

(millions of euro)

| Assets | | 31.12.2011 | 31.12.2010 restated | Changes amount | Changes % |
|---|---|---|---|---|---|
| 10. | Cash and cash equivalents | 4,061 | 4,707 | -646 | -13.7 |
| 20. | Financial assets held for trading | 59,963 | 71,945 | -11,982 | -16.7 |
| 30. | Financial assets designated at fair value through profit and loss | 34,253 | 35,550 | -1,297 | -3.6 |
| 40. | Financial assets available for sale | 68,777 | 61,835 | 6,942 | 11.2 |
| 50. | Investments held to maturity | 2,621 | 3,858 | -1,237 | -32.1 |
| 60. | Due from banks | 35,865 | 41,494 | -5,629 | -13.6 |
| 70. | Loans to customers | 376,744 | 378,827 | -2,083 | -0.5 |
| 80. | Hedging derivatives | 10,248 | 7,373 | 2,875 | 39.0 |
| 90. | Fair value change of financial assets in hedged portfolios (+/-) | 137 | 91 | 46 | 50.5 |
| 100. | Investments in associates and companies subject to joint control | 2,630 | 2,712 | -82 | -3.0 |
| 110. | Technical insurance reserves reassured with third parties | 15 | 27 | -12 | -44.4 |
| 120. | Property and equipment | 5,536 | 5,442 | 94 | 1.7 |
| 130. | Intangible assets | 15,041 | 25,634 | -10,593 | -41.3 |
| | *of which* | | | | |
| | *- goodwill* | *8,689* | *18,962* | *-10,273* | *-54.2* |
| 140. | Tax assets | 14,702 | 8,769 | 5,933 | 67.7 |
| | *a) current* | *2,379* | *2,755* | *-376* | *-13.6* |
| | *b) deferred* | *12,323* | *6,014* | *6,309* | |
| 150. | Non-current assets held for sale and discontinued operations | 26 | 75 | -49 | -65.3 |
| 160. | Other assets | 8,602 | 8,686 | -84 | -1.0 |
| **Total Assets** | | **639,221** | **657,025** | **-17,804** | **-2.7** |

(millions of euro)

| Liabilities and Shareholders' Equity | | 31.12.2011 | 31.12.2010 | Changes | |
|---|---|---|---|---|---|
| | | | restated | amount | % |
| 10. | Due to banks | 78,644 | 52,972 | 25,672 | 48.5 |
| 20. | Due to customers | 197,165 | 218,508 | -21,343 | -9.8 |
| 30. | Securities issued | 160,245 | 180,669 | -20,424 | -11.3 |
| 40. | Financial liabilities held for trading | 48,740 | 45,044 | 3,696 | 8.2 |
| 50. | Financial liabilities designated at fair value through profit and loss | 22,653 | 26,144 | -3,491 | -13.4 |
| 60. | Hedging derivatives | 8,576 | 5,888 | 2,688 | 45.7 |
| 70. | Fair value change of financial liabilities in hedged portfolios (+/-) | 1,686 | 1,410 | 276 | 19.6 |
| 80. | Tax liabilities | 4,064 | 3,253 | 811 | 24.9 |
| | *a) current* | *689* | *661* | *28* | *4.2* |
| | *b) deferred* | *3,375* | *2,592* | *783* | *30.2* |
| 90. | Liabilities associated with non-current assets held for sale and discontinued operations | - | - | - | |
| 100. | Other liabilities | 13,963 | 13,643 | 320 | 2.3 |
| 110. | Employee termination indemnities | 1,338 | 1,354 | -16 | -1.2 |
| 120. | Allowances for risks and charges | 3,628 | 3,290 | 338 | 10.3 |
| | *a) post employment benefits* | *402* | *370* | *32* | *8.6* |
| | *b) other allowances* | *3,226* | *2,920* | *306* | *10.5* |
| 130. | Technical reserves | 50,761 | 50,188 | 573 | 1.1 |
| 140. | Valuation reserves | -3,298 | -1,054 | 2,244 | |
| 150. | Redeemable shares | - | - | - | |
| 160. | Equity instruments | - | - | - | |
| 170. | Reserves | 13,843 | 12,143 | 1,700 | 14.0 |
| 180. | Share premium reserve | 36,143 | 33,102 | 3,041 | 9.2 |
| 190. | Share capital | 8,546 | 6,647 | 1,899 | 28.6 |
| 200. | Treasury shares (-) | -4 | -10 | -6 | -60.0 |
| 210. | Minority interests (+/-) | 718 | 1,129 | -411 | -36.4 |
| 220. | Net income (loss) | -8,190 | 2,705 | -10,895 | |
| **Total Liabilities and Shareholders' Equity** | | **639,221** | **657,025** | **-17,804** | **-2.7** |

## Restated consolidated income statement

(millions of euro)

| | 2011 restated | 2010 restated | Changes amount | Changes % |
|---|---|---|---|---|
| 10. Interest and similar income | 19,173 | 17,894 | 1,279 | 7.1 |
| 20. Interest and similar expense | -7,782 | -6,908 | 874 | 12.7 |
| **30. Interest margin** | **11,391** | **10,986** | **405** | **3.7** |
| 40. Fee and commission income | 6,316 | 6,545 | -229 | -3.5 |
| 50. Fee and commission expense | -1,288 | -1,369 | -81 | -5.9 |
| **60. Net fee and commission income** | **5,028** | **5,176** | **-148** | **-2.9** |
| 70. Dividend and similar income | 542 | 499 | 43 | 8.6 |
| 80. Profits (Losses) on trading | -204 | 214 | -418 | |
| 90. Fair value adjustments in hedge accounting | -8 | -182 | -174 | -95.6 |
| 100. Profits (Losses) on disposal or repurchase of | 753 | 320 | 433 | |
| *a) loans* | *-16* | *-11* | *5* | *45.5* |
| *b) financial assets available for sale* | *590* | *326* | *264* | *81.0* |
| *c) investments held to maturity* | *-1* | *-* | *1* | |
| *d) financial liabilities* | *180* | *5* | *175* | |
| 110. Profits (Losses) on financial assets and liabilities designated at fair value | -210 | 388 | -598 | |
| **120. Net interest and other banking income** | **17,292** | **17,401** | **-109** | **-0.6** |
| 130. Net losses / recoveries on impairment | -5,070 | -2,980 | 2,090 | 70.1 |
| *a) loans* | *-4,279* | *-2,877* | *1,402* | *48.7* |
| *b) financial assets available for sale* | *-776* | *-102* | *674* | |
| *c) investments held to maturity* | *-2* | *-* | *2* | |
| *d) other financial activities* | *-13* | *-1* | *12* | |
| **140. Net income from banking activities** | **12,222** | **14,421** | **-2,199** | **-15.2** |
| 150. Net insurance premiums | 9,260 | 11,251 | -1,991 | -17.7 |
| 160. Other net insurance income (expense) | -10,016 | -12,395 | -2,379 | -19.2 |
| **170. Net income from banking and insurance activities** | **11,466** | **13,277** | **-1,811** | **-13.6** |
| 180. Administrative expenses | -9,850 | -9,340 | 510 | 5.5 |
| *a) personnel expenses* | *-6,227* | *-5,642* | *585* | *10.4* |
| *b) other administrative expenses* | *-3,623* | *-3,698* | *-75* | *-2.0* |
| 190. Net provisions for risks and charges | -238 | -409 | -171 | -41.8 |
| 200. Net adjustments to / recoveries on property and equipment | -382 | -399 | -17 | -4.3 |
| 210. Net adjustments to / recoveries on intangible assets | -723 | -733 | -10 | -1.4 |
| 220. Other operating expenses (income) | 495 | 523 | -28 | -5.4 |
| **230. Operating expenses** | **-10,698** | **-10,358** | **340** | **3.3** |
| 240. Profits (Losses) on investments in associates and companies subject to joint control | -207 | 269 | -476 | |
| 250. Valuation differences on property, equipment and intangible assets measured at fair value | - | - | - | |
| 260. Goodwill impairment | -10,338 | - | 10,338 | |
| 270. Profits (Losses) on disposal of investments | 171 | 8 | 163 | |
| **280. Income (Loss) before tax from continuing operations** | **-9,606** | **3,196** | **-12,802** | |
| 290. Taxes on income from continuing operations | 1,429 | -1,169 | 2,598 | |
| **300. Income (Loss) after tax from continuing operations** | **-8,177** | **2,027** | **-10,204** | |
| 310. Income (Loss) after tax from discontinued operations | - | 694 | -694 | |
| **320. Net income (loss)** | **-8,177** | **2,721** | **-10,898** | |
| 330. Minority interests | -13 | -16 | -3 | -18.8 |
| **340. Parent Company's net income (loss)** | **-8,190** | **2,705** | **-10,895** | |

# 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 | 31.12.2011 | 31.12.2010 |
|---|---|---|---|
| Financial assets held for trading | | 59,963 | 71,945 |
| | *Caption 20 - Financial assets held for trading* | *59,963* | *71,945* |
| Financial assets designated at fair value through profit and loss | | 34,253 | 35,550 |
| | *Caption 30 - Financial assets designated at fair value through profit and loss* | *34,253* | *35,550* |
| Financial assets available for sale | | 68,777 | 61,835 |
| | *Caption 40 - Financial assets available for sale* | *68,777* | *61,835* |
| Investments held to maturity | | 2,621 | 3,858 |
| | *Caption 50 - Investments held to maturity* | *2,621* | *3,858* |
| Due from banks | | 35,865 | 41,494 |
| | *Caption 60 - Due from banks* | *35,865* | *41,494* |
| Loans to customers | | 376,744 | 378,827 |
| | *Caption 70 - Loans to customers* | *376,744* | *378,827* |
| Investments in associates and companies subject to joint control | | 2,630 | 2,712 |
| | *Caption 100 - Investments in associates and companies subject to joint control* | *2,630* | *2,712* |
| Property, equipment and intangible assets | | 20,577 | 31,076 |
| | *Caption 120 - Property and equipment* | *5,536* | *5,442* |
| | *+ Caption 130 - Intangible assets* | *15,041* | *25,634* |
| Tax assets | | 14,702 | 8,769 |
| | *Caption 140 - Tax assets* | *14,702* | *8,769* |
| Non-current assets held for sale and discontinued operations | | 26 | 75 |
| | *Caption 150 - Non-current assets held for sale and discontinued operations* | *26* | *75* |
| Other assets | | 23,063 | 20,884 |
| | *Caption 10 - Cash and cash equivalents* | *4,061* | *4,707* |
| | *+ Caption 160 - Other assets* | *8,602* | *8,686* |
| | *+ Caption 110 - Technical insurance reserves reassured with third parties* | *15* | *27* |
| | *+ Caption 80 - Hedging derivatives* | *10,248* | *7,373* |
| | *+ Caption 90 - Fair value change of financial assets in hedged portfolios* | *137* | *91* |
| **Total Assets** | **Total Assets** | **639,221** | **657,025** |

| Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity | Captions of the restated consolidated balance sheet - Liabilities and Shareholders' Equity | 31.12.2011 | 31.12.2010 |
|---|---|---|---|
| Due to banks | | 78,644 | 52,972 |
| | *Caption 10 - Due to banks* | *78,644* | *52,972* |
| Due to customers and securities issued | | 357,410 | 399,177 |
| | *Caption 20 - Due to customers* | *197,165* | *218,508* |
| | *+ Caption 30 - Securities issued* | *160,245* | *180,669* |
| Financial liabilities held for trading | | 48,740 | 45,044 |
| | *Caption 40 - Financial liabilities held for trading* | *48,740* | *45,044* |
| Financial liabilities designated at fair value through profit and loss | | 22,653 | 26,144 |
| | *Caption 50 - Financial liabilities designated at fair value through profit and loss* | *22,653* | *26,144* |
| Tax liabilities | | 4,064 | 3,253 |
| | *Caption 80 - Tax liabilities* | *4,064* | *3,253* |
| Liabilities associated with non-current assets held for sale and discontinued operations | | - | - |
| | *Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations* | *-* | *-* |
| Other liabilities | | 24,225 | 20,941 |
| | *Caption 100 - Other liabilities* | *13,963* | *13,643* |
| | *+ Caption 60 - Hedging derivatives* | *8,576* | *5,888* |
| | *+ Caption 70 - Fair value change of financial liabilities in hedged portfolios* | *1,686* | *1,410* |
| Technical reserves | | 50,761 | 50,188 |
| | *Caption 130 - Technical reserves* | *50,761* | *50,188* |
| Allowances for specific purpose | | 4,966 | 4,644 |
| | *Caption 110 - Employee termination indemnities* | *1,338* | *1,354* |
| | *Caption 120 - Allowances for risks and charges* | *3,628* | *3,290* |
| Share capital | | 8,546 | 6,647 |
| | *Caption 190 - Share capital* | *8,546* | *6,647* |
| Reserves (net of treasury shares) | | 49,982 | 45,235 |
| | *Caption 170 - Reserves* | *13,843* | *12,143* |
| | *Caption 180 - Share premium reserve* | *36,143* | *33,102* |
| | *– Caption 200 - Treasury shares* | *-4* | *-10* |
| Valuation reserves | | -3,298 | -1,054 |
| | *Caption 140 - Valuation reserves* | *-3,298* | *-1,054* |
| Minority interests | | 718 | 1,129 |
| | *Caption 210 - Minority interests* | *718* | *1,129* |
| Net income (loss) | | -8,190 | 2,705 |
| | *Caption 220 - Net income (loss)* | *-8,190* | *2,705* |
| **Total Liabilities and Shareholders' Equity** | **Total Liabilities and Shareholders' Equity** | **639,221** | **657,025** |

## Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

| Captions of the reclassified consolidated income statement | Captions of the restated consolidated income statement | 2011 | 2010 |
|---|---|---|---|
| Net interest income | | 9,780 | 9,700 |
| | *Caption 30 - Interest margin* | *11,391* | *10,986* |
| | *- Caption 30 (partial) - Contribution of insurance business* | *-2,012* | *-1,627* |
| | *- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)* | *50* | *84* |
| | *- Caption 30 (partial) - Interest margin (Fiscal settlement)* | *35* | *-* |
| | *+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest* | *71* | *76* |
| | *+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)* | *354* | *284* |
| | *+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)* | *-91* | *-85* |
| | *+ Caption 190 (partial)- 'Net provisions for risks and charges (Time value allowances for risks and charges)* | *-18* | *-18* |
| Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity) | | 72 | 29 |
| | *Caption 70 - Dividend and similar income* | *542* | *499* |
| | *- Caption 70 (partial) - Contribution of insurance business* | *-87* | *-96* |
| | *- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading* | *-428* | *-378* |
| | *+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)* | *45* | *4* |
| Net fee and commission income | | 5,466 | 5,652 |
| | *Caption 60 - Net fee and commission income* | *5,028* | *5,176* |
| | *- Caption 60 (partial) - Contribution of insurance business* | *455* | *491* |
| | *+ Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)* | *-17* | *-15* |
| Profits (Losses) on trading | | 920 | 460 |
| | *Caption 80 - Profits (Losses) on trading* | *-204* | *214* |
| | *+ Caption 90 - Fair value adjustments in hedge accounting* | *-8* | *-182* |
| | *+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale* | *590* | *326* |
| | *+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities* | *180* | *5* |
| | *+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value* | *-210* | *388* |
| | *+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading* | *428* | *378* |
| | *- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest* | *-71* | *-76* |
| | *- Caption 80 (partial) - Contribution of insurance business* | *217* | *-593* |
| | *- Caption 100 d) (partial) Financial liabilities (Effect of purchase price allocation)* | *-2* | *-* |
| Income from insurance business | | 540 | 654 |
| | *Caption 150 - Net insurance premiums* | *9,260* | *11,251* |
| | *+ Caption 160 - Other net insurance income (expense)* | *-10,016* | *-12,395* |
| | *+ Caption 30 (partial) - Contribution of insurance business* | *2,012* | *1,627* |
| | *+ Caption 60 (partial) - Contribution of insurance business* | *-455* | *-491* |
| | *+ Caption 70 (partial) - Contribution of insurance business* | *87* | *96* |
| | *+ Caption 80 (partial) - Contribution of insurance business* | *-217* | *593* |
| | *- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS* | *-131* | *-27* |
| Other operating income (expenses) | | 7 | 34 |
| | *Caption 220 - Other operating income (expenses)* | *495* | *523* |
| | *- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)* | *-9* | *-32* |
| | *- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)* | *-488* | *-457* |
| | *- Caption 220 (partial) - Other operating income (expenses) (Fiscal settlement)* | *9* | *-* |
| **Operating income** | | **16,785** | **16,529** |
| Personnel expenses | | -5,419 | -5,528 |
| | *Caption 180 a) - Personnel expenses* | *-6,227* | *-5,642* |
| | *- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)* | *717* | *29* |
| | *- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)* | *91* | *85* |
| | *- Caption 180 a) (partial) - Personnel expenses (Effect of purchase price allocation)* | *-* | *-* |
| Other administrative expenses | | -3,080 | -3,174 |
| | *Caption 180 b) - Other administrative expenses* | *-3,623* | *-3,698* |
| | *- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)* | *29* | *45* |
| | *- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)* | *17* | *15* |
| | *+ Caption 220 (partial) - Other operating income (expenses) (Recovery of deferred taxes)* | *488* | *457* |
| | *+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)* | *9* | *7* |
| Adjustments to property, equipment and intangible assets | | -638 | -602 |
| | *Caption 200 - Net adjustments to/recoveries on property and equipment* | *-382* | *-399* |
| | *+ Caption 210 - Net adjustments to/recoveries on intangible assets* | *-723* | *-733* |
| | *- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)* | *5* | *8* |
| | *- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)* | *11* | *18* |
| | *- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)* | *8* | *23* |
| | *- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)* | *1* | *-* |
| | *- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)* | *-22* | *-22* |
| | *- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)* | *464* | *503* |
| **Operating costs** | | **-9,137** | **-9,304** |
| **Operating margin** | | **7,648** | **7,225** |

(millions of euro)

| Captions of the reclassified consolidated income statement | Captions of the restated consolidated income statement | 2011 | 2010 |
|---|---|---|---|
| **Operating margin** | | **7,648** | **7,225** |
| Net provisions for risks and charges | | -218 | -366 |
| | *Caption 190 - Net provisions for risks and charges* | *-238* | *-409* |
| | *- Caption 190 (partial) - Net provisions for risks and charges (Charges for integration)* | *2* | *-* |
| | *- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)* | *18* | *18* |
| | *+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)* | *-* | *25* |
| Net adjustments to loans | | -4,243 | -3,170 |
| | *Caption 100 a) - Profits (Losses) on disposal or repurchase of loans* | *-16* | *-11* |
| | *+ Caption 130 a) - Net losses/recoveries on impairment of loans* | *-4,279* | *-2,877* |
| | *- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)* | *-354* | *-284* |
| | *- Caption 130 a) (partial) - Reclassification of Greek government bonds impairment* | *414* | *-* |
| | *+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities* | *-13* | *-1* |
| | *- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)* | *5* | *3* |
| Net impairment losses on other assets | | -1,069 | -95 |
| | *+ Caption 130 a) (partial) - Reclassification of Greek government bonds impairment* | -414 | *-* |
| | *+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale* | *-776* | *-102* |
| | *+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity* | *-2* | *-* |
| | *+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS* | *131* | *27* |
| | *+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)* | *-8* | *-23* |
| | *- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)* | *-* | *-* |
| | *+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)* | *-1* | *-* |
| | *- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)* | *1* | *3* |
| | *+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value* | *-* | *-* |
| Profits (Losses) on investments held to maturity and on other investments | | -99 | 273 |
| | *Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity* | *-1* | *-* |
| | *+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control* | *-207* | *269* |
| | *- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)* | *-45* | *-4* |
| | *+ Caption 270 - Profits (Losses) on disposal of investments* | *171* | *8* |
| | *- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)* | *-17* | *-* |
| **Income (Loss) before tax from continuing operations** | | **2,019** | **3,867** |
| Taxes on income from continuing operations | | 910 | -1,372 |
| | *Caption 290 - Taxes on income from continuing operations* | *1,429* | *-1,169* |
| | *+ Caption 30 (partial) - Interest margin (Fiscal settlement)* | *-35* | *-* |
| | *+ Caption 220 (partial) - Other operating income/expenses (Fiscal settlement)* | *-9* | *-* |
| | *- Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment)* | *-105* | *-* |
| | *- Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)* | *-213* | *-31* |
| | *- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)* | *-157* | *-172* |
| Charges (net of tax) for integration and exit incentives | | -552 | -72 |
| | *+ Caption 180 a) (partial) - Personnel expenses (Charges - net of tax - for integration and exit incentives)* | *-717* | *-29* |
| | *+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)* | *-29* | *-45* |
| | *+ Caption 190 (partial) - Net provisions for risks and charges (Charges for integration)* | *-2* | *-* |
| | *+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Charges for integration)* | *-5* | *-8* |
| | *+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)* | *-11* | *-18* |
| | *+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)* | *-1* | *-3* |
| | *+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)* | *213* | *31* |

(millions of euro)

| Captions of the reclassified consolidated income statement | Captions of the restated consolidated income statement | 2011 | 2010 |
|---|---|---|---|
| Effect of purchase price allocation (net of tax) | | -321 | -396 |
| | + *Caption 30 (partial) - Interest margin (Effect of purchase price allocation)* | *-50* | *-84* |
| | + *Caption 100 d) (partial) Financial liabilities (Effect of purchase price allocation)* | *2* | *-* |
| | + *Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase price allocation)* | *22* | *22* |
| | + *Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)* | *-464* | *-503* |
| | + *Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)* | *-5* | *-3* |
| | + *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)* | *17* | *-* |
| | + *Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)* | *157* | *172* |
| Goodwill impairment (net of tax) | | -10,233 | - |
| | *Caption 260 - Goodwill impairment* | *-10,338* | *-* |
| | + *Caption 290 (partial) - Taxes on income from continuing operations (Goodwill impairment )* | *105* | *-* |
| Income (Loss) after tax from discontinued operations | | - | 694 |
| | *Caption 310 - Income (Loss) after tax from discontinued operations* | *-* | *694* |
| Minority interests | | -13 | -16 |
| | *Caption 330 - Minority interests* | *-13* | *-16* |
| **Net income (loss)** | **Caption 340 - Parent Company's net income (loss)** | **-8,190** | **2,705** |

# Other consolidated attachments

# List of the IAS/IFRS endorsed by the European Commission as at 31 December 2011

| ACCOUNTING STANDARDS | | Regulation endorsement |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | 1126/2008 mod. 1260/2008 - 1274/2008 - 69/2009 - 70/2009 -254/2009 - 494/2009 495/2009 - 1136/2009 - 1164/2009 - 550/2010 - 574/2010 - 662/2010 - 149/2011 1205/2011 (*) |
| IFRS 2 | Share-based Payment | 1126/2008 mod. 1261/2008 - 495/2009 - 243/2010 - 244/2010 |
| IFRS 3 | Business Combinations | 1126/2008 mod. 495/2009 - 149/2011 |
| IFRS 4 | Insurance Contracts | 1126/2008 mod. 1274/2008 - 494/2009 - 1165/2009 |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 1142/2009 - 243/2010 |
| IFRS 6 | Exploration for and Evaluation of Mineral Resources | 1126/2008 |
| IFRS 7 | Financial Instruments: Disclosures | 1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 495/2009 - 824/2009 - 1165/2009 - 574/2010 - 149/2011 - 1205/2011 (*) |
| IFRS 8 | Operating Segments | 1126/2008 mod. 1274/2008 - 243/2010 - 632/2010 |
| IAS 1 | Presentation of Financial Statements | 1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 - 149/2011 |
| IAS 2 | Inventories | 1126/2008 - 70/2009 |
| IAS 7 | Statement of Cash Flows | 1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 494/2009 - 243/2010 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | 1126/2008 mod. 1274/2008 - 70/2009 |
| IAS 10 | Events after the Reporting Period | 1126/2008 mod. 1274/2008 - 70/2009 - 1142/2009 |
| IAS 11 | Construction Contracts | 1126/2008 mod. 1260/2008 - 1274/2008 |
| IAS 12 | Income Taxes | 1126/2008 mod. 1274/2008 - 495/2009 |
| IAS 16 | Property, Plant and Equipment | 1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 |
| IAS 17 | Leases | 1126/2008 mod. 243/2010 |
| IAS 18 | Revenue | 1126/2008 mod. 69/2009 |
| IAS 19 | Employee Benefits | 1126/2008 mod. 1274/2008 - 70/2009 |
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | 1126/2008 mod. 1274/2008 - 70/2009 |
| IAS 21 | The Effects of Changes in Foreign Exchange Rates | 1126/2008 mod. 1274/2008 - 69/2009 - 494/2009 |
| IAS 23 | Borrowing costs | 1126/2008 mod. 1260/2008 - 70/2009 |
| IAS 24 | Related Party Disclosures | 1126/2008 mod. 1274/2008 - 632/2010 |
| IAS 26 | Accounting and Reporting by Retirement Benefit Plans | 1126/2008 |
| IAS 27 | Consolidated and Separate Financial Statements | 1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 494/2009 |
| IAS 28 | Investments in Associates | 1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 495/2009 |
| IAS 29 | Financial Reporting in Hyperinflationary Economies | 1126/2008 mod. 1274/2008 - 70/2009 |
| IAS 31 | Interests in Joint Ventures | 1126/2008 mod. 70/2009 - 494/2009 |
| IAS 32 | Financial Instruments: Presentation | 1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 1293/2009 |
| IAS 33 | Earnings per Share | 1126/2008 mod. 1274/2008 - 494/2009 - 495/2009 |
| IAS 34 | Interim Financial Reporting | 1126/2008 mod. 1274/2008 - 70/2009 - 495/2009 - 149/2011 |
| IAS 36 | Impairment of Assets | 1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010 |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets | 1126/2008 mod. 1274/2008 - 495/2009 |
| IAS 38 | Intangible Assets | 1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 243/2010 |
| IAS 39 | Financial Instruments: Recognition and Measurement (except for certain rules on hedge accounting) | 1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 824/2009 - 839/2009 - 1171/2009 - 243/2010 |
| IAS 40 | Investment Property | 1126/2008 mod. 1274/2008 - 70/2009 |
| IAS 41 | Agriculture | 1126/2008 mod. 1274/2008 - 70/2009 |

(*) Companies apply this regulation at the latest as of the first financial year starting after 30 June 2011.

| INTERPRETATIONS | | Regulation endorsement |
|---|---|---|
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1126/2008 mod. 1260/2008 - 1274/2008 |
| IFRIC 2 | Members' Shares in Cooperative Entities and Similar Instruments | 1126/2008 mod. 53/2009 |
| IFRIC 4 | Determining whether an Arrangement contains a Lease | 1126/2008 mod. 254/2009 |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1126/2008 |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | 1126/2008 |
| IFRIC 7 | Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies | 1126/2008 mod. 1274/2008 |
| IFRIC 9 | Reassessment of Embedded Derivatives | 1126/2008 mod. 495/2009 - 1171/2009 - 243/2010 |
| IFRIC 10 | Interim Financial Reporting and Impairment | 1126/2008 mod. 1274/2008 |
| IFRIC 12 | Service Concession Arrangements | 254/2009 |
| IFRIC 13 | Customer Loyalty Programmes | 1262/2008 - 149/2011 |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1263/2008 mod. 1274/2008 - 633/2010 |
| IFRIC 15 | Agreements for the Construction of Real Estate | 636/2009 |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | 460/2009 mod. 243/2010 |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | 1142/2009 |
| IFRIC 18 | Transfers of Assets from Customers | 1164/2009 |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | 662/2010 |
| SIC 7 | Introduction of the Euro | 1126/2008 mod. 1274/2008 - 494/2009 |
| SIC 10 | Government Assistance - No Specific Relation to Operating Activities | 1126/2008 mod. 1274/2008 |
| SIC 12 | Consolidation - Special Purpose Entities | 1126/2008 |
| SIC 13 | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | 1126/2008 mod. 1274/2008 |
| SIC 15 | Operating Leases - Incentives | 1126/2008 mod. 1274/2008 |
| SIC 21 | Income Taxes - Recovery of Revalued non-Depreciable Assets | 1126/2008 |
| SIC 25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | 1126/2008 mod. 1274/2008 |
| SIC 27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | 1126/2008 |
| SIC 29 | Service Concession Arrangements: Disclosures | 1126/2008 mod. 1274/2008 - 254/2009 |
| SIC 31 | Revenue - Barter Transactions Involving Advertising Services | 1126/2008 |
| SIC 32 | Intangible Assets - Web Site Costs | 1126/2008 mod. 1274/2008 |