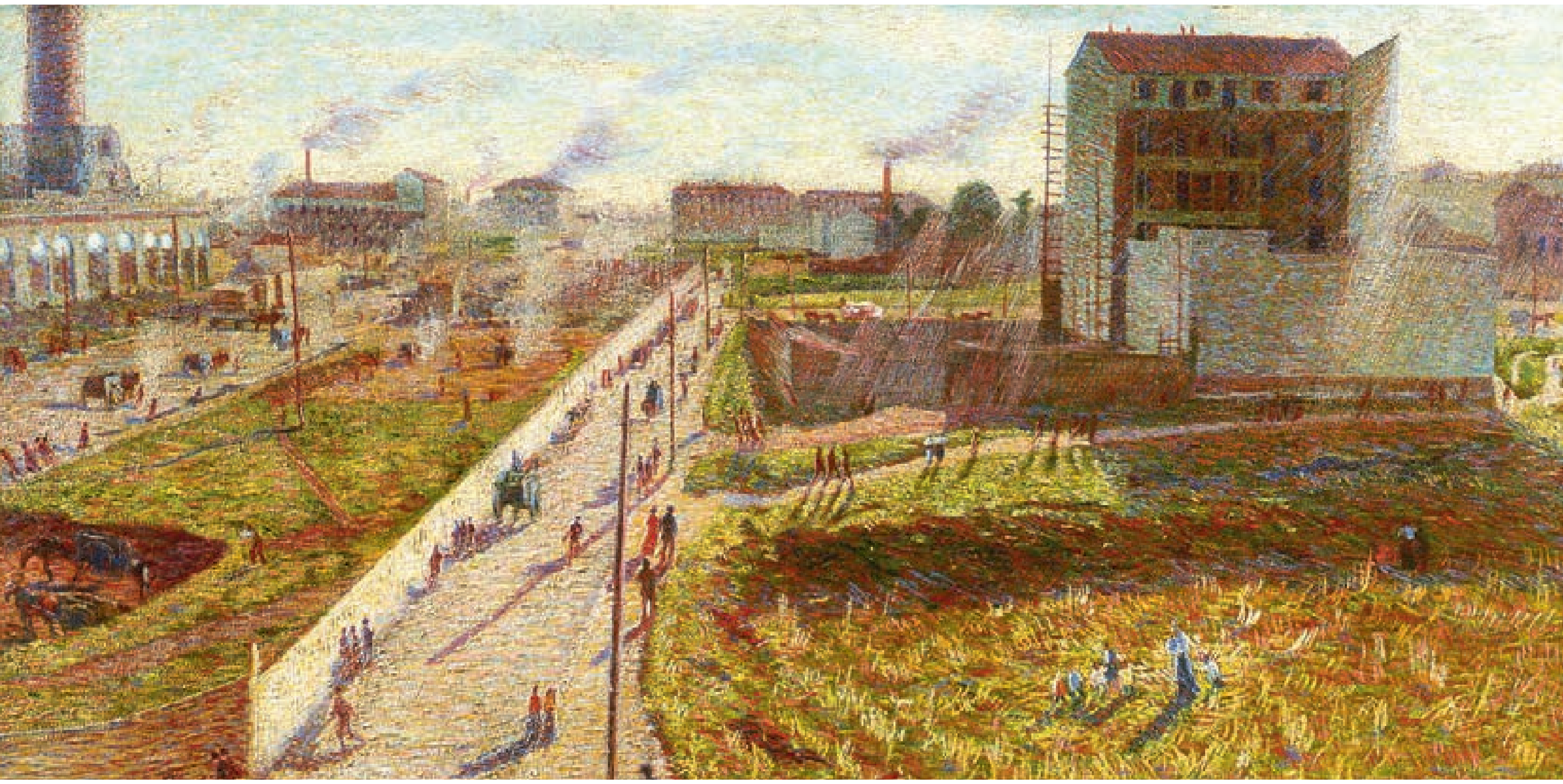
Annual Report 2012



Supervisory Board
of 21 March 2013

Report and consolidated financial statements of the Intesa Sanpaolo Group 2012

Report and Parent Company's financial statements 2012

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

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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 · 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 Branches	Subsidiaries Company	Subsidiaries Branches
1,591	Intesa Sanpaolo Private Banking	58
	Banca Fideuram	38
	Banca Prossima	22
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO Branches	Subsidiaries Company	Subsidiaries Branches
19	CR del Veneto	413
	CR in Bologna	226
	CR del Friuli Venezia Giulia	133
	CR Venezia	113
	CR di Forlì e della Romagna	110
	Banca di Trento e Bolzano	85
	Banca Monte Parma	72
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	13
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO Branches	Subsidiaries Company	Subsidiaries Branches
263	Banca CR Firenze	745
	Banca dell'Adriatico	81
	Banca Fideuram	21
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	8
	Banco di Napoli	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO Branches	Subsidiaries Company	Subsidiaries Branches
9	Banco di Napoli	722
	Banca dell'Adriatico	111
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	16
	Banca CR Firenze	12
	Banca Fideuram	11
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO Branches	Subsidiaries Company	Subsidiaries Branches
182	Banca di Credito Sardo	97
	Banca Prossima	7
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	Mediocredito Italiano	1

Figures as at 31 December 2012

Product Companies

INTESA SANPAOLO VITA

Bancassurance

INTESA SANPAOLO PREVIDENZA

Pension Funds

EurizonCapital

Asset Management

SIREFID

Fiduciary Services

INTESA SANPAOLO PERSONAL FINANCE · 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 DI TRENTO E BOLZANO | BANK FÜR TRIENT UND BOZEN | Banca FIDEURAM | BANCA IMI
BANCA INTESA | BANCA INTESA Beograd | BANKA KOPER | CIB BANK
INTESA SANPAOLO BANK Albania | INTESA SANPAOLO BANK Romania | INTESA SANPAOLO BANKA Bosna i Hercegovina | INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO PRIVATE BANK SUISSE | PRAVEX-BANK | PRIVREDNA BANKA ZAGREB | Société Européenne de Banque
VÚB BANKA

AMERICA

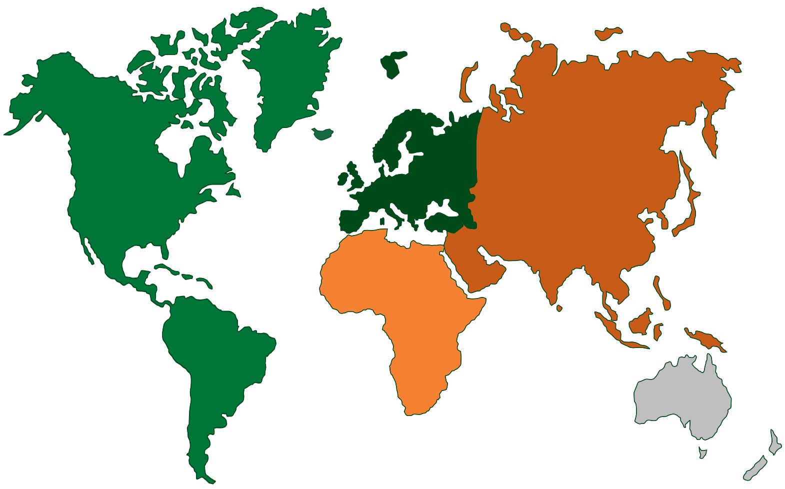
Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

ASIA

Direct Branches	Representative Offices
Dubai	Abu Dhabi
Hong Kong	Beijing
Shanghai	Beirut
Singapore	Ho Chi Minh City
Tokyo	Mumbai
	Seoul
	Tehran(3)

EUROPE

Direct Branches	Representative Offices
Amsterdam	Athens
Dornbirn(1)	Brussels(2)
Frankfurt	Istanbul
Innsbruck(1)	Moscow
London	Stockholm
Madrid	Warsaw
Paris	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	31
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	54
Croatia	Privredna Banka Zagreb	211
Czech Republic	VUB Banka	1
Hungary	CIB Bank	108
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	86
Russian Federation	Banca Intesa	76
Serbia	Banca Intesa Beograd	199
Slovakia	VUB Banka	241
Slovenia	Banka Koper	54
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	259
United Kingdom	Banca IMI	1

AFRICA

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

Figures as at 31 December 2012
(1) Branches of Italian subsidiary Banca di Trento e Bolzano
(2) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(3) Suspended business

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 Chairmen	Mario BERTOLISSI Pietro GARIBALDI
Members	Luigi Arturo BIANCHI Gianfranco CARBONATO Rosalba CASIRAGHI Franco DALLA SEGA Jean-Paul FITOUSSI Guido GHISOLFI Giulio Stefano LUBATTI Marco MANGIAGALLI Gianni MARCHESINI Fabio PASQUINI Eugenio PAVARANI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Marco SPADACINI Livio TORIO 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 Paolo CAMPAIOLI Elio CATANIA Roberto FIRPO Emilio OTTOLENGHI

General Managers	Enrico Tommaso CUCCHIANI Giuseppe CASTAGNA Carlo MESSINA Gaetano MICCICHÈ
Manager responsible for preparing the Company's financial reports	Ernesto RIVA
Independent Auditors	KPMG S.p.A.

Letter from the Chairmen

Distinguished Shareholders,

the global economy recorded approximately 3% growth in 2012, sustained by positive performance in the United States and by the most recently industrialised countries, as well as by the continued expansionary outlook of monetary policy. The macroeconomic scenario of the Eurozone, on the other hand, suffered the effects of a slight decline in gross domestic product, following the recession that impacted the economies of peripheral countries and the restrictive fiscal policies.

Performance of the financial markets was impacted by the sovereign debt crisis throughout the first part of the year. The confidence level improved in the summer, thanks to the improvement in public finance in the countries most impacted by the crisis and to the establishment of a safety network through the European Stability Mechanism and the programme announced by the European Central Bank to purchase government securities.

Italy has gradually succeeded in reconquering the confidence of markets, which benefited from the significant decline in governmentborrowing requirements and the net improvement in the primary surplus, up from 1.2% to 2.5% of GDP in one year. The yield spread between Italian and German ten-year bonds declined from 575 basis points at the end of 2011 to a low of 248 prior to the elections. The average rate on Ordinary Treasury Bonds fell from 6.4% to 1.2% during the same period.

Having overcome the financial emergency, now the challenge for our Country is to relaunch the cycle in the real economy. Compared to 2008 levels, the gross domestic product, valued at real prices, declined by over 5%; industrial production and fixed investments dropped just below 20% and the disposable income of households declined by 8%. The only positive contribution to growth was the foreign channel which significantly increased in exports to non-EU countries and a downturn in imports.

Today, the ability to penetrate foreign markets is the key strength of the Italian industrial sector. In order to overcome the crisis, whilst maintaining the progress made in terms of balancing of the public accounts, we must implement a complete series of structural reforms that ensure companies receive the necessary boosts in competitiveness, and facilitate recovery in growth and employment. The path we must take is clear: encourage research and innovation, promote competition, improve business services, combat illegality and tax evasion and reduce waste in public spending.

In this climate of severe difficulty, Intesa Sanpaolo has contributed to ensuring balanced conditions in the Italian economy. The Bank supported the government securities market during the most critical phases of the crisis, and launched numerous initiatives aimed at stimulating the creation of new businesses, promoting innovation and encouraging the internationalisation of Italian firms, striving to achieve greater competitiveness for our industrial sector. Despite the worsening creditworthiness of a significant portion of the manufacturing sector, the Group has continued to grant credit to businesses and households.

The capital ratios, further strengthened compared to 2011 levels and higher than the regulatory requirements, are evidence of the Bank's solidity. The Core Tier 1 ratio at the end of 2012 was at 11.2%, while the pro-forma Common Equity ratio under fully phased-in Basel 3 was at 10.6%, among the highest levels across the leading European banks. Furthermore, both the liquidity requirements indicated by the aforementioned Basel 3 Accord were complied with , well ahead of the dates envisaged for their application.

The 2012 financial statements closed with positive results. Despite the recessive macroeconomic scenario and Italy's sovereign debt crisis:

- operating income increased by 6.5% compared to 2011, due to the growing contribution from trading and insurance business;
- cost containment measures continued, bringing the cost/income ratio down to 49.8%;
- operating margin was just under 9 billion euro.

Consolidated net income was 1.6 billion euro and takes into account adjustments to loans of approximately 4.7 billion (+11.1% compared to 2011) and taxes of approximately 1.5 billion.

The results achieved during the year, within a particularly difficult context, and the capital and financial solidity demonstrated by the regulatory indicators have allowed us to propose a dividend distribution of 832 million euro at the Ordinary Shareholders' Meeting (corresponding to five euro cents per ordinary share and 6.1 euro cents per savings share).

In 2013, Intesa Sanpaolo's priority will continue to be the preservation of its capital base and maintenance of a tight control on the risk and liquidity profiles, simultaneously pursuing the objective of sustainable profitability, through increasingly greater efficiency and productivity.

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 2012 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 subsequent updates. 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 support of 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 Art. 123 ter of the Consolidated Law on Finance. The "Report on Corporate Governance and Ownership Structures - Report on Remuneration" 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.

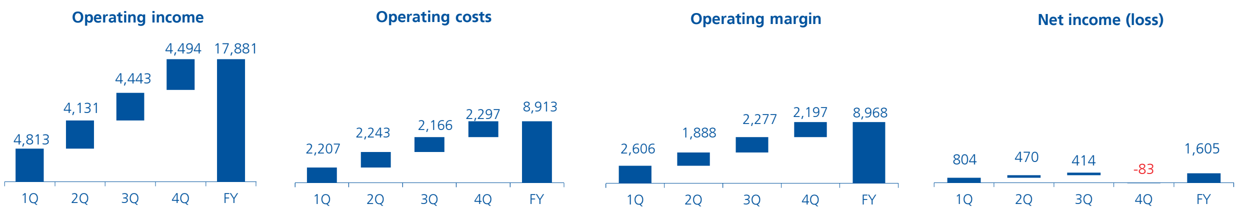
REPORT ON OPERATIONS

OVERVIEW OF 2012

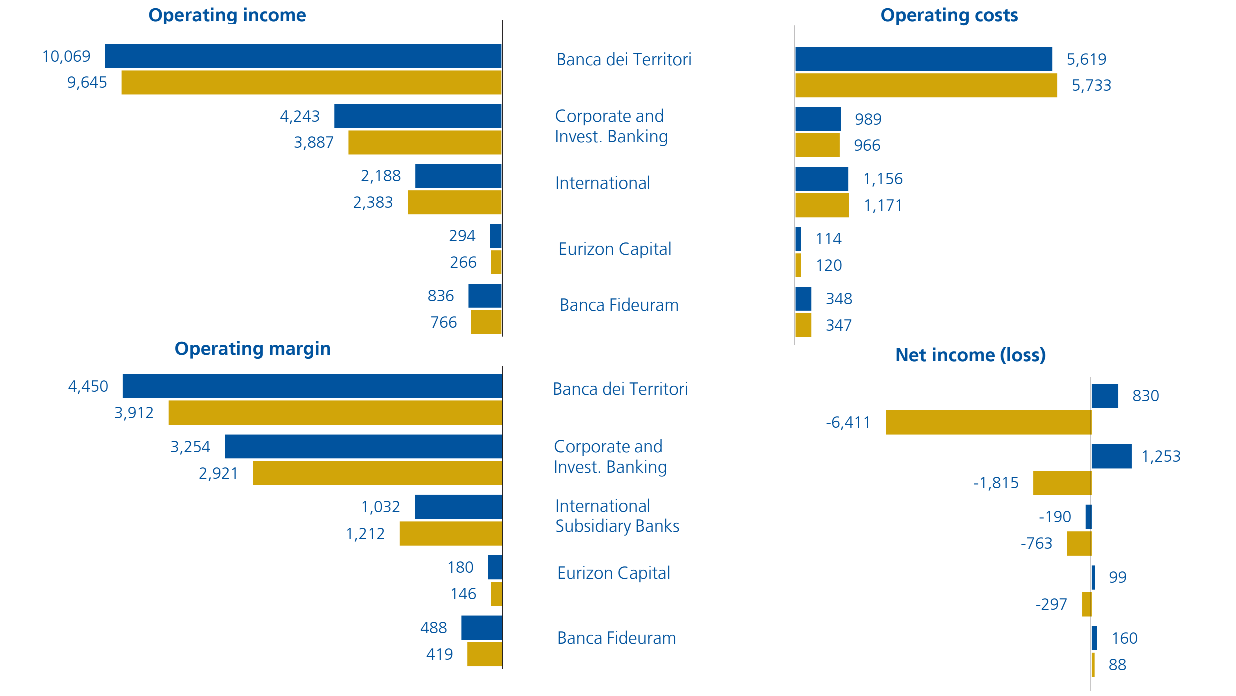
Income statement figures and alternative performance measures

Consolidated income statement figures (millions of euro)	2012	2011	**Changes** amount	**Changes** %
Net interest income	9,430	9,780	-350	-3.6
Net fee and commission income	5,451	5,466	-15	-0.3
Profits (losses) on trading	2,182	920	1,262	
Income from insurance business	828	540	288	53.3
Operating income	17,881	16,785	1,096	6.5
Operating costs	-8,913	-9,137	-224	-2.5
Operating margin	8,968	7,648	1,320	17.3
Net adjustments to loans	-4,714	-4,243	471	11.1
Income after tax from discontinued operations	-	-	-	-
Net income (loss)	1,605	-8,190	9,795	

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



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



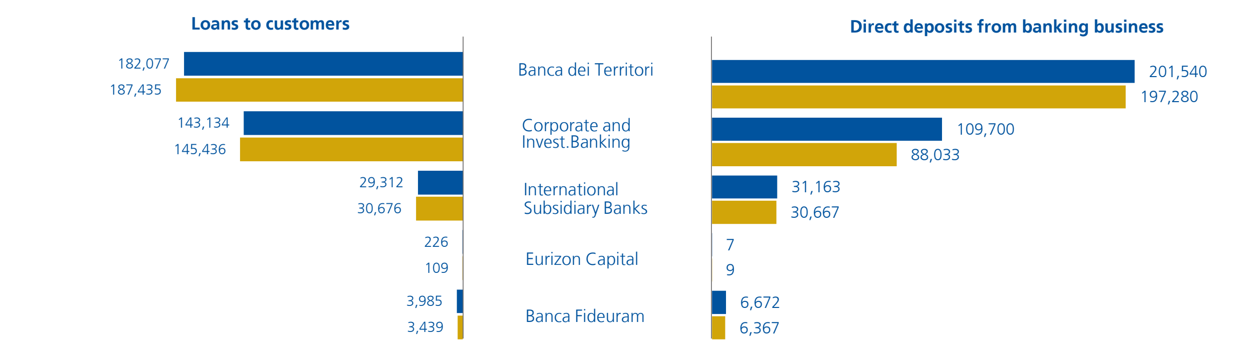
Figures restated, where necessary, considering the changes in the scope of consolidation and in business unit constituents.

2012
2011

Balance sheet figures and alternative performance measures

Consolidated balance sheet figures (millions of euro)			Changes amount	Changes %
Financial assets	199,790	165,614	34,176	20.6
of which: Insurance Companies	*80,400*	*73,926*	*6,474*	*8.8*
Loans to customers	376,625	376,974	-349	-0.1
Total assets	673,472	639,483	33,989	5.3
Direct deposits from banking business	380,353	360,019	20,334	5.6
Direct deposits from insurance business and technical reserves	81,766	73,119	8,647	11.8
Indirect deposits:	413,796	405,727	8,069	2.0
of which: Assets under management	*231,491*	*221,889*	*9,602*	*4.3*
Shareholders' equity	49,613	47,040	2,573	5.5

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



Operating structure	**31.12.2012**	**31.12.2011**	**Changes amount**
Number of employees	**96,170**	**101,199**	**-5,029**
Italy	66,427	70,217	-3,790
Abroad	29,743	30,982	-1,239
Number of financial advisors	**5,082**	**4,850**	**232**
Number of branches [(a)]	**6,841**	**7,246**	**-405**
Italy	5,302	5,581	-279
Abroad	1,539	1,665	-126

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.

31.12.2012
31.12.2011

Other alternative performance measures

Consolidated profitability ratios (%)

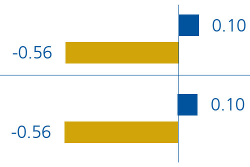
Cost / Income

Net income / Average shareholders' equity (ROE) [(a)]

Earnings per share (euro)

Basic earnings per share (basic EPS) [(b)]

Diluted earnings per share (diluted EPS)



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

(a) Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves.

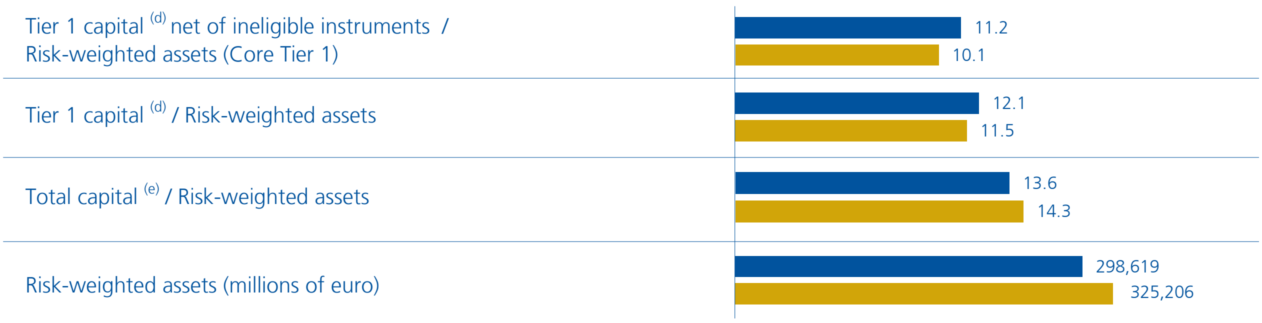
(b) Net income (loss) attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares. The figure for comparison is not restated.

2012

2011

Consolidated risk ratios (%)

Consolidated capital ratios (%) [c]



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

[c] Ratios are determined using the methodology set out in the Basel 2 Capital Accord. The figure for comparison are not restated.

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

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

Stakeholder map

SHAREHOLDERS		2012	2011
Institutional investors Small investors Foundations Market	Number of ordinary shares (thousands)	15,501,512	15,501,282
	Share price at period-end - ordinary share (euro)	1.300	1.289
	Average share price for the period - ordinary share (euro)	1.233	1.658
	Average market capitalisation (million)	20,066	27,006
	Shareholders' equity (million)	50,199	47,758
	Book value per share (euro)	3.057	2.907
	Long-term rating		
	Moody's	Baa2	A2
	Standard & Poor's	BBB+	BBB+
	Fitch	A-	A-

Figures for 2011 not restated. Book value per share does not consider treasury shares.

CUSTOMERS		2012	2011
Households SMEs Corporates Consumer Associations Public Authorities and Public Administration	Number of customers (million)	19.2	19.0
	Retail customers by average account seniority (years)	11.5	8.9

2011 figures not restated. The increase in average seniority is a result of methodological improvements.

EMPLOYEES		2012	2011
Apprentices Clerical staff Middle and junior managers Senior managers Trade unions	Employees by gender: men (%)	46.0%	46.3%
	Employees by gender: women (%)	54.0%	53.7%
	Employees with university degree (%)	41.8%	41.4%
	Turnover rate (%)	-4.0%	-1.8%
	Training days per employee	11.4	10.1

Figures for 2011 not restated.

COMMUNITY		2012	2011
Stakeholder associations Non-profit organisations National and international public institutions Community Territory Media	Donations (million)	17.8	19.9
	Sponsorships (million)	38.5	39.1

Figures for 2011 not restated.

ENVIRONMENT		2012	2011
Environmental Associations Future Generations	CO_2 emissions per employee (Kg)	1,037	1,055
	Electricity consumption per employee (KWh)	5,638	5,797
	Paper consumption per employee (Kg)	92	92

Figures for 2011 not restated.

SUPPLIERS (%)		2012	2011
Trading partners Large-scale suppliers Small suppliers	IT services	25.2%	24.7%
	Real estate management	27.4%	25.9%
	Purchase of goods and services	23.0%	21.9%
	Professional and legal expenses	13.1%	16.2%
	Advertising and promotional expenses	5.3%	5.7%
	Other expenses	6.0%	5.6%

Figures for 2011 not restated.

Executive summary

Intesa Sanpaolo in 2012

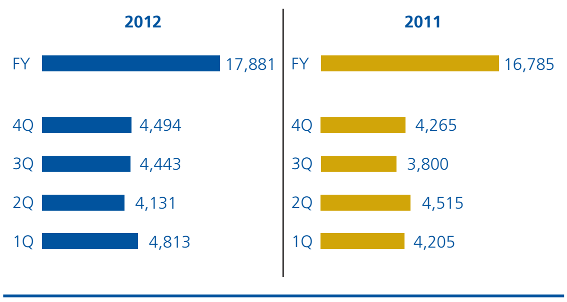
Economic trends in 2012

The year 2012 overall showed moderate growth in the global economy. Growth was driven by the trend in domestic demand in the United States and in emerging countries. Monetary policies were very accommodating.
The economy in the Eurozone remained weak. Gross Domestic Product underwent a slight decline, due to recessive pressures that impacted the peripheral continental countries and the Netherlands. The deceleration in growth rates reflects the consequences of highly restrictive fiscal policies and unfavourable financial conditions as a result of the debt crisis. The sovereign debt crisis has affected the market trends and economic policy decisions of many European countries. After a temporary improvement linked to the sizeable injection of liquidity by the ECB via three-year refinancing operations, tensions rapidly resumed growing. A significant improvement in the climate of financial markets was recorded starting from the end of July. In August, the ECB announced its programme for the conditional purchase of government bonds, known as the OMT (Outright Monetary Transactions). Following this announcement, the markets reassessed their risk evaluations of public debt in Spain and Italy.
Italy has suffered a year of recession, with GDP falling by 2.4% and the unemployment rate rising by more than two percentage points. The weakness in investments and consumption was only partly offset by the improvement in the trade balance.
In July, the European Central Bank cut official rates by 25 basis points. The excessive liquidity remained high throughout 2012. Consequently, money market rates dropped steadily. On the Italian debt market, yields on government bonds underwent a significant decline, following the wide fluctuations during the period January-July.
The emerging economies were also affected by a deterioration of the business cycle, while remaining on a growth course. The economic slowdown affected all the main geographical regions, albeit to varying degrees. It was more contained in the Asiatic countries, in Latin America and in the CIS countries (Commonwealth of Independent States). Conversely, the slowdown in growth was particularly marked in Central and South-Eastern Europe, which were more highly impacted by the recession in the Eurozone. Moving against the trend were the non-oil producing countries of the MENA area (Middle East and North Africa), where the economy accelerated, also due to the favourable comparison with 2011, which was impacted by the effects of the political upheavals.
In Italy, the trend in bank rates was impacted by the development of the sovereign debt crisis. The decline observed in the initial months of 2012 following injection of liquidity by the ECB was inverted by a return of tensions. The decline resumed in the summer, but the movement of bank rates subsequently became more uncertain. Conditions on the credit market were better than at the peak of the restrictive phase at the end of 2011, due to easing of the liquidity position of banks and strengthening of their capitalisation levels, which were offset, however, by the increase in credit risk.
The cost of funding continued to be high, at record highs for the last four years, while the spread between average interest rates on the amounts of loans and deposits fell to new lows.
Lending activities continued to weaken. The decline in loans to non-financial companies intensified during the second half of the year, with growth rates hitting their record lows for the available historical series from the end of the 1990s. Although they showed greater resilience, even loans to households recorded a decline, after a gradual slowdown. Credit risk remained high. Throughout the year all credit quality indicators revealed a deterioration. In particular, as regards loans to non-financial companies, the new doubtful loan ratio exceeded 3%, a level which had not been reached since the late 1990s.
Bank funding improved, returning to a growth trend from September onwards, driven by deposits by residents. With a steady annual reduction in current accounts, which has eased at the end of 2012, the growth in time deposits continued. In absolute terms, the increase in time deposits has more than offset the decline in current accounts and repurchase agreements with ordinary customers. There was also improvement in terms of bond funding. The improved climate on the financial markets during the second half of the year allowed a number of leading Italian banks to successfully return to the international market of institutional investors, with unsecured bond and covered bond issues.

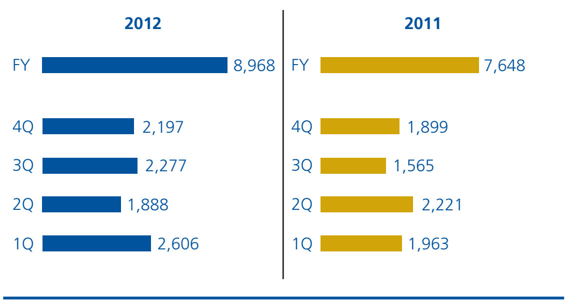
The results for 2012

Despite the difficult economic environment which in 2012 negatively affected banking activity both in Italy and in all the foreign countries where the Group has operations, the Intesa Sanpaolo Group closed financial year 2012 with positive results: operating income, amounting to 17,881 million euro, was 6.5% higher than in 2011. The growth in revenues – where the strong increase in profits on trading and in income from insurance business more than offset the decline recorded in net interest income – together with the structural cost containment measures, made it possible to achieve an operating margin of 8,968 million euro, up by 17.3%. The greater need for adjustments to loans (+11.1%), which is attributable to the widespread deterioration in credit quality, was offset by lower impairment losses on other assets, which in 2011 included the heavy impact of the Greek government bonds' restructuring. Consequently, income before tax from continuing operations, amounting to 3,610 million euro, increased by almost 80%. The net income was 1,605 million euro, from the 8,190 million euro loss recorded in the previous year, which had been brought about by the impairment of goodwill, with reference to the deterioration of the economic environment and the changed income forecasts for the credit system as a whole.

Operating income
(millions of euro)



Operating margin
(millions of euro)



A detailed breakdown of operating income items shows that the income statement for the year recorded a net interest income of 9,430 million euro, with an overall decrease from 2011 (-3.6%), despite the recovery recorded in the first half of the year, which had been driven by the improvement in pricing. The lower contribution of operations with customers and higher interest expense in relations with banks – mainly due to the increase in exposure towards the ECB from third quarter 2011 – were not entirely offset by the higher contribution of investments in securities.

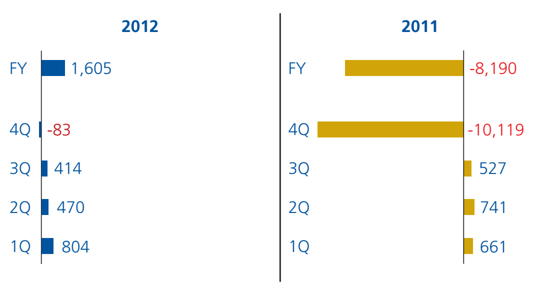
The services segment generated net fee and commission income of 5,451 million euro, largely unchanged from the previous year (-0.3%) as a result of the higher contribution from retail banking activities (+2.1%) and from financial instrument dealing and management (+0.8%), which were however offset by the fall in other fees and commissions (-7.7%), mainly consisting of commissions on loans issued and on other banking services.

The contribution from profits on trading, amounting to 2,182 million euro, more than doubled from 2011, as it benefited from the pick-up in trading activities and from the non-recurring positive effects of the Parent Company's buyback of its subordinated Tier 1 notes (711 million euro). Furthermore, it should be noted that the figure for 2011 also included non-recurring income, specifically the capital gains from the disposal of investments in Prada and Findomestic (426 million euro).

Income from insurance business, which aggregates specific costs and revenues of the insurance business of the Group companies operating in the life and non-life segments, rose to 828 million euro from 540 million euro in the previous year, mainly due to the significant improvement in the net investment result, which was also supported by the rebound of the markets in the first and the fourth quarters of the year.
As a result of the trends described above, net operating income for the year amounted to 17,881 million euro, as stated, showing an increase of 6.5%.

Operating costs, which are continually and carefully monitored and subjected to additional targeted measures to ensure their structural containment, showed a decrease (-2.5% to 8,913 million euro) driven by the reduction in both personnel expenses (-1.5%) related to the staff downsizing and administrative expenses (-5.2%), the latter mainly due to the cut in consultants' fees. Conversely, amortisation and depreciation showed moderate growth (+2.5%).
The combined revenue and cost trends generated a cost-income ratio below 50%.
As indicated above, the operating margin came to 8,968 million euro, up 17.3%.

Net income (loss)
(millions of euro)



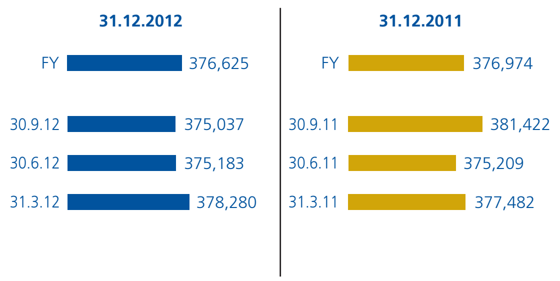
Adjustments and provisions for risks showed an overall reduction of about 5%, mainly due to lower impairment losses on other assets (from 1,069 million euro to 282 million euro), which in the previous year had included the major impairment losses on financial assets generated by the Greek sovereign debt crisis. This decrease fully offset the greater net adjustments to loans (+11.1% at 4,714 million euro), which were the consequence of the general deterioration in credit quality as a result of the worsening economic situation.
Income before tax from continuing operations was 3,610 million euro, as stated, almost 80% up compared to the previous year.

Income tax for the period (1,523 million euro in 2012 compared to 910 million euro of tax credit in 2011) was impacted by non-recurring items in both years. In particular, the figure for 2012 reflects the positive effect of the deduction of Regional Business Tax (IRAP) relating to the taxable portion of personnel (employees and similar) expenses from the Corporate Income Tax (IRES) taxable amount. This deduction, permitted under Law Decree 201/2011, is applicable from the tax year ending 31 December 2012. The subsequent Law Decree 16/2012 supplemented the previous requirement, allowing taxpayers the option of requesting reimbursement for tax years 2007 to 2011, for which the total IRES taxes subject to a reimbursement application yielded a tax benefit for the Group of over 260 million euro. The 2011 amount, on the other hand, included the effects (approximately 2,130 million euro) of the realignment of goodwill recorded in the consolidated financial statements, as permitted by Law Decree 98/2011.

The charges for integration and exit incentives, net of tax, totalled 134 million euro, 89 million euro of which were generated – as will be discussed in greater detail below – by the change of the pension system and the ensuing need to cover the greater costs of implementing the agreement made with the trade unions in July 2011, which allowed more than 5,000 Group employees to exit the labour market.
After recognising the economic effects of purchase price allocation of 299 million euro as well as minority interests of 49 million euro, the Group's income statement closed, as already indicated, with a net income of 1,605 million euro, against the loss of 8,190 million euro recorded for the previous year.

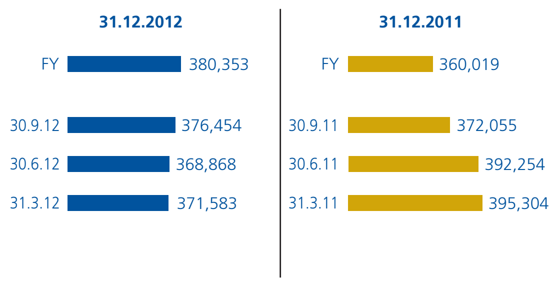
Comparison of results for the fourth quarter of 2012 with those for the third quarter shows a slight increase in operating income (+1.1% at 4,494 million euro) reflecting the higher contribution from net fee and commission income (+11% at 1,479 million euro) and from profits on trading (+9.5% at 682 million euro), which offset entirely the decline in net interest income (-5.9% at 2,181 million euro) and in income from insurance business (about -26% at 159 million euro). These trends, accompanied by the seasonal increase in operating costs recorded in the last quarter of the year, especially relating to administrative expenses (+9.8%), led to a contraction in operating margin (-3.5% at 2,197 million euro). The greater need for adjustments and provisions resulted in a fall of about 60% in income before tax from continuing operations. After recognition of taxes (291 million euro), of charges for personnel exit incentives (99 million euro) and the amortisation of purchase price allocation (79 million euro), the income statement for the fourth quarter closed with a loss of 83 million euro.

Loans to customers
(millions of euro)



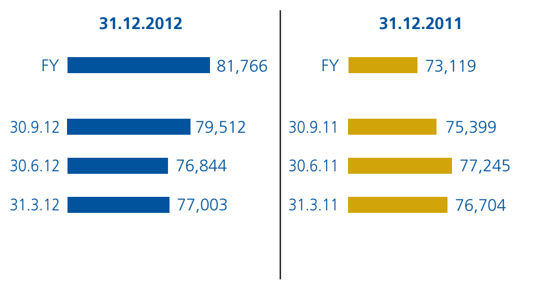
Whit regard to balance sheet figures, Intesa Sanpaolo Group loans to customers totalled 377 billion euro, largely unchanged from the end of 2011 (-0.1%). The decline in commercial banking loans (current accounts, mortgages, advances and loans, down -4.2% overall), and in loans represented by securities (-8.6%) was countered by growth in short-term financial loans. The performance of the various types of loans to customers reflected, to a significant extent, the increase in non-performing loans in the strict sense, caused by worsening of the general economic situation, as well as in past due loans, following the reduction by the Bank of Italy of the period for their classification under non-performing loans from over 180 to over 90 days, effective from 2012.

Direct deposits from banking business
(millions of euro)



With regard to funding, direct deposits from banking business were up on the end of 2011 (+5.6% to 380 billion euro). The increase involved nearly all the deposit types that make up this aggregate. In detail, there were increases in the demand component represented by current accounts and deposits (+5.9%), bond funding (+3%) and certificates of deposit (+2%). The reduction in the amount of subordinated liabilities (-31%) was largely attributable to the buyback of own securities. The increase in short-term financial transactions also had a significant impact on the performance of deposits: indeed, repurchase agreements increased sharply, primarily owed to the finalisation of transactions for significant amounts with institutional counterparties.

Direct deposits from insurance business and technical reserves
(millions of euro)



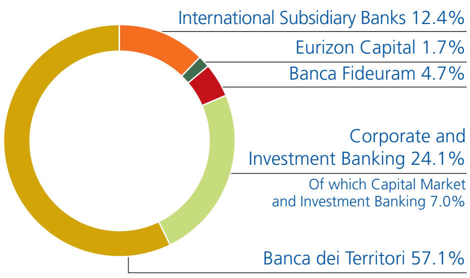
The performance of direct deposits from insurance business, which include technical reserves, was also positive (+11.8% to 82 billion euro).
The overall increase was driven by both the higher value of financial liabilities of the insurance business designated at fair value (approximately +23%), particularly unit-linked products, and the increase in technical reserves (+7.7%), which represent the amount owed to customers who have taken out traditional policies. The new business for the period of Intesa Sanpaolo Vita (the company formed by the merger of Intesa Sanpaolo Vita, Eurizon Vita, Sud Polo Vita and Centrovita), Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 11.6 billion euro.

Indirect deposits increased compared to the end of 2011 (+2% to around 414 billion euro), due to the positive performance of assets under management, which more than offset the decline in the assets under administration component.
Indeed, assets under management, which account for more than one-half of the total aggregate with a stock in excess of 231 billion euro, benefited from the strong performance of the assets in portfolio, which offset the effects of the still negative net inflows, while the decrease in assets under administration and custody mainly concerned the deposits of institutional customers and, to a lesser extent, those of retail customers.

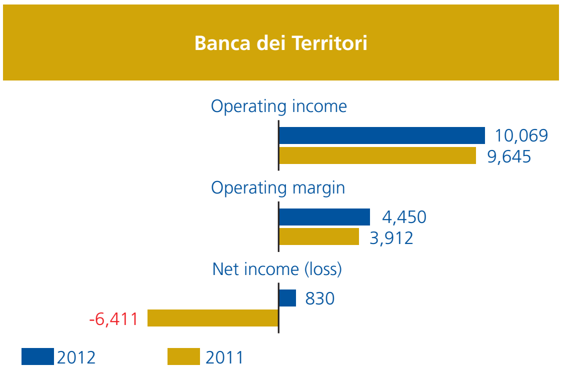
Results of the business units

The breakdown of the contribution to operating income in 2012 for the Group's five business units shows that the greatest contribution continues to come from retail banking activities in Italy (approximately 57% of operating income), although there was also a significant contribution from corporate and investment banking activities (approximately 24%) and international retail banking activities (about 12%).

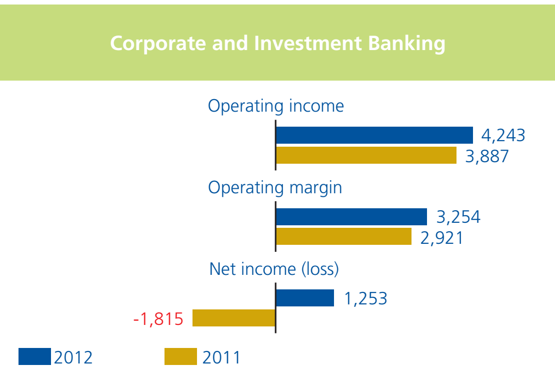
Operating income: Breakdown by business area [(1)]



(1) Excluding Corporate Centre

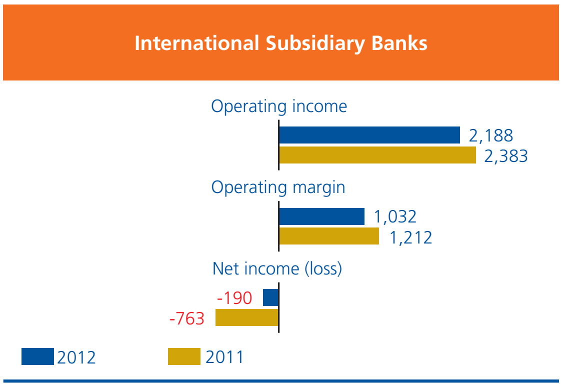


In 2012, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and related financial services – reported operating income of 10,069 million euro, up 4.4% compared to the previous year. The rebound in net interest income (+1%), which benefited from the higher contribution of loans to customers and the effects of hedging of demand deposits, was accompanied by the increase in net fee and commission income (+4.3%) – driven, among other things, by the current accounts and assets under administration and under management segments – and by income from insurance business, which rose by almost 45%, mainly as a result of the improvement in the net investment result.
Following the recognition of lower operating costs (-2%), the operating margin was 4,450 million euro, up approximately 14% on 2011. Income before tax from continuing operations grew 23.5% to 1,729 million euro, despite higher net adjustments to loans related to the general worsening of the economic situation. Net income, which includes taxes of 622 million euro, charges for integration and exit incentives of 104 million euro, and the economic effects of purchase price allocation of 173 million euro, came to 830 million euro, against the loss of 6,411 million euro recorded in 2011 mainly as a consequence of considerable goodwill impairment.
The balance sheet figures at the end of 2012 showed decreasing loans to customers (-2.9% to 182,077 million euro) compared to December 2011, mainly as a result of the decrease in loans to SMEs and small business customers. On the other hand, direct deposits from banking business recorded growth (+2.2% to 201,540 million euro), that was essentially attributable to amounts due to customers (+3% at 133,987 million euro) and to direct deposits from insurance business (+6.5% to 67,597 million euro), predominantly due to technical reserves.

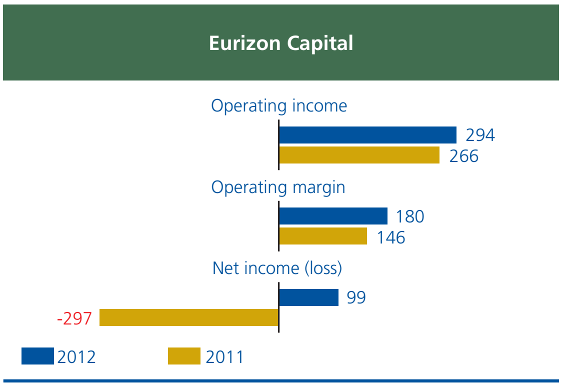


The Corporate and Investment Banking Division – which deals with corporate banking, investment banking and public finance in Italy and abroad – achieved operating income of 4,243 million euro, up 9.2% on 2011. The positive contribution of net interest income (+1.5%), attributable to the higher contribution of loans to customers and, above all, profits on trading (approximately +77%), due to the higher income in capital market and proprietary trading, was absorbed only in part by the decline in net fee and commission income (-5.9%), notably in the investment banking segment, and by the moderate increase in operating costs (+2.4%). As a result of these trends, the operating margin, amounting to 3,254 million euro, increased by 11.4%. Income before tax from continuing operations (1,848 million euro) almost doubled, due to lower adjustments to investments held to maturity and on other investments, which amply offset the effects of the higher adjustments to loans.
The income statement closed with a net income of 1,253 million euro, against the loss of 1,815 million euro recorded in 2011, which was due to the considerable goodwill impairment.
Balance sheet aggregates show slightly declining loans to customers (-1.6% to 143,134 million euro), related to less use of cash by large Italian and international corporate groups, while direct deposits from the banking business recorded a significant increase (+24.6% to 109,700 million euro), mainly attributable to deposits by leading financial institutions and large corporate groups, to

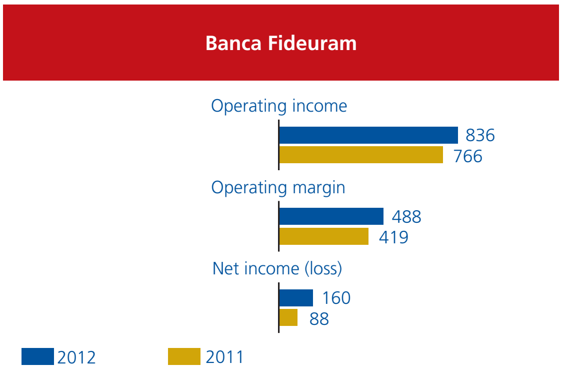
the increase in repurchase agreement transactions and to the increase in securities funding undertaken by international subsidiaries against the issuance of certificates of deposit, commercial paper and medium-term securities.



In 2012, operating income of the Division – which oversees the Group's commercial operations on international markets through subsidiary and associated banks – came to 2,188 million euro, down 8.2% compared to the previous year, due to the decline in revenues (net interest income: -5.4%; net fee and commission income: -4.4%; profits(losses) on trading: -40% approximately), accompanied by lower operating costs (-1.3%). As a result of the above revenue and cost trends, the operating margin came to 1,032 million euro, down 14.9%. Income before tax from continuing operations, amounting to 5 million euro, was impacted by the substantial increase in net adjustments to loans (+215 million euro) and to impairment losses on other assets (+98 million euro). After recognizing taxes of 193 million euro, the Division closed its income statement for the year with a loss of 190 million euro, against the loss of 763 million euro in 2011 due to the goodwill impairment recognised that year. The Division's negative performance is largely attributable to the situation of the subsidiary CIB Bank, which has been severely affected by the economic downturn in Hungary.
As for the balance sheet figures, the drop in loans to customers (-4.4% to 29,312 million euro) was offset by growth in direct deposits from banking business (+1.6% to 31,163 million euro), in terms of amounts due to customers as well as funding through securities.



Eurizon Capital, which operates in the asset management segment, recorded an operating income for 2012 of 294 million euro, up 10.5% on 2011. This result was mainly driven by the increase in net fee and commission income (+14%). The operating margin amounted to 180 million euro, up 23%, due to the decrease in operating costs (-5%), achieved by means of targeted cost containment measures. Eurizon Capital closed its income statement with a net income of 99 million euro, as against the loss of 297 million euro recorded in 2011 which was due to goodwill impairment. Overall, total assets managed by Eurizon Capital as at the end of 2012 came to approximately 144 billion euro, up 10% from the beginning of the year as a result of market trends. Net inflows were substantially nil: indeed, the good performance of institutional products and of Luxembourg funds and SICAVs have almost entirely offset the outflows from Italian mutual funds and retail portfolio management.



Banca Fideuram – specialising in the creation, management and distribution of financial products and services to customers with medium to high savings potential – reported an operating margin of 488 million euro, significantly up (+16.5%) compared to the previous year. The increase of operating income (+9.1%), despite the largely stable net interest income (-0.7%), was mainly driven by fee and commission income (+3.2%) and, especially, by income from insurance business, which more than doubled (from 44 million euro to 110 million euro). Operating costs were in line with the previous year (+0.3%).
The higher provisions for risks and charges were more than offset by a lower need for adjustments, with income before tax from continuing operations growing nearly 45% to 368 million euro. After recognition of taxes of 119 million euro and of purchase price allocation effects of 88 million euro, Banca Fideuram closed its income statement for the year with a net income of 160 million euro (approximately +82%). Assets under management and assets under administration of the Banca Fideuram Group at the end of 2012 amounted to approximately 79 billion euro (of which 59 billion euro in assets under management and 20 billion euro in assets under administration), up 11.8% from the beginning of the year, attributable to strong performance of the asset market and, albeit to a lesser extent, to positive net inflows.

Highlights

Highlights in the year

We report herein on the main events experienced by the Intesa Sanpaolo Group during 2012 and which, where necessary, have been reported in specific market disclosure documents.

On 20 February Intesa Sanpaolo finalised the buyback of its subordinated notes for a total nominal value of 1,226 million euro. The transaction involved innovative and non-innovative Tier 1 capital instruments placed through public transactions. As a result of the buyback, 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) approved by the European Commission – will be subject to grandfathering and, thus, progressively excluded from Additional Tier 1 Capital. The Intesa Sanpaolo Group income statement for 2012 recorded a gain, inclusive of the positive impact of the unwinding of interest rate derivatives, of 274 million euro (183 million euro net of taxes).
The above transaction was followed, in the month of July, by a purchase offer addressed to the holders of specific subordinated and senior notes issued or guaranteed by Intesa Sanpaolo. This enabled the Group to optimise the structure of its regulatory capital by increasing its Core Tier 1 Capital, as a result of the capital gain arising from the purchase of the notes tendered at prices below par and, at the same time, gave holders the possibility of disposing of their investment at prices higher than the market prices recorded during the period prior to announcement of the invitation.
The transaction was settled on 2 August for a total of 1,148 million euro in subordinated notes (corresponding to a total purchase price of approximately 1 billion euro) and 507 million euro in senior notes (corresponding to a total purchase price of approximately 500 million euro). Subsequent to this second transaction, the net income of the Intesa Sanpaolo Group recorded a gain, inclusive of the positive impact of the unwinding of interest rate derivatives, of 327 million euro (219 million euro net of taxes).
Lastly, in November, the exchange of the Group's own circulating subordinated Lower Tier II notes with newly issued senior notes was finalised. The transaction was settled at a total nominal value accepted for exchange equal to about 2,168 million euro. The newly issued note is a senior bond whose maturity date is 9 November 2017, which pays interest at a fixed rate of 4% per year. As a result of the finalisation of this exchange, the Group's consolidated income statement for 2012 recorded a gain, inclusive of the positive impact of the unwinding of interest rate derivatives, of 110 million euro (74 million euro net of taxes).

In March 2012, the sale without recourse of a doubtful loan portfolio totalling – gross of net adjustments – approximately 1,640 million euro was carried out, for a sale price equal to the book value net of adjustments, i.e., approximately 270 million euro.

In May, Intesa Sanpaolo completed the sale of approximately 14.5 million ordinary shares held in the London Stock Exchange Group, corresponding to approximately 5.4% of the Company's share capital, at a price of 9.60 pounds per ordinary share, through placement with qualified institutional investors. The total value was approximately 172 million euro, providing Intesa Sanpaolo with a positive contribution in terms of consolidated net income of approximately 105 million euro. The shares sold constituted Intesa Sanpaolo's entire stake in the London Stock Exchange.

On 26 June, Intesa Sanpaolo implemented its ordinary share buy-back programme to serve a free assignment Plan reserved to its employees, authorised at the Shareholders' Meeting of 28 May. The buy-back programme was executed in one day: the Intesa Sanpaolo Group purchased a total of 12,894,692 Intesa Sanpaolo ordinary shares (representing approximately 0.08% of the ordinary share capital) at an average purchase price of 0.97969 euro per share, for a total value of 12,632,743 euro.

At the end of the first half of 2012, the Intesa Sanpaolo Group launched a brand reorganisation strategy aimed at completing the organisational model of Banca dei Territori. This includes rationalisation of the Group brands present in the Umbria region, creating a single regional Bank named Casse di Risparmio dell'Umbria and directly controlled by Banca CR Firenze. The Bank was created through a merger by incorporation of Cassa di Risparmio Città di Castello, Cassa di Risparmio di Foligno and Cassa di Risparmio di Terni e Narni into Cassa di Risparmio di Spoleto, which has taken on the new name. The Umbrian branches of Banca CR Firenze and Intesa Sanpaolo were subsequently transferred to Casse di Risparmio dell'Umbria through, respectively, a non-proportional demerge of a business line of Banca CR Firenze, comprising 17 branches, and the contribution by Intesa Sanpaolo of a business line comprising 10 branches. The share capital of the new bank includes both ordinary and preference shares. The Bank is a 96% held subsidiary of Banca CR Firenze; the remaining shares are mainly held by minority shareholders, formerly shareholders of Cassa di Risparmio di Foligno and Cassa di Risparmio di Spoleto. The transaction aims to rationalise the local organisational structure and improve business effectiveness.

At the beginning of July 2012, Intesa Sanpaolo's Management Board decided to proceed with the full demerger of Banca Infrastrutture Innovazione e Sviluppo (BIIS) in favour of Intesa Sanpaolo (credit, commercial and advisory services) and Leasint (leasing activities previously carried out by BIIS in favour of Public Administration). More specifically, BIIS' Client Relationships Department was integrated into the Corporate and Investment Banking Division (CIB Division) through creation of the Public Finance Department and it continues to provide financing to infrastructure projects and to the public sector. This decision follows the placement of BIIS under the CIB division, aiming to pool their respective skills and hence achieve rationalisation and simplification in line with the changing economic scenarios. This transaction, which has had no impact at the consolidated financial statement level and which was neutral from the tax viewpoint, was completed on 1 December, with retroactive accounting and tax effects as at 1 January 2012.

In terms of bond funding, after the successful placement of two senior unsecured 18-month and 5-year benchmark bonds in January and February, respectively, for a total of 2.5 billion euro, Intesa Sanpaolo launched additional issues on the Euromarket under the Euro Medium Term Notes Programme, aimed at professional investors and international financial intermediaries and designed to optimise treasury management.

The beginning of July saw finalisation of the first senior unsecured benchmark issue by a Eurozone peripheral bank after the EU summit held at the end of June, for an amount of 1 billion euro. This is a three-year, fixed-rate bond. Demand – of which approximately 70% (1.4 billion) from international institutional investors – was double compared to the target of 1 billion. Considering its 99.676 offer price, the yield to maturity is 4.994% per annum. The total spread for the investor is equal to the mid swap rate + 410 basis points.
This transaction was followed by another issue for 1.25 billion euro in September, with a four-year, fixed-rate bond. Demand, of which 83% from international institutional investors, was 3.25 billion euro, 2.6 times the amount placed. Considering its 99.592 offer price, the yield to maturity is 4.238% per annum. The total spread for the investor is equal to the mid swap rate + 345 basis points.
Finally, an issue of Covered Bonds (Obbligazioni Bancarie Garantite – OBG) for 1 billion euro was placed on the Euromarket in September, also aimed at international markets and at optimising treasury management. The issue consists of 7-year, fixed-rate covered bonds under the 20 billion euro Issue Programme, mostly backed by residential and commercial mortgage loans assigned by Intesa Sanpaolo. Demand, of which 77% from international institutional investors, was 3.5 billion euro (3.5 times the target of 1 billion euro). Considering its 99.372 offer price, the yield to maturity is 3.854% per annum. The total spread for the investor is equal to the mid swap rate + 245 basis points.
Placement activity continued in October with another bond issue on the Euromarket for 1.25 billion euro, under Intesa Sanpaolo's Euro Medium Term Notes Programme, involving a seven-year, fixed-rate bond. Demand, of which 90% from international institutional investors, was 4.7 billion euro (over 3.7 times the amount placed).
Considering its 99.481 offer price, the yield to maturity is 4.463% per annum. The total spread for the investor is equal to the mid swap rate + 315 basis points.
In November, Intesa Sanpaolo launched an issue of Covered Bonds (Obbligazioni Bancarie Garantite – OBG) on the Euromarket in the amount of 1.25 billion euro, targeted at professional investors and international financial intermediaries. The issue consists of ten-year, fixed-rate covered bonds under the 20 billion euro Issue Programme, mostly backed by residential and commercial mortgage loans assigned by Intesa Sanpaolo. Demand, about 83% of which came from international institutional investors, exceeded 5 billion euro (more than 4 times the target of 1.25 billion euro). Yield to maturity is 3.743% per annum.
All of the above issues are listed on the Luxembourg Stock Exchange as well as traded over-the-counter.
During 2012 the funding transactions finalised on the unsecured institutional market totalled some 9.2 billion euro including senior bonds placed on the Euromarket and financing by institutional investors, in addition to the two above-mentioned covered bond transactions which together are worth 2.25 billion euro. Medium-long term funding collected was well above the maturities of the whole year (which amounted to 22 billion euro), reaching about 27 billion euro of bonds placed, about 15 billion of which in the retail segment.

Intesa Sanpaolo and the trade unions had signed an agreement on 29 July 2011 to implement the Group's reorganisation as envisaged by the Business Plan 2011 – 2013/15 and the consequent downsizing of staff by at least 3,000. On expiry of the relative terms, approximately 5,000 people had accepted the agreement. However, the reform of the pension system introduced by Law Decree 201 of 2011, converted into Law 214 of 2011, significantly modified the regulatory framework. To meet the costs of the staff downsizing plan, a total allocation of approximately 700 million euro had already been included in the 2011 financial statements, discounted and before taxes.
As is known, the Ministerial Decree of June 2012 established the number of protected individuals, a number that was increased by subsequent regulatory measures.
A new Group trade union agreement was stipulated in July 2012 ("assessment report" on the prior agreement of July 2011), confirming the decision to allow individuals requesting to leave employment to do so, through use of the Solidarity Allowance, in cases permitted by the relevant regulations, or recourse to rehiring or continuation in employment until the sixtieth month prior to reaching pension entitlements or via other methods to be identified.
In substance, this agreement confirmed the exit of the approximately 5,000 employees envisaged by the previous agreement of July 2011 with different timing and methods, and, in actual fact placed higher costs on the Group's companies, arising from the longer stay of the early retirees in the Fund.
Indeed, as stated by the Italian Social Security Agency – INPS in its Circular of December 2012, the Decree of the Ministry of Labour of 1 June 2012 provided at the same time that workers who under collective agreements signed by 4 December 2011 were entitled to access solidarity Funds and reach pension entitlement after 31 December 2011, remain covered by the solidarity Funds at least up to their 62nd birthday, even if they reach before such age the pension entitlements under the rules existing prior to the entry into force of Law Decree 201/11. To meet this requirement, the Funds' management committees can resolve extension of the issue of the extraordinary benefit also beyond the time limit for the worker's permanence in the Fund under the applicable sectoral regulations. However, the costs of such extension are to be borne by the companies which signed the early retirement agreements.
The overall cost to the Group of implementing the agreement of 29 July 2011 is 856 million euro. Since as at 31 December 2012, before deducting payments made during the year and the effects of discounting the dedicated Fund had a balance of 726 million euro, the income statement for the year required an additional provision of 130 million euro (which came to 89 million euro net of discounting and taxes). In view of the above-mentioned supplemental provision, the payments already made and recalculation of the discount, the dedicated fund has a balance sheet value of 705 million euro, while the overall income statement effect was of 139 million euro.

At the beginning of October 2012, the European Banking Authority (EBA) and the Bank of Italy announced the final assessment of the capital exercise in terms of capital and fulfilment of the EBA recommendation issued in December 2011, regarding the figures as at 30 June 2012. Intesa Sanpaolo recorded a Core Tier 1 capital ratio of 10.1%, including the sovereign buffer as stated in the EBA recommendation of December 2011, easily surpassing the minimum established requirement of 9%.
This recommendation was issued in order to handle the difficult situation in the European Union's banking system, particularly with regard to exposure to sovereign risk, and to restore stability on the markets. The recommendation required banks included in the sample used for the exercise to strengthen their capital, creating a temporary and extraordinary buffer able to bring the Core Tier 1 ratio to at least 9% by the end of June 2012.

At the end of October, the Extraordinary Shareholders' Meeting of Intesa Sanpaolo approved several changes to the Articles of Association.
The key changes regarded the structure of the Management Board, implementation of the regulatory provisions regarding gender balance in the administration and control bodies of listed companies, and the legal prohibition of taking on or holding posts in competing companies or groups of companies (interlocking prohibition).

In December, Intesa Sanpaolo Vita acquired the full share capital in Bentos Assicurazioni, for a consideration of about 13 million euro. This acquisition, similarly to that of the New 16 company, purchased during the year and merged into Intesa Sanpaolo Provis (the former Intesa Real Estate), aimed at transferring to the Intesa Sanpaolo Group specific assets belonging to the Delta company under extraordinary administration.

Main risks and uncertainties

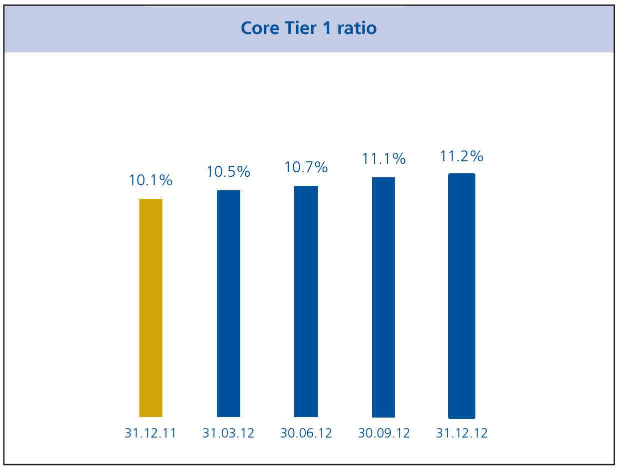
The ongoing macroeconomic uncertainty and high volatility of the financial markets continue to require constant oversight of the factors that enable the Bank to pursue sustainable profitability in the medium and long term: high liquidity, funding capability, low leverage and adequate capital base, prudent asset valuations.

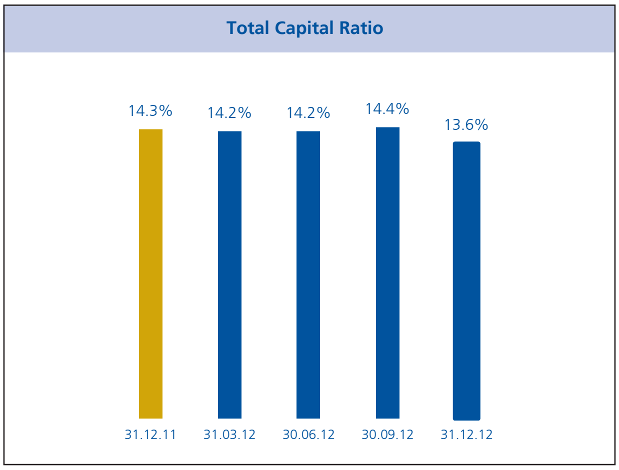
Liquidity remained high: as at 31 December 2012, the liquidity reserves eligible with the various Central Banks came to 115 billion euro, of which 67 billion euro was available spot (net of the haircut) and remained unused, up compared to 97 billion euro at the end of 2011. The use of refinancing through the European Central Bank (largely aimed at replacing funding raised on international markets through short-term paper) was maintained at 36 billion euro (from 37.5 billion euro at the end of 2011) and fully consists of funding from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012.
The internal short-term liquidity indicator, which measures, for the various short-term time brackets, the ratio between availability of liquidity reserves and expected positive cash flows and expected and potential cash outflows, has values that are significantly greater than 1. Even the medium to long-term financial equilibrium, monitored via a structural liquidity indicator, showed a widely positive surplus at the end of the year.
The minimum liquidity ratios envisaged by Basel 3 were already met at the end of December: both the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) exceeded 100%.

With regard to funding, the year was characterised by an increase in direct customer deposits of the various business units, with particularly strong performance by the demand components (current accounts and deposits).
The widespread branch network continued to be a stable and reliable source of funding: 79% of direct deposits from banking business come from retail operations (299 billion euro). Moreover, as already reported, during 2012 the funding transactions finalised on the unsecured institutional market totalled some 9.2 billion euro including senior bonds placed on the Euromarket and financing by institutional investors, in addition to two covered bond transactions worth together 2.25 billion euro. The medium-long term funding collected was – as mentioned – well above the maturities for the whole year (which amounted to 22 billion euro), reaching about 27 billion euro of bonds placed, about 15 billion of which in the retail segment.

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 prevalence of retail banking activities within the Group.

Also the capital base remains high: the Total Capital Ratio is 13.6%, Tier 1 is 12.1% and Core Tier 1 is 11.2%. The EBA pro-forma coefficient was equal to 10.3% compared to 9.2% from the EBA analysis on September 2011 data and the minimum requirement of 9%.



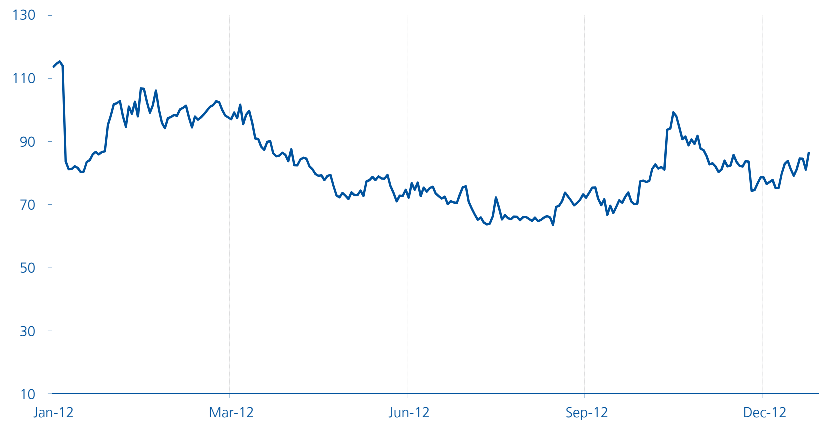


With regard to the insurance segment, as at 31 December 2012 the available consolidated solvency margin of Sanpaolo Vita, the Group's main insurance company was 4,613 million euro, up from the 3,141 million euro recorded as at 31 December 2011, as a result of market trends and of the profits made by the company in 2012. The margin exceeded by 2,174 million euro the level required by supervisory rules. The solvency ratio as at 31 December 2012, therefore, is 189%, up compared to 134% as at 31 December 2011.

The gradual improvement in capital base allowed the Company to return to the Parent Company part of the payments towards a future capital increase for an amount of 200 million euro. Pursuant to regulatory requirements, the 189% solvency ratio is expressed net of the 200 million euro.

The Group's risk profile remained at relatively low levels, consistent with the Group's intention to continue to privilege commercial banking operations. The trend in the Group's operational VaR, shown in the chart, was mainly determined by Banca IMI, which at the beginning of the year recorded an increase linked to its activity on the Italian government bond market. The average VaR for the year totalled 82.1 million euro.

Market risks trend:
VaR (millions of euro)



The difficult macroeconomic environment and high volatility of the financial markets make the assessment of credit risk and measurement of financial assets increasingly complex.

Intesa Sanpaolo has developed a set of instruments which ensures analytical control over the quality of the loans to customers and financial institutions, and exposures 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 value, 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 the loan granting and monitoring process.
The methods used for the classification of non-performing loans and for the measurement of those loans and performing loans ensure that the impacts of negative developments in the economic situation are promptly accounted for. As the crisis has deepened and expanded at an alarmingly fast pace, it has become necessary to constantly review the value of both the loans already showing signs of distress and those that have not yet shown evidence of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as highlighted by the substantial average provisioning percentages for doubtful loans (60.5%) and substandard loans (20.6%). Within the performing loans, although starting from 2012 loans past due by over 90 days are classified as non-performing loans, the "collective" adjustments provide a coverage ratio of 0.8%, in line with the coverage in the 2011 financial statements, taking into account the trends in the loan types making up the aggregate. The lump-sum provisions on performing loans, amounting to 2,550 million euro, fully cover the expected loss calculated by means of internal models.
Considerable attention was paid to the valuation of financial items. The majority of financial assets (about 90%) are classified as held for trading or in fair value option, are assets available for sale, or are represented by hedging derivatives.
The fair value measurement of financial assets was carried out as follows: 64% using the effective market quotes method (level 1), 34% using the comparable approach (level 2) and only 2% using 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).
As at 31 December 2012, the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 104 billion euro (of which 35 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 26 billion euro. As at 31 December 2011, the securities exposure amounted to around 74 billion euro, whilst other loans totalled 24 billion euro. The increase recorded is mainly attributable to acquisitions of Italian government securities.
The exposure to Italian government securities is about 90 billion euro: in more detail, the Group Banks' exposure (57 billion euro) is concentrated in the short-term segment (37.5 billion euro up to 2 years), with a duration of 1.9 years. On the other hand, the duration of the exposure by the insurance portfolio is longer, at 4.9 years, consistently with the duration of liabilities, represented by commitments towards the insured parties.

On the other hand, as at 31 December 2012 exposure to Greek government bonds was practically nil, subsequent to the exchange carried out after the Eurogroup's agreement of last February and the ensuing sale on the market of the securities obtained via the exchange.
Investment levels in structured credit products and hedge funds remain low. The trends in fair value of these products during the year have generated a positive impact of 43 million euro for the former and 26 million euro for the latter.

In complex markets such as the current circumstances, verifying the recoverable amount of intangible assets is particularly difficult.
Intangible assets with finite useful lives, consisting of the asset management and insurance portfolios and of the core deposits, the amounts of which (a total of 2,823 million euro as at 31 December 2012) are moreover being gradually amortised (with 420 million euro of amortisation recognised in the income statement for 2012) were analysed with respect to their volume, profitability and discount rates in order to detect any impairment indicators. These analyses did not identify any critical aspects.
As to intangible assets with indefinite useful life, consisting of the goodwill and the brand name, recognised in the financial statements for an overall value of 11,065 million euro (of which 8,681 million euro of goodwill), their recoverable value was recalculated by reference to their value in use, i.e. the present value of the expected future cash flows of the different CGUs to which said indefinite-life intangible assets are assigned.
On this point, it should be noted that in 2011 financial statements, the aforementioned impairment tests had determined the need to adjust the carrying value of goodwill for a total amount of 10.3 billion euro (10.2 billion euro net of taxes).
With regard to the calculation of the value in use of CGUs for impairment testing purposes for the 2012 financial statements, the volatility of financial markets and the uncertainties regarding the future macroeconomic environment make the definition of near-term future cash flows from operating activities and the identification of growth rates in order to calculate the Terminal value of CGUs, particularly complex.
The current environment, which is unprecedented in view of the interweaving of the financial crisis and the economic downturn which has hit a number of European countries, has pushed down interest rates up to levels never reached before, and has generated deeply negative trends in production and consumption indicators. These factors have a significant impact on the profitability of the banking system, including that of the Intesa Sanpaolo Group, and make highly complex to carry out short and medium-term forecasts on which to base multiyear business plans. On the other hand, it should be noted that the present crisis is system-wide, and does not affect the Intesa Sanpaolo Group's primary production factors and its structural capacity to generate sustained income yielding and an appropriate return on capital once the current weakness of the financial markets and the macroeconomic environments are overcome.
Pending the drafting of a new business plan, the estimates of expected cash flows for the purposes of impairment testing have been based on the forecasts concerning the expected macroeconomic and banking sector trends prepared by Intesa Sanpaolo's Research Department. The expected growth trends thus estimated have been applied for each year in the period 2013-2017, taking into account – in 2013 – budget indications. In substance, the estimates of expected financial flows are the output of projections consistent with the above-mentioned macro-economic and financial trends and therefore do not include the effect of specific management actions designed to maximise cash flows, other than by reference to actions already launched this year.
As the macro-economic scenario considered rests on the assumption that "normal" conditions will be restored only after the analytical forecasting period, a cash flow under "normal conditions", to be projected into perpetuity for the purposes of determining "Terminal value", was estimated by defining a specific "normalisation" horizon by recourse, where possible, to reliable international sources. The purpose of this approach is to ensure that the reference scenario is as far as possible independent of subjective choices on the selection of estimate criteria or benchmarks. The situation labelled as "normal" was referred to the assumed development of the economy in the period 2018-2022, net of the possible (unforeseeable) cyclical fluctuations of real and financial variables. Under this scenario we have assumed the end of the sovereign debt crisis in the Eurozone and the start of a debt reduction process in Italy, as required by the new stability and growth pact.
In substance, we have assumed that the primary sources of income for the Group, influenced in the short and medium term by the current economic downturn, over the long term will allow the Group to achieve the profitability levels reflected in the Terminal value and by and large in line with the profits generated by the Group before the start of the financial crisis in 2008, taking into account inflationary trends and the reduction in operating costs achieved over the years.
The cash flows have been discounted, net of the "g" long term growth rate, by applying a discount rate expressing the cost of capital and calculated as the sum of return on risk-free investment 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 this valuation method has yielded value in use for the various CGUs which are higher than their respective book values, no value adjustments have been made to intangible assets with indefinite useful life.
It is believed that impairment tests should 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.
Accordingly, in developing the valuation model, caution was applied both when estimating projected cash flows and choosing financial parameters:
- expected cash flows – generated by projections that are consistent with macro-economic and financial trends and which take into account the Group's budget indications for 2013 – do not include the effect of specific management actions designed to maximise cash flows, other than by reference to actions already launched this year. Moreover, these flows take into account the full attribution to CGUs of the financial effects of the services provided by the Corporate Centre;
- the cost of capital was determined analytically, based on market parameters gathered for each CGU according to the various risk levels of the respective businesses, considering the various risk factors analytically as well; furthermore, the average weighted rate obtained is largely consistent with the cost of capital of Intesa Sanpaolo expressed by the market and with the average rates used by investment houses in the most recent reports on Intesa Sanpaolo stock;
- the "g" rate, for the purpose of Terminal value for Italy, which represents the Group's main business area has been set at zero in real terms.

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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 2013. 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 2012 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 and the markets

The year 2012 overall showed moderate growth in the global economy, with highly variable performance over time: a positive beginning for the year was followed by a slowdown in the spring and summer months and concluded with a timid recovery phase during the fall. Growth was driven by the trend in domestic demand in the United States and in emerging countries.
The macroeconomic scenario underwent highly expansive monetary policies, in terms of the low level of interest rates as well as the measures aimed at increasing the monetary base adopted by the Federal Reserve and by the majority of central banks.
The economy in the Eurozone remained weak. The trend in gross domestic product underwent a slight decline, due to recessive pressures that impacted the peripheral continental countries and the Netherlands. The deceleration in growth rates reflects the consequences of highly restrictive fiscal policies and unfavourable financial conditions as a result of the debt crisis. Moreover, less activity in the international markets contributed to slowing growth in foreign demand.
The sovereign debt crisis has affected the market trends and economic policy decisions of many European countries. After a temporary improvement linked to the sizeable injection of liquidity by the ECB via the three-year refinancing transactions of December 2011 and February 2012, tensions rapidly resumed growing. In March, a second economic support programme for Greece was launched, combined with heavy restructuring of the public debt held by the private sector. Nevertheless, its prolonged period of political instability caused by the inconclusive results of the first elections has strengthened expectations of Greece's imminent exit from the monetary union. Spain has seen growing deterioration of its tax balances, while write-downs of banks' loans portfolio and the consequent capital requirements have been quantified. The increase in financial requirements under conditions of reduced access to the market has led the Spanish government to request support by the Eurozone for recapitalisation of its credit companies, which was granted during the summer.

A significant improvement in the climate on financial markets was recorded starting from the end of July. During the August meeting of the Governing Council, the ECB announced the launch of its programme for the conditional purchase of government bonds, known as the OMT (Outright Monetary Transactions) programme, aiming to restore uniform conditions for the implementation of monetary policy within the area. Countries undergoing support programmes, even on a precautionary basis, may benefit from this programme, which involves securities with a residual maturity of between one and three years, with no pre-established quantitative limits. Following the ECB's announcement, the markets immediately reassessed their risk evaluations of public debt in Spain and Italy. As a second major development, Germany completed its approval of the European Stability Mechanism, which became effective in October. The European Council also confirmed its objective to complete the legislative procedure for implementation of a single banking supervision mechanism by the end of 2013. Finally, in December there was an initial reduction in the interest repayment plan on Greece's debt towards official entities, indicating the future completion of additional steps towards easing the debt burden upon achievement of a primary surplus.
This set of measures triggered a virtuous circle of reduction of risk premiums on the financial markets. Signs of improvement in public accounts in Spain and Italy and the positive performance of recovery programmes in Ireland and Portugal have contributed to consolidating this progress.

Italy has suffered a year of heavy economic recession, with a 2.4% downturn in GDP, according to the annual data disclosed by ISTAT on 1 March 2013, and an increase of over two percentage points in the unemployment rate. The weakness in fixed investments and consumption was only partly offset by the improvement in the trade balance. The decline in household spending, penalised by the increase in tax pressure and deterioration in employment conditions, was sharper than in the 2009 recession. The fiscal austerity measures introduced in 2010 and 2011 resulted in a reduction in the deficit and in the achievement of a significant primary surplus. Nevertheless, the debt/GDP ratio has continued to grow, due to the recession and to the effects of Italy's participation in the European assistance programmes.

In July, the European Central Bank cut official rates by 25 basis points: the deposit rate was brought down to zero and the main refinancing rate was cut to 0.75%. The excessive liquidity, which grew further following the three-year refinancing transactions, remained very high throughout 2012. Consequently, money market rates dropped steadily. The 1-month Euribor, set at 1.15% at the beginning of the year, stabilised at around 0.10% during the last few months. A clear downward trend also impacted medium and long-term IRS rates.
On the Italian debt market, yields on government bonds underwent a significant decline, following the wide fluctuations during the period January-July, attributable more to the reduction in risk premiums than to the general decline in European interest rates. On the ten-year maturity, as at 31 December, the BTP yield was 4.53%, compared to 6.93% at the beginning of the year. The yield on the six-month BOT was at 3.53% at the beginning of the year and dropped to 0.8% as at 31 December. Concerns on debt refinancing have declined significantly; starting in August, the supply of government securities was more easily absorbed compared to prior months, and the decline in net liabilities of the Bank of Italy towards the rest of the Eurosystem during the last four months of 2012 demonstrates a partial return of capital on the Italian market.

The euro recorded wide fluctuations against the American dollar, which at the beginning of the year traded at around 1.30. Minimum levels of 1.20 dollars were recorded in the second half of July, simultaneously with the return of concerns on stability of the Eurozone. The exchange rate subsequently and quickly rose back up to the levels recorded at the beginning of the year. On 31 December, the dollar was traded at just under 1.32. Greater stability in the Eurozone also encouraged a modest recovery in the exchange rate against the Swiss franc.

The international stock markets highlighted an overall positive performance in 2012, within a scenario of high volatility in prices and sharply irregular performance by the indices.
The year began with a large upward shift, reaching period highs around mid-March. In the USA, the increase was sustained by economic growth and by moderately improving corporate profits. In the Eurozone, however, it was mainly driven by liquidity (following the two LTRO transactions by the European Central Bank) and by progress in managing the sovereign debt crisis (positive conclusion of the PSI in Greek debt).
Subsequently, growing uncertainty on the continuation of growth in the Eurozone, renewed fears about public finances in certain peripheral Eurozone countries (suffering from greater exposure to the effects of fiscal austerity) and renewed tensions in Greece (political crisis) and Spain (recapitalisation needs of banks) triggered a sharp adjustment of stock prices in Europe, and to a greater extent in the peripheral markets.
During the third quarter, statements by ECB President Draghi at the end of July, followed by the announcement at the beginning of September of the new ECB bond repurchase programme (OMT) significantly inverted the trend in the stock markets, with a net decline in risk aversion by investors. The positive ruling of the German Constitutional Court on the ESM State-rescue fund and the stimulus measures announced by the FED have contributed to strengthening investor sentiment.
After touching new record lows during the second half of July, the stock markets recorded major gains in prices, only partly offset at the end of the quarter, following new concerns about the economy and on the performance of corporate profits.
Finally, during the final months of the year, the stock indices essentially consolidated and strengthened the progress achieved during the previous months, in a scenario showing greater risk propensity by investors and a return to a focus on the trends in fundamentals (growth and corporate profits).

In 2012, the S&P 500 index rose by 13.4%. Overall performance of the major European indices was largely positive: the Euro Stoxx 50 closed the period with an increase of 13.8%, the CAC 40 rose by 15.2% and the DAX recorded an even stronger increase (+29.1%). The Spanish stock market remained negative, with the IBEX 35 down 4.7% (although an improvement compared to -17% at mid-year), weighted down by concerns over the domestic banking sector. Outside of the Eurozone, the English market index FTSE 100 showed moderate recovery (+5.8%), while the Swiss stock market's SMI index closed the period at +14.9%.
Performance of the major Asian stock markets was differentiated, although positive: the Chinese market's SSE Composite Index ended the period up slightly by +3.1%, reflecting expectations of slower economic growth, while the Nikkei 225 index rose by 22.9%.
Performance of the Italian stock market was worse than the major markets of the Eurozone, except Spain, reflecting continued weakness of the domestic economy, as well as renewed concerns by investors regarding the sovereign debt crisis. The FTSE MIB index ended the year up 7.8%, with the FTSE Italia All Share showing similar performance (+8.4%). Stocks of the STAR segment, on the other hand, out-performed blue chips significantly: the FTSE Italia STAR index was up 16.6% at the end of the period.

The European credit markets recorded positive performance across all segments in 2012, due to the extraordinary monetary policy measures and the abundant liquidity in search of yields. The higher risk propensity of investors was triggered by the ECB intervention, which drastically reduced the risk of an uncontrolled rupture of the Eurozone.
The main support factor during the first quarter was the injection of liquidity through the two extraordinary three-year refinancing operations. After a mood that soon turned negative, a gradual stabilisation trend was observed at the end of July, following the ECB's announcement on the conditional securities purchase programme (OMT) in support of countries in difficulty. Strengthening of the "firewall" has made pessimistic scenarios less likely and has redirected available liquidity towards the bonds of peripheral issuers as well.
Thanks to the continued rally during the fourth quarter, the cash segment ended 2012 with excellent results and risk premiums were at record lows for the year, with a net over-performance of financial securities compared to industrial ones and of speculative issues over investment grade ones. It is worthy to note that the spread on financial issuers returned to being lower than industrial ones, indicating a trend of growing normalisation of the credit markets.
Performance of the derivatives segment was also very positive, ending 2012 with risk premiums at record lows for the year. There was sharper tightening in the synthetic crossover and financial indices, particularly subordinated, and in the coverage of insolvency risk of peripheral corporate issuers.

The emerging economies and markets

Deterioration of the cycle regarded the emerging economies as well. Estimates by the International Monetary Fund indicate that the real GDP growth rate dropped from 6.3% in 2011 to 5.1% (estimated) in 2012. All of the main geographic areas were impacted by the slowdown, although to varying extents. It was more limited in the Asian countries, up 6.6% (from 8% in 2011), Latin America, down to 3% (from 4.5% in 2011) and the CIS countries, with growth dropping to 3.6% from 4.9% in 2011.
Conversely, the slowdown in growth was particularly marked in Central and South-Eastern Europe, which were more highly impacted by the recession in the Eurozone. According to recent figures by the European Bank for Reconstruction and Development (EBRD), GDP grew by only 1% in the CEE countries (sharply down compared to 3.5% in 2011) and was essentially at a standstill in the SEE countries (from 2.2% in 2011). Moving against the trend were the non-oil producing countries of the MENA area (Middle East and North Africa), where the economy accelerated, also due to the favourable comparison with 2011, which was impacted by the effects of the political upheavals.
In detail and based on preliminary EBRD figures, among the countries of Central and Eastern Europe, the positive expected growth for Slovakia in 2012 (+2.2%) is accompanied by a decline in GDP in Slovenia (-2.1%) and Hungary (-1.5%), while among the

countries in South-Eastern Europe, the positive performance of Albania is accompanied by a downturn in Bosnia, Croatia and Serbia. In the CIS countries, growth is expected to decelerate to 3.4% in Russia and 0.2% in Ukraine. Lastly, in line with the other non-oil producing countries of the MENA area, 3.4% growth is expected in Egypt for 2012, following the 0.8% decline in 2011.

The trend rate of price increases for a composite basket including the major emerging economies slowed from 5.2% in December 2011 to 4.7% in December 2012. The slowdown was partly favoured by the economic slowdown and partly by the gradual absorption of upward pressures on the most volatile components of energy and food.
The inflation rate showed different trends in the SEE countries (South-East Europe) where the Intesa Sanpaolo Group operates through its subsidiaries, with particular increases in Serbia, where the inflation rate grew from 7% in December 2011 to 12.2% at the end of 2012, and in Romania, from 3.1% to 5%. The inflation rate trend in the CIS countries (Confederation of Independent States) and MENA (Middle East and North Africa) declined significantly in Ukraine, from 4.6% in December 2011 to -0.2% in December 2012, due to the freezing of tariffs and the recent weakness in domestic demand, and in Egypt (from 9.5% to 4.7%), following lower price pressures on the goods subject to verifications and subsidies. After falling to a minimum of 3.6% in May (from 6.1% in December 2011, due to a temporary freezing of tariffs), prices resumed growth in Russia and closed 2012 at 6.5%, above the Central Bank's target value (6%).

Signs of weakness of the economies and concerns regarding the worsening situation abroad have resulted in monetary easing measures in nearly all emerging areas during the year. Countries that have cut rates in Asia include China, Korea, India, the Philippines and Vietnam. In Latin America, the Central Bank of Brazil brought the Selic rate from 11% in December 2011 to 7.25% at the end of 2012. Easing of currency tensions enabled a large cut in the maximum overnight lending rate in Turkey, from 11.5% to 9%.
Monetary rates declined in Croatia, Romania, Ukraine and, above all, in Hungary, which had a number of cuts in policy rates in the second half of 2012, dropping from 7% at the end of 2011 to 5.75% at the end of 2012. Restrictive measures were implemented in Serbia, to offset the pressures on exchange rate depreciation and in Russia (+25 basis points to 8.25% in September), after inflation exceeded the target value indicated by the Central Bank.
Easing conditions on the international financial markets encouraged positive trends on the stock and bond markets of emerging countries. The MSCI composite index of emerging markets rose by 13.9% in 2012, recovering a sizeable portion of the 2011 losses (-14.9%). The EMBI+ (Emerging Markets Bond Index) composite spread closed the year at around 260 basis points, down some 160 basis points compared to the end of 2011. Among countries in which the Group's companies operate, there was a large reduction in spread in Hungary (from over 600 basis points at the end of 2011 to 260 basis points at the end of 2012), while only a small decline was observed in Serbia, due to concerns on developments in fiscal policy and exchange rate dynamics. The risk premium remains high, although lower than one year ago, in both Egypt (at around 500 basis points) as well as Ukraine (600 basis points).

On the currency markets, the monetary policies of the major central banks in the mature economies, the abundant liquidity and a greater risk propensity by investors have facilitated appreciation of the currencies of a number of emerging countries. The OITP (Other Important Trading Partners) index, a basket of currencies of the main emerging countries which are trade partners of the United States, depreciated by 2.7%, thereby returning to levels at the end of 2010 (while it appreciated by 2.8% in 2011). The highest gains were recorded by the currencies of several Asian countries (Korea, Singapore and Taiwan) and of Latin America (Mexico, Colombia, Peru and Chile). Conversely, the Indian rupee and the Brazilian real depreciated against the dollar (-3.2% and -8.9%, respectively), amidst fears on the outlook for the economy.
In countries where the Group operates through subsidiaries, the Hungarian forint appreciated against the euro (+6.3%), although with some decline at year-end, while the Serbian dinar depreciated against the euro overall (-2.7%), benefiting from a partial recovery during the second half of 2012. In Russia, the rouble appreciated by 4.8% against the dollar, driven by the hike in oil prices, while the Ukrainian hryvnia was essentially stable, thanks to intervention by the Central Bank. In Egypt, the currency reserves used by the Central Bank to sustain the lira recorded a significant decline, dropping to around 10 billion dollars (net of gold and DSP), less than one-third the level at December 2010, despite the financial support that Egypt received from Gulf countries (Qatar). In this scenario and in order to avoid a further drainage of reserves, on 30 December the country's monetary authorities decided to support a partial depreciation of the exchange rate on the market (+5.5% for the entire year 2012).

In terms of agency ratings, cuts were made to several countries with ISP subsidiaries, including Ukraine, Egypt and Hungary, due to concerns on the capacity to finance the external deficit, Croatia (which lost its investment grade rating), due to the difficulties in implementing the structural reforms able to raise the growth potential, Slovenia, impacted by the weakness of the banking system, and Serbia, due to fears on the sustainability of the current account and trade deficits.

The Italian banking system

Rates and spreads

The trend in bank rates during 2012 was impacted by the development of the sovereign debt crisis. The decline observed in the initial months of the year following substantial injection of liquidity by the ECB was temporarily inverted by a return of tensions. The decline resumed in the summer, but the movement of bank rates subsequently became more uncertain. Overall conditions on the credit market were better than at the peak of the restrictive phase at the end of 2011/beginning of 2012, due to substantial easing of the liquidity position of banks and strengthening of their capitalisation levels, which were offset, however, by the increase in credit risk.
The cost of funding remained high. The rate on new funding through time deposits, although declining during the year compared to the peak at the beginning of 2012, was higher than the average in 2011. The rate on new fixed-rate bond issues showed wide fluctuations of around 4% during the last quarter as well, proving to be higher on average compared to the second quarter but much lower than the January 2012 highs. Rates on current accounts were essentially stable throughout 2012, with an average similar to that of 2011. Conversely, the overall rate on existing deposits underwent a gradual increase, also due to the higher impact of time deposits. Combining this gradual increase with the marginal easing of the average rate on the stock of bonds, the total cost of customer deposits stabilised at high values, at record highs for the last four years[1].

At the same time, the normalisation of lending rates that was launched during the first part of the year subsequently become more uncertain, first due to resumed growth of the sovereign risk premium and later due to deterioration in loan quality. The average rate on new loans to non-financial companies declined significantly during the first quarter and then remained in line with the value recorded in March, lower than the average for the last quarter of 2011. The trend in the average rate was impacted by the changes in the rate on new, larger transactions (over 1 million euro), which grew slightly towards year-end. The rate on loans of up to 1 million showed more regular declines. The rates on new mortgage loans to households also recorded a gradual decline.
Rates on existing loans gradually declined, impacted by index-linking at the low Euribor levels. The decline eased during the fourth quarter of 2012. As almost the entire increase recorded the previous year was absorbed, the average annual rate on loans to households and non-financial companies approached the 2011 value, with the last quarter average slightly down over the previous period.

Given the rising cost of funding and the slight decline of loan rates during the year, the overall margin on lending and deposit collection activities continued to fall, although it settled towards year-end. The spread between average interest rates on the amounts of loans and deposits fell to under 2% during the second half of the year, reaching new lows (1.85% for the fourth quarter, 2.01% average in 2012 from 2.25% in 2011). The spread on funding, measured on short-term rates, was negative from March onwards, at values never recorded according to the available historical series, reflecting the very low Euribor rates coupled with resistance by rates on current accounts (mark-down[2] on the 1-month Euribor at -0.43% for the fourth quarter and -0.20% on average for 2012, from 0.68% in 2011). The mark-up[3] on the 1-month Euribor recorded high values, exceeding 5% during the last quarter, at highs for the available historical series from 2003 (4.90% average for 2012 from 3.42% in 2011). As a result of these trends, the short-term spread remained high, although it was down compared to the highs recorded during the first quarter of 2012 (-20 basis points during the last quarter compared to the first; 4.70% average for 2012 from 4.11% in 2011).

Loans

Lending activities continued to weaken. The decline in loans to non-financial companies intensified during the second half of the year. From September to November, the growth rates in loans to businesses were at record lows for the available historical series from the end of the 1990s. This trend was the result of a decline in both short-term loans, which saw wide fluctuations in rates, as well as medium/long-term loans. A decline in medium/long-term loans to businesses had never been observed in recent history, not even during the prior recession of 2009. The downturn recorded in 2012 indicates the extent of the decrease in demand for investment loans.
Although they showed greater resilience, even loans to households recorded a decline, after a gradual slowdown. Among the components of the aggregate, mortgage loans recorded slightly negative changes around the end of 2012, after being the only component showing albeit slight growth for several months. As a whole, loans to households and businesses recorded a clear decline, which intensified during the second half of the year.

The decline in loans reflected the fall in demand linked to the economic recession, the drop in investments, financial instability and the low confidence level of businesses and households. A number of the factors that determine supply improved during 2012, due to the effectiveness of measures implemented by the ECB to support liquidity, and as a result of the capital strengthening carried out by the banks. However, credit risk remained high. All of the indicators that measure loan quality worsened during 2012. In particular, loans classified as doubtful rose to over 3%, a level not seen since the end of the 1990s. Therefore, the credit market has maintained a highly prudent attitude, although within a less restrictive context compared to the months between the end of 2011 and beginning of 2012.

[1] Average cost of deposits calculated by weighting with the volumes net of the bonds held by Italian Monetary Financial Institutions, the deposits of central counterparties and those as counterparty of loans sold and not derecognised.
[2] Difference between the 1-month Euribor and interest rates on household and business current accounts.
[3] Difference between the interest rates applied to households and businesses on loans with maturity under one year and the 1-month Euribor.

Direct deposits

Bank funding recorded a clear improvement, returning to an overall growth situation from September onwards, driven by growth in deposits by residents. The trend in deposits showed significant acceleration during the second half of the year, reaching growth rates of over 6% year-on-year in the final months of 2012, thanks to the solidity of household deposits, but also to growth in deposits by non-financial companies.
With a steady annual reduction in current accounts, which appears to have eased at the end of 2012, the significant success of time deposits continues. In absolute terms, the increase in time deposits has more than offset the decline in current accounts and repurchase agreements with ordinary customers.
There was also improvement in terms of bond funding. The improved climate on the financial markets during the second half of the year allowed a number of leading Italian banks to successfully return to the international market of institutional investors, with unsecured bond and covered bond issues. However, the volume of existing securities continued to decline, if we exclude those held in banks' own portfolios, which include issues of government-backed securities used as collateral for refinancing operations in the Eurosystem.

Assets under management

With regard to assets under administration by banks, the weakening gradually worsened, after the significant recovery observed in 2011. In particular, there was a rapid slowdown in growth during the year in terms of debt securities held in custody for consumer households, recording a unfavourable change in the final months, from the peak at the end of 2011/beginning of 2012. In absolute terms, debt securities held in custody by banks for consumer households continued to decline throughout the year. Securities held in custody for companies and family businesses were also impacted by the weakening trend, showing a significant decline on an annual basis.
With regard to assets under management, during 2012 the Italian market for open-ended mutual funds appears to have seen the end of the disinvestment trend that was underway since the beginning of 2011, returning to a positive position during the second half of the year. Foreign funds contributed with particularly positive net inflows, while the outflows from Italian funds slowed down significantly during the second half of the year. On an annual basis, the total funding of open-ended mutual funds amounted to 1.2 billion euro: bond funds contributed the majority of inflows (with over 23 billion), in conjunction with the more limited contribution of flexible funds (435 million), while the largest outflows regarded monetary funds (-12.6 billion) and equity funds (-7.1 billion). Also due to the good performance of the financial markets in 2012, the total stock managed by the open-ended mutual funds industry at the end of the year was 482 billion euro, up compared to 419 billion in December 2011 (+15.1% year-on-year).

In the insurance segment, weakening of the life insurance business continued in 2012 (-10% compared to 2011), although with some signs of improvement in the second half of the year. The decline in collected premiums regarded traditional products, while products with a higher financial content, less widespread, recorded growth in subscriptions. As to distribution channels during 2012, the decline in funding was higher for policies placed by bank and post office branches (-17.1% year-on-year), which continue to account for just under two-thirds of the life segment (equal to 64.8%).

Forecast for the whole 2013

The phase of moderate growth in the global economy is expected to continue in the current year. Economic activity will continue to remain weak in the Eurozone, although a slight recovery is expected during the second half of the year. A similar trend is envisaged in Italy as well, where the fiscal restriction and the consequences of the financial crisis will continue to weigh on the performance of the economy at least for the first half of the year. An effective recovery of economic activity has been postponed until 2014. Monetary policies will maintain an expansionary outlook, even in Europe. The official rates of the ECB will most likely remain unchanged throughout 2013.
The International Monetary Fund expects overall GDP for the emerging economies to grow to 5.5%, only slightly higher than the 5.1% estimated for 2012. In detail, the growth rate is above 7% in Asia, above 3% in Latin America, the Middle East and North Africa (MENA) and in the Confederation of Independent States (CIS), and more limited in Central and South-Eastern Europe, at just above 1% according to recent estimates by the EBRD (European Bank for Reconstruction and Development).
The cyclical phase is still in a recession in Slovenia and Hungary, slowing in Slovakia and recovering in Albania and Romania, while the road to recovery in Croatia and Serbia is still uncertain. Forecasts in Egypt indicate a further recovery, but there are concerns regarding the uncertainties in terms of political developments and on the possibility to reach an agreement for financial support by the International Monetary Fund.
On the monetary front, forecasts on short-term interest rates in the countries of Eastern Europe indicate overall stability or a slight decline, more limited than what was previously expected, due to moderate inflationary pressures and the accommodating guidelines of the Central Banks, with some exceptions, including Serbia, where the Central Bank could still increase rates to encourage a recovery in inflation.

Italian banking sector business will be sharply impacted by weakness in the Italian macroeconomic scenario and by the consequences of the sovereign debt crisis. The desired gradual easing of bank funding and in rates on loans, consistent with the accommodative monetary policy conditions and the decline in money rates, will remain subject to the performance of spreads on government bonds. Furthermore, high credit risk will continue to weigh on the normalisation of bank loan rates. Continuation of the economic recession is expected for a good part of 2013, negatively impacting loan quality and the trend in loans to customers, with possible signs of a recovery only expected towards year-end. In terms of funding, growth in household deposits is expected to continue.

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, 2012 and 2011 quarterly income statement figures are restated, where necessary, to account for 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 restated 2011 figures refer to the results before the acquisition of Banca Monte Parma and Banca Sara and the exclusion of the contribution before the disposal of branches sold to Crédit Agricole and Fideuram Bank Suisse during that year.
The 2012 figures did not require restatement.
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 in the interest of providing a more accurate representation of ordinary operations, Goodwill impairment, which includes the considerable impairment losses on intangible assets recognised in 2011, 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)

	2012	2011	Changes	
			amount	%
Net interest income	9,430	9,780	-350	-3.6
Dividends and profits (losses) on investments carried at equity	39	72	-33	-45.8
Net fee and commission income	5,451	5,466	-15	-0.3
Profits (Losses) on trading	2,182	920	1,262	
Income from insurance business	828	540	288	53.3
Other operating income (expenses)	-49	7	-56	
Operating income	**17,881**	**16,785**	**1,096**	**6.5**
Personnel expenses	-5,338	-5,419	-81	-1.5
Other administrative expenses	-2,921	-3,080	-159	-5.2
Adjustments to property, equipment and intangible assets	-654	-638	16	2.5
Operating costs	**-8,913**	**-9,137**	**-224**	**-2.5**
Operating margin	**8,968**	**7,648**	**1,320**	**17.3**
Net provisions for risks and charges	-245	-218	27	12.4
Net adjustments to loans	-4,714	-4,243	471	11.1
Net impairment losses on other assets	-282	-1,069	-787	-73.6
Profits (Losses) on investments held to maturity and on other investments	-117	-99	18	18.2
Income (Loss) before tax from continuing operations	**3,610**	**2,019**	**1,591**	**78.8**
Taxes on income from continuing operations	-1,523	910	-2,433	
Charges (net of tax) for integration and exit incentives	-134	-552	-418	-75.7
Effect of purchase price allocation (net of tax)	-299	-321	-22	-6.9
Goodwill impairment (net of tax)	-	-10,233	-10,233	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-49	-13	36	
Net income (loss)	**1,605**	**-8,190**	**9,795**	

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

Quarterly development of the reclassified income statement

(millions of euro)

	2012				2011			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,181	2,317	2,431	2,501	2,541	2,479	2,368	2,392
Dividends and profits (losses) on investments carried at equity	11	-27	29	26	5	26	34	7
Net fee and commission income	1,479	1,333	1,322	1,317	1,339	1,322	1,410	1,395
Profits (Losses) on trading	682	623	161	716	173	-74	541	280
Income from insurance business	159	216	195	258	205	50	165	120
Other operating income (expenses)	-18	-19	-7	-5	2	-3	-3	11
Operating income	**4,494**	**4,443**	**4,131**	**4,813**	**4,265**	**3,800**	**4,515**	**4,205**
Personnel expenses	-1,334	-1,295	-1,353	-1,356	-1,348	-1,324	-1,375	-1,372
Other administrative expenses	-781	-711	-735	-694	-841	-752	-766	-721
Adjustments to property, equipment and intangible assets	-182	-160	-155	-157	-177	-159	-153	-149
Operating costs	**-2,297**	**-2,166**	**-2,243**	**-2,207**	**-2,366**	**-2,235**	**-2,294**	**-2,242**
Operating margin	**2,197**	**2,277**	**1,888**	**2,606**	**1,899**	**1,565**	**2,221**	**1,963**
Net provisions for risks and charges	-105	-69	-34	-37	-106	-18	-80	-14
Net adjustments to loans	-1,461	-1,198	-1,082	-973	-2,043	-695	-823	-682
Net impairment losses on other assets	-141	-43	-39	-59	-360	-635	-57	-17
Profits (Losses) on investments held to maturity and on other investments	-104	-5	-2	-6	-139	7	19	14
Income (Loss) before tax from continuing operations	**386**	**962**	**731**	**1,531**	**-749**	**224**	**1,280**	**1,264**
Taxes on income from continuing operations	-291	-454	-152	-626	976	894	-464	-496
Charges (net of tax) for integration and exit incentives	-99	-11	-10	-14	-53	-483	-12	-4
Effect of purchase price allocation (net of tax)	-79	-71	-76	-73	-67	-83	-85	-86
Goodwill impairment (net of tax)	-	-	-	-	-10,233	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-	-
Minority interests	-	-12	-23	-14	7	-25	22	-17
Net income (loss)	**-83**	**414**	**470**	**804**	**-10,119**	**527**	**741**	**661**

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

In a context characterised by the persistence of the financial crisis in the Eurozone and a recessionary phase in economic activity and consumption in Italy, the Intesa Sanpaolo Group achieved positive operating results, appreciable revenue development and strict operating cost containment. These results yielded a 17.3% increase in the operating margin. Despite a rigorous policy of provisions and adjustments necessary to face the deterioration of the credit cycle, income before tax from continuing operations came to 3,610 million euro, up by 78.8% compared to the previous year.
Net income amounted to 1,605 million euro, compared with a net loss of 8,190 million euro recognised in 2011, burdened by 10,233 million euro in extraordinary goodwill impairment.

Operating income

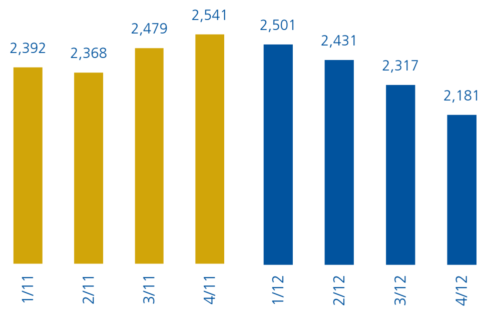
In 2012, the Group's operating income amounted to 17,881 million euro, up by 6.5% compared to the previous year.
The increase was influenced by the considerable rise in profits on trading and income from insurance business, which more than offset the decline in net interest income.
In further detail, operating income came to 4,494 million euro in the fourth quarter of 2012, up slightly (+1.1%) compared to the third quarter. This performance may be attributed to the growth of fees and commissions and profits on trading, whereas the interest margin and income from insurance business both declined.

Net interest income

(millions of euro)

	2012	2011	Changes	
			amount	%
Relations with customers	10,941	11,922	-981	-8.2
Securities issued	-5,778	-5,526	252	4.6
Differentials on hedging derivatives	1,731	1,209	522	43.2
Customer dealing	**6,894**	**7,605**	**-711**	**-9.3**
Financial assets held for trading	493	624	-131	-21.0
Investments held to maturity	88	108	-20	-18.5
Financial assets available for sale	1,232	758	474	62.5
Financial assets	**1,813**	**1,490**	**323**	**21.7**
Relations with banks	**-195**	**-115**	**80**	**69.6**
Non-performing assets	**988**	**881**	**107**	**12.1**
Other net interest income	**-70**	**-81**	**-11**	**-13.6**
Net interest income	**9,430**	**9,780**	**-350**	**-3.6**

Quarterly development
Net interest income



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

The interest margin came to 9,430 million euro at the end of 2012, down by 3.6% compared to 2011: the improved pricing of loans and the growth of interest on financial assets, together with greater differentials on hedging derivatives, partly limited the lower contribution of operations with customers.
During the year, market interest rates continued the decline that had begun in the second half of 2011. In this context, net interest from operations with customers amounted to 6,894 million euro, down by 9.3% compared with the previous year, despite the greater differentials on hedging derivatives. The latter only partially offset the higher cost of demand deposits (the mark-down on funding is at all-time lows), the higher implicit cost of term deposits and the increase in interest expense on securities issued.
Compared to 2011, interest on financial assets increased 21.7% owing to the growth in assets available for sale (+474 million euro), which more than offset the drop in financial assets held for trading (-131 million euro) and the more limited decrease in investments held to maturity (-20 million euro), within a context nonetheless showing a sharp rise in financial investments.
Net interest on the interbank market reported a negative balance of 195 million euro, compared to net interest expense of 115 million euro in 2011, reflecting in particular the significant increase in the exposure to the ECB from the third quarter of 2011.

(millions of euro)

	2012				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Relations with customers	2,427	2,668	2,849	2,997	-9.0	-6.4	-4.9
Securities issued	-1,467	-1,447	-1,449	-1,415	1.4	-0.1	2.4
Differentials on hedging derivatives	486	477	435	333	1.9	9.7	30.6
Customer dealing	**1,446**	**1,698**	**1,835**	**1,915**	**-14.8**	**-7.5**	**-4.2**
Financial assets held for trading	116	122	116	139	-4.9	5.2	-16.5
Investments held to maturity	20	22	22	24	-9.1	-	-8.3
Financial assets available for sale	348	306	300	278	13.7	2.0	7.9
Financial assets	**484**	**450**	**438**	**441**	**7.6**	**2.7**	**-0.7**
Relations with banks	**-18**	**-58**	**-48**	**-71**	**-69.0**	**20.8**	**-32.4**
Non-performing assets	**285**	**247**	**226**	**230**	**15.4**	**9.3**	**-1.7**
Other net interest income	**-16**	**-20**	**-20**	**-14**	**-20.0**	**-**	**42.9**
Net interest income	**2,181**	**2,317**	**2,431**	**2,501**	**-5.9**	**-4.7**	**-2.8**

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

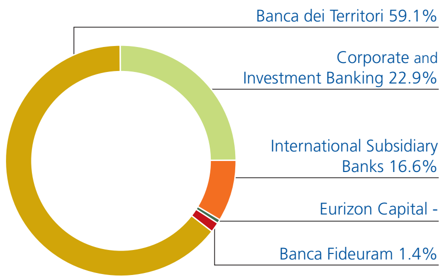
Net interest income decreased by 5.9% in the fourth quarter compared with the third, confirming the gradual slowdown witnessed throughout 2012. The decrease is primarily attributable to the very low levels reached by market interest rates, which are reflected in a narrowing of the margins earnt on deposits.

(millions of euro)

	2012	2011	Changes amount	Changes %
Banca dei Territori	5,863	5,806	57	1.0
Corporate and Investment Banking	2,272	2,239	33	1.5
International Subsidiary Banks	1,642	1,736	-94	-5.4
Eurizon Capital	2	2	-	-
Banca Fideuram	140	141	-1	-0.7
Total business areas	**9,919**	**9,924**	**-5**	**-0.1**
Corporate Centre	-489	-144	345	
Intesa Sanpaolo Group	**9,430**	**9,780**	**-350**	**-3.6**

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 59% of business area results, recorded a 1% increase in net interest income, mainly due to the greater contribution from repricing policies on loans to customers and the benefits from the hedging of demand deposits despite smaller margins on deposits. Corporate and Investment Banking also reported an increase in the interest margin (+1.5%) attributable to attentive pricing management for loans which in particular characterised Italian corporate relations (Large Corporate Italy and Mid Corporate segments) and Mediofactoring, compensating for the negative performance of the average volumes of loans to customers. Conversely, net interest income for the International Subsidiary Banks was down (-5.4%). Banca Fideuram reported a figure essentially in line with that recognised in the previous year (-0.7%).

Dividends and profits on investments carried at equity

In 2012, share dividends and profits on investments carried at equity came to 39 million euro, attributable to the largely negative effects of certain associates carried at equity, over which the Group exercises significant influence, and which are thus measured using the equity method in the financial statements, as well as to the dividend paid by the Bank of Italy (29 million euro). The item showed a decrease compared to the 72 million euro reported in the previous year. The dividends relate to companies not consolidated line-by-line. Dividends on shares held for trading and securities available for sale, on the other hand, are reclassified to Profits (Losses) on trading.

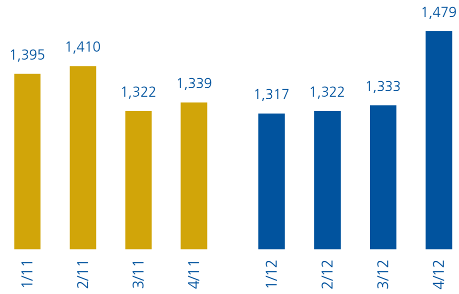
Net fee and commission income

(millions of euro)

	2012	2011	Changes amount	Changes %
Guarantees given / received	271	378	-107	-28.3
Collection and payment services	334	345	-11	-3.2
Current accounts	1,035	872	163	18.7
Credit and debit cards	463	465	-2	-0.4
Commercial banking activities	**2,103**	**2,060**	**43**	**2.1**
Dealing and placement of securities	453	386	67	17.4
Currency dealing	45	57	-12	-21.1
Portfolio management	1,194	1,179	15	1.3
Distribution of insurance products	607	667	-60	-9.0
Other	120	110	10	9.1
Management, dealing and consultancy activities	**2,419**	**2,399**	**20**	**0.8**
Other net fee and commission income	**929**	**1,007**	**-78**	**-7.7**
Net fee and commission income	**5,451**	**5,466**	**-15**	**-0.3**

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

Quarterly development
Net fee and commission income



Net fee and commission income, which makes up approximately one-third of operating income, came to 5,451 million euro, essentially stable on 2011.
Fees and commissions on commercial banking activities showed an increase (+2.1%) due to the rise in fees and commissions on current accounts, which more than offset the decrease in collection and payment services and guarantees provided and received. In further detail, the performance of the latter (-28.3%) was attributable to the recognition of the cost of the government guarantee on the Bank's bonds placed with the ECB at the end of December 2011 (85 million euro in 2012).
Overall, management, dealing and consultancy activities generated net fee and commission income of 2,419 million euro, up slightly (+0.8%) compared to the 2,399 million euro recorded in 2011. The increase in security dealing and placement commissions (+67 million euro) and fees and commissions on collective and individual portfolio management (+15 million euro) offset the decline in fees and commissions on the distribution of insurance products (-60 million euro) and currency dealing (-12 million euro). Fees and commissions relating to other management and dealing operations presented an increase of 10 million euro.
Other net fee and commission income amounted to 929 million euro, recording a 7.7% decrease essentially attributable to other commissions on loans issued and other banking services, only partly offset by the higher revenues from factoring services.

(millions of euro)

	2012				Changes %		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Guarantees given / received	51	62	73	85	-17.7	-15.1	-14.1
Collection and payment services	87	81	91	75	7.4	-11.0	21.3
Current accounts	291	278	239	227	4.7	16.3	5.3
Credit and debit cards	118	124	113	108	-4.8	9.7	4.6
Commercial banking activities	**547**	**545**	**516**	**495**	**0.4**	**5.6**	**4.2**
Dealing and placement of securities	128	98	87	140	30.6	12.6	-37.9
Currency dealing	10	10	11	14	-	-9.1	-21.4
Portfolio management	363	282	273	276	28.7	3.3	-1.1
Distribution of insurance products	160	149	157	141	7.4	-5.1	11.3
Other	33	31	26	30	6.5	19.2	-13.3
Management, dealing and consultancy activities	**694**	**570**	**554**	**601**	**21.8**	**2.9**	**-7.8**
Other net fee and commission income	**238**	**218**	**252**	**221**	**9.2**	**-13.5**	**14.0**
Net fee and commission income	**1,479**	**1,333**	**1,322**	**1,317**	**11.0**	**0.8**	**0.4**

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

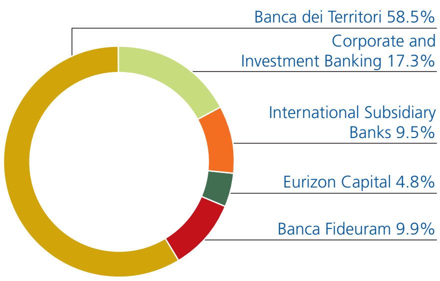
At the quarterly level, fee and commission income in the fourth quarter, 1,479 million euro, was up by 11% compared to the third quarter, owed primarily to the increase in fees and commissions on management, dealing and consultancy activities (+21.8%), and particularly to the positive performance of fees and commissions on portfolio management (+81 million euro, of which 75 million euro was attributable to overperformance commissions on mutual funds) and on securities dealing and placement (+30 million euro). Fees and commissions on commercial banking activities were essentially stable (+0.4%).

(millions of euro)

	2012	2011	Changes	
			amount	%
Banca dei Territori	3,376	3,236	140	4.3
Corporate and Investment Banking	999	1,062	-63	-5.9
International Subsidiary Banks	547	572	-25	-4.4
Eurizon Capital	277	243	34	14.0
Banca Fideuram	574	556	18	3.2
Total business areas	**5,773**	**5,669**	**104**	**1.8**
Corporate Centre	-322	-203	119	58.6
Intesa Sanpaolo Group	**5,451**	**5,466**	**-15**	**-0.3**

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

Business areas



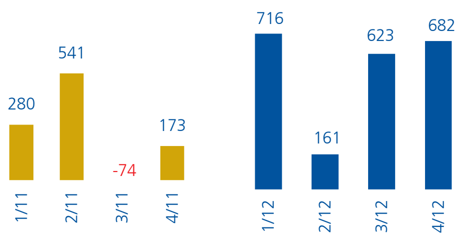
The most significant share of growth by business area can be attributed to Banca dei Territori (+4.3%), which accounts for 58.5% of the fee and commission income of the business units. In detail, there were increases in fees and commissions on current accounts (including fees and commissions on account credit facilities), traditional assets under administration, asset management products and collections and payments, against declines in fees and commissions on bancassurance, mortgage insurance and payment cards. There were also increases in the net fee and commission income of Eurizon Capital (+14%), which includes overperformance commissions, and of Banca Fideuram (+3.2%), primarily owing to the increase in commissions related to the increase in average assets under management. By contrast, Corporate and Investment Banking net fee and commission income recorded a decrease (-5.9%) attributable to the investment banking segment, especially in reference to the primary market and structured finance, which in 2011 had benefited from non-recurring transactions. The International Subsidiary Banks also reported a decline (-4.4%), primarily attributable to fees and commissions on loans and payment cards.

Profits (Losses) on trading

(millions of euro)

	2012	2011	Changes amount	Changes %
Interest rates	471	-245	716	
Equity instruments	111	-53	164	
Currencies	162	237	-75	-31.6
Structured credit products	96	49	47	95.9
Credit derivatives	-127	95	-222	
Commodity derivatives	16	12	4	33.3
Trading result	**729**	**95**	**634**	
Trading on AFS securities and financial liabilities	**1,453**	**825**	**628**	**76.1**
Profits (Losses) on trading	**2,182**	**920**	**1,262**	

Quarterly development Profits (losses) on trading



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

Trading activities, which benefited from a period of lower uncertainty in the financial markets, yielded a profit of 2,182 million euro, more than twice the 920 million euro reported in 2011. The figures for both periods include non-recurring income: in particular, 2012 includes capital gains on the purchase and exchange of own securities (for a total of 711 million euro) and the sale of London Stock Exchange (94 million euro). In addition, the caption includes the effects of the reclassification of certain derivatives contracts hedging core deposits, which became ineffective due to the decline in the hedged volumes. The discontinuation of hedge accounting resulted in the need to reclassify the excess derivatives contracts to the trading segment in the fourth quarter. The measurement of these derivatives generated a gain of 342 million euro. Financial year 2011 had benefited from capital gains on the sale of Findomestic and Prada (respectively, 154 and 272 million euro). However, profits on trading increased sharply even excluding the aforementioned capital gains.
The positive trend in trading result was especially due to the contribution from interest rate transactions (+716 million euro) and equity transactions (+164 million euro), only partly mitigated by the declining trend in foreign currency and structured credit derivative transactions. Trading on AFS securities and financial liabilities also achieved higher revenues than in 2011 (+628 million euro), essentially due to the repurchases of the own securities mentioned above.
It should be noted that the subcaption "Trading on AFS securities and financial liabilities" incorporates, 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 in accordance with the fair value option.

(millions of euro)

	2012 Fourth quarter (A)	2012 Third quarter (B)	2012 Second quarter (C)	2012 First quarter (D)	Changes % (A/B)	Changes % (B/C)	Changes % (C/D)
Interest rates	-13	108	31	345			-91.0
Equity instruments	48	19	6	38			-84.2
Currencies	87	19	41	15		-53.7	
Structured credit products	21	50	5	20	-58.0		-75.0
Credit derivatives	-45	-18	10	-74			
Commodity derivatives	-	4	-5	17			
Trading result	**98**	**182**	**88**	**361**	**-46.2**		**-75.6**
Trading on AFS securities and financial liabilities	**584**	**441**	**73**	**355**	**32.4**		**-79.4**
Profits (Losses) on trading	**682**	**623**	**161**	**716**	**9.5**		**-77.5**

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

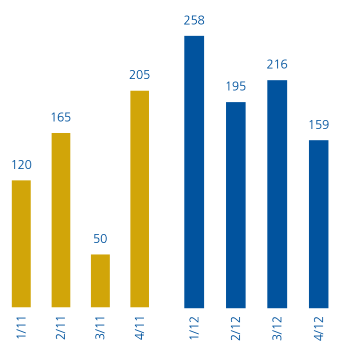
At the quarterly level, the profit for the fourth quarter of 2012 came to 682 million euro, a higher level (+9.5%) than in the third quarter, and the highest quarterly result of the past two years, with the exception of the first quarter of 2012.

Income from insurance business

(millions of euro)

Captions (a)	2012			2011			Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Technical margin	**71**	**13**	**84**	**83**	**42**	**125**	**-41**	**-32.8**
Net insurance premiums (b)	5,495	165	5,660	9,093	167	9,260	-3,600	-38.9
Net charges for insurance claims and surrenders (c)	-7,447	-82	-7,529	-6,718	-47	-6,765	764	11.3
Net charges for changes in technical reserves (d)	12	1	13	-3,019	-	-3,019	3,032	
Gains (losses) on investments pertaining to insured parties on insurance products (e)	2,171	-	2,171	966	-	966	1,205	
Net fees on investment contracts (f)	130	-	130	116	-	116	14	12.1
Commission expenses on insurance contracts (g)	-290	-64	-354	-381	-76	-457	-103	-22.5
Other technical income and expense (h)	-	-7	-7	26	-2	24	-31	
Net investment result	**722**	**22**	**744**	**401**	**14**	**415**	**329**	**79.3**
Operating income from investments	5,341	22	5,363	838	14	852	4,511	
Net interest income	*2,287*	*16*	*2,303*	*2,057*	*12*	*2,069*	*234*	*11.3*
Dividends	*94*	*-*	*94*	*87*	*-*	*87*	*7*	*8.0*
Gains/losses on disposal	*809*	*6*	*815*	*-119*	*2*	*-117*	*932*	
Valuation gains/losses	*2,535*	*-*	*2,535*	*-1,005*	*-*	*-1,005*	*3,540*	
Portfolio management fees paid (i)	*-155*	*-*	*-155*	*-151*	*-*	*-151*	*4*	*2.6*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*-229*	*-*	*-229*	*-31*	*-*	*-31*	*198*	
Gains (losses) on investments pertaining to insured parties	-4,619	-	-4,619	-437	-	-437	4,182	
Insurance products (k)	*-1,906*	*-*	*-1,906*	*-1,062*	*-*	*-1,062*	*844*	*79.5*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-265*	*-*	*-265*	*96*	*-*	*96*	*-361*	
Investment products (m)	*-2,448*	*-*	*-2,448*	*529*	*-*	*529*	*-2,977*	
Income from insurance business	**793**	**35**	**828**	**484**	**56**	**540**	**288**	**53.3**

Quarterly development 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 2012, income from insurance business, which includes the revenue and cost captions of the Group's life and non-life companies, was 828 million euro, up by 288 million euro compared to the previous year. The positive performance of this sector was favoured by the financial market recovery that began in the first quarter of the year and the trading activity undertaken by the insurance companies in order to support the returns of separate management.
The life insurance segment underwent positive development: the net investment result improved considerably owing to the growth of the operating income from investments, which exceeded the retrocession to policyholders. The technical margin of the life insurance segment decreased due to the combined effects of the reduction of net premiums and the increase in charges for insurance claims and surrenders, offset by the decline in charges for changes in reserves and the increase in gains pertaining to insured parties.
Income from non-life business – the extent of which is still marginal in the Group's insurance business – was down 21 million euro, mainly due to the increase in charges for insurance claims and surrenders, only partly offset by the increase in the net investment result.

(millions of euro)

Captions (a)	**2012**				**Changes**		
	Fourth quarter (A)	**Third quarter** (B)	**Second quarter** (C)	**First quarter** (D)	(A/B)	(B/C)	(C/D)
Technical margin	**35**	**21**	**30**	**-2**	**66.7**	**-30.0**	
Net insurance premiums (b)	1,523	1,281	1,731	1,125	18.9	-26.0	53.9
Net charges for insurance claims and surrenders (c)	-1,834	-2,188	-1,752	-1,755	-16.2	24.9	-0.2
Net charges for changes in technical reserves (d)	-62	359	-222	-62			
Gains (losses) on investments pertaining to insured parties on insurance products (e)	482	624	330	735	-22.8	89.1	-55.1
Net fees on investment contracts (f)	30	34	33	33	-11.8	3.0	-
Commission expenses on insurance contracts (g)	-99	-85	-99	-71	16.5	-14.1	39.4
Other technical income and expense (h)	-5	-4	9	-7	25.0		
Net investment result	**124**	**195**	**165**	**260**	**-36.4**	**18.2**	**-36.5**
Operating income from investments	1,155	1,835	216	2,157	-37.1		-90.0
Net interest income	*604*	*562*	*574*	*563*	*7.5*	*-2.1*	*2.0*
Dividends	*17*	*26*	*38*	*13*	*-34.6*	*-31.6*	
Gains/losses on disposal	*229*	*227*	*51*	*308*	*0.9*		*-83.4*
Valuation gains/losses	*462*	*964*	*-365*	*1,474*	*-52.1*		
Portfolio management fees paid (i)	*-33*	*-38*	*-42*	*-42*	*-13.2*	*-9.5*	*-*
Profit/loss pertaining to third party underwriters of mutual funds (j)	*-124*	*94*	*-40*	*-159*			*-74.8*
Gains (losses) on investments pertaining to insured parties	-1,031	-1,640	-51	-1,897	-37.1		-97.3
Insurance products (k)	*-424*	*-547*	*-274*	*-661*	*-22.5*	*99.6*	*-58.5*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (l)	*-58*	*-77*	*-56*	*-74*	*-24.7*	*37.5*	*-24.3*
Investment products (m)	*-549*	*-1,016*	*279*	*-1,162*	*-46.0*		
Income from insurance business	**159**	**216**	**195**	**258**	**-26.4**	**10.8**	**-24.4**

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

For notes, see the previous table

The insurance segment showed a decline of 57 million euro in the fourth quarter of 2012 compared to the previous quarter, owing to the growth of the net investment result and, markedly, the operating income from investments, only partly attenuated by the increase in the technical margin.

(millions of euro)

	2012				**2011**
	Periodic premiums	**Single premiums**	**Total**	*of which new business*	
Life insurance business	**343**	**5,153**	**5,496**	***5,153***	**9,094**
Premiums issued on traditional products	281	4,934	5,215	*4,934*	8,685
Premiums issued on unit-linked products	28	31	59	*31*	158
Premiums issued on capitalisation products	1	1	2	*1*	2
Premiums issued on pension funds	33	187	220	*187*	249
Non-life insurance business	**46**	**125**	**171**	***70***	**174**
Premiums issued	45	177	222	*160*	222
Change in premium reserves	1	-52	-51	*-90*	-48
Premiums ceded to reinsurers	**-2**	**-5**	**-7**	***-1***	**-8**
Net premiums from insurance products	**387**	**5,273**	**5,660**	***5,222***	**9,260**
Business on index-linked contracts	-	1	1	*1*	-
Business on unit-linked contracts	190	6,354	6,544	*6,364*	3,613
Total business from investment contracts	**190**	**6,355**	**6,545**	***6,365***	**3,613**
Total business	**577**	**11,628**	**12,205**	***11,587***	**12,873**

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

Business in the insurance segment came to approximately 12.2 billion euro in premiums in 2012, a figure that is compared with the 12.9 billion euro in total inflows for 2011. The decrease was caused by the decline in premiums written on traditional life insurance policies, whereas there was an increase in business relating to unit-linked investment contracts. New business, which includes premiums on new contracts signed by customers during the year and single additional premiums, was essentially in line with 2011: inflows, including retirement products, amounted to 11.6 billion euro, of which 4.9 billion euro in traditional life insurance products and 6.4 billion euro in investment contracts.

Other operating income (expenses)

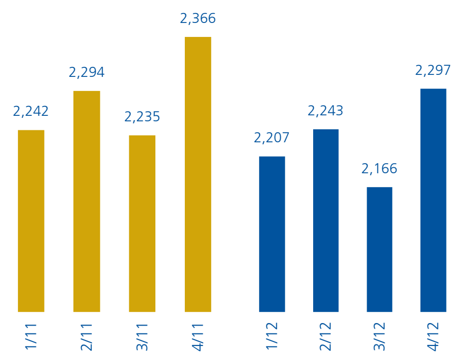
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have been directly deducted from the corresponding sub-captions of administrative expenses. This caption typically presents a negligible amount with fluctuating signs (+/-). In 2012 other operating income (expenses) came to expenses of 49 million euro, compared to 7 million euro in income in 2011.

Operating costs

(millions of euro)

	2012	2011	Changes	
			amount	%
Wages and salaries	3,783	3,834	-51	-1.3
Social security charges	937	982	-45	-4.6
Other	618	603	15	2.5
Personnel expenses	**5,338**	**5,419**	**-81**	**-1.5**
Information technology expenses	675	688	-13	-1.9
Management of real estate assets expenses	749	754	-5	-0.7
General structure costs	430	437	-7	-1.6
Professional and legal expenses	338	455	-117	-25.7
Advertising and promotional expenses	146	166	-20	-12.0
Indirect personnel costs	114	127	-13	-10.2
Other costs	365	364	1	0.3
Indirect taxes and duties	714	663	51	7.7
Recovery of expenses and charges	-610	-574	36	6.3
Administrative expenses	**2,921**	**3,080**	**-159**	**-5.2**
Property and equipment	366	385	-19	-4.9
Intangible assets	288	253	35	13.8
Adjustments	**654**	**638**	**16**	**2.5**
Operating costs	**8,913**	**9,137**	**-224**	**-2.5**

Quarterly development Operating costs



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

Operating costs amounted to 8,913 million euro, down 2.5% on the figure recorded in 2011.

Personnel expenses, amounting to 5,338 million euro, recorded a 1.5% decrease as a result of the reduction in the average workforce of 3%, which more than offset the effects of the increase in remuneration.

Administrative expenses amounted to 2,921 million euro, down 5.2%: this result was shaped in particular by the decrease in professional and legal expenses (consulting), which fell by 117 million euro, or 25.7%, accompanied by the reduction in advertising and promotional expenses (-12%), information technology services (-1.9%) and indirect personnel costs (-10.2%).

Amortisation and depreciation totalled 654 million euro, up 2.5% on the previous year, due to higher investments in intangible assets.

As a result of the combined performance of revenues and costs, the cost/income ratio for 2012 fell below 50% for the first time, coming to 49.8% compared to 54.4% in the previous year.

(millions of euro)

	2012				Changes %		
	Fourth quarter (A)	Third quarter (B)	Second quarter (C)	First quarter (D)	(A/B)	(B/C)	(C/D)
Wages and salaries	951	935	952	945	1.7	-1.8	0.7
Social security charges	227	221	247	242	2.7	-10.5	2.1
Other	156	139	154	169	12.2	-9.7	-8.9
Personnel expenses	**1,334**	**1,295**	**1,353**	**1,356**	**3.0**	**-4.3**	**-0.2**
Information technology expenses	180	164	169	162	9.8	-3.0	4.3
Management of real estate assets expenses	190	189	186	184	0.5	1.6	1.1
General structure costs	100	109	110	111	-8.3	-0.9	-0.9
Professional and legal expenses	108	75	80	75	44.0	-6.3	6.7
Advertising and promotional expenses	56	29	38	23	93.1	-23.7	65.2
Indirect personnel costs	26	20	35	33	30.0	-42.9	6.1
Other costs	99	95	88	83	4.2	8.0	6.0
Indirect taxes and duties	188	170	196	160	10.6	-13.3	22.5
Recovery of expenses and charges	-166	-140	-167	-137	18.6	-16.2	21.9
Administrative expenses	**781**	**711**	**735**	**694**	**9.8**	**-3.3**	**5.9**
Property and equipment	95	89	89	93	6.7	-	-4.3
Intangible assets	87	71	66	64	22.5	7.6	3.1
Adjustments	**182**	**160**	**155**	**157**	**13.8**	**3.2**	**-1.3**
Operating costs	**2,297**	**2,166**	**2,243**	**2,207**	**6.0**	**-3.4**	**1.6**

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

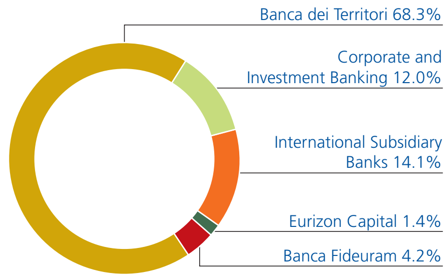
At the quarterly level, operating costs increased by 6% in the fourth quarter compared to the third quarter, reaching 2,297 million euro. Such trend is mainly attributable to administrative expenses, which traditionally present elements of seasonality: the most significant differences were in professional and legal expenses, advertising and promotional expenses and information technology expenses.

(millions of euro)

	2012	2011	Changes	
			amount	%
Banca dei Territori	5,619	5,733	-114	-2.0
Corporate and Investment Banking	989	966	23	2.4
International Subsidiary Banks	1,156	1,171	-15	-1.3
Eurizon Capital	114	120	-6	-5.0
Banca Fideuram	348	347	1	0.3
Total business areas	**8,226**	**8,337**	**-111**	**-1.3**
Corporate Centre	687	800	-113	-14.1
Intesa Sanpaolo Group	**8,913**	**9,137**	**-224**	**-2.5**

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

Business areas



The fall in Group operating costs (-2.5%) was driven by Banca dei Territori (-2%), which accounts for approximately 68% of business area costs, Eurizon Capital (-5%) and the International Subsidiary Banks (-1.3%). Savings in these business areas were related primarily to other administrative expenses. By contrast, there was an increase in the costs reported by Corporate and Investment Banking (+2.4%) due to personnel expenses and administrative expenses. Banca Fideuram reported costs essentially in line with those of the previous year. The Corporate Centre's costs were down (-14.1%) due to lower personnel expenses.

Operating margin

The operating margin came to 8,968 million euro in 2012, up 17.3% compared to the previous year. This trend was generated by the increase in revenues (+6.5%), accompanied by a decrease in operating costs (-2.5%). The quarterly analysis shows a decrease of 3.5% in the fourth quarter compared to the third, essentially due to an increase in costs that was not sufficiently offset by the improvement in profits on trading.

Adjustments to/write-backs on assets

Net provisions for risks and charges

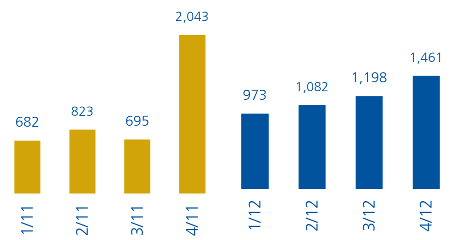
In 2012, net provisions for risks and charges stood at 245 million euro, most of which were attributable to provisions for legal disputes by the Parent Company, Banco di Napoli and Banca Fideuram. This figure is compared with the 218 million euro recorded in 2011, also attributable to provisions for legal disputes, revocatory actions and other existing risks, mainly concerning the Parent Company.

Net adjustments to loans

(millions of euro)

	2012	2011	Changes	
			amount	%
Doubtful loans	-2,363	-2,227	136	6.1
Substandard loans	-1,656	-993	663	66.8
Restructured loans	-271	-387	-116	-30.0
Past due loans	-427	-207	220	
Performing loans	56	-416	472	
Net impairment losses on loans	**-4,661**	**-4,230**	**431**	**10.2**
Net adjustments to guarantees and commitments	**-53**	**-13**	**40**	
Net adjustments to loans	**-4,714**	**-4,243**	**471**	**11.1**

Quarterly development
Net adjustments to loans



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

The worsening of the general economic situation for more than a year, now has resulted in a gradual deterioration in loan portfolio quality, with a consequent increase in adjustments to loans. This trend also continued in 2012, with net adjustments to loans of 4,714 million euro, up by 471 million euro (+11.1%) compared to 2011. Doubtful positions required total net adjustments of 2,363 million euro, up compared to the previous year (+6.1%), with an average coverage ratio of 60.5%. Net impairment losses on substandard loans, totalling 1,656 million euro, increased by 66.8% compared to 2011, with a coverage ratio of 20.6%. Net impairment losses on past due loans also increased significantly, due in part to the reduction of the limit to 90 days for classification under non-performing loans as envisaged by the Regulator. By contrast, net impairment losses on restructured loans declined by 116 million euro compared to the previous year.
Lastly, within performing loans, the generic reserve was used to keep a stable coverage ratio for the physiological risk inherent in the portfolio of 0.8%.

(millions of euro)

	2012				Changes %		
	Fourth quarter (A)	Third quarter (A)	Second quarter (B)	First quarter (C)	(A/B)	(B/C)	(C/D)
Doubtful loans	-898	-492	-519	-454	82.5	-5.2	14.3
Substandard loans	-490	-412	-357	-397	18.9	15.4	-10.1
Restructured loans	-44	-164	-53	-10	-73.2		
Past due loans	-99	-112	-103	-113	-11.6	8.7	-8.8
Performing loans	93	-36	-4	3			
Net losses/recoveries on impairment of loans	**-1,438**	**-1,216**	**-1,036**	**-971**	**18.3**	**17.4**	**6.7**
Net adjustments to/recoveries on guarantees and commitments	**-23**	**18**	**-46**	**-2**			
Net adjustments to loans	**-1,461**	**-1,198**	**-1,082**	**-973**	**22.0**	**10.7**	**11.2**

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

The quarterly analysis confirms the uptrend in net adjustments to loans, which increased from 1,198 million euro in the third quarter to 1,461 million euro in the fourth quarter, owing to greater provisions for doubtful and substandard positions, only partially offset by the decrease in adjustments to restructured and past due loans and recoveries on performing loans.

Net impairment losses on other assets

Net impairment losses on assets other than loans came to 282 million euro in 2012, essentially attributable to impairment losses on properties located in Italy and, above all, abroad (115 million euro), and securities held in the portfolios of the insurance companies and international banks. The amount is compared with the 1,069 million euro recognised in the previous year, which also included 900 million euro in impairment losses on Greek bonds held by Group companies.
In the fourth quarter of 2012, adjustments declined compared to the previous quarter, falling from 43 to 141 million euro. The figure primarily consists of 43 million in impairment losses on equities, 12 million euro on debt securities and 70 million on properties originating from lease transactions.

Profits (Losses) on investments held to maturity and on other investments
In 2012 investments held to maturity and other investments generated a loss of 117 million euro, essentially attributable to the impairment loss on Telco (116 million euro), a company that holds an investment in Telecom Italia, and in which Intesa Sanpaolo has an 11.6% interest. This figure is compared to the 99 million euro in losses reported in 2011.

Income before tax from continuing operations
Income before tax from continuing operations came to 3,610 million euro in 2012, up 78.8% compared to 2011. The increase was primarily due to the improvement in operating margin and the decline in net impairment losses on other assets, only partially offset by the rise in adjustments to loans. The result for the fourth quarter, penalised by those adjustments, decreased compared to the result for the third quarter, coming to 386 million euro.

Other income and expense captions

Taxes on income from continuing operations
Current and deferred taxes accrued in 2012 came to 1,523 million euro, with a tax rate of 42.2%. The income taxes recognised in 2011 (a credit of 910 million euro) had benefited from the positive effect of the realignment of goodwill included in the consolidated financial statements, as permitted by Article 23 of Law Decree no. 98 of 6 July 2011.
In addition, the 2012 tax rate benefited from the positive effect of the deduction of Regional Business Tax (IRAP) relating to the taxable portion of personnel (employees and similar) expenses from the Corporate Income Tax (IRES) taxable amount. This deduction, permitted under Article 2, paragraph 1, Law Decree 201/2011, is applicable with effect from the tax year in progress as at 31 December 2012. The subsequent Law Decree 16/2012 supplemented the previous requirement, allowing taxpayers the option of requesting reimbursement for tax years 2007 to 2011, for which the total IRES taxes subject to a reimbursement application yielded a tax benefit for the Group of over 260 million euro.

Charges (net of tax) for integration and exit incentives
The caption amounted to 134 million euro and was down sharply from the 552 million euro recognised in 2011, a year which incorporated the charge relating to the exit of personnel pursuant to the Framework Agreement of 29 July 2011.
Personnel-related charges of 89 million euro were expensed in the fourth quarter. These charges can be attributed to the change in the pension system pursuant to Law 214/2011 and the need to cover the greater expenses arising from the application of the July 2011 agreement, as envisaged in the agreement between Intesa Sanpaolo and the trade unions of 31 July 2012.

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 came to 299 million euro in 2012, down from the 321 million euro recognised in 2011, which also included badwill of 16 million euro in connection with the acquisition of Banco Emiliano Romagnolo.

Goodwill impairment (net of tax)
In 2012 no impairment of goodwill was recognised. By contrast, in 2011 the negative results of impairment tests on the carrying amounts of goodwill had resulted in the recognition of impairment losses of a total of 10,233 million euro. 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 either for 2012 or for 2011.

Net income (loss)
The Group closed 2012 with a net income of 1,605 million euro, compared with the net loss recorded in the previous year, which incorporated 10,233 million euro in extraordinary goodwill impairment. The net loss for the fourth quarter of 83 million euro, which was influenced by the increase in adjustments and the typical seasonal nature of costs, is compared with the net income of 414 million euro reported in the third quarter of the year.

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.

It should be noted that balance sheet figures at 31 December 2011 have been restated solely to take account of the acquisition of New 16 (concurrently merged into Intesa Sanpaolo Provis - formerly Intesa Real Estate) in late 2012 in the context of the transfer of specific assets attributable to Delta, under extraordinary administration, to the Intesa Sanpaolo Group.

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	31.12.2012	31.12.2011	Changes	
			amount	%
Financial assets held for trading	63,546	59,963	3,583	6.0
of which: Insurance Companies	*1,125*	*1,341*	*-216*	*-16.1*
Financial assets designated at fair value through profit and loss	36,887	34,253	2,634	7.7
of which: Insurance Companies	*35,748*	*33,391*	*2,357*	*7.1*
Financial assets available for sale	97,209	68,777	28,432	41.3
of which: Insurance Companies	*43,527*	*39,194*	*4,333*	*11.1*
Investments held to maturity	2,148	2,621	-473	-18.0
Due from banks	36,533	35,865	668	1.9
Loans to customers	376,625	376,974	-349	-0.1
Investments in associates and companies subject to joint control	2,706	2,630	76	2.9
Property, equipment and intangible assets	20,249	20,596	-347	-1.7
Tax assets	12,563	14,712	-2,149	-14.6
Non-current assets held for sale and discontinued operations	25	26	-1	-3.8
Other assets	24,981	23,066	1,915	8.3
Total Assets	**673,472**	**639,483**	**33,989**	**5.3**

Liabilities and Shareholders' Equity	31.12.2012	31.12.2011	Changes	
			amount	%
Due to banks	73,352	78,858	-5,506	-7.0
Due to customers and securities issued	377,358	357,438	19,920	5.6
of which: Insurance Companies	*68*	*403*	*-335*	*-83.1*
Financial liabilities held for trading	52,195	48,740	3,455	7.1
of which: Insurance Companies	*79*	*29*	*50*	
Financial liabilities designated at fair value through profit and loss	27,047	22,653	4,394	19.4
of which: Insurance Companies	*27,038*	*21,955*	*5,083*	*23.2*
Tax liabilities	3,494	4,069	-575	-14.1
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	30,617	24,226	6,391	26.4
Technical reserves	54,660	50,761	3,899	7.7
Allowances for specific purpose	4,550	4,966	-416	-8.4
Share capital	8,546	8,546	-	-
Reserves	40,861	49,982	-9,121	-18.2
Valuation reserves	-1,399	-3,298	-1,899	-57.6
Minority interests	586	732	-146	-19.9
Net income (loss)	1,605	-8,190	9,795	
Total Liabilities and Shareholders' Equity	**673,472**	**639,483**	**33,989**	**5.3**

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

Intesa Sanpaolo's consolidated assets and liabilities recorded an increase of 34 billion euro in 2012 (+ 5.3%). With regard to assets, there were increases in financial assets available for sale (+28.4 billion euro), financial assets held for trading (+3.6 billion euro) and those designated at fair value (+2.6 billion euro), whereas loans to customers were essentially stable. Liabilities recorded increases in customer deposits and securities issued (+19.9 billion euro), other liabilities (+6.4 billion euro), financial liabilities designated at fair value through profit or loss (+4.4 billion euro), insurance company technical reserves (+3.9 billion euro) and financial liabilities held for trading (+3.5 billion euro), whereas there was a decrease in amounts due to banks (-5.5 billion euro).

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2012				2011			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	63,546	70,034	66,080	60,328	59,963	69,934	60,584	61,141
of which: Insurance Companies	*1,125*	*1,102*	*1,257*	*1,331*	*1,341*	*1,371*	*1,625*	*1,690*
Financial assets designated at fair value through profit and loss	36,887	36,546	37,842	35,971	34,253	35,212	36,303	36,349
of which: Insurance Companies	*35,748*	*35,486*	*36,763*	*35,015*	*33,391*	*34,345*	*35,354*	*35,230*
Financial assets available for sale	97,209	88,317	88,408	85,224	68,777	70,950	69,007	64,845
of which: Insurance Companies	*43,527*	*41,709*	*41,082*	*40,623*	*39,194*	*40,733*	*41,837*	*41,137*
Investments held to maturity	2,148	2,224	2,222	2,266	2,621	2,872	2,865	3,021
Due from banks	36,533	36,580	35,826	32,431	35,865	40,449	43,258	40,449
Loans to customers	376,625	375,037	375,183	378,280	376,974	381,422	375,209	377,482
Investments in associates and companies subject to joint control	2,706	2,794	2,795	2,672	2,630	2,732	2,694	2,817
Property, equipment and intangible assets	20,249	20,257	20,360	20,484	20,596	30,895	30,817	30,922
Tax assets	12,563	12,796	13,323	12,350	14,712	11,269	7,896	8,089
Non-current assets held for sale and discontinued operations	25	28	27	26	26	30	38	35
Other assets	24,981	24,314	24,613	22,860	23,066	21,819	19,185	20,706
Total Assets	**673,472**	**668,927**	**666,679**	**652,892**	**639,483**	**667,584**	**647,856**	**645,856**

Liabilities and Shareholders' Equity	2012				2011			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	73,352	74,787	83,831	75,958	78,858	73,192	50,396	51,301
Due to customers and securities issued	377,358	373,471	365,667	368,685	357,438	369,487	389,539	392,764
of which: Insurance Companies	*68*	*106*	*117*	*343*	*403*	*368*	*389*	*405*
Financial liabilities held for trading	52,195	55,779	54,921	47,907	48,740	53,952	38,216	37,431
of which: Insurance Companies	*79*	*68*	*26*	*23*	*29*	*76*	*43*	*42*
Financial liabilities designated at fair value through profit and loss	27,047	26,278	24,854	24,496	22,653	23,558	24,729	25,201
of which: Insurance Companies	*27,038*	*25,938*	*24,417*	*23,637*	*21,955*	*22,814*	*23,969*	*24,403*
Tax liabilities	3,494	3,297	2,936	3,154	4,069	4,862	3,304	3,347
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Other liabilities	30,617	27,410	28,812	24,641	24,226	26,698	24,331	23,766
Technical reserves	54,660	53,468	52,310	53,023	50,761	52,217	52,887	51,896
Allowances for specific purpose	4,550	4,585	4,678	4,945	4,966	4,978	4,405	4,561
Share capital	8,546	8,546	8,546	8,546	8,546	8,546	8,546	6,647
Reserves	40,861	40,906	40,882	41,800	49,982	49,906	49,924	47,920
Valuation reserves	-1,399	-1,955	-2,704	-1,805	-3,298	-2,827	-937	-766
Minority interests	586	667	672	738	732	1,086	1,114	1,127
Net income (loss)	1,605	1,688	1,274	804	-8,190	1,929	1,402	661
Total Liabilities and Shareholders' Equity	**673,472**	**668,927**	**666,679**	**652,892**	**639,483**	**667,584**	**647,856**	**645,856**

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

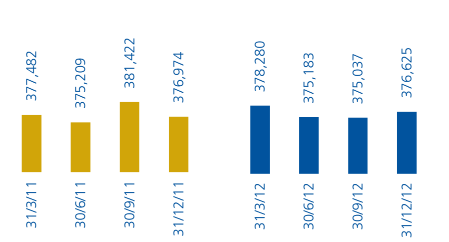
Loans to customers

(millions of euro)

	31.12.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	34,199	9.1	33,839	9.0	360	1.1
Mortgages	161,653	42.9	164,923	43.7	-3,270	-2.0
Advances and other loans	120,676	32.0	131,783	35.0	-11,107	-8.4
Commercial banking loans	**316,528**	**84.0**	**330,545**	**87.7**	**-14,017**	**-4.2**
Repurchase agreements	**14,911**	**4.0**	**5,302**	**1.4**	**9,609**	
Loans represented by securities	**16,714**	**4.4**	**18,286**	**4.9**	**-1,572**	**-8.6**
Non-performing loans	**28,472**	**7.6**	**22,841**	**6.0**	**5,631**	**24.7**
Loans to customers	**376,625**	**100.0**	**376,974**	**100.0**	**-349**	**-0.1**

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

Quarterly development Loans to customers



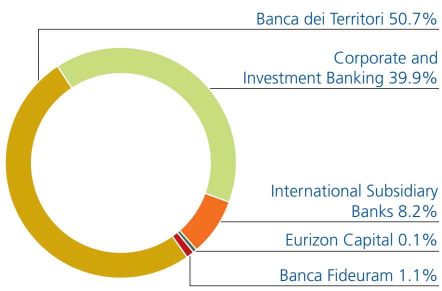
As at 31 December 2012, Intesa Sanpaolo Group loans to customers amounted to approximately 377 billion euro, in line with the figure at the end of the previous year.
The performance of loans since the beginning of the year was due to the reduction in commercial banking loans, down 14 billion euro (-4.2%), only partly offset by the 9.6 billion euro increase in repurchase agreements, which increased sharply compared to the end of December 2011. The overall change was also influenced by the increase in non-performing loans and the decrease in loans represented by securities. The trend for commercial banking loans is attributable to the decrease of 11.1 billion euro in advances and other loans (-8.4%), and, to a lesser extent, the decline in mortgages of 3.3 billion euro (-2%). For current accounts there was a moderate increase of 360 million euro (+1.1%). In the domestic medium/long-term loan market, in 2012 disbursements to households (including the small business and non-profit segments) totalled around 10.5 billion euro, and disbursements to SMEs under Banca dei Territori amounted to 6.8 billion euro. During the same period, medium/long-term disbursements to Mid Corporate and Large Corporate Italia customers exceeded 21 billion euro, whereas those intended for public finance customers amounted to 3 billion euro.
As at 31 December 2012, the Group's share of the domestic market (calculated on the harmonised time-series established for countries in the Eurozone) was 15.8% for total loans, up 0.1% compared to December 2011.

(millions of euro)

	31.12.2012	31.12.2011	Changes	
			amount	%
Banca dei Territori	182,077	187,435	-5,358	-2.9
Corporate and Investment Banking	143,134	145,436	-2,302	-1.6
International Subsidiary Banks	29,312	30,676	-1,364	-4.4
Eurizon Capital	226	109	117	
Banca Fideuram	3,985	3,439	546	15.9
Total business areas	**358,734**	**367,095**	**-8,361**	**-2.3**
Corporate Centre	17,891	9,879	8,012	81.1
Intesa Sanpaolo Group	**376,625**	**376,974**	**-349**	**-0.1**

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

Business areas



In the analysis of loans by business area, Banca dei Territori, which accounts for half the aggregate of the Group's business areas, recorded a decrease in loans to customers of 2.9% compared to the end of the previous year, particularly to SMEs and small businesses. Corporate and investment banking loans showed a decrease of 1.6%, resulting from the lesser use of cash by large Italian and international corporate customers. The International Subsidiary Banks also reported a decrease (-4.4%). By contrast, Banca Fideuram loans, amounting to a modest total overall, increased (+15.9%) owing to loans to customers and loans involving debt securities. The increase in Corporate Centre loans, nearly doubled on an annual basis, is attributable to the finalisation of repurchase agreements with institutional counterparties.

Loans to customers: loan portfolio quality

(millions of euro)

	31.12.2012		31.12.2011		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	11,202	3.0	9,091	2.4	2,111
Substandard loans	11,495	3.0	9,171	2.4	2,324
Restructured loans	2,863	0.8	3,425	0.9	-562
Past due loans	2,912	0.8	1,154	0.3	1,758
Non-performing loans	**28,472**	**7.6**	**22,841**	**6.0**	**5,631**
Performing loans	331,439	88.0	335,847	89.1	-4,408
Loans represented by performing securities	16,714	4.4	18,286	4.9	-1,572
Loans to customers	**376,625**	**100.0**	**376,974**	**100.0**	**-349**

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

(millions of euro)

	31.12.2012			31.12.2011			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	28,362	-17,160	11,202	25,128	-16,037	9,091	2,111
Substandard loans	14,480	-2,985	11,495	11,544	-2,373	9,171	2,324
Restructured loans	3,587	-724	2,863	4,032	-607	3,425	-562
Past due loans	3,244	-332	2,912	1,326	-172	1,154	1,758
Non-performing loans	**49,673**	**-21,201**	**28,472**	**42,030**	**-19,189**	**22,841**	**5,631**
Performing loans	333,989	-2,550	331,439	338,557	-2,710	335,847	-4,408
Performing loans represented by securities	17,108	-394	16,714	19,220	-934	18,286	-1,572
Loans to customers	**400,770**	**-24,145**	**376,625**	**399,807**	**-22,833**	**376,974**	**-349**

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

As at 31 December 2012, the Group recorded an increase of 24.7% in non-performing loans, net of adjustments, on an annual basis. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 6% to 7.6%. Coverage of non-performing loans came to 42.7%, lower than the level at the end of 2011 (45.7%), also due to the sale to third parties of a portfolio of doubtful loans in the first quarter for a gross amount of 1,640 million euro at a price - corresponding to the net carrying value - of around 270 million euro. Net of that sale and without the effects of the regulatory changes relating to the classification criteria for past due loans, the coverage ratio of non-performing loans would have been near the values at the end of 2011, standing at 44.9%. The coverage ratio is adequate to account for expected losses, also considering the guarantees securing the exposures.

In further detail, net doubtful loans increased by 23.2% to 11.2 billion euro in 2012; net doubtful loans / loans to customers was 3%, with a coverage ratio of 60.5%. Substandard loans performed entirely similarly, resulting in growth of 25.3% compared to 31 December 2011 to reach approximately 11.5 billion euro, and their incidence on total loans increased to 3%, with a stable coverage ratio of 20.6%. Restructured loans stood at 2.9 billion euro, recording a decrease in excess of 16% compared to the end of December 2011; the coverage ratio rose to 20.2%, whilst their incidence on total loans declined to 0.8%. Past due loans totalled 2.9 billion euro, having more than doubled on an annual basis. This increase was mostly due to the effects of the inclusion in this category of loans past due from 90 to 180 days in accordance with the new Bank of Italy regulations, and their coverage ratio stood at 10.2%. Previously, in the absence of other issues related to the loans, these positions were kept under performing loans.

The coverage ratio of performing loans remained stable at approximately 0.8%.

Customer financial assets

(millions of euro)

	31.12.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	380,353	47.8	360,019	47.0	20,334	5.6
Direct deposits from insurance business and technical reserves	81,766	10.3	73,119	9.5	8,647	11.8
Indirect customer deposits	413,796	52.1	405,727	53.0	8,069	2.0
Netting [(a)]	-81,279	-10.2	-73,009	-9.5	8,270	11.3
Customer financial assets	**794,636**	**100.0**	**765,856**	**100.0**	**28,780**	**3.8**

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).

As at 31 December 2012 customer financial assets amounted to around 795 billion euro, up by nearly 29 billion euro (+3.8%) on an annual basis due to the increase in both direct and indirect deposits. Direct deposits from banking business increased 20.3 billion euro (+5.6%) due to the positive performance of the main deposit types. Direct deposits from insurance business rose by 8.6 billion euro (+11.8%) as a result both of insurance liabilities associated with unit-linked products and with life insurance business technical reserves linked to traditional policies. Indirect deposits increased by 8.1 billion euro (+2%) due to the positive performance of assets under management, which more than offset the net inflows for the year and the decline in the assets under administration component.

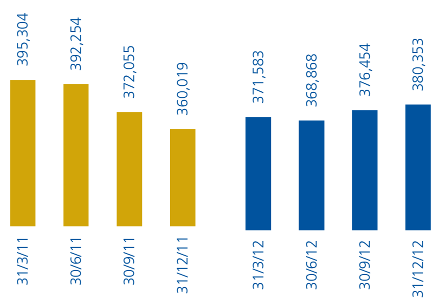
Direct deposits from banking business

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)

	31.12.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	194,680	51.2	183,801	51.0	10,879	5.9
Repurchase agreements and securities lending	14,414	3.8	4,640	1.3	9,774	
Bonds	136,407	35.9	132,480	36.8	3,927	3.0
of which designated at fair value [(*)]	*9*	*-*	*698*	*0.2*	*-689*	*-98.7*
Certificates of deposit	6,556	1.7	6,425	1.8	131	2.0
Subordinated liabilities	13,451	3.5	19,481	5.4	-6,030	-31.0
Other deposits	14,845	3.9	13,192	3.7	1,653	12.5
of which designated at fair value [(**)]	*3,054*	*0.8*	*2,286*	*0.6*	*768*	*33.6*
Direct deposits from banking business	**380,353**	**100.0**	**360,019**	**100.0**	**20,334**	**5.6**

Quarterly development
Direct deposits from banking business



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.

The total of direct deposits from banking business was up 5.6% compared to the end of December 2011, due to the positive performance of the main deposit types.

In further detail, current accounts and deposits, driven by the interest shown by customers in forms of time deposits such as savings accounts, showed growth of 10.9 billion euro (+5.9%). Bonds increased by 3.9 billion euro (+3%), confirming their importance within the Group's overall funding, whereas other deposits showed an increase of 1.7 billion euro (+12.5%), primarily attributable to capital protected certificates issued by Banca IMI (+0.8 billion euro), partially offsetting the reduction in subordinated liabilities, which decreased by 6 billion euro (-31%), owing in part to the repurchase and exchange of own securities undertaken in February, August and November. The share of the Group's direct deposits on the domestic market, consisting of deposits and bonds, came to 16.8% at the end of 2012, in line with the figure for 2011.

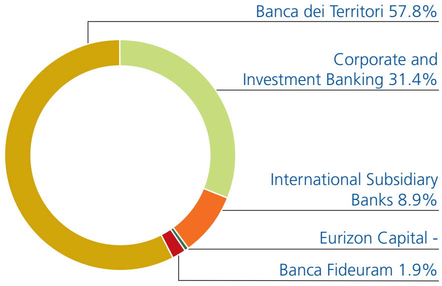
With respect to the remaining forms of deposits, it should be noted that repurchase agreements increased sharply, owing primarily to the finalisation of transactions for significant amounts with institutional counterparties.

(millions of euro)

	31.12.2012	31.12.2011	Changes	
			amount	%
Banca dei Territori	201,540	197,280	4,260	2.2
Corporate and Investment Banking	109,700	88,033	21,667	24.6
International Subsidiary Banks	31,163	30,667	496	1.6
Eurizon Capital	7	9	-2	-22.2
Banca Fideuram	6,672	6,367	305	4.8
Total business areas	**349,082**	**322,356**	**26,726**	**8.3**
Corporate Centre	31,271	37,663	-6,392	-17.0
Intesa Sanpaolo Group	**380,353**	**360,019**	**20,334**	**5.6**

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

Business areas



The breakdown of direct deposits by Group business areas showed generally positive performances. Banca dei Territori, which accounts for over half of the aggregate attributable to the business areas, showed growth on an annual basis (+2.2%), mainly as a result of the increase in amounts due to customers. Corporate and Investment Banking reported an increase of 21.7 billion euro (+24.6%), attributable to the deposits held by leading financial institutions and Italian and international large corporate groups, as well as the increase in repurchase agreement transactions by Banca IMI and new securities funding undertaken by international subsidiaries against the issuance of certificates of deposit, commercial paper and medium-term securities of the Group. The International Subsidiary Banks recorded an increase of 1.6% referring both to dealings with customers and securities issued. Banca Fideuram's funding was up by 4.8% as a result of the increase in the deposits in current accounts and repurchase agreements of retail and corporate customers, and institutional customers. By contrast, the Corporate Centre reported a downtrend (-17%), to be interpreted in relation to the decrease in securities due to the prevalence of redemptions over new issues on the wholesale market, only partly offset by the higher volumes of repurchase agreements with Cassa di Compensazione e Garanzia.

Direct deposits from insurance business and technical reserves

(millions of euro)

	31.12.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**27,038**	**33.1**	**21,955**	**30.0**	**5,083**	**23.2**
Index-linked products	*1,700*	*2.1*	*1,564*	2.1	*136*	*8.7*
Unit-linked products	*25,338*	*31.0*	*20,391*	27.9	*4,947*	*24.3*
Technical reserves	**54,660**	**66.8**	**50,761**	**69.4**	**3,899**	**7.7**
Life business	54,241	66.3	50,419	69.0	3,822	7.6
Mathematical reserves	*47,525*	*58.1*	*44,895*	*61.4*	*2,630*	*5.9*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*6,226*	*7.6*	*9,053*	*12.4*	*-2,827*	*-31.2*
Other reserves	*490*	*0.6*	*-3,529*	*-4.8*	*4,019*	
Non-life business	*419*	0.5	*342*	0.4	*77*	22.5
Other insurance deposits (***)	**68**	**0.1**	**403**	**0.6**	**-335**	**-83.1**
Direct deposits from insurance business and technical reserves	**81,766**	**100.0**	**73,119**	**100.0**	**8,647**	**11.8**

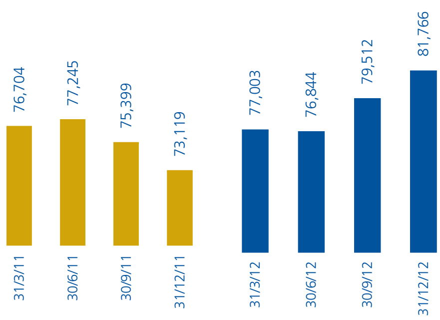
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

(*) 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.

Quarterly development Direct insurance deposits and technical reservese



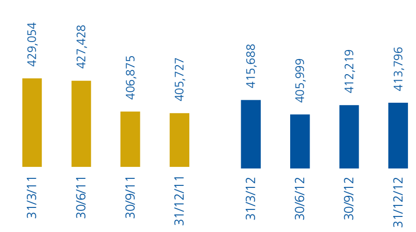
Direct deposits from insurance business came to 81.8 billion euro at the end of December 2012, up 11.8% on an annual basis. Insurance segment financial liabilities designated at fair value recorded growth of 5.1 billion euro (+23.2%), essentially attributable to the contribution from unit-linked products. Technical reserves, which represent the amounts owed to customers subscribing to traditional policies, recorded a net increase of 3.9 billion euro (+7.7%). This performance is due to the reduction in deferred liabilities to policyholders, included amongst other reserves, following the recovery of equity and bond market prices, and to the growth of mathematical reserves (+2.6 billion euro), which more than offset the decrease in reserves relating to policies with risk borne by policyholders (-2.8 billion euro).

Indirect customer deposits

(millions of euro)

	31.12.2012		31.12.2011		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (*)	59,011	14.3	58,310	14.4	701	1.2
Open-ended pension funds and individual pension plans	3,040	0.7	2,939	0.7	101	3.4
Portfolio management	77,140	18.6	73,279	18.1	3,861	5.3
Life technical reserves and financial liabilities	82,122	19.8	77,322	19.0	4,800	6.2
Relations with institutional customers	10,178	2.5	10,039	2.5	139	1.4
Assets under management	**231,491**	**55.9**	**221,889**	**54.7**	**9,602**	**4.3**
Assets under administration and in custody	**182,305**	**44.1**	**183,838**	**45.3**	**-1,533**	**-0.8**
Indirect customer deposits	**413,796**	**100.0**	**405,727**	**100.0**	**8,069**	**2.0**

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 2012, the Group's indirect customer deposits came to approximately 414 billion euro, up by 8.1 billion euro (+2%) compared to the end of the previous year, owing in part to the increase of 9.6 billion euro in assets under management (+4.3%), only partly offset by the reduction of 1.5 billion euro in assets under administration (-0.8%).
Assets under management, which account for more than one-half of the total aggregate, with a stock in excess of 231 billion euro, benefited from the strong performance of the assets in portfolio, which more than offset the effects of net outflows. The increase from the end of December 2011 was driven by the main technical forms, and in particular life policies (+4.8 billion euro) and portfolio management (+3.9 billion euro), alongside the moderate growth of mutual funds (+0.7 billion euro). The stock of mutual funds performed well, but continued to be affected by the redemptions during the year, especially on money market and equity funds, resulting in a gradual shift towards the bond segment. In the insurance business, new life insurance business of Intesa Sanpaolo Vita (the company formed by the merger of the insurance companies Intesa Sanpaolo Vita - formerly Intesa Vita, EurizonVita, Sud Polo Vita and Centrovita Assicurazioni), Intesa Sanpaolo Life and Fideuram Vita, including pension products, amounted to 11.5 billion euro in 2012, compared to 12 billion euro in total production, including recurring premiums. The decrease in assets under administration and in custody compared to the end of December 2011 may be attributed to the deposits of institutional customers and, to a lesser extent, retail customers, which repositioned to other forms of investment.

Financial assets and liabilities

(millions of euro)

	31.12.2012		31.12.2011		Changes	
		of which Insurance Companies		*of which Insurance Companies*	amount	%
Financial assets held for trading	63,546	*1,125*	59,963	*1,341*	3,583	6.0
of which derivatives at fair value	*44,968*	*39*	*41,789*	*25*	*3,179*	*7.6*
Financial assets designated at fair value through profit and loss	36,887	*35,748*	34,253	*33,391*	2,634	7.7
Financial assets available for sale	97,209	*43,527*	68,777	*39,194*	28,432	41.3
Investments held to maturity	2,148		2,621		-473	-18.0
Total financial assets	**199,790**	***80,400***	**165,614**	***73,926***	**34,176**	**20.6**
Financial liabilities held for trading (*)	**-49,141**	***-79***	**-46,454**	***-29***	**2,687**	**5.8**
of which derivatives at fair value	*-46,097*	*-79*	*-44,172*	*-29*	*1,925*	*4.4*

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 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 increased by 20.6%, primarily due to the growth in financial assets available for sale, which rose from 69 billion euro to 97 billion euro (+41.3%). This performance was attributable to the increase in bonds and other debt securities held by the Parent Company and the Group's insurance companies. Financial assets held for trading recorded a growth of 3.6 billion euro (+6%), largely due to a higher value for derivatives (which are also mirrored in the changes in liabilities) and in assets designated at fair value, which recorded a 2.6 billion euro increase (+7.7%). Investments held to maturity, which were marginal in amount overall, showed a reduction of 18%.

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

(millions of euro)

	31.12.2012		31.12.2011		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	40,472	*23,603*	38,823	*22,469*	1,649	4.2
of which designated at fair value (fair value option)	*23,664*	*22,670*	*22,083*	*21,403*	*1,581*	*7.2*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	14,764	*13,011*	13,320	*11,955*	1,444	10.8
of which designated at fair value (fair value option)	*13,002*	*12,858*	*11,887*	*11,705*	*1,115*	*9.4*
Other assets designated at fair value through profit and loss	229	*220*	284	*283*	-55	-19.4
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**55,465**	***36,834***	**52,427**	***34,707***	**3,038**	**5.8**
Financial liabilities held for trading (*)	**-3,044**	-	**-2,282**	-	**762**	**33.4**
Net value of financial derivatives	-849	*-21*	-1,774	*-4*	-925	-52.1
Net value of credit derivatives	-280	*-19*	-609	-	-329	-54.0
Net value of trading derivatives	**-1,129**	***-40***	**-2,383**	***-4***	**-1,254**	**-52.6**
Financial assets / liabilities, net	**51,292**	***36,794***	**47,762**	***34,703***	**3,530**	**7.4**

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 51.3 billion euro, up 7.4% compared to the end of 2011. In detail, the increase was due to the rise in the stock of bonds, other debt securities, equities and quotas of UCI, which more than offset the increase in financial liabilities held for trading, including short-selling.

Financial assets available for sale

(millions of euro)

	31.12.2012		31.12.2011		Changes	
		of which Insurance Companies		*of which Insurance Companies*	**amount**	**%**
Bonds and other debt securities	92,329	*41,743*	64,051	*37,578*	28,278	44.1
Equities and quotas of UCI	4,843	*1,784*	4,689	*1,616*	154	3.3
Securities available for sale	**97,172**	***43,527***	**68,740**	***39,194***	**28,432**	**41.4**
Loans available for sale	**37**	-	**37**	-	**-**	**-**
Financial assets available for sale	**97,209**	***43,527***	**68,777**	***39,194***	**28,432**	**41.3**

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

Financial assets available for sale amounted to over 97 billion euro, up by 41.3% compared to the figure as at 31 December 2011. 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

The net interbank position as at 31 December 2012 came to a negative 37 billion euro, improving by over 6 billion euro compared to the negative figure recorded at the end of 2011 (-43 billion euro). The negative imbalance between interbank amounts receivable and payable was affected by loans entered into with the Central European Bank. The use of refinancing through the European Central Bank was maintained at 36 billion euro over the year since March 2012 (from 37.5 billion euro at the end of 2011) and fully consists of funding from participation in the two 3-year auctions (LTRO – Long Term Refinancing Operations) carried out by the monetary authorities in December 2011 and February 2012.

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

(millions of euro)

	31.12.2012	31.12.2011	Changes	
			amount	%
Investments in associates and companies subject to joint control	-	-	-	-
Property and equipment	25	26	-1	-3.8
Other	-	-	-	-
Individual assets	**25**	**26**	**-1**	**-3.8**
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	**25**	**26**	**-1**	**-3.8**

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 2012, the sole component of the aggregate was property and equipment of 25 million euro, to levels similar to those for 2011.

Sovereign risk exposure

As at 31 December 2012 the Intesa Sanpaolo Group's sovereign debt exposure was represented by debt securities for 104 billion euro (of which 35 billion euro in securities held in Group insurance companies' portfolios) and by other loans for 26 billion euro. Among these, the exposure to Italian government securities totalled 90 billion euro, in addition to 24 billion euro represented by loans.
As at 31 December 2011 the securities exposure amounted to around 74 billion euro, whilst other loans totalled 24 billion euro. The increase during the year was mainly attributable to acquisitions of Italian government securities.
The following table illustrates the book value of the aforementioned Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES							LOANS
	Banking Group					Insurance companies (*)	Total	
	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			
EU Countries	**7,911**	**46,174**	**1,510**	**78**	**8,407**	**34,585**	**98,665**	**25,039**
Austria	-	3	3	-	52	12	70	-
Belgium	-	36	-	-	7	33	76	50
Bulgaria	-	-	-	-	2	-	2	-
Cyprus	-	-	-	-	-	-	-	-
Czech Republic	-	31	-	-	1	-	32	32
Denmark	-	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-	-
Finland	-	-	-	-	65	7	72	14
France	126	3	-	-	102	110	341	19
Germany	90	104	-	20	1,154	958	2,326	-
Greece	-	-	-	-	1	-	1	-
Hungary	231	824	20	-	96	-	1,171	182
Ireland	-	-	-	-	-	71	71	-
Italy	6,946	43,365	367	58	6,283	33,019	90,038	23,798
Latvia	-	-	-	-	1	-	1	63
Lithuania	-	23	-	-	3	-	26	-
Luxembourg	-	9	-	-	296	86	391	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	35	-	-	61	112	208	-
Poland	46	23	-	-	11	-	80	-
Portugal	-	-	-	-	1	23	24	10
Romania	10	138	-	-	9	-	157	17
Slovakia	-	1,446	1,120	-	72	-	2,638	129
Slovenia	-	131	-	-	-	-	131	186
Spain	462	-	-	-	94	125	681	539
Sweden	-	3	-	-	87	29	119	-
United Kingdom	-	-	-	-	9	-	9	-
North African Countries	**-**	**101**	**13**	**-**	**1,104**	**-**	**1,218**	**36**
Algeria	-	-	-	-	-	-	-	36
Egypt	-	101	13	-	1,104	-	1,218	-
Libya	-	-	-	-	-	-	-	-
Morocco	-	-	-	-	-	-	-	-
Tunisia	-	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**44**	**-**	**44**	**-**
Other Countries	**2,632**	**894**	**258**	**493**	**-**	**248**	**4,525**	**1,260**
TOTAL	**10,543**	**47,169**	**1,781**	**571**	**9,555**	**34,833**	**104,452**	**26,335**

(*) Debt securities held by insurance companies are recognised as follows: 34,394 million euro in the available-for-sale portfolio, 203 million euro in the portfolio of assets designated at fair value through profit and loss and 236 million euro in the trading portfolio.

In the context of sovereign risk exposure, the total exposure to Greece as at 31 December 2012 amounted to 3 million euro in terms of nominal value, with a book value of 1 million euro, all of which was represented by new securities issued by Greece and received in implementation of the agreement of 21 February 2012. The agreement pertained not only to securities issued directly by the Greek government, but also to the security issued by Hellenic Railways. For information regarding the provisions of the exchange agreements entered into in 2012 with the Greek authorities, reference should be made to the contents of the Financial statements at 31 December 2011 and Part E of the Notes to these consolidated financial statements.

The overall impact recognised in the income statement on positions in relation to the Greek government totalled -28 million euro, of which -29 million euro under "Net adjustments to loans" and +1 million euro under "Profits (Losses) on trading" and "Income from insurance business."
An analysis of impairment indicators with respect to exposures to other Greek entities brought to light the need to recognise an impairment loss on the exposure to the Greek bank National Bank of Greece, held by the subsidiary ISP Bank Albania, of 11 million euro on a nominal value of 15 million euro.

Shareholders' equity

As at 31 December 2012, the Group's shareholders' equity, including net income for the period, came to 49,613 million euro compared to the 47,040 million euro at the end of the previous year. The increase in shareholders' equity of 2.6 billion euro derives from the net income accrued during the period and the reduction by 1.9 billion euro of the negative balance of valuation reserves, and takes account of the distribution of reserves approved by the Shareholders' meeting in May. During the year there were marginal changes in share capital following the merger into the Parent Company of Banco Emiliano Romagnolo S.p.A. and Finanziaria B.T.B. S.p.A., with the allotment of new shares to the shareholders of the merged companies.

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2011	Change in the period	Valuation reserves as at 31.12.2012	
				% breakdown
Financial assets available for sale	-2,352	2,293	-59	4.2
of which: Insurance Companies	*-975*	*1,196*	*221*	*-15.8*
Property and equipment	-	-	-	-
Cash flow hedges	-933	-373	-1,306	93.4
Legally-required revaluations	344	7	351	-25.1
Other	-357	-28	-385	27.5
Valuation reserves	**-3,298**	**1,899**	**-1,399**	**100.0**

As at 31 December 2012 the negative balance of the Group's share of valuation reserves fell to 1,399 million euro from 3,298 million euro reported at the end of 2011. The change for the period was mainly attributable to the appreciation in value of financial assets available for sale (+2.3 billion euro), particularly debt securities held in the insurance companies' portfolios. Cash flow hedges showed an increased negative balance of 1,306 million euro, compared to the negative balance of 933 million euro at the end of December 2011. Other reserves and legally required revaluation reserves recorded marginal changes.

Regulatory capital

(millions of euro)

Regulatory capital and capital ratios	31.12.2012	31.12.2011
Regulatory capital		
Tier 1 capital	36,013	37,295
of which: instruments not included in Core Tier 1 ratio (*)	*2,544*	*4,498*
Tier 2 capital	8,141	12,201
Minus items to be deducted (**)	-3,410	-3,144
REGULATORY CAPITAL	**40,744**	**46,352**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**40,744**	**46,352**
Risk-weighted assets		
Credit and counterparty risks	253,309	277,498
Market risks	18,427	17,488
Operational risks	25,745	24,825
Other risks (***)	1,138	5,395
RISK-WEIGHTED ASSETS	**298,619**	**325,206**
Capital ratios %		
Core Tier 1 ratio	11.2	10.1
Tier 1 ratio	12.1	11.5
Total capital ratio	13.6	14.3

(*) This caption includes preferred shares, 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.

Regulatory capital and related capital ratios as at 31 December 2012 have been determined in accordance with Basel 2 provisions, by applying the Bank of Italy's instructions.

As the end of 2012, total regulatory capital came to 40,744 million euro, against risk-weighted assets of 298,619 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.

The decrease in risk-weighted assets recorded constantly throughout 2012 is attributable to various factors: optimisation processes, the lesser impact in absolute terms of the floor envisaged in prudential regulations and the elimination/reduction of specific capital requirements for certain subsidiaries following authorisation from the Supervisory Authority. The decline was also due to the extension of the use of internal models by the Group. In further detail, it should be noted that, effective the figures for the fourth quarter of 2012, the Group was authorised to use advanced methods to calculate requirements for credit risk on the SME Retail regulatory segment (+22 basis points in terms of the core tier 1 ratio). Lastly, the decrease in risk-weighted assets may also be attributed to a moderate contraction of lending and its different composition for the purposes of capital absorption.
Regulatory capital, in addition to recurring operations, also takes account of the opposite effects of the purchase of subordinated Tier 1 and Tier notes, as well as senior bonds, which on the one hand resulted in a decrease in non-core capital, while on the other yielding a considerable amount of net income, with the resulting increase in top-quality capital.
As always, regulatory capital as at 31 December 2012 takes into account the dividend distribution drawn against the net income for 2012 that the Management Board will propose to the Shareholders' Meeting, i.e. 0.061 euro per savings share and 0.050 euro per ordinary share, for a total dividend disbursement of 832 million euro.

The Total capital ratio stood at 13.6%, while the Group's Tier 1 ratio was 12.1%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1 ratio) was 11.2%.

Lastly, in a Regulation dated 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 has elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 31 December 2012 account for this measure (the effect on the Core Tier 1 ratio is +7 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 2012*
Parent Company's balances as at 31 December 2012	**44,289**	***912***
Effect of consolidation of subsidiaries subject to control	3,985	*1,718*
Effect of valuation at equity of companies subject to joint control and other significant equity investments	-78	*10*
Elimination of adjustments to equity investments and recognition of impairment of goodwill	1,479	*695*
Dividends collected during the period	-	*-1,740*
Other	-62	*10*
Consolidated balances as at 31 December 2012	**49,613**	***1,605***

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.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2012.
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 and the main balance sheet aggregates.
It should be noted that Division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income							
2012	10,069	4,243	2,188	294	836	251	17,881
2011	9,645	3,887	2,383	266	766	-162	16,785
% change [(a)]	4.4	9.2	-8.2	10.5	9.1		6.5
Operating costs							
2012	-5,619	-989	-1,156	-114	-348	-687	-8,913
2011	-5,733	-966	-1,171	-120	-347	-800	-9,137
% change [(a)]	-2.0	2.4	-1.3	-5.0	0.3	-14.1	-2.5
Operating margin							
2012	4,450	3,254	1,032	180	488	-436	8,968
2011	3,912	2,921	1,212	146	419	-962	7,648
% change [(a)]	13.8	11.4	-14.9	23.3	16.5	-54.7	17.3
Net income (loss)							
2012	830	1,253	-190	99	160	-547	1,605
2011	-6,411	-1,815	-763	-297	88	1,008	-8,190
% change [(a)]			-75.1		81.8		
Loans to customers							
31.12.2012	182,077	143,134	29,312	226	3,985	17,891	376,625
31.12.2011	187,435	145,436	30,676	109	3,439	9,879	376,974
% change [(b)]	-2.9	-1.6	-4.4		15.9	81.1	-0.1
Direct deposits from banking business							
31.12.2012	201,540	109,700	31,163	7	6,672	31,271	380,353
31.12.2011	197,280	88,033	30,667	9	6,367	37,663	360,019
% change [(b)]	2.2	24.6	1.6	-22.2	4.8	-17.0	5.6

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 2012 and 2011.

[(b)] The change expresses the ratio between 31.12.2012 and 31.12.2011.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	2012	2011	Changes	
			amount	%
Net interest income	5,863	5,806	57	1.0
Dividends and profits (losses) on investments carried at equity	1	1	-	-
Net fee and commission income	3,376	3,236	140	4.3
Profits (Losses) on trading	90	102	-12	-11.8
Income from insurance business	713	492	221	44.9
Other operating income (expenses)	26	8	18	
Operating income	**10,069**	**9,645**	**424**	**4.4**
Personnel expenses	-3,278	-3,285	-7	-0.2
Other administrative expenses	-2,333	-2,438	-105	-4.3
Adjustments to property, equipment and intangible assets	-8	-10	-2	-20.0
Operating costs	**-5,619**	**-5,733**	**-114**	**-2.0**
Operating margin	**4,450**	**3,912**	**538**	**13.8**
Net provisions for risks and charges	-58	-72	-14	-19.4
Net adjustments to loans	-2,660	-2,335	325	13.9
Net impairment losses on other assets	-3	-105	-102	-97.1
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**1,729**	**1,400**	**329**	**23.5**
Taxes on income from continuing operations	-622	-755	-133	-17.6
Charges (net of tax) for integration and exit incentives	-104	-457	-353	-77.2
Effect of purchase price allocation (net of tax)	-173	-209	-36	-17.2
Goodwill impairment (net of tax)	-	-6,390	-6,390	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**830**	**-6,411**	**7,241**	

(millions of euro)

	31.12.2012	31.12.2011	Changes	
			amount	%
Loans to customers	182,077	187,435	-5,358	-2.9
Direct deposits from banking business	201,540	197,280	4,260	2.2
Direct deposits from insurance business and technical reserves	67,597	63,457	4,140	6.5
Indirect customer deposits	233,426	231,364	2,062	0.9

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

Banca dei Territori's operating income was 10,069 million euro in 2012, amounting to 56% of the Group's consolidated operating income, up 4.4% on the previous year. In further detail, there was growth in net interest income (+1%), which had as one of its main causes the greater contribution from the repricing policies for loans to customers and benefits from the hedging of demand deposits, despite lower margins on funding. Net fee and commission income rose by 4.3%. In further detail, growth was seen in commissions on current accounts (including fee and commission income on account credit facilities), and traditional assets under administration, in relation to the remodelling of the conditions on orders executed on behalf of customers according to best execution rules, fees and commissions on asset management, due to pricing which offset the reduction in average assets compared to 2011, and commissions on collections and payments. Fees and commissions from bancassurance products were down, affected by lower volumes of new business, as well as mortgage insurance commissions, as a result of smaller loans, and commissions on payment cards. Other income components reported an increase in income from insurance business, up from 492 million euro to 713 million euro. This increase is mainly due to the improvement in net investment result, correlated to both an increase in assets under separate management, most markedly those that include next generation products, which increased the profitability of the portfolio as a result of high yields obtained on new portfolios managed during the year, and the positive performance of coupons deriving from the trend in rates on BTPs. The valuation component also provided a positive contribution to the net investment result. Operating costs, amounting to 5,619 million euro, showed savings (-2%) compared to 2011. Operating margin amounted to 4,450 million euro, up 13.8% from the previous year. Income before tax from continuing operations improved by 23.5%, amounting to 1,729 million euro, despite higher adjustments to loans (+13.9%). Taxes on income from continuing operations benefitted from the positive effect of the recognition of claims for reimbursement in relation to the recovery of the deduction of personnel expenses for IRAP tax from the year 2007 onwards. After allocation to the Division of charges for integration of 104 million euro, significantly lower than the 457 million euro in 2011, which included exit incentive costs pursuant to the Framework Agreement of 29 July 2011, and economic effects of purchase price allocation of 173 million

euro, net income came to 830 million euro. This compares with a loss of 6,411 million euro in the previous year, which was affected by considerable goodwill impairment caused by the difficult macroeconomic context.
On a quarterly basis, the fourth quarter of 2012 reported an operating margin down (-9.5%) on the third quarter, due to higher operating costs and a slight decrease in revenues. Income before tax from continuing operations decreased sharply (-54.9%), mainly due to the increase in net adjustments to loans (+26.4%).

The balance sheet figures at the end of December 2012 showed loans to customers of 182,077 million euro, down 2.9% on the previous year-end mainly as a result of the decrease in loans to business and small business customers, which reduced their use of loans due to the negative economic context. In contrast, direct deposits from banking business, amounting to 201,540 million euro, recorded growth (+2.2%) essentially attributable to the increase in amounts due to customers. Direct deposits from insurance business, amounting to 67,597 million euro, also increased (+6.5%), due to technical reserves and, to a lesser extent, to the financial liabilities of the insurance segment designated at fair value. Indirect customer deposits reached 233,426 million euro, up 0.9% from the end of December 2011, due to the positive performance of the financial markets, which impacted the value of assets under management and administration, offsetting outflows from assets under administration.

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: – widespread local coverage – a focus on the specific qualities of local markets – 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 – 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.
Product companies	Specialised in medium-term credit (Mediocredito Italiano), consumer credit (Moneta - which on 1 January 2013 took the name Intesa Sanpaolo Personal Finance - 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	5,134 branches, including retail, business and private-banking branches, distributed broadly throughout Italy. The territorial structure is divided into 7 Regional Governance Centres that coordinate 28 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned

As part of the strategy of reorganisation of the Banca dei Territori brands, for the purpose of finalising its organisational model, which will involve brand unambiguousness at local level and the simplification of operational units, the redefinition of the scope of responsibility of the Territorial Areas (increased to 28 from 27 at the end of December 2011), and the Regional Governance Centres (decreased from 8 to 7) continued in 2012.
As important steps in this reorganisation process, all the Intesa Sanpaolo and CR Firenze branches located in the provinces of Pistoia, Lucca and Massa Carrara were concentrated within the new Cassa di Risparmio di Pistoia e della Lucchesia, formerly Cassa di Risparmio di Pistoia e Pescia. Moreover, in Umbria a single, regional bank was created, named Casse di Risparmio dell'Umbria, controlled by Banca CR Firenze, which encompasses the Casse di Risparmio di Spoleto, Foligno, Terni and Città di Castello.

During the year, the scope of the Banca dei Territori Division changed due to the assignment to the division of Banca Monte Parma, which adopted Intesa Sanpaolo's organisational processes and internal, operational and IT regulations, as well as its distribution and organisational model and criteria for allocating customers to portfolios.
Lastly, in December, the incorporation of Banco Emiliano Romagnolo into Intesa Sanpaolo was finalised.

Retail Marketing Department

Investment	During 2012, the offering of investment products has been expanded with the launch of: – "Eurizon Strategia Protetta I Trimestre 2012" and "Eurizon Strategia Protetta II Trimestre 2012", two Italian registered mutual funds which, through active selection of the weightings of the various components of the portfolio, aim to provide capital protection at maturity and growth in invested capital over a period of around six years; – "Cedola Doc 02/2019", an Italian registered fund which, through investment in European bond instruments with residual maturity in line with the duration of the investment cycle, aims at achieving a positive absolute return, over an investment horizon of six years, with the distribution of an annual coupon; – fifteen new Italian registered funds with a set duration of five years belonging to the "Sistema Gestione Attiva" range, which aim to maximise the return on investment through flexible management within the level of risk set for each fund; – "Eurizon Strategia Flessibile 15", an Italian registered fund created through the transformation of "Eurizon Focus Garantito giugno 2012" on termination of its investment cycle. This fund is targeted to customers interested in participating in the opportunities offered by the financial markets, over a time span of less than six years, using flexible management in allocating investments among sub-funds, geographical areas and currencies; – fourteen new sub-funds of the Luxembourg fund "Investment Solutions By Epsilon". The aim of the first six, "Cedola x 4 02/2012", "Cedola x 4 03/2012", "Cedola x 4 Indexed 05/2012", "Cedola x 4 Indexed 07/2012", "Cedola x 4 Indexed 09/2012" and "Cedola x 4 Indexed 10/2012" is to achieve an annual average return, over the recommended investment horizon, higher than the six-year swap rate, in the case of the first two, and higher than the four-year swap rate, for the others, set at the beginning of the investment period and to distribute an annual coupon estimated at the beginning of the investment period. "Valore Cedola x 5 12/2012" aims at achieving a positive expected return, over the five-year recommended investment horizon, and distributing an annual coupon estimated at the beginning of each investment period. The other seven, which are part of the "Forex Coupon" line, focus on investing in foreign currency, mainly from emerging markets, with the twofold objective of achieving, over the recommended investment horizon, a return higher than the five-year swap rate and distributing an annual coupon estimated at the beginning of the period of exposure to foreign currencies; – eleven new sub-funds of the Luxembourg fund "Soluzioni Eurizon": "Cedola Doc Italia 07/2015", "Cedola Doc Italia 09/2015", "Cedola Doc 05/2017", "Cedola Doc 07/2017", "Cedola Doc 09/2017" and "Cedola Doc 11/2017" which, through investment in bond instruments issued by Italian issuers, for the first two sub-funds, and by European issuers, for the other four sub-funds, aim at achieving an average annual return, over the recommended investment horizon, higher than the three-year swap rate plus 0.25% and the five-year swap rate set at the beginning of the investment period with the distribution of an annual coupon, respectively; "Strategia *i* 08/2019", "Strategia i 10/2019", "Strategia i 12/2019" and "Strategia i 02/2020", the placement of which was concluded at the start of February, with a minimum investment of 45% of the assets in European and US equities, aim at achieving a return, over a time horizon of about seven years, in line with the return historically achieved by Western equity indices over the long term, reducing the volatility of the investment; – "Base Più 11/2017" and "Base Più Bonus", two new internal funds with a duration of five and a half years and six years respectively, which enrich the Innovation area of the "Intesa Sanpaolo Life Prospettiva" policy, created with the purpose of increasing the value of the quotas invested by customers, while ensuring capital protection on maturity; – "Prima Classe", the class I policy of Intesa Sanpaolo Vita, with a minimum guaranteed return and high liquidity, targeted at customers who hold certain index-linked policies and aimed at providing a repositioning of the portfolio by improving the risk/return profile. With a view to updating the range of products, the multi-segment "Eurizon EasyFund" was reorganised into three investment lines: Limited Tracking Error, Active Strategy Line and Active Market Line.
Pension funds	With a view to streamlining the product range, the new range of supplementary pension funds, comprised of "Il Mio Futuro", the Intesa Sanpaolo Vita Individual Pension Plan and "Il Mio Domani", the Intesa Sanpaolo Previdenza SIM Open-ended Pension Fund was arranged. Both products are organised into three lines linked to the investment horizon - in addition to a specific line dedicated to managing employee termination indemnities, for the Open-ended Pension Fund - and include the "Life Cycle" mechanism, which activates a process consistent with the period of time remaining until retirement, automatically and gradually moving the investor's position so that it remains suitable to the amount of time remaining.
Superflash	The "Superflash" brand, reserved for young people between the ages of 18 and 35, was extended to offer telephone and internet connectivity with advantageous tariffs for mobile voice, text messaging and data traffic. During the year the opening of new branches continued, in the cities of Padova, Roma and Palermo, with the "Superflash" brand featuring an innovative, interactive environment designed and tailored to meet needs of young people, with banking transactions carried out solely through self-banking equipment. Furthermore, dedicated "Superflash" areas have been set up in Retail branches, thereby providing greater attention to younger customers.

Cards	The "Carta Pensione" has been available since mid-May, the prepaid card embossed with the customer name and IBAN code, which adds to the transactional products on which pensions can be credited and satisfies the provisions of the "Decreto Salva Italia". The new card, which incorporates all the services and functions of the Superflash card, includes an insurance cover package (Safe on line, purchase protection and protection against bag snatching/theft at ATMs) and a free annual fee for cardholders over 60 years of age.
E-commerce	As a result of an agreement entered into with GTT (Gruppo Torinese Trasporti), Intesa Sanpaolo is the first bank to offer students using an electronic pass the option to directly renew their weekly or monthly passes for the GTT transportation network at one of Intesa Sanpaolo's 7,200 ATMs throughout the country. Intesa Sanpaolo entered into an agreement with Telecom Italia to promote the use of payments via mobile phones in Italy. Using a mobile phone equipped with a Telecom Italia NFC SIM with an Intesa Sanpaolo Group payment card, customers can pay for their purchases by bringing their mobile phone near an enabled POS.
Mortages	The module-based platform "Mutuo Domus" which, through numerous combinations of repayment plans, flexibility options and accessories, provides a structured offer of personalised solutions that fully meet the needs of customers purchasing a home, was expanded during 2012 with the offer of the "Abitazione&Famiglia" policy, in combination with disbursement of the mortgage.
Loans	Households and businesses in the provinces of Ferrara, Modena, Bologna, Reggio Emilia, Mantova and Rovigo that suffered damage from the earthquake were allocated a credit line with a ceiling of 250 million euro by Intesa Sanpaolo and the Group banks operating in the area affected (Cassa di Risparmio di Bologna, Banca CR Firenze and Cassa di Risparmio del Veneto) for the restoration of damaged houses and facilities, with the option of also starting to make repayments after two years. A 12-month moratorium was also granted on mortgage and lease payments for properties, both residential and business, damaged by the earthquake and current account credit lines were granted to finance emergency expenses, with a maximum term of 12 months. In support of households and businesses, specifically agricultural companies and tradesmen, in the Alto Adige area damaged by the storm which hit Val d'Isarco at the beginning of August, Banca di Trento e Bolzano has allocated a maximum amount of 10 million euro for special loans to all those who incurred damages. In support of the households and businesses in the Toscana, Umbria and North Lazio areas impacted by the overflows and flooding of mid-November, Group banks operating in the provinces affected (Banca CR Firenze, Cassa di Risparmio di Pistoia e della Lucchesia, Casse di Risparmio dell'Umbria and Cassa di Risparmio di Civitavecchia) have allocated a credit line with a ceiling of 100 million euro for loans to be used for the restoration of damaged facilities, at highly advantageous conditions. A 12-month moratorium was also granted on mortgage payments for residential properties damaged by the flood.

Small Business Marketing Department

Deposit products	For legal persons which are part of the Public Administration, "Soluzione Business PA" has been created. This is a time deposit for the purpose of keeping liquidity of public entities under custody and optimising its management. This new product has a minimum entrance threshold of 500,000 euro, and two terms (6 or 12 months). It does not require the opening of a dedicated account for entities which are already customers, and allows customers to withdraw the amounts deposited at any time, offering a minimum return equal to that of a current account. At the end of February "Conto BusinessInsieme" was introduced. This is a new modular range of transactional products and services (current account, collection and payment services) dedicated to small economic operators, small businesses and professionals, which can be customised based on the characteristics, needs and operations of each customer. The new product is distinguished by: - flexibility: customers select only the services which actually interest them; - cost transparency: the monthly fee is comprehensive and determined by the sum of the costs of the selected products/services; - clarity of the commercial proposal: customers receive a specially-configured quote for the product; - rewarding of virtuous conduct: the fee for the current account can be reduced based on ownership of a specific number of products, identified within a defined basket. "Conto BusinessInsieme" is highly innovative also in terms of its commercial approach: structured analysis of customer's needs; definition of recommended baskets of products/services based on the customer's characteristics and economic sector; new commercial process which assists the customer in identifying the products and services that best match his/her needs; innovative pricing mechanisms, through a comprehensive monthly fee and rewards based on product ownership, and the option of choosing from four monthly fees correlated to customer activity.

Agreements

Intesa Sanpaolo and Unionfidi signed an agreement to guarantee new resources to SMEs in the Northwest of Italy. The planned credit limit, amounting to 20 million euro, guaranteed by Unionfidi, will finance both ordinary operations of businesses, with credit lines of up to 18 months, and medium/long-term investments with a view to growth or for the possible need to consolidate debts owed to the Intesa Sanpaolo Group.

Intesa Sanpaolo entered into a new agreement with Rete Imprese Italia, an association representing the leading Italian Business Confederations (Confcommercio, Confartigianato, CNA, Casartigiani and Confesercenti), that guarantees the continuation of the collaboration initiated in 2011. The agreement, which involves 2.6 million companies operating in retail and wholesale, services and crafts sectors, provides 5 billion euro in loans to fund working capital, rebalance financial operations and promote new businesses. The agreement confirms the involvement of the Confidi in facilitating access to credit and promoting the use of public guarantee instruments, and its strength lies in its flexibility with respect to specific local needs, with the identification of a network of local contacts and allocation of high levels of autonomy to the Area structures in defining the content and conditions of local agreements based on specific needs.

In support of innovation in the almost 1.7 million companies in the agricultural and agro-food supply chain aiming to meet the increasing demand for products of high quality and providing excellent service, and promote top-of-the-line agro-food products Made in Italy, through Agriventure, Intesa Sanpaolo signed a partnership agreement with Federalimentare to implement joint actions to boost the competitiveness of this sector, such as business network agreements, synergies between parties involved and the development of new sales channels.
To promote and develop agribusiness throughout Italy, Agriventure entered into a further two agreements: the first agreement, signed with CAFIL (Lombardy Network of Agrarian Consortia), involves the offering of products and services exclusively dedicated to supporting the allied industries of the network of Agrarian Consortia of Pavia, Como, Lecco, Sondrio and Bergamo; the second, in partnership with Mediocredito, signed with the Copagri trade association, counting over 300,000 members, specifically in the centre and south of Italy, aimed at outlining joint actions to boost the sector's competitiveness, also by creating networks of agricultural enterprises.

Through Banco di Napoli and Agriventure, the Intesa Sanpaolo Group signed an agreement with Vitignoitalia to support viticulture in the south of Italy, to favour the development of new sales channels and support the offering of products by launching coordinated activities to boost internationalisation, specifically towards the Chinese market.

Loans

At the end of March Intesa Sanpaolo signed up to the agreement “Nuove misure per il credito alle PMI” (new measures for credit to SMEs) – signed on 28 February 2012 by the Ministry for the Economy and Finance, the Ministry of Economic Development, the Italian Banking Association and business associations – which establishes measures similar to those already made available to SMEs through the Joint Notice of 3 August 2009 and the Agreement for credit to SMEs of 16 February 2011, namely: the deferral by 12 months of the payment of the principal component of instalments of medium-/long-term loans through the shifting and extension of the repayment plan by one year; the deferral of payment of the principal component of financial leases by 12 months (real property) or 6 months (movable property); extension of the repayment plan for medium-/long-term loans (excluding leases) for a maximum period equal to the remaining duration of the loans, limited to 2 years for unsecured loans and 3 years for mortgages; extension to 120 days of the maturities on credit for farming activities pursuant to Article 43 of the Consolidated Law on Banking; extension to 270 days of short-term advances on certain and collectible receivables; and measures aimed at strengthening the capital of SMEs, through loans proportional to share capital increases made by shareholders.

During the year, “Finanziamento Energie Rinnovabili” was launched, a loan for businesses and energy service companies in the small business segment that take on the financial risk of energy works and benefit from the related financial rewards generated over time. The loan covers up to 100% of investments designed for the construction of new plants for energy generation from renewable sources other than photovoltaic sources, specifically agricultural/forest biomass and mini wind energy. With an amount from 20,000 euro to 750,000 euro and a duration of 2 to 12 years, with the option of pre-financing up to 80% and up to 12 months with the decentralised option, the loan requires a mandatory guarantee represented by the with-recourse assignment of the receivable due from the GSE (a government-owned promoter of alternative energy projects), channelling the GSE incentives into a “suspense account” exclusively reserved for managing instalments and unavailable until it reaches the amount of the instalment due. The projects regarding biomass plants must be validated by Agriventure, which conducts an overall technical assessment on the type of plant.
In the area of farming credit, “Progetto Radici”, launched in 2011, was extended to the entire country. This project focuses on retail branches with a greater agricultural business, and is aimed at boosting the development of agribusiness and strengthening close relationships with local businesses, with an approach that can be modulated based on each Area's needs and specific characteristics.

Ente Cassa di Risparmio di Firenze and Cassa di Risparmio di Firenze, along with the Vobis Association, have promoted the S.V.E.T. (Local Economic Development) Project in favour of local businesses working to regain a competitive edge, taking action in terms of productivity and employment. Ente CRF made a maximum amount of 4.8 million euro available to the Bank, for the purpose of disbursing 5-year fixed-rate medium-/long-term loans with particularly advantageous conditions to SMEs and tradesmen operating for at least two years in the provinces of Firenze, Arezzo and Grosseto.

Business Marketing Department

Loans

An innovative instrument for SMEs that intend to develop a strategy to leverage their models and designs is provided by the Italian National Innovation Fund (FNI), created by the Ministry of Economic Development (MED). The Fund allows SMEs to access medium-/long-term loans backed by a portfolio provided by the MED.
Intesa Sanpaolo has participated in this initiative through Mediocredito Italiano, which was awarded a significant portion of the funds of the FNI, creating "Nova+ FNI Disegni" and "Nova+ FNI Brevetti", dedicated solutions which offer loans at advantageous conditions without any personal guarantees, collateral or insurance guarantees in addition to that already provided by the FNI.
50 million euro is available for designs and models, and 115 million euro for patents.

As a result of an agreement signed with the European Investment Bank (EIB), Intesa Sanpaolo has made 50 million euro available for the promotion of projects to implement safety measures and rebuild public and private assets and structures – including schools and hospitals - in the areas of Emilia Romagna and neighbouring provinces in the Lombardy and Veneto regions damaged by the earthquake in May. These funds are the first tranche of a 200 million euro credit line, added to the funds already allocated by the Group to households and businesses which were damaged by the earthquake.

The Intesa Sanpaolo Group, in synergy with the European Investment Bank, has made 670 million euro available through Mediocredito Italiano, Leasint and Banca Prossima, for medium-/long-term loans to support the Italian production sector, with the goal of combating the effects of the economic crisis and contributing to the launch of recovery. Specifically, as part of this credit line, Mediocredito Italiano manages funding of 360 million euro for SMEs (200 million euro), medium-sized enterprises (50 million euro), renewable energies (50 million euro), business networks (30 million euro) and research and development projects selected by the Ministry of Economic Development, under the "Industry 2015" initiative (30 million euro).

In support of agricultural companies in the Polesine area whose crops were damaged due to the summer drought, Cassa di Risparmio del Veneto allocated a maximum amount of 35 million euro for short-term loans at advantageous conditions, also granting the option of a moratorium of up to 12 months on loan instalments, without any changes in terms and conditions.

Services

The range of services offered to customers was expanded with the launch of the "Consulenza alle Imprese" service, which offers assistance and support in strategy selection, company organisation and financial and tax planning, in partnership with companies specialising in corporate consulting. Warrant Group and SCS Azioninnova Consulting were the first two partners selected.

Internationalisation

To support the international development plans of Italian SMEs, Intesa Sanpaolo and Mediocredito signed an agreement with SACE (Italian export credit insurance company) to finance companies that invest in international projects, without requiring collateral, making available a maximum amount of 500 million euro for businesses with turnover of less than 250 million euro, of which at least 10% generated outside of Italy. The loans, in amounts from 250,000 euro to 5 million euro and duration of 3 to 5 years, benefit from the SACE guarantee for up to 70% and are disbursed by Mediocredito Italiano through the new product" International+ con garanzia SACE".

To facilitate the process of internationalisation of Italian companies, two partnership agreements have been signed with the CITTC (China-Italy Technology Transfer Center) by SIMEST (Società Italiana per le Imprese all'Estero) a financial company controlled by the Ministry of Economic Development and by SIBAC (Shanghai Sino-Italy Business Advisory Company), a Chinese company of the Intesa Sanpaolo Group. This initiative opens up a channel for collaboration not only for SMEs, but also for universities and research centres that would like to operate in China in the hi-tech industry, providing guidance in understanding the market and seeking local partners for the joint development of commercial and industrial operations.

Agreements

Intesa Sanpaolo signed an agreement with Federturismo Confindustria (Italian National Travel and Tourism Industry Federation) aimed at growth of the hotel tourism sector, which involves the development of partnerships in the following areas: renovation and development of the hotel system; aggregations and growth in size; training and retraining of human capital; energy efficiency and ecosustainability; and innovation, research and technological development.
The partnership, which involves the structuring of the agreement at local level, with the establishment of local commissions, aims at leveraging the synergies among the successful elements of the "Made in Italy" concept, meaning tourism, art, culture, environment and the agro-food sector.

Intesa Sanpaolo has signed an agreement, "Imprese di Moda nel Mondo" (fashion businesses in the world), with Sistema Moda Italia, the largest trade association in the textile-fashion industry, aimed at supporting businesses, particularly SMEs, that are looking to expand in international markets, by offering services and expertise to help increase their presence in markets that are expanding (Brazil, Russia, India and, in particular, China) or with recovering demand (USA).
In the same area, another agreement was entered into with Milano Unica, which represents over 400 Italian companies in the textile sector, to provide businesses in this segment with consulting, products and strategic services for internationalising and developing business outside of Italy.

Agreements	
	To combat the crisis in the construction sector and boost its recovery, Intesa Sanpaolo signed an agreement with ANCE (the National Association of Construction Companies) which provides the association's members with a credit line of 2 billion euro to develop construction projects, with specific focus on enhancing the value of and renovating existing real estate assets. The agreement aims to facilitate construction companies in managing unsold residential units, managing short-term debt, funding new worksites and advancing working capital for works executed on behalf of third parties. Furthermore, it aims at supporting fundamental areas for growth of the sector, such as energy efficiency, business networks, training, internationalisation and innovation. As a result of the agreement entered into with the Industrial Association of the Province of Varese, Intesa Sanpaolo has made 100 million euro available to the Varese area production system as part of the "Imprese X 100" initiative, aimed at supporting company financing needs and supporting working capital for liquidity purposes. Intesa Sanpaolo has signed an agreement with employers' associations of the Piemonte region and the Torino Polytechnic to promote the creation of new business networks in the region, which establishes a regional laboratory with the goal of identifying the potential for aggregating businesses in local areas and supporting the growth and development of networks, guiding companies and facilitating them in setting of network projects.

Intesa Sanpaolo Private Banking

In 2012, **Intesa Sanpaolo Private Banking** operations developed according to the following strategic guidelines: innovating commercial offerings, developing customers and a focused cost reduction policy.
The customer offering was expanded with the commercial launch of the "Advisory" service for mid-level customers, as an addition to the for-pay Private Advisory Service already active for top level customers.
Once the preparatory activities were completed – including specialised training courses for the commercial network – in 2012 this advisory service was gradually extended and reached 1.4 billion euro in assets, of which 200 million euro relating to the "Advisory" services. Development of the asset management business and expansion of the product range continued with the strengthening of the partnership with Eurizon and the commercial launch of new sub-funds from third parties. In particular, the new platform of Eurizon multimanager Private Style funds was launched, which had a positive response from customers, with placements exceeding 600 million euro. Total fund net inflows reached about 2 billion euro in 2012, in addition to the usual placement of Group bonds and of certificates by Banca IMI (2.6 billion euro in 2012), along with the public offerings of Enel and Atlantia.
Assets managed showed sharp growth in 2012, rising from 77 billion euro (+6 billion since the beginning of 2012), as a result of the effective commercial action of the network and the results achieved by asset management products. A specific pilot initiative was successfully completed, aimed at developing synergies with the Business segment of Banca dei Territori in order to identify new opportunities to increase the customer base common to the two segments. Extension of the initiative to the entire commercial network, launched in the fourth quarter of 2012, is being completed in the first quarter of 2013. As a result of the excellent commercial results, growth in assets under administration and the cost containment measures, the company has achieved its best-ever net income, as well as a drop in its cost/income ratio and cost to serve.
Intesa Sanpaolo Private Banking earned net income of 147 million euro in 2012, compared to a loss of 16 million euro in 2011 (due to goodwill impairment), mainly as a result of the good performance of revenues (+19.9%), boosted by interest income and net fee and commission income, as well as of cost containment (-0.4%).

Product companies

In 2012 **Mediocredito Italiano** disbursed loans totalling 2.6 billion euro, down about 24% compared to 2011. Operations of the Specialised Desks, as a result of new tools supporting preliminary assessment of loan applications, contributed more than 40% of the amount disbursed (about 1,075 million euro out of 2,632 million euro). The Energy area showed predominance of the demand for loans, representing about 60% of the total disbursed by the Desks. The continued focus of the entire network of Mediocredito Italiano on value creation was also confirmed. As a result of the strengthening of specialist expertise, it was possible, firstly, to optimise pricing negotiation with customers, leading to significant increases in average spreads and up-front fees. In addition, products with low capital absorption were developed, with the use of government guarantees (Fondo Centrale di Garanzia (Central Guarantee Fund), and agreement with SACE to support investment projects for internationalisation which allowed Mediocredito Italiano to accept loan applications for a total of about 150 million euro, of which 30 million euro has already been disbursed, and Fondo Nazionale per l'Innovazione).
Mediocredito operating margin amounted to 205 million euro, up compared to the 177 million euro in 2011. The company earned net income of 11 million euro, compared to a loss of 89 million euro in the previous year, also as a result of the fall in adjustments to loans (decreased by 106.5 million euro). Though in a context of worsening general economic conditions and the impairment of real estate collateral lodged to protect said loans, the decrease in adjustments was achieved as a result of the proactive management of past due loans and the extraordinary sale of doubtful loans in the first quarter of 2012.

Consumer credit activities are conducted through **Moneta** (which took the name Intesa Sanpaolo Personal Finance from 1 January 2013) and Neos Finance. In September, a project was launched for the merger of two Group companies operating in the consumer credit segment. The reorganisation, which shall take effect from 1 April 2013, involves the partial demerger of the "consumer credit" business of Neos Finance to Intesa Sanpaolo Personal Finance, with only the leasing segment remaining in Neos Finance, until this segment is integrated into the leasing business structure.
In 2012, there was a generalised downturn in disbursements in the consumer credit market. In this context, the Banca dei Territori distribution network disbursed loans from Intesa Sanpaolo Personal Finance totalling 1,650 million euro, down by 5.7% compared to the previous year (personal loans +0.3%, loans against assignment of one-fifth of salary -40.7%). During the year marketing

initiatives were undertaken, in collaboration with Banca dei Territori, aimed at supporting the disbursement of loans ("Spring 2012 Campaign") and countering early loans terminations (R.est.a campaign). With the goal of favouring proactive contact between managers and customers and improving the likelihood that loan applications will be approved, a model for commercial offering based on new customer profiling, targeting and service logics was implemented. Intesa Sanpaolo Personal Finance's income before tax from continuing operations amounted to 56 million euro compared to 46 million euro in 2011 (+23.1%). This growth is attributable to an increase in revenues (+13%) and a reduction in operating costs (-3.3%), only partially attenuated by the increase in net adjustments to loans (+10.6%).
Neos Finance closed 2012 with a total amount financed of 1,394 million euro, 22.7% lower than the end of December 2011. Almost all segments reported decreases (personal loans -22.8%, car loans -51,7%, assignment of one-fifth of salary -5.3%, and leasing -50%) with the exception of special-purpose loans (+7.9%).
The operating margin of Neos Finance amounted to 83 million euro, down 14.5% compared to 2011 due to lower net interest income and net fee and commission income. The higher adjustments to loans carried out during the period, though considerably lower than those in the previous year, resulted in a loss before tax from continuing operations and a net loss (-26 million euro).

Setefi specialises in managing electronic payment systems, and is registered in the Payment Institutes Registry kept by the Bank of Italy. The company is an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS. Setefi also carries out processing for payment cards on behalf of the banks in the Intesa Sanpaolo Group and, though total volumes are marginal, also issuing of own payment cards, typically relating to fidelity cards.
Almost all of the 12.2 million cards managed by Setefi as at 31 December 2012 are cards issued directly by the Parent Company and the Group banks (+15.5% compared to the previous year). The number of POS at the end of 2012 amounted to approximately 294,000, up 3.9% on the end of December 2011. In 2012 the volume of transactions handled and the total amount transacted increased (transactions on Setefi POS and transactions on cards issued by Group banks on other POS). The total number of transactions handled (around 639 million) increased 15% compared to 2011; the total amount transacted (about 49.6 billion euro) was up around 12%. The main actions implemented during the year include the development, along with the Group banks, of the "Move and Pay" platform and the "Mobile Payments" projects (which, 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). Setefi is also working to expand the domestic market of contactless/NFC payments and to develop agreements with leading TELCO operators (to promote the use of payments via mobile phones in Italy).
In 2012 Setefi recorded a significant increase in operating margin, which rose to 203 million euro (+17% compared to 2011) and in net income, amounting to 137 million euro (+18.5%), as a result of the increase in operations in terms of handling of credit cards issued, volumes transacted and number of POS installed.

SIREFID, which specialises in trust services for business leaders and private investors, held assets under administration of 8.2 billion euro as at 31 December 2012, equal to approximately 24,300 mandates.

Banca Prossima

During 2012, **Banca Prossima**, which operates in the non-profit sector with 66 local branches and 150 specialists distributed across the country, continued to acquire new customers for the Group. As at 31 December 2012, the bank had almost 22,000 customers (more than 65% of which new to the Group). Financial assets amounted to 4.3 billion euro, of which 3.3 billion euro in indirect customer deposits and about 950 million euro in direct customer deposits. At the same date, lending operations had achieved an approved amount of 1.5 billion euro. In 2012 the company reported revenues of 38 million euro (+30.6% compared to the previous year), achieving an operating margin of 15 million euro and net income of 6 million euro. In 2012, to consolidate and further strengthen Banca Prossima's leading role for the non-profit sector, commercial operations concentrated on acquiring new customers as well as developing existing customers by offering current accounts, products and financial services (loans and investments) further customised to meet the needs expressed by customers. Furthermore, as a result of the support of the new model for profiling non-profit organisations, commercial operations and services were additionally focused on customers with needs that have not been suitably met. Banca Prossima has also taken part in initiatives promoted jointly with the Parent Company, including the *Moratoria Debiti PMI - Nuove misure per il credito alle piccole e medie imprese* (moratorium on SME debts - new measures for credit to small and medium enterprises) - approved by the Ministry for the Economy and Finance on 28 February 2012 to deal with the current economic crisis, and the moratoriums established by Law Decree 74 of 6 June 2012 to help organisations affected by the earthquakes in the Emilia region. Lastly, an agreement was signed with the European Investment Bank (EIB), which made available to the non-profit sector, through Banca Prossima, 60 million euro to support education and healthcare, with the goal of mitigating the effects of the crisis and contributing to the launch of recovery.

Insurance and Pension companies

Intesa Sanpaolo Vita, the new insurance company of the Intesa Sanpaolo Group created from the merger by incorporation of Sud Polo Vita, Intesa Sanpaolo Vita (formerly Intesa Vita) and Centrovita Assicurazioni into EurizonVita, has been operational since 1 January 2012. Intesa Sanpaolo Vita offers an extensive range of products and services covering insurance investment, family protection and supplementary pensions, and makes use of a widespread distribution structure based on numerous channels: branches of Group banks which offer the entire range of products, private bankers of Banca Fideuram and Sanpaolo Invest for pension products, Neos Finance branches for insurance products covering personal loans, consumer credit and assignment of one-fifth of salary. The Intesa Sanpaolo Vita insurance group also includes: Intesa Sanpaolo Assicura, which operates 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; EurizonVita (Beijing) Business Advisory, a company incorporated under Chinese law, which performs instrumental activities relating to the minority investment held by Intesa Sanpaolo Vita in Union Life Insurance Limited Company.
In 2012 Intesa Sanpaolo Vita reported income before tax from continuing operations of 557 million euro, a significant increase on the 233 million euro in 2011. This is mainly due to the favourable performance in the net investment result, attributable to both

an increase in assets under separate management, most markedly those that include next generation products, which increased the profitability of the portfolio as a result of high yields obtained on new portfolios managed during the year, and the positive performance of coupons deriving from the trend in rates on BTPs. The valuation component also provided a positive contribution to the net investment result. At the end of December 2012 the portfolio of policies came to 67,683 million euro, up slightly on an annual basis (+0.5%). In 2012 gross live premiums underwritten for both insurance products and policies with investment content, amounted to 7,200 million euro, compared to the 11,493 million euro in 2011. New life business amounted to 6,883 million euro in premiums underwritten (10,713 million euro in the previous year).

As at 31 December 2012 the assets managed by **Intesa Sanpaolo Previdenza** came to 1,527 million euro, of which 1,249 million euro consisted of open-ended pension funds established by the company (+10.3% compared to the end of December 2011) and 278 million euro of closed-end funds (up by 11.9% on an annual basis). Net inflows for the year were positive for both types of funds. At the end of December 2012, Intesa Sanpaolo Previdenza had almost 254,000 pension positions under management, of which around 149,000 attributable to administration mandates granted by third parties.
During 2012 the company launched a new range of supplementary pension funds for the Intesa Sanpaolo Group distribution networks, as well as an absolute innovation in the way pension plans of Banca dei Territori are offered, both in terms of tools and the advisory approach to customer needs. The transformation of the offering was associated with commercial actions aimed at encouraging the use of supplementary pension plans among young people.

Corporate and Investment Banking

(millions of euro)

Income statement	2012	2011	Changes	
			amount	%
Net interest income	2,272	2,239	33	1.5
Dividends and profits (losses) on investments carried at equity	-34	-4	30	
Net fee and commission income	999	1,062	-63	-5.9
Profits (Losses) on trading	996	564	432	76.6
Income from insurance business	-	-	-	-
Other operating income (expenses)	10	26	-16	-61.5
Operating income	**4,243**	**3,887**	**356**	**9.2**
Personnel expenses	-408	-397	11	2.8
Other administrative expenses	-576	-563	13	2.3
Adjustments to property, equipment and intangible assets	-5	-6	-1	-16.7
Operating costs	**-989**	**-966**	**23**	**2.4**
Operating margin	**3,254**	**2,921**	**333**	**11.4**
Net provisions for risks and charges	-32	-18	14	77.8
Net adjustments to loans	-1,165	-947	218	23.0
Net impairment losses on other assets	-87	-747	-660	-88.4
Profits (Losses) on investments held to maturity and on other investments	-122	-265	-143	-54.0
Income (Loss) before tax from continuing operations	**1,848**	**944**	**904**	**95.8**
Taxes on income from continuing operations	-590	-411	179	43.6
Charges (net of tax) for integration and exit incentives	-5	-33	-28	-84.8
Effect of purchase price allocation (net of tax)	-	3	-3	
Goodwill impairment (net of tax)	-	-2,318	-2,318	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,253**	**-1,815**	**3,068**	

(millions of euro)

	31.12.2012	31.12.2011	Changes	
			amount	%
Loans to customers	143,134	145,436	-2,302	-1.6
Direct deposits from banking business [a]	109,700	88,033	21,667	24.6

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

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

In 2012, the Corporate and Investment Banking Division earned 4,243 million euro in operating income (representing 24% of the Group's consolidated figure), up by 9.2% over 2011.

In detail, net interest income, amounting to 2,272 million euro, reported positive performance (+1.5%) attributable to attentive pricing management for loans which in particular characterised Italian corporate relations (Large Corporate Italia and Mid Corporate segments) and Mediofactoring, compensating for the negative performance of the average volumes of loans to customers. Net fee and commission income, amounting to 999 million euro, recorded a 5.9% decrease attributable to the investment banking segment, especially in reference to the primary market and structured finance which in 2011 had benefitted from non-recurring transactions. Within the other segments, commercial banking services generated higher income, particularly on loans, guarantees and factoring. Profits on trading, amounting to 996 million euro, reported significant growth (+76.6%), attributable to higher revenues in the capital markets and proprietary trading areas. Operating costs amounted to 989 million euro, up 2.4% compared to 2011, due to higher personnel and administrative expenses. As a result of the trend in revenues and costs described above, the operating margin, amounting to 3,254 million euro, recorded an 11.4% increase. A similar trend was seen in income before tax from continuing operations, amounting to 1,848 million euro, which almost doubled, due to lower impairment losses on other assets and the decrease in impairment losses on investments held to maturity, which more than offset higher adjustments to loans following the impairment of corporate, structured finance and leasing positions. Lastly, net income came to 1,253 million euro, compared to a loss of 1,815 million euro in 2011, due to considerable goodwill impairment caused by the difficult macroeconomic situation.

In quarterly terms, the fourth quarter of 2012 showed an increase in operating income (+10.3%) compared to the third quarter, attributable to the positive performance of all its main components. The growth in revenues, only partly attenuated by higher operating costs (+6.8%), resulted in an increase in operating margin (+11.4%). Income before tax from continuing operations amounted to 323 million euro, down on the third quarter 2012, primarily due to the impairment of the investment in Telco, a company that holds an investment in Telecom Italia. Lastly, net income, at 181 million euro, fell 26.1% compared to the previous quarter.

The Division's intermediated volumes grew compared to the end of December 2011 (+8.3%). In detail, direct deposits from banking business increased by 24.6%, mainly due to specific commercial operations aimed at increasing corporate deposits primarily by leading financial institutions and large Italian and international corporate groups. Furthermore, funding also benefitted from the increased repurchase agreement transactions by Banca IMI and new securities funding by international subsidiaries for issues of Group certificates of deposit, commercial paper and medium-term securities. Loans to customers decreased by 1.6%, resulting from the lesser use of cash by large and international corporate groups, only partly offset by the growth of factoring loans and the development of reverse repurchase agreement transactions with institutional operators and financial intermediaries by Banca IMI.

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 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 Italy	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
Public Finance and Infrastructure (formerly BIIS)	The Department serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
International	The Department is charged with 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	The Department is responsible for relations with Financial Institutions, management of transactional services related to payment systems, trade and 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 private 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
Distribution structure	In Italy, it draws on 56 branches dedicated to corporate customers and 15 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, representative offices and subsidiaries that engage in corporate banking activity

Large Corporate Italia and Mid Corporate

In 2012 total volumes for corporate customers in terms of volumes approved and used declined, in line with the industry trend. Nonetheless, the level of use of credit lines was higher than the industry average, confirming the preference for the Group shown by corporate firms.
During 2012 the "Start-Up Initiative" continued, through which the Group supports the development of Italian and international technology companies, as a sponsor able to coordinate energies and efforts to support micro-businesses that create innovation, by encouraging investment and aggregation actions while reducing the costs and timing of research and development processes. Since the launch of the initiative, 48 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. The initiative was awarded the "Premio ABI per l'innovazione nei servizi bancari" (Italian banking association award for innovation in banking services) and the "Premio dei Premi per l'Innovazione" (award of awards for innovation) by the Italian Government. The finalisation of the Technology Opportunity Proposal (T.O.P.) project for Large and International Corporate customers continued by offering a dedicated service for each customer and opportunities for investment and/or industrial agreements with growing companies that meet needs for technological innovation demonstrated by customers. The operations of the Fondazione Ricerca e Imprenditorialità, established in September 2010, were presented. This Foundation aims at bringing together the three main components of technological innovation: scientific research, industry and banking. The operations of the Foundation aim to: promote research-driven businesses; select innovative small businesses that deserve to be supported in their growth, so that they reach a level of development that attracts operators and investors; promote knowledge among high-tech SMEs to favour their integration in high-innovation chains of business; develop synergies and partnerships with public entities and other Italian and foreign public or private organisations, in order to enhance and support the growth of innovative businesses. Furthermore, in order to promote the development of a culture of innovation and change, a partnership has been entered into with Singularity University, one of the most advanced research centres for new technologies, established in Silicon Valley, with the support of NASA and Google. Lastly, in relation to the development of the Italian agro-food industry, the Bank promoted and organised a meeting focused on innovation, business experience and international growth in the food sector, which was an opportunity for business owners and managers in the sector to compare strategies.

Public Finance and Infrastructure Department (formerly Banca Infrastrutture Innovazione e Sviluppo)

Following the full demerger of Banca Infrastrutture Innovazione e Sviluppo in favour of Intesa Sanpaolo and Leasint, with legal effect from 1 December 2012, the Public Finance and Infrastructure Department was created within the Corporate and Investment Banking Division, with the purpose of developing and managing relations with its specific customers and ensuring the provision of a global, integrated offer of products and services.

In 2012, to promote the development of large national infrastructures, the Department, in collaboration with Banca IMI, continued its activity on large motorway projects including the BreBeMi project (Brescia-Bergamo-Milano motorway), the Milan East outer ring road and the Pedemontana Lombarda motorway. Also of note were the loan granted to the company Autostrada Torino Milano and the issue of an unsecured credit line to Confederazione Autostrade.
In support of healthcare services, universities and scientific research, the IRCCS Cà Granda Foundation for the modernisation of the Ospedale Maggiore Policlinico of Milano was financed. To increase the efficiency of the healthcare system in the Lazio and Campania Regions, without recourse factoring of receivables due to contracted healthcare facilities and suppliers of Healthcare Authorities and Hospitals was continued, and the agreement for the purchase without recourse of certified receivables due to Università Cattolica del Sacro Cuore from suppliers of the Policlinico Gemelli was also renewed. A loan was also disbursed for renovation works on the Modena General Hospital.
In the area of improvement of public services and utilities, initiatives in the multiutility sector included: the loan to the Azienda Speciale Brescia, the loan to Bim Gestione Servizi Pubblici and the renewal of the bridge loan to Società Multiservizi. A medium-/long-term loan to Dolomiti Energia was renewed and a loan was granted to the company Maira. Lastly, it is particularly worth noting the restructuring of the debt granted to Finanziaria Sviluppo Utilities, a holding company of the IREN Group.
In the alternative, low-environmental-impact energy sector, the bank is involved in various wind farm and photovoltaic projects, also on agricultural greenhouses, funded both through the distribution of project finance loans and under financial lease of public property.
In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local authorities. The support to the Public Administration and its suppliers by providing advances on the amounts due to the suppliers from Local Authorities was renewed. Numerous agreements were signed for the without recourse factoring of receivables due to suppliers of goods and services to local authorities throughout Italy.
Urban and local development projects included the loan granted through finance lease of public property for the construction of the "Cittadella degli Studi di Fabriano" academic complex in the Province of Ancona and the loan, with costs covered by the government, granted to the Consorzio di Bonifica del Musone, Potenza, Chienti, Asola e Alto Nera for the construction of an irrigation plan in the Province of Macerata. The bond loan granted to Patrimonio del Trentino, as well as the loan to Azienda Territoriale per l'edilizia of the Province of Imperia were also renewed. In the area of infrastructure for mobility, a loan was granted to Brescia Infrastrutture for the completion of construction works on the automatic light underground railway line, while for airport infrastructure, a loan was granted to the SEA Group, which manages the Milano area airports.

International

The International Department directly covers 29 countries through 12 wholesale branches, 18 representative offices, 2 subsidiary banks and one advisory firm. In 2012, international coverage was pursued through the strengthening of relations with Italian and international customers, expansion of the offering and coverage of the most attractive markets through a model for managing international network customers that is consistent throughout the Group's international network. During the period, the project for the integration of business aimed at international customers into the public finance segment as part of the Division's international network was consolidated. The numerous measures included: strengthening the specialised product desks operating as part of the international network; issuing a new remote banking internet platform that supports the management of cash and trade flows at global level; and simplifying cross-border processes among the Group's various units. Furthermore, as part of the focused expansion plan including investments on the most attractive international markets with the highest growth, we note the opening of the new representative office in Abu Dhabi in the Emirates, which contributed to strengthening the presence in the Middle East and North Africa (MENA) area, the licences obtained to create a branch in Warsaw and a representative office in Sydney, both expected to open in the first quarter of 2013, which shall contribute to developing the Group's operations in Central-Eastern Europe and the Asia-Pacific (APAC) areas, respectively.
The Department is responsible for:
- **Société Européenne de Banque**, which recorded net income of 136 million euro in 2012, almost triple the figure for the previous year, thanks to growth in revenues (+25.6%), attributable to the positive trend in profits on trading and net interest income, which more than offset greater costs;
- **Intesa Sanpaolo Bank Ireland**, which reported net income of 43 million euro, down 51.8% compared to 2011, mainly due to the fall in operating income (-45.9%), penalised by lower net interest income.

Global Banking & Transaction

In 2012, in a scenario of high volatility of the financial markets, the Department's operations were considerably intense and diversified: the Department confirmed its leading position in Italy for securitised and structured financing transactions; significant investment transactions were concluded with Italian and international customers; important advisory mandates were obtained from medium-sized Italian banks; trade finance operations with international banks increased; securities transactions flows from international institutional customers rose; the foundations were set for structured transactions with several important international customers and, lastly, Debt Capital Markets mandates from international issuers were concluded.
In the area of Trade Finance, initiatives to support core customers of the Group were finalised, through partner banks deeply rooted in funded trade finance. Nonetheless, in the second half of 2012, due to the worsening of the liquidity situation, these operations were partially replaced with the selected acquisition of unfunded risk, with a view to mutuality, from international commercial banks. As part of commercial operations, the Department provided support to specialist trade finance activities concerning the "Mid International Evolution Project", launched by the Mid Corporate Direction, with the goal of promoting the internationalisation of corporate customers in terms of expanding exports and growing investments and, lastly, the partnership with Banca IMI continued, for the purpose of exploring additional business opportunities of the banks in Eastern Europe.
In the Structured Export Finance sector, the strategy to favour Italian operations continued, specifically operations backed by SACE. In line with this commitment, the Bank has taken on an ever-greater role in the "Export Banca" agreement with Cassa Depositi e Prestiti to favour the creation of a national system to support exports, capable of competing with the top-of-the-line international experience. The significant transactions concluded in 2012 included the loan to the Russian bank VTB Bank, as SACE Agent, to support a commercial agreement for Rizzani De Eccher and participation in the "Etileno XXI" project, as Facility Agent and Lead Arranger, for the construction in Mexico of the most modern petrochemical plant in the Americas. During the period, 4 mandates were signed, in the roles of Mandate Lead Arranger, SACE agent and SIMEST agent, for Italian export contracts to India, Belarus, Ukraine and Mexico, and a loan for Alitalia was originated, backed by COFACE, the French Government-Owned Insurance Company. Lastly, the commitment to selectively supporting trade flows with emerging markets with a solid track record, through structured transactions, was confirmed. This included participation in the international pool financing "Receivables Backed Trade Finance Facility" in favour of the Ghana Cocoa Board.
In Transaction Banking, a new organisational and operational model was adopted, with the goal of boosting transactional business, increasing the effectiveness of marketing with customers, including through greater complementarity of actions with managers and a focus on typical core business operations. In this area, marketing campaigns were launched for the purpose of increasing customer penetration, both by providing new products and services and by increasing business volume. The roll-out of the Inbiz Web channel, with the new cash management and trade services offerings, reached the Division's target customers at the end of 2012.
Lastly, the initiatives of the Local Custody office aimed at developing mandates for several leading customers, cross-selling with Banca IMI, aimed at acquiring integrated execution/custody mandates and providing several leading customers with complementary services for transfer of collateral to the Bank of Italy, to allow these counterparties to access monetary policy funding from the Central Bank. As regards oversight of sub-depositaries of Intesa Sanpaolo, the initial phase of analysis was completed, relating to the option of concentrating assets and the related operational flows remaining in relation to the sale of the business to State Street, in a limited number of strategic depositories, with a view to reducing management costs and subsequently repricing the services provided to internal and external customers. In this regard, the most suitable commercial solutions were identified, the first part of the joint due diligence with Banca IMI and the operational structures of ISGS was completed, and the related replacements of depositaries were planned for the initial months of 2013.

Merchant Banking

As at 31 December 2012, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 3.1 billion euro, of which 2.7 billion euro was invested in companies and 0.4 billion euro in private equity funds. In 2012 the Department finalised significant investment initiatives, with an approach marked by high selectivity and careful risk assessment. In detail, through its subsidiary IMI Investimenti, the Department subscribed a share capital increase of Pianoforte Holding S.p.A., for an amount of 40 million euro, equal to 10% of share capital. The company holds 100% investments in the two companies that own the Yamamay and Carpisa brands. With an investment of 45 million euro, the acquisition of 18.9% of Limacorporate S.p.A., an Italian multinational operating in the medical sector, was also finalised. Furthermore, in 2012 the sale of the investment in the London Stock Exchange Group was carried out, realising a total capital gain of 105 million euro including the tax benefit. Lastly, subsidiary IMI Investimenti finalised the sale of the entire investment in F2i Reti TLC to the current majority shareholder of Fondo F2i, generating a capital gain of about 3 million euro.
Private equity fund management activity, carried out by the subsidiary IMI Fondi Chiusi SGR, continued investing in the new national Atlante Private Equity fund, dedicated to small and medium-sized enterprises, and in venture capital funds. Overall, a total of about 41 million euro in investment transactions were finalised.

Structured Finance

In 2012, numerous transactions were implemented to support lending by the Parent Company to corporate customers and by the Banca dei Territori, in which Banca IMI acted as Mandated Lead Arranger (MLA), including: the signature of the Forward Start Facility in favour of Telecom and the loan to Telco; the loan to Edizione Holding including a tranche for the Benetton public offering; the initiative aimed at refinancing Saras' debt; the structuring of the revolving credit line to fund the Tecnimont contract portfolio; the loan to CLN; the debt restructuring transactions for Almaviva and the Zodiak Group; and the loan to Campari to support its acquisition of the Jamaican LdM. Lastly, these transactions included the loan in favour of Fly (Forgital Group) following the acquisition of a contract from Rolls Royce; the loan to IVS (leading operator in the vending sector) for the acquisition of Selecta Italia under the merger with Italy 1 Investment; the loan as part of Clessidra's acquisition of a stake in Euticals; and the loan to fund the acquisition of EcorNatura Sì with the Crespi Paravicini Group's entry into the shareholder base. The participation was also renewed in the refinancing relating to the existing credit lines in favour of the Smurfit Kappa Group.
As part of Project & Acquisition Finance, Banca IMI contributed to the structuring of international and domestic transactions aimed at supporting the acquisition: of Iceland Foods Group by a group of investors and members of the management; of Light Force (Italy) by the Carlyle private equity fund; of the coastal navigation business line of Tirrenia Navigazione under extraordinary administration by Compagnia Italiana Navigazione; of Alpitour (Italy) by a consortium of financial investors headed by the Wisequity and ILP Funds private equity funds; of the operating business line Bitolea Chimica Ecologica (Italy) by the Clessidra private equity fund; and of a controlling share of Marcolin by the PAI private equity fund. The following credit facilities were also granted: to fund the acquisition by Delmi of 70% of the share capital of Edipower and refinance Edipower's existing debt; to Greentech Energy System A/S (Denmark) as part of a public offer for the acquisition of a Spanish company operating in the renewable energy sector; to Intertrust Group Holding S.A. to fund the acquisition of Walker Management Services; to Moby (Italy) for the refinancing of its existing debt, for the capital increase aimed at acquiring a stake in Compagnia Italiana Navigazione and for working capital needs; to fund the construction of a wind farm in Sicily based on a Falck Group initiative; for the business combination of two groups operating in the cable and satellite TV sector in the Balkans; to ION Trading Ireland and the water distribution network in Spain. Moreover, Banca IMI provided a significant contribution to the structuring of the coverage of Snam's financial needs, which includes refinancing the debt payable to Eni. Lastly, the origination and structuring of credit facilities that will be finalised during 2013 also continued. These included: the creation of a solar farm in Romania; the acquisition of STX OSV Holdings Limited (Singapore) by the Fincantieri Group via public offering; the refinancing of existing debt of a leading operator of telecommunications towers in the United Kingdom; and the construction and management of a wind farm in the province of Cagliari.
In the real estate segment, in the context of uncertainty in the European and Italian real estate markets, Banca IMI maintained a top position in the structuring of loans. In particular, in the capacity of MLA, Banca IMI finalised credit facilities amounting to 153 million euro, including the facilities for Centro Sviluppo Ostiense, to support the renovation and real estate development project for the former Mercati Generali area in Roma. Moreover, loans were granted: to support the real estate fund promoted by the Province of Roma and managed by BNP REIM SGR; to support the Core Multiutilities fund managed by REAM SGR as part of a sale and lease-back transaction promoted by the IREN Group; to several companies in the Beni Stabili SIIQ Group to refinance existing debt on an investment property portfolio. With regard to advisory services, mandates were acquired to upgrade a hotel located in Venezia, to place units of the Boccaccio real estate fund and the mandate to analyse and identify the best financial structure for Beni Stabili SIIQ was concluded.
Lastly, as regards Loan Agency operations, customer orientation towards the bank was confirmed in 2012 through an increase in Facility and Security Agent mandates. The most important transactions acquired include those for: Coin Group, Fondazione Monte dei Paschi di Siena, Stroili Group, Edison Group, Prysmian, Gasplus, Consorzio Reggio Calabria e Sicilia, Cinecittà, as well as those to the groups Alfaparf, Barbaro, Zoppas, Cremonini, K-Flex, Mare Nostrum, Euticals, Fracasso, Avio, Belco, Edipower, Janus (EcoNaturasì), Moby, Sebeto, NH Italia, Fimmit Sgr, Alpha New, Ansaldo, Sviluppo Ripamonti, Alpitour, Cafima, Granarolo, Enervitabio San Nicola, Tangenziale Esterna, Milano Fiori 2000, MTP Sapa, Fly, Eolica Petralia, Nuova Premuda, F2i Ambiente, Ream Sgr and Fondo Multiutilities. In the restructured loans segment, activities were performed for the groups Zucchi, Zaleski, Lucchini & Canepa, TAS, Kerself, Coestra, Valore e Sviluppo, Iter, Inso, Pininfarina and Salmoiraghi (Vision).

Proprietary Trading

In 2012, Proprietary Trading posted a significant increase in revenues, primarily attributable to the recovery in market positions in the Hedge Funds portfolio, which more than offset the reduction in the structured credit product segment.
During the year, this segment gradually reduced its exposure to risk positions classified in both the trading book and the loan portfolio. As at 31 December 2012 the risk exposure to structured credit products and European/US funded and unfunded ABS/CDOs amounted to 2.2 billion euro, down compared to 2,8 billion euro as at 31 December 2011, while exposure with respect to structured packages amounted to 3 million euro, down compared to 41 million euro at the end of 2011.
At the end of December 2012, the Hedge Funds portfolio totalled 696 million euro compared to 665 million euro at the end of 2011. The segment generated trading revenues in 2012, recovering significantly on the losses for 2011. In a year marked by high volatility, the economic result benefitted from the recovery in securities in the financial and real estate sectors. Long positions taken on specific debt restructuring transactions provided a positive contribution, in industrial and consumer sectors and relating to securities previously burdened by a sharp deterioration in country risk.

Investment Banking, Capital Market and primary market

In 2012, Banca IMI confirmed its position among the leading operators in Italy in the debt capital market segment. In relation to corporate issuers, the Bank concluded 38 transactions as bookrunner, a record number. Specifically for Italian corporate customers, the Bank acted as bookrunner for Fiat Auto, Eni, Telecom Italia, FGA Capital, Atlantia and Enel. In addition it is worth noting that the Bank participated in Snam's issues, Campari's unrated issue and, as arranger and bookrunner, in A2A's EMTN programme. With regard to retail issues, Banca IMI coordinated the placement syndicate for the public offering of Enel bonds and the initial public offering of Atlantia bonds, placed among the general public in Italy. In the high yield segment, it acted as bookrunner for the three Italian issues in 2012, i.e. the Wind dual tranche issue, the Rottapharm Madaus issue and the Guala Closures issue. Internationally, Banca IMI acted as bookrunner for the issues of Iberdrola, Telefonica, Gas Natural, Enagas, MAN SE, Metro, PPR, Banque PSA, RCI Banque and Heineken. For financial institution customers, the bank acted as bookrunner for the Eurobonds issued by Banca Monte dei Paschi di Siena, Mediobanca and Intesa Sanpaolo. For the latter, the Bank also acted as dealer manager in two buy back operations and in two exchange offer operations. Moreover, as dealer manager, it participated in the liability management transactions of Banca Popolare di Vicenza and Banca Popolare dell'Emilia Romagna. It acted as bookrunner for international customers, for the issues by Raiffeisen Bank International and Société Générale. For issuers in the sovereign, supranational & agencies segment, in 2012 Banca IMI confirmed its leadership in distributing innovative Italian government securities, participating as a dealer in the two issues of Italian BTPs, and organising a private placement of a 30-year inflation-linked Italian security. Lastly, in 2012 the bank acted as co-lead manager in ten EFSF (European Financial Stability Facility) benchmark issues and, in the area of liability management, it acted as dealer manager in the buyback offer for two covered bonds of Cassa Depositi e Prestiti.
In 2012, in the equity capital market, Banca IMI: participated, as joint bookrunner, in the share capital increase offered in option by UniCredit and in Terna's accelerated bookbuilding; acted as global coordinator and bookrunner for the Camfin issue exchangeable into Pirelli shares; and oversaw the voluntary takeover bid launched by Edizione on Benetton Group shares, as financial advisor and intermediary responsible for coordinating subscriptions. Internationally, the Bank participated: in the accelerated bookbuilding of the shares of the London Stock Exchange and the Turkish bank Akbank; in Peugeot's capital increase; in the placement of the shares of BlackRock and of equity units of United Technologies; and in the IPOs of Santander Mexico and Telefónica Deutschland. At the end of 2012, Banca IMI was specialist or corporate broker for 47 companies listed on the Italian market, confirming the level of excellence it has reached in this market segment. In 2012 Banca IMI was appointed corporate broker and/or specialist by Biesse, Brembo, Eurotech, Fiera Milano, Poligrafici Editoriale and Save.
In its M&A Advisory activity, Banca IMI concluded significant transactions. Specifically, in the industrial sector, it advised: Italy1 Investment SA, the first SPAC listed on the MIV segment of Borsa Italiana, in the merger by incorporation of IVS, the leading Italian operator in the vending machines sector; the Clessidra fund, in its acquisition of 80% of Bitolea; Compagnia Italiana di Navigazione, in its acquisition of Tirrenia; InvestIndustrial, in the sale of Ducati; Coesia, in its acquisition of Oystar North America; and Impregilo, in the sale of a 19% stake of Ecorodovias Infraestrutura e Logistica. In the energy & utilities sector, it advised: Iren, in the reorganisation of the chain of control of Edipower; ERG, in its acquisition of 80% of IP Maestrale; F2i, in its acquisition of the TRM waste-to-energy plant in Torino; and Acea, in the sale of a portfolio of photovoltaic assets to RTR Capital. In the fashion & luxury sector, it advised Edizione in the voluntary tender offer for 100% of Benetton shares and Carlyle in the acquisition of Twin Set. In the pharma sector, it provided services to Clessidra in its acquisition of a majority stake in Euticals; in the telecom, media & technology sector, it advised Libero in its acquisition of Matrix; in the healthcare sector it advised AXA Private Equity and Intesa Sanpaolo in their acquisition of 66% of Limacorporate; in the food & beverage sector, it provided advice on the sale of the Stelliferi Group to Ferrero and, lastly, in the financial institutions sector, it advised the Fondazione Cassa di Risparmio di Lucca in its acquisition of 20% of Banca Monte Lucca. Moreover, during the year, several operations were executed whose closing is expected in the first half of 2013, including the sale by Cinven of the Avio Group's aviation business to General Electric; the sale of Cerved by Bain Capital and Clessidra to CVC and Fincantieri's acquisition of STX OSV, which is the largest cross-border operation announced by an Italian company during the year.

Factoring and Leasing

In 2012 **Mediofactoring** reported a turnover of 53.5 billion euro, a 7.9% increase on an annual basis, retaining its position as the number-one domestic factoring provider by turnover, with a market share of 30.6%, up from 29.5% at the end of 2011. Compared to 31 December 2011, outstanding receivables, equal to 13.3 billion euro, posted an increase (+12.5%), and period-end loans came to 11.4 billion euro, up 16.2%. The positive performance of operations, deducting seasonal effects, was confirmed by the average volumes of loans, amounting to 7.5 billion euro, up 0.9 billion euro compared to the previous year (+13.9%).
In terms of income statement figures, the operating margin for 2012, amounting to 216 million euro, was up 36.1% compared to the previous year as a result of the increase in operating income (+29.4%), driven by net interest income which benefitted from

the positive performance of average volumes and net fee and commission income. Net income amounted to 108 million euro, up 58.6% on 2011.

Intesa Sanpaolo is the number-one leasing provider in the Italian market with a share of 17.6% (17.7% at the end of December 2011). The Bank operates in this sector through **Leasint** and **Centro Leasing**, which carry out their role within the Leasing Hub, focusing the distribution of products on captive bank customers and non-captive customers, respectively.
In 2012 Leasint entered into 6,916 new contracts for a total value of 2,219 million euro, down compared to 2011 (-37.2%), but in line with the market trend. The amount outstanding of 18.6 billion euro at the end of December 2012 was stable on an annual basis. The property leasing and energy segments recorded smaller decreases than those posted by competitors, while the automotive and instrumental leasing segments showed a downturn in line with the market. During the year, the new product Leasenergy 20-200 was completed and marketed, to finance photovoltaic plants. In terms of income statement figures, Leasint closed 2012 with a loss before tax from continuing operations of 56 million euro compared to a profit before tax of 97 million euro in 2011, mainly due to the fall in revenues (-31.7%), penalised by lower interest income (-28%) and the significant increase in adjustments to loans (+67.7%). Net income came to -48 million euro, compared to a loss of 80 million euro in 2011, due to considerable goodwill impairment caused by the difficult macroeconomic situation.
In 2012 Centro Leasing entered into contracts for 529 million euro, down 24.5% compared to 2011. Business activities were mainly focused on development of the energy sector which, though slightly declining on 2011, showed significantly better performance than its competitors. In terms of income statement figures, the company reported a net loss of 66 million euro (compared to a loss of -3 million euro in 2011), attributable to the reduction in operating income (-28.2%), penalised by lower net interest income (-25%) and almost double adjustments to loans.

International Subsidiary Banks

(millions of euro)

Income statement	2012	2011	Changes	
			amount	%
Net interest income	1,642	1,736	-94	-5.4
Dividends and profits (losses) on investments carried at equity	25	19	6	31.6
Net fee and commission income	547	572	-25	-4.4
Profits (Losses) on trading	61	101	-40	-39.6
Income from insurance business	-	-	-	-
Other operating income (expenses)	-87	-45	42	93.3
Operating income	**2,188**	**2,383**	**-195**	**-8.2**
Personnel expenses	-591	-598	-7	-1.2
Other administrative expenses	-434	-440	-6	-1.4
Adjustments to property, equipment and intangible assets	-131	-133	-2	-1.5
Operating costs	**-1,156**	**-1,171**	**-15**	**-1.3**
Operating margin	**1,032**	**1,212**	**-180**	**-14.9**
Net provisions for risks and charges	-4	-11	-7	-63.6
Net adjustments to loans	-908	-693	215	31.0
Net impairment losses on other assets	-117	-19	98	
Profits (Losses) on investments held to maturity and on other investments	2	4	-2	-50.0
Income (Loss) before tax from continuing operations	**5**	**493**	**-488**	**-99.0**
Taxes on income from continuing operations	-193	-104	89	85.6
Charges (net of tax) for integration and exit incentives	-2	-	2	-
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)	**-190**	**-763**	**-573**	**-75.1**

(millions of euro)

	31.12.2012	31.12.2011	Changes	
			amount	%
Loans to customers	29,312	30,676	-1,364	-4.4
Direct deposits from banking business	31,163	30,667	496	1.6

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

The International Subsidiary Banks Division is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

In 2012, the Division's operating income was down by 8.2% on the previous year, to 2,188 million euro. A detailed analysis shows that net interest income came to 1,642 million euro, a decrease compared to 1,736 million euro in 2011 (-5.4%), mainly due to the trends reported by CIB Bank (-104 million euro), Privredna Banka Zagreb (-28 million euro), Banca Intesa Beograd (-18 million euro), VUB Banka (-12 million euro) and Banca Intesa - Russia (-7 million euro), only partly absorbed by the increase recorded by Bank of Alexandria (+79 million euro). Net fee and commission income, amounting to 547 million euro, recorded a decrease of 4.4%, largely attributable to CIB Bank (-17 million euro). Profits on trading, amounting to 61 million euro, also decreased (-39.6%) due to lower contributions from VUB Banka (-27 million euro) and CIB Bank (-23 million euro), which were only partly offset by increases of Banca Intesa Beograd (+4 million euro), Bank of Alexandria (+3 million euro), Banca Intesa - Russia (+2 million euro) and Intesa Sanpaolo Bank Romania (+2 million euro).
Operating costs, amounting to 1,156 million euro, were down (-1.3%) compared to 2011. Due to the trends in revenues and costs described above, the operating margin came to 1,032 million euro, down 14.9%. Income before tax from continuing operations, amounting to 5 million euro, was down sharply compared to the 493 million euro in 2011, due to higher impairment losses on other assets (+98 million euro) and, especially, higher net adjustments to loans, increasing from 693 million euro to 908 million euro. The latter were largely influenced by CIB Bank, which was impacted by write-downs on project finance, on the leasing portfolio and on the retail segment, and by Pravex Bank. The Division closed 2012 with a net loss of 190 million euro, compared to a loss of 763 million euro in the previous year, which was the result of significant goodwill impairment caused by the difficult macroeconomic situation.
On a quarterly basis, the fourth quarter of 2012 reported an operating margin up 10.9% on the third quarter, due to growth in revenue (+2.8%) and savings in operating costs (-3.9%). Income before tax from continuing operations decreased in comparison to the third quarter of the year (-233 million euro) due to the increase in net adjustments to loans and impairment losses on other assets.

The Division's intermediated volumes decreased compared to the end of December 2011 (-1.4%), owing to the decrease in loans to customers (-4.4%). Conversely, direct deposits from banking business increased (+1.6%) both in amounts due to customers and securities issued.
It should be noted that the Division's negative performance in 2012 compared to 2011 was largely attributable to the situation of the subsidiary CIB Bank, which was severely affected by the economic downturn that penalised Hungary. These effects were particularly significant due to the subsidiary's size in relation to the International Subsidiary Banks Division as a whole. Consider for example that of the 195 million euro decrease in the Division's revenues 147 million euro relates to CIB Bank, which also accounts for 295 million euro of the overall reduction in income before tax of 488 million euro.

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
Other companies	ISP Card, which supports banks in the Division in the payment services segment
Distribution structure	1,520 branches in 12 countries

South-Eastern Europe

In 2012 the operating income of the **Privredna Banka Zagreb** Group amounted to 453 million euro (-7.4% compared to the previous year), mainly due to the decrease in net interest income. Operating costs fell to 198 million euro (-5.1%), attributable to amortisation and depreciation and personnel expenses. The operating margin came to 255 million euro, down 9.2% on 2011. Income before tax from continuing operations, amounting to 171 million euro, showed a decrease of 19.9% due to the increase in adjustments to loans (+20.8%).

Banca Intesa Beograd, including Intesa Leasing Beograd, posted an operating margin of 146 million euro, down 5.3% compared to 2011. Operating income decreased by 6.4%, mainly due to the performance of net interest income. Operating costs fell by 8.1%, mainly as a result of the decrease in administrative expenses. Income before tax from continuing operations amounted to 92 million euro, compared to 106 million euro in the previous year (-12.9%).

Intesa Sanpaolo Banka Bosna i Hercegovina ended 2012 with an operating margin of 15 million euro, up 17.6% on 2011. This performance was due to higher operating income (+3.6%) and a fall in operating costs (-5.6%). Income before tax from continuing operations amounted to 8.8 million euro compared to 11 million euro in the previous year (-16.5%), due to increased adjustments to loans (+4.4 million euro).

Intesa Sanpaolo Bank Albania reported an operating margin of 32 million euro, up 19.7% on 2011, due to an increase in revenues (+13.9%), which more than offset higher operating costs (+3.1%). Income before tax from continuing operations amounted to 6.5 million euro compared to 18 million euro in 2011, due to higher adjustments to loans and impairment losses on other assets.
The companies operating in Romania (**Intesa Sanpaolo Bank Romania**, which incorporated Banca CR Firenze Romania from 1 October, and ISP Leasing Romania) recorded a total operating margin of 13 million euro, up 17.2% on the previous year. This performance was the result of a significant reduction in operating costs (-10.2%), attributable to all expense items, which more

than absorbed the decrease in operating income (-3.7%), attributable to lower net interest income and fee and commission income. The companies reported a loss before tax from continuing operations of 25 million euro, compared with -33 million euro in 2011, mainly due to lower adjustments to loans (-10 million euro).

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 88 million euro, down 6.8% on 2011 due to the decline in all the main income components. Operating costs were down (-3.7%). Income before tax from continuing operations came to 10 million euro, down 56.1% compared to the previous year.

The **VUB Banka** Group achieved an operating margin of 225 million euro, down 23% compared to 2011, due to a decrease in operating income (-14.6%), mainly attributable to the downturn in profits on trading and the growth in operating expenses. Operating costs reported a decrease (-3.5%), due to personnel expenses and adjustments. Income before tax from continuing operations, amounting to 148 million euro, compared to 223 million euro in the previous year, was penalised by the increase in net adjustments to loans (+18.2%).

The increasing pressure on the Hungarian banking system, as a result of the serious economic difficulties of the country, heavily affected the performance of this subsidiary bank, causing negative impacts on spreads, the cost of funding and the quality of the loan portfolio. The **CIB Bank** Group showed operating income of 274 million euro, down 34.9% on 2011. This performance was attributable to the decreases in net interest income (-37.7%) and net fee and commission income (-15.9%), as well as the lower contribution from profits on trading (-63.1%). Operating costs decreased by 5.8% as a result of savings on all expense items. The increase in adjustments to loans, which reached 454 million euro, was affected by the write-downs on project finance, the leasing portfolio and the retail segment. Income before tax from continuing operations showed a negative balance of 441 million euro, compared with a loss of 146 million euro recorded in the previous year.

Commonwealth of Independent States & South Mediterranean

Banca Intesa - Russia reported income before tax from continuing operations of 38 million euro, compared with 30 million euro in 2011 (+27.6%). In detail, operating income decreased by 1.4% due to the decreases in net interest income (-5.4%), which absorbed the growth in net fee and commission income (+17.4%) and in profits on trading (+42.8%). Operating costs increased slightly (+0.9%). Net adjustments to loans of 14 million euro halved compared to 2011, when the loan portfolio deteriorated severely in connection with the Russian market crisis.

The operating margin of **Pravex Bank** in 2012 was a positive 1.8 million euro, down compared to 11 million euro in 2011, mainly due to a decrease in operating income (-12.4%) across all main components. Operating costs grew by 2.2% on the previous year, due to the increase in administrative expenses and adjustments. After net adjustments to loans of 94 million euro (compared to 6.5 million euro in 2011), Pravex Bank reported a net loss before taxes from continuing operations of 98 million euro, compared with net income of 4.3 million euro in the previous year.

Bank of Alexandria posted an operating margin of 154 million euro, up 54 million euro (+54.3%) compared to 2011. Operating income, amounting to 304 million euro, increased by 83 million euro, mainly due to the improvement in net interest income (+79 million euro, +45.4%). Operating costs reported an increase (+23.8%), specifically attributable to personnel expenses as a result of rises linked to the renewal of the company labour agreement. Following net adjustments to loans of 51 million euro, up 30.1% on the previous year, income before tax from continuing operations amounted to 98 million euro compared to 59 million euro in 2011 (+66%).

Other companies

In 2012 the operating income of **ISP Card** amounted to 36 million euro (+8.1% compared to the previous year), due to the increase in net fee and commission income (+8.4%). Operating costs showed an increase in administrative expenses and adjustments, amounting to 31 million euro (+3%). As a result, income before tax from continuing operations came to 4.3 million euro, up compared to 1.7 million euro in 2011.

Eurizon Capital

(millions of euro)

Income statement	2012	2011	Changes	
			amount	%
Net interest income	2	2	-	-
Dividends and profits (losses) on investments carried at equity	12	14	-2	-14.3
Net fee and commission income	277	243	34	14.0
Profits (Losses) on trading	2	5	-3	-60.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	2	-1	-50.0
Operating income	**294**	**266**	**28**	**10.5**
Personnel expenses	-52	-49	3	6.1
Other administrative expenses	-61	-70	-9	-12.9
Adjustments to property, equipment and intangible assets	-1	-1	-	-
Operating costs	**-114**	**-120**	**-6**	**-5.0**
Operating margin	**180**	**146**	**34**	**23.3**
Net provisions for risks and charges	-5	-3	2	66.7
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	**175**	**143**	**32**	**22.4**
Taxes on income from continuing operations	-35	-28	7	25.0
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	-3	-1	2	
Net income (loss)	**99**	**-297**	**396**	

(millions of euro)

	30.06.2012	31.12.2011	Changes	
			amount	%
Assets under management	143,578	130,497	13,081	10.0

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

Overall, total assets managed by Eurizon Capital as at the end of December 2012 stood at 143.6 billion euro (net of duplications), up 10% in the twelve months, due to the positive performance of the financial markets, which increased the value of assets under management by about 13 billion euro. In 2012 net outflows were substantially nil (-100 million euro): outflows from Italian mutual funds and retail portfolio management schemes were offset by net inflows achieved by institutional products, especially due to the contribution from the insurance business deriving from the placement of class I policies of the Intesa Sanpaolo Group, and by Luxembourg funds and SICAVs. Eurizon Capital's share of assets under management was 14.4% as at 31 December 2012 (gross of duplications and including individual asset management within Intesa Sanpaolo Private Banking's portfolio).

Operating income for 2012, amounting to 294 million euro, grew by 10.5% compared to the previous year, benefiting from the favourable performance of net fee and commission income (+14%), which includes overperformance commissions of 37 million euro. Operating costs fell (-5%), thanks to cost containment measures, specifically concerning outsourcing and external advisory services costs. As a result of the above revenue and cost trends, the operating margin came to 180 million euro, up 23.3% compared to 2011. Eurizon Capital closed the year with a net income of 99 million euro. This amount compares with a loss of 297 million euro in 2011, as a result of considerable goodwill impairment caused by the difficult macroeconomic scenario.

On a quarterly basis, the fourth quarter of 2012 showed an increase of 77.8% in income before tax from continuing operations compared to the third quarter, mainly due to a significant increase in operating income, driven by net fee and commission income (+67%), which more than offset the growth in operating costs (+30.3%).

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 with low tracking error
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

As regards Italian mutual funds, in 2012, the liquidity funds "Eurizon Liquidità" and "Epsilon Cash" were restyled and renamed "Eurizon Obbligazioni Italia Breve Termine" and "Epsilon Italy Bond Short Term", respectively. Specifically, in order to convert them to funds specialised in investment in short-term bonds from Italian issuers, the investment policy was amended, primarily focusing it on monetary and/or bond financial instruments issued by the Italian Government. For the flexible funds in the "Linea Rendimento Assoluto", "Linea Profili" and "Linea Team" lines and for the "Obiettivo Rendimento" fund, the option of investing in financial instruments linked to commodity yields was introduced, for a maximum of 10% of the total assets of each fund, while for the "Azioni PMI Europa" fund, the composition of the benchmark and the criteria used to calculate the incentive fee were changed. In 2012 the new offer period took place for the "Eurizon Strategia Protetta I Trimestre 2012" sub-fund, and, from the end of May, following the expiry of the "Eurizon Focus Garantito I Trimestre 2007", its name was changed to "Eurizon Strategia Protetta II Trimestre 2012" and its investment policy and classification was amended from "guaranteed" to "protected". In July, the "Eurizon Focus Garantito II Trimestre 2007" fund was merged by incorporation into the "Eurizon Strategia Protetta II Trimestre 2012" fund. Several changes to the "Eurizon Focus Garantito giugno 2012" fund took effect from the beginning of August. Specifically, the name of the fund was changed to "Eurizon Strategia Flessibile 15", as well as its investment policy. In June, the placement period was initiated for the new "Gestione Attiva" range of mutual funds. This system comprises three funds ("Gestione Attiva Classica", "Gestione Attiva Dinamica" and "Gestione Attiva Opportunità") which aim to optimise returns based on a predefined level of risk and duration.

In 2012 new products were also added to the range of Luxembourg registered funds. In particular within the "Investment Solutions by Epsilon" multi-segment fund new windows were opened in the "Forex Coupon" and "Cedola x 4" sub-fund families and from June the offering was expanded with the creation of "Cedola x 4 Indexed", "Flexible Equity Coupon" and "Valore Cedola x 5". The placement was initiated of new fixed-term bond products within the "Soluzioni Eurizon" multi-segment fund, offering retail customers the possibility of exposure to the Italian bond market ("Cedola Doc Italia") or diversifying in other geographical areas ("Cedola Doc"). In this fund, a new family of equity products was created ("Strategia *i*") to complete the range. The product line targeted to the private segment was enriched with the launch of two new sub-funds in the "Eurizon Multimanager Stars Fund" ("Private Style Income" and "Private Style Flexible"), which make it possible for customers to use a single product to access a selection of the best third party funds in the selected investment categories. Initiatives were also completed aimed at simplifying the offer, mainly through measures implemented on the sub-funds of the "Eurizon EasyFund" and "Eurizon Stars Fund" (renamed "Epsilon Fund" at the end of June). Within the "Eurizon Investment SICAV", promoted by Eurizon Capital S.A., eleven new sub-funds were launched devoted solely to institutional investors. Lastly, during the year the range of Luxembourg registered products exposed to emerging markets was expanded, thereby leveraging specific expertise of specialist companies inside and outside the Group. These included two co-branding initiatives respectively with the Brazilian group Itaù (Eurizon MM Collection Fund – Itaù Equity Brazil Domestic Dynamics) and the Chinese group Guosen (Eurizon MM Collection Fund – Guosen RMB Fixed Income) and a partnership with the asset management companies of the Intesa Sanpaolo Group located in Eastern Europe (Eurizon EasyFund – Equity Eastern Europe). Lastly, the range was completed with the launch of a Luxembourg registered product specialised in the new emerging markets (Eurizon EasyFund – Equity Emerging Markets New Frontiers LTE).

As regards international development initiatives, in 2012 actions continued for the purpose of creating a new regional hub for asset management in the Eastern European market, which will act as a centre of excellence for the handling of products targeted to retail and institutional customers. Based on this project, the Luxembourg-based company Eurizon Capital SA will assume control of the asset management companies which already belong to the Intesa Sanpaolo Group, located in Slovakia (VUB Asset Management), Croatia (PBZ Invest) and Hungary (CIB IFM).

Banca Fideuram

(millions of euro)

Income statement	2012	2011	Changes amount	Changes %
Net interest income	140	141	-1	-0.7
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	574	556	18	3.2
Profits (Losses) on trading	14	21	-7	-33.3
Income from insurance business	110	44	66	
Other operating income (expenses)	-2	4	-6	
Operating income	**836**	**766**	**70**	**9.1**
Personnel expenses	-141	-138	3	2.2
Other administrative expenses	-192	-194	-2	-1.0
Adjustments to property, equipment and intangible assets	-15	-15	-	-
Operating costs	**-348**	**-347**	**1**	**0.3**
Operating margin	**488**	**419**	**69**	**16.5**
Net provisions for risks and charges	-90	-33	57	
Net adjustments to loans	-3	-1	2	
Net impairment losses on other assets	-12	-138	-126	-91.3
Profits (Losses) on investments held to maturity and on other investments	-15	7	-22	
Income (Loss) before tax from continuing operations	**368**	**254**	**114**	**44.9**
Taxes on income from continuing operations	-119	-62	57	91.9
Charges (net of tax) for integration and exit incentives	-1	-11	-10	-90.9
Effect of purchase price allocation (net of tax)	-88	-94	-6	-6.4
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	1	-1	
Net income (loss)	**160**	**88**	**72**	**81.8**

(millions of euro)

	31.12.2012	31.12.2011	Changes amount	Changes %
Assets under management	59,157	51,977	7,180	13.8
Direct deposits from banking business	6,672	6,367	305	4.8
Direct deposits from insurance business and technical reserves	14,169	9,661	4,508	46.7

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

The scope of the Business Unit includes Banca Sara, following the acquisition of total control from Sara Assicurazioni, but does not include Fideuram Bank (Suisse), as a result of the sale of the investment to Banca Credinvest. Both transactions were completed in June 2011. The figures shown in the table and commented on below were reconstructed on a like-for-like basis, adjusting historical figures as appropriate to reflect the effects of these transactions retroactively.

Assets under management and assets under administration of the Banca Fideuram Group at the end of December 2012 amounted to 79.3 billion euro (of which 59.2 billion euro in assets under management and 20.1 billion euro in assets under administration), up 11.8% on an annual basis. This trend is attributable to the strong performance of the asset market and, to a lesser extent, to net inflows for the period. In detail, assets under management, which represent almost three quarters of the aggregate, were up 13.8% compared to the balance at the end of 2011, thanks to the positive trend in life insurance and mutual funds. Assets under administration also posted an increase compared to the volume as at 31 December 2011 (+6.2%). In 2012 net inflows of assets under management, amounting to 2.3 billion, improved by 599 million euro compared to the inflows generated in 2011. The breakdown shows a positive balance for assets under management of 2.7 billion euro, almost completely attributable to the insurance business, compared to a negative balance of 31 million euro in 2011. Assets under administration showed a negative balance of 433 million euro, compared to inflows of 1.7 billion euro in 2011.
Direct deposits from banking business amounted to 6,672 million euro, up 4.8% from the beginning of the year, as a result of the increase in deposits in a current account and repurchase agreements of ordinary and institutional customers.
Direct deposits from insurance business, amounting to 14,169 million euro, increased significantly (+46.7%), attributable to the trend in financial liabilities of the insurance segment designated at fair value and, to a lesser extent, to technical reserves.
The number of private bankers rose from 4,850 at the end of 2011 to 5,082 as at 31 December 2012.
The operating margin for 2012 came to 488 million euro, up +16.5% compared to the previous year, thanks to the increase in operating income (+9.1%), with stable operating costs (+0.3%).

The performance of revenues is essentially attributable to the increase in net fee and commission income (+3.2%) and income from insurance business attributable to the insurance company Fideuram Vita, which posted a significant increase during the year, from 44 million euro to 110 million euro. 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 2011 owing to the steady 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, also increased due to the positive results achieved in the placement of securities and the receipt and transmission of orders, and due to the positive trend in insurance products. Performance fees, almost fully recognised on an annual basis, amounted to 18 million euro, a sharp increase due to the positive performance of asset management products compared to their benchmarks. Fee and commission expense, essentially related to incentives for the network for attracting new money, reported an increase due to greater incentives to the network of private bankers for positive results achieved in the period in terms of net new assets under management and to new commercial initiatives to support growth. The less favourable performance of the interest margin (-0.7%) was partly offset by the higher profitability of new investments, achieved through a change in asset allocation and, to a lesser extent, the expansion of lending to customers. Provisions for risks and charges almost tripled, mainly due to higher contractual indemnities to private bankers and oversight of litigation and disputes. Income before tax from continuing operations amounted to 368 million euro, up by 44.9%, benefitting from the significant reduction in impairment losses on other assets, which in 2011 was affected by the impairment of four Greek government bonds in the available for sale portfolio, decided as a result of the worsening of the Greek debt crisis. Profits on investments held to maturity and on other investments reported a negative balance of 15 million euro if compared with the positive balance of 7 million euro in 2011, which included the capital gain realised on the sale of Fideuram Bank (Suisse).
Lastly, following the attribution of the effects of purchase price allocation on the income statement (88 million euro), Banca Fideuram closed 2012 with net income of 160 million euro (+81.8%).

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 advise 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 5,082 private bankers

Development of new products in 2012 was aimed at enhancing the offering in line with the background environment and the specific needs of customers, by leveraging the Group’s internal expertise, on one hand, and consolidating partnerships with third-party asset managers, on the other hand. This activity involved both the asset management and the banking segments.

With regard to the Bank's funds, during the year two partnerships were established with leading international asset management companies. As a result, the range of investments was extended to other asset classes which were previously excluded, and it was possible to change from exposure primarily on the Eurozone to global exposure. Fonditalia Ethical Investment - an ethical fund in partnership with the Italian Association for Multiple Sclerosis - which aims at supporting scientific research through a donation linked to the product, was also launched. At the same time, the range of Fonditalia dividend distributing sub-funds was expanded, and several solutions in the SICAV Interfund and the Fideuram Fund were revised, with the initiation of two management mandates, respectively, for PIMCO on US bond sub-funds and for Fidelity on High Yield sub-funds.
Within the scope of Fideuram Multibrand (third-party funds distributed à la carte) new partnerships were established with PIMCO, Lemanik (an independent Swiss manager that offers innovative quantitative solutions) and Banca Finnat Euramerica (whose SICAV provided an additional enhancement of the range of bond products). The ongoing development of the existing range continued, consisting of the launch of new investment plans for the Black Rock, Invesco, JP Morgan, Morgan Stanley and Pictet funds and the extension of the Fideuram network to investment houses already operating on the Sanpaolo Invest network (Eurizon Capital and Zenit SGR funds and SICAVs).
With regard to asset management, two new investment lines were introduced in the uniform management contract “Fideuram Omnia” within the emerging countries bond market (Idea Obbligazionaria Paesi Emergenti) and the alternative investment strategies market (Idea Decorrelazione).
As to insurance the offering was further enhanced with the introduction of a new guaranteed product “Fideuram Vita Garanzia e Valore Plus” and the expansion of the investment options offered by the unit linked fund “Fideuram Vita Insieme”.
With regard to initiatives for assets under administration, Banca Fideuram participated in the issues by the Intesa Sanpaolo Group (thirteen issues on the primary market, mostly on the 2 to 5 year fixed-rate segment) and joined the consortiums for the public offering of Enel and Atlantia bonds and SEA shares. The bank also participated in the placement of the BTP Italia issues launched by the Ministry for the Economy and Finance both through the traditional channel and through Fideuram Online.
As regards the offering of banking products, in 2012, initiatives continued aimed at promoting the use of banking services and the acquisition of new customers.
The for-pay personalised advanced advisory service, known as Sei, introduced in 2009 alongside the basic advisory service, has been subscribed by around 40,000 customers in its 3 years of operation (+10,000 compared to 2011), amounting to about 16.1 billion euro in assets under administration (+4.8 billion euro compared to the end of 2011).

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 operating income of 251 million euro in 2012, compared to -162 million euro in the previous year. This improvement was mainly attributable to profits on trading, amounting to 1,019 million euro, which include the capital gains on purchases and exchanges of own bonds and the effects of the reclassification of several derivatives contracts used to hedge core deposits, which became ineffective due to the decrease in volumes hedged. Income before tax from continuing operations amounted to -515 million euro (-1,215 million euro 2011): the trend that arises from the comparison of the two periods is mainly due to the recording of recoveries on loans in 2012, compared to significant adjustments in 2011, only partly attenuated by the lack in 2012 of the profits on disposals performed in 2011 (sale of branches to Crédit Agricole). The net loss amounted to 547 million euro, compared to net income of 1,008 million euro posted in the previous year. The previous year had taken advantage of tax benefits connected with the realignment of goodwill included in the consolidated financial statements, as permitted by Article 23 of Law Decree no. 98 of 6 July 2011.

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. In 2012 Intesa Sanpaolo confirmed its leading role as a system-wide bank at Italian and European level, keeping its market shares for payments on the Eurosystem Target2 platform. Intesa Sanpaolo also launched the internal team which will be in charge of developing strategies and (operational and technological) implementations to participate in Target2 Securities, the new Eurosystem securities settlement platform. The date set for the first migration window, which the Italian CSD Monte Titoli will also be involved in, is June 2015. Also referring to the securitised markets, phase 2 of X-COM, the new Triparty Repo platform of Monte Titoli, which should be operational at the beginning of 2014, was launched in December. In this area, Intesa Sanpaolo is playing a leading role in the team in charge of defining the system architecture and its main regulatory and operational requirements.

In 2012 the money market was marked by a generalised recovery from the tensions that engulfed the Eurozone at the end of 2011, with the domestic political crisis and the tensions on peripheral sovereign debt at their peak. With an unprecedented injection of liquidity into the system (approximately 1,000 billion euro), in the first quarter the market saw a significant resizing of yields. In the second quarter, the positive trend slowed to the point where the official rates were cut by 25 basis points (to new record low of 0.75%) and the rates on last resort deposits were zeroed. The most important changes in the year came in July, with the statements by the Governor of the ECB, which strengthened the single currency, and in September with the announcement of OMT ("Outright Monetary Transactions"), an instrument that aims to support public debt of member states in difficulty: the virtuous cycle translated into a sharp drop in rates and a significant improvement in funding, which allowed Intesa Sanpaolo to consolidate its liquidity positions. In particular, in the last quarter, though the interbank market remained stagnant and highly polarised on very short-term maturities, the easing climate reflected primarily on the securities market, where the Bank effectively extended maturities and increased the volumes of short-term securities issues. Intesa Sanpaolo's debt with the ECB, replacing the lower securities funding and interbank funding based on a US/UK approach which has not yet been recovered, remained at 36 billion euro over the year, compared to 37.5 billion euro at the end of 2011.

The macroeconomic development described above also reflected on the securities portfolio held for liquidity purposes. Specifically, the restored international credibility, positive results achieved in terms of the performance of Italy's public finances and the massive injection of liquidity resulted in the compression of yields of Italian government bonds, both in absolute value and in terms of the spread against Bund: the BTP/Bund spread, used as the "thermometer" to measure the crisis, dropped from 527 basis points at the beginning of January to about 275 basis points in mid-March, then at the end of June rose back near its record highs of around 500 basis points. In this context, operations in sovereign debt initially focused on substantially increasing AFS positions, by purchasing Italian securities with maturity of up to 3 years. Subsequently, priority was given to dynamic management strategies, by replacing securities that have short and very short residual lives with securities, essentially purchased on the primary market, with longer maturities (but no more than 3 years) and more profitable spreads.
The gradual reopening of the primary market, generated by a less risk-adverse climate, with a generalised tightening of spreads, also had a positive impact on the covered bond segment. In this context, positions with greater risk profiles were lightened and profits were earned by those which had reached minimum spread levels. In 2012 the corporate bond portfolio was mainly invested in "Core Europe" issuers, for the purpose of containing and diversifying issuer risk. The strong market demand for this asset class favoured its performance, also supported by the considerable liquidity guaranteed by the ECB.

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. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined by the Group internally. Mismatch analysis on medium-/long-term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

In the area of operating ACM and credit portfolio management, through the procedure named A.Ba.Co. (Collateralised Bank Assets), bank loans disbursed to non-financial companies can be used to secure loan transactions with the Bank of Italy. This procedure is implemented in compliance with the Bank of Italy regulations "Eurosystem Monetary Policy Instruments - Guide for Operators”. In 2011-2012 the Bank expanded the pool of eligible loans to include all loans disbursed to the corporate segment, irrespective of the amount of the companies' turnover, and the loans disbursed by Mediocredito Italiano and several network banks as third party pledge providers, as a result of the specific authorisation obtained from the Bank of Italy. In 2012 these operations were expanded further, also as a result of the extension of the eligibility criteria by the Bank of Italy, lodging new eligible assets as pledge for a gross amount of approximately 2.75 billion (including loans disbursed by the Parent Company and by third party pledge providers). As at 31 December 2012 the gross outstanding amount lodged as pledge by the Group was about 8.2 billion euro.

Funding

As regards medium-/long-term funding, in the domestic market, the total issues of Group securities placed in 2012 through its own and third-party networks amounted to 15 billion euro. Among placed securities, there was a prevalence of plain vanilla securities (79.3%), while the weight of structured bonds (mainly structured interest rate securities) amounted to 20.7%. A breakdown by average maturity shows a concentration of 2-year maturities (with a weight of 43.5%), whilst 52.5% is represented by 3- to 5-year securities and the remaining 4% by 6- to 7-year bonds. In 2012, approximately 9.2 billion euro in unsecured institutional funding transactions were completed on international markets, including senior bond issues placed on the Euromarket and financing from institutional investors. Furthermore, three Liability Management transactions were finalised on the Bank's own unsecured securities: in February, on Tier 1 subordinated securities, in July, on senior and subordinated securities and in November on Lower Tier II subordinated securities through an exchange with a newly issued 5-year senior security.

In structured funding, a new 30 billion euro CB issue programme was launched in 2012, secured by mortgages and aimed at retained issues that indirectly benefit from the issuer's rating. The securities issued during the year, for a total of 19 billion euro, are at floating rate with an approximate 2-year duration, listed on the Luxembourg Stock Exchange and eligible for refinancing transactions on the Eurosystem. The programme is collateralised by mortgages granted by Banco di Napoli (approximately 5.7 billion euro) and by Intesa Sanpaolo (approximately 12 billion euro) and by mortgages recently transferred by Cassa di Risparmio del Veneto with an initial amount of approximately 2.6 billion euro. As part of the ISP CB Pubblico covered bond programme, the exchange offers for series 2 and 3 were completed, whose bonds were mainly exchanged with newly issued securities with equivalent characteristics under the ISP CB Ipotecario covered bond programme, for a final amount of 1.8 billion euro for series 10 and 1.3 billion euro for series 11. Under the latter Programme, two new fixed-rate covered bond issues were successfully executed on the institutional market, for a total of 2.25 billion euro (of which 1 billion euro with 7-year maturity and 1.25 billion euro with 10-year maturity), which marked the Bank's return to the covered bond market following a year and a half absence. The bonds, listed on the Luxembourg Stock Exchange, are rated A2 by Moody's.

Business continuity

During 2012 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 2012, of raising the level of business continuity procedures of the branches and international subsidiaries. The initiatives included the integration of the New York Hub branch and all the European branches into the Group Business Continuity Management model and the adoption by 7 international banking subsidiaries of the verification methods and processes applied by the Parent Company.
As regards the Crisis Management Organisational Model, a simulation was conducted in October – 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). 97 specific checks were also conducted on business continuity procedures of Italian and international Group companies, as well as all the planned checks 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, as a result of the earthquakes in the north of Italy, the snow emergency and flooding in Italy and abroad, several social protests in Italy, Hurricane Sandy in New York, and the social revolts in Egypt. As regards the implementation of business continuity solutions, 7 mobile branches were set up to support the people affected by the earthquake in Emilia Romagna and the contingency plans for the unavailability of IT systems and specific offices were used. For the New York branch, as a result of Hurricane Sandy it was necessary to activate all business continuity measures, from disaster recovery to guarantee the operation of the local IT systems to the use of the backup site by personnel in charge of executing the most critical processes/operations, to the use of systems with high levels of reliability.
Agreements with the Ministry of Foreign Affairs for the management and monitoring of crisis events involving countries where Group Banks/Companies are located were also activated.
During the year, the monitoring of IT security levels was consolidated and focused on reducing operational risks, specifically in the areas of electronic services offered to customers. In the area of dematerialisation, PEC (Certified Electronic Mail) was adopted as the tool used to communicate with selected customer segments, the scope for storing documents digitally for the purchasing cycle and Inventory Books was extended further, and the process was also activated for Daily Ledgers.

Information technology systems

Also in 2012 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 company efficiency, streamlining, rationalisation and innovation initiatives.
The most important projects that Information Technology Systems 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.
For the Banca dei Territori Division, the most important projects met various needs: from the expansion of the modular range for greater oversight and flexibility in disbursing loans, especially for the Small Business and Business segments, to the integration of the application used by managers to support customer relations and sales. The functions of the Internet Banking platform were also upgraded. Now customers access this platform according to profiles aligned with their specific segments, and the system for monitoring the quality of services provided to customers at branches was finalised.
The ATM and branch network continued to be rationalised and modernised, and the branches were set up to operate during extended opening hours during the week and on Saturday mornings. The new Contact Units of Bologna, Treviso and Trapani were opened to support branch operations.
For the Corporate & Investment Banking Division, this effort involved developing monitoring and reporting tools with a view to improving marketing efficacy and risk monitoring. The Financial Value Chain program was completed, 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 upgrading and revision of the entire application architecture of Banca IMI continued, which also included the implementation of a new trading platform for listed derivatives and the upgrading of the clearing service.
In 2012 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, and the “Salva Italia” and “Monti” Decrees.
The Payment HUB project was launched, included in the Group Transaction Banking programme aimed at creating a new platform to generate and route domestic and international payment orders and correlated information for all Group banks.
In 2012, the Department's 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 several important applications (i.e. medium-/long-term credit management), and infrastructures. 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 also continued. Moreover, many new initiatives proposed by network colleagues through the listening channels were also realised.
The commitment to innovation was confirmed, both in order to upgrade existing technological architecture and to create new opportunities for working with Business. In 2012 numerous projects were launched to increase efficiency in and develop infrastructures. Cloud Computing solutions were upgraded to provide services internally, and the upgrading of night-time processing was completed in order to facilitate the extension of branch operating hours.
With a view to effectively supporting the pursuit of increased profitability, initiatives were implemented to allow managers to market commercial offers outside of branches.
In May, the Savings Museum was inaugurated, for which the necessary IT systems were set up, in order to enrich the experience of the various targets of visitors.
In the initial months of 2013 “Move and Pay” was launched: Intesa Sanpaolo's new brand to promote the use and spread of P2P transactions for money transfers and for contactless near field payments using NFC technology in smartphones equipped with specific SIMs in conjunction with Group credit cards. Also for mobile devices, it is important to note the issue of the app for iPads and iPhones and the start of work on the app for the Android OS, as part of a larger upgrading of Mobile Banking products and services.
Lastly, the project aimed at dematerialising documents and introducing electronic signature continued. This envisages the expansion of the scope of documents which can be dematerialised without restrictions relating to advance electronic signatures and all contractual documentation is planned to be included in 2013. From the same point of view, as part of the specific ABI project, the cheque dematerialisation project was also launched.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
2012	14,344	2,980	557	17,881
2011	12,923	3,280	582	16,785
% change [(a)]	11.0	-9.1	-4.3	6.5
Loans to customers				
31.12.2012	329,845	37,795	8,985	376,625
31.12.2011	326,159	41,156	9,659	376,974
% change [(b)]	1.1	-8.2	-7.0	-0.1
Direct deposits from banking business				
31.12.2012	325,971	50,545	3,837	380,353
31.12.2011	310,937	41,270	7,812	360,019
% change [(b)]	4.8	22.5	-50.9	5.6

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 2012 and 2011.

[(b)] The change expresses the ratio between 31.12.2012 and 31.12.2011.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. Italy accounted for 80% of revenues, 88% of loans to customers and 86% of direct deposits from banking business. 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 2012, there was an increase in overall bank funding volumes in Italy and the other European countries, while loans to customers, which were substantially stable overall, showed improvement in Italy. Operating income also recorded positive development in Italy.

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, effective and transparent distribution of the roles and responsibilities of its corporate Bodies and a proper balance of strategic supervision, management and control functions.

Shareholder base

According to records in the Shareholders' Register and the most recent available information, as at 31 December 2012 shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (art. 120 of the Consolidated Law on Finance "TUF") – are as follows.

Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	1,506,372,075	9.718%
Fondazione Cariplo	767,029,267	4.948%
Fondazione C.R. di Padova e Rovigo	725,017,011	4.677%
Ente C.R. Firenze	514,655,221	3.320%
Assicurazioni Generali	488,202,063	3.149%
Fondazione C.R. in Bologna	313,656,442	2.023%

(*) held directly or indirectly.

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.
It should be noted, in this regard, that the Extraordinary Shareholders' Meeting of October 2012 approved certain amendments to the Articles of Association aimed at further exploiting the peculiarities and emphasising the potential of the dual model adopted by the Bank.
In this view, the Management Board and Supervisory Board proposed, and the Shareholders' Meeting approved, certain changes to the Management Board's structure aimed at providing it, in its collegial aspect, with a heightened executive capacity in terms of active participation in the process of managing the company, typical of and intrinsic to such body in the dual system.
The above goal was pursued through a specific provision in the Articles of Association regarding the composition of the Management Board, according to which a certain number of its members – set by specific provision of the Articles of Association, and variable based on the total number of the Board's members – are to be chosen from among managers of companies in the Intesa Sanpaolo Banking Group.
The Management Board's new structure – operational from the next reappointment of its members – will entail the obsolescence of the organisational scheme based on specialised Commissions within the Board, thereby ensuring, through an additional, more direct channel, proper, balanced internal dialectic within the Board, more closely tied to the Board's actual decision-making phase.

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, including Board Members vested with special duties;
- 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.
On 28 May 2012, Intesa Sanpaolo's Ordinary Shareholders' Meeting resolved, pursuant to Article 23.8 of the Articles of Association, to appoint Pietro Garibaldi as Deputy Chairman of the Supervisory Board, and, pursuant to Article 23.9 of the Articles of Association, to appoint Gianfranco Carbonato as member of the Supervisory Board, in substitution of Gianluca Ferrero, who resigned effective 27 April 2012 in accordance with art. 36 of Law Decree 201/2011, converted with amendments by Law 214/2011.

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.
The Supervisory Board has established the following internal Committees, three of which are 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;
- 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;
- the Related Party Transactions Committee, which - in accordance with the current Group Regulation on the subject - is responsible for transactions with related parties of Intesa Sanpaolo and associated entities of the Group (except those pertaining to remuneration, which fall within the purview of the specific Committee), expressing a prior reasoned opinion when requested.

The Management Board

The Management Board 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; Enrico Tommaso Cucchiani succeeded Corrado Passera as Managing Director and CEO effective 22 December 2011 due to the latter's departure to assume ministerial responsibilities.
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 performing its duties, the Management Board draws on 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.

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 relative 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, pursuant to Title IV of Circular 263 dated 27 December 2006.
Moreover, ISVAP (now IVASS), 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.
Subsequently, the Bank of Italy 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. Finally, in November 2012, the Supervisory Authority, in implementation of the guidelines of the European Banking Authority (EBA) calling for a comparative analysis at the European level, launched a thorough process of collecting information concerning the remuneration of all employees, in which it dedicated particular attention to the amount of variable remuneration of "key personnel" and resources known as "high-earners" whose total annual remuneration is at least 1 million euro.
Consequently, based on the provisions of the aforementioned Article 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, before 2011, 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 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, further to the mandatory opinion of 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;
- the definition, further to the opinion of Supervisory Board, 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.

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 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 allowance for each Supervisory Board Member who is part of the Committees, based on actual attendance at each meeting. An attendance allowance 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.
Effective 1 July 2012, the Supervisory Board Members, in acceptance of the Chairman's invitation, reduced by one-third their fixed remuneration for their position and personal offices held within the Board. As for the Chairman of the Supervisory Board, this reduction is in addition to the waiver of one-third of the compensation for the position applied effective 1 May 2012.

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 particular 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.
The Chairman of the Management Board, like the Chairman of the Supervisory Board, waived one-third of the compensation for the position effective 1 May 2012.

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 the medium and long-term strategies and to company objectives, 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 quality of management identified, through:
  - remunerative flexibility via the variable remuneration component linked to results achieved;
  - a focus on key staff members demonstrating high management quality, to whom competitive salary brackets, aligned to the market of reference, are reserved;
  - differentiation of the best performances to which variable bonus levels significantly in excess of the average are to be assigned;
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 medium- and long-term strategies and annual targets, by means of:
  - mechanisms to adjust allocations to the overall incentive provisions according to the company's profitability and the results achieved, while also taking account of the reference peer;
  - 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;
  - the determination of appropriate caps on both total incentives and the amount of individual bonuses;
f) compliance with the international, European and national legal and regulatory provisions and the consequent focus on Key Managers, 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.
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 aforementioned remuneration policies that undergo the relative 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:
  - o the strategic short and medium-long term objectives of the Companies and of the Group;
  - o 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.

Employee remuneration is broken down into the following:
a) fixed component, defined based on the contractual agreement, 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:
  - o 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;
  - o 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;
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 that is appropriately balanced between the aforementioned components, 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" and the "Extended Scope", 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 particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate 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 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;
- the application of the principle of selectivity, which differentiates the best performances and, in return, assigns significantly higher-than-average bonuses;
- the introduction, on the basis of the "financial sustainability principle", of a structured mechanism for funding the variable component (bonus pool), which correlates the amount to be allocated to incentives for all company segments to the performance of a Group parameter, currently identified as income before tax from continuing operations;
- 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 (reflected in the size of the bonus pool) and in part on the performance of the specific Organisational Unit, measured in terms of the degree of expected contribution to the Group's income before tax from continuing operations;
- the introduction of the "guided discretion principle", which translates into the assignment to the CEO of a limited part of the Group's bonus pool (10%), eligible for allocation once the threshold has been reached, to departments that have exceeded their access thresholds, as further recognition for the quality and level of performance achieved;
- observance of the access conditions provided for in international and national regulations, namely, at the Group level, the achievement of the required capital adequacy levels (core tier 1 capital in excess of the regulatory threshold) and, at the individual level, the propriety of conduct (absence of disciplinary measures resulting in one or more days of suspension);
- measurement of performance from multiple perspectives, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects and managerial qualities), as well as extending to different perimeters (Group/Department/Individual). The following are some examples of indicators for performance drivers:
  - profitability: price/book value vs. peers, income before tax from continuing operations/capital allocated, portfolio mix (assets under management vs. assets under administration) and combined ratio (non-life business);
  - growth: operating income, revenues / total assets (asset management);
  - productivity: cost/income, recovery on directly managed problem portfolios (top level doubtful and non-performing loans) and operating income/FTE;
  - cost of risk/sustainability: improvement of the funding/lending gap, RWAs relating to credit/loans, balance sheet quality and active risks profile;
- the use of an additional mechanism that measures the adequacy of each Business Unit's internal control systems (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target.

The assignment of guaranteed bonuses is not envisaged, with the sole exception of limited cases of recently hired employees, without prejudice to thorough assessment and analysis of market practice, solely for the first year.

It is expressly prohibited to undertake hedging or insurance strategies on the fixed and variable component of remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the remuneration mechanisms described. Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

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

Activities continued in 2012 to promote social and environmental responsibility as a distinctive characteristic of Intesa Sanpaolo. The corporate social responsibility management model (CSR) continued to operate through two implementing environments: the Code of Ethics and the Social Report.

The Code of Ethics states the corporate values and principles of conduct towards stakeholders, and defines the implementing and verification mechanisms used by the highest governance bodies to ensure that the values are adhered to and strongly operative in the life of the Bank. To this end, ongoing reports are prepared in relation both to ordinary operations and to the management of unforeseen situations, which ensure prompt identification of potential critical areas and the definition of any necessary improvement processes. 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 implementation of the decentralised system for the management of reports of non-compliance with the Code was consolidated in 2012. The Group's International Subsidiary Banks have now full autonomy to respond to the reports of non-compliance from their stakeholders through the action of the Delegates operating in each bank. A periodic report is sent to the Parent Company's CSR Unit and is included in the annual report submitted to the Control Committee of the Supervisory Board.

For Customer Stakeholders, monitoring of the Code of Ethics implementation focuses on the network structures, with 27 interviews conducted with sales and credit managers. For the Suppliers, the assessment was updated through 10 interviews with purchasing department managers. For Employees the topics were health and safety, covered through document analysis and three interviews with company managers. New policies were 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:

- regulations on the matter of environmental and energy policy, updated in 2012 to take into account the new UNI CEI EN ISO 50001:2011 energy certification, obtained by the Integrated Environment and Energy System. 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;
- regulations for the implementation of the Equator Principles in the international subsidiary banks, which will gradually be endorsed and adopted by the banks active in project financing;
- regulations for the creation of sustainable branches, which define the criteria for reducing the Bank's ecological footprint by means of firm control over energy consumption for heating, air conditioning and lighting, and by promoting best practices for waste management, water usage and decisions regarding furnishing materials.

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 in strategic business 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 the business strategies and the operating context in order to define project development opportunities and any reputational risk. In 2012 the engagement involved around 80 employees in focus group activities, 12 trade union representatives, interviews with customers and the preparation of specific questionnaires in partnership with the Customer Satisfaction Service, interviews with shareholder representatives (the EDIVA association, Fondazione Cariplo and Compagnia di San Paolo), and interviews with the leading NGOs on human rights issues.

The picture emerging from this engagement offered an evaluation of the "materiality" of topics of interest to stakeholders and to the Bank, and identification of communications-related issues important to the Social Report, which aims for 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.

Major efforts continued in taking the dissemination of corporate responsibility to a higher level, both in the form of knowledge and awareness, aimed at conveying the meaning of commitments undertaken with the Code of Ethics in everyday work activities. The CSR Delegates were the key players in a change of perspective in this context: they were invited to apply for some of training programmes proposed, exercising self-governance also in this sense. Some of them opted to continue with the work carried out in the 2011 thinkshop "Valore ai Pensieri" (Value for ideas), participating in the collective writing of a manifesto expressing the values of the CSR Delegates themselves and of those concerned with sustainability. To handle this commitment a thinktank method was adopted, developed from the starting point of the works of art in the 19th and 20th Century Collections of Intesa Sanpaolo and Fondazione Cariplo. Another group of Delegates instead chose to work on conflicts and on the value of mediation. During the year, the CSR Unit also met twice with the CSR Delegates, which under the name Agorà became important sharing and informative occasions.

With regard to the training sessions held alongside the internal rules for applying the Equator Principles to the assessment of project financing, the cycle of laboratories that began in 2011, dedicated to project finance specialists, concluded with the session held at the Hong Kong office.

"Ambientiamo", the specific remote training project dealing with environmental sustainability, was enhanced in 2012 with four modules on renewable energies designed to increase awareness among employees on this topic and has been accessed around 80,000 times via the corporate Intranet training platform since its implementation.

In 2012 Intesa Sanpaolo gained numerous awards for its activities in the various areas of action. In the environmental field, Intesa Sanpaolo achieved third position in Bloomberg's "World's Greenest Bank" classification, no. 1 among Italian banks. The Trane "Efficiency Leader" award recognised the improvement action started in recent years at the Parma technological hubs. In the 2012 edition of the "Banca e Territorio" award established by AIFIn (Italian Association of Financial Innovation), Intesa Sanpaolo took 1st place with the "La Filiale a energia quasi 0" (Almost 0 energy branch) project dedicated to environmental sustainability, and 2nd place for the initiatives in favour of education and training, the Officine Formative Project. The Bank came 3rd in the "Banca Territoriale dell'Anno" category.
In the field of innovation the Bank received two prestigious awards: AIFIn's special award "Intermediario Innovativo dell'Anno" (Innovative Intermediary of the Year) and the "Premio dei Premi per l'Innovazione" (Award of Awards for Innovation) for the Start Up initiative.
Lastly, with regard to human resource enhancement, the Bank achieved the "Diversitalavoro Diversity & Inclusion Award" for its policies on job placement and the enhancement of talent and skills for disabled persons.

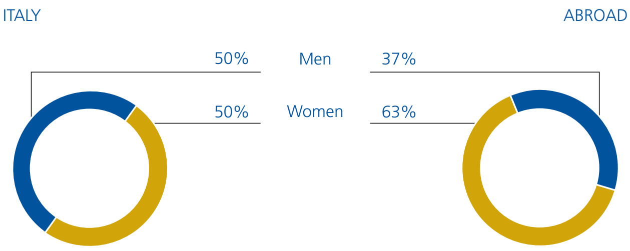
Relations with stakeholders

Employees
In a context of continuing economic difficulty for Italy and the international market, in 2012 Intesa Sanpaolo action focused on:
- reviewing the structures, internal processes and service models with a view to greater flexibility in the company organisation, improving its strategic and operating efficiency;
- in-house management of revenue and rethinking of the structural costs model;
- seeking a new way of banking and staying on the market, enhancing sales efficiency and also thinking of "new careers" in answer to new demands expressed by customers.

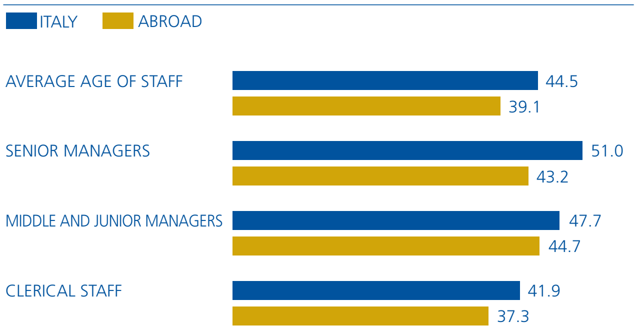
In this scenario, during the year the human resources strategy:
- minimised the impact on the employment factor by means of an industrial relations system designed to maintain social cohesion, also through innovative, sustainable solutions able to further enhance the Group's integrated welfare system;
- maintained a strong investment in ongoing training and launched specific requalification projects;
- continued to promote merit and to guide professionalism through development opportunities for motivated and talented staff.

A determined, efficient action for increasing productivity is the strong commitment of all company members to finding agreed solutions to cost containment measures. This forms the basis for a new growth process to restore sustainable profitability levels and to create conditions that protect current and future employment.

BREAKDOWN OF STAFF BY GENDER (%)



AVERAGE AGE OF STAFF BY POSITIONS HELD



Average age of staff group 42.8

Staff breakdown by type of contract (%)	Italy	Abroad	Total
Permanent contracts	98.1	91.3	96.0
Restart contracts - permanent	0.3	-	0.2
Non-permanent contracts	0.9	0.2	0.7
Apprenticeship contracts	0.6	-	0.4
New starter contracts - apprenticeship	0.0	0.0	-
New personnel contracts	0.1	8.5	2.7
Temporary workers (in Italy: Supply contracts and Project workers) - (number)	138	207	345

Regarding employment, in 2012 the Group recruited 2,979 staff (467 in Italy and 2,512 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 confirmed as part of the Employment and Productivity Protocol signed with the trade unions.

As part of our recruitment policy, particular attention has been paid to seeking out human resources falling under the protected categories, both through monitoring resumes from orientation sessions and through cooperation with local associations to encourage access to employment by disabled categories.
Youth career guidance continued through ongoing cooperation with Italy's major universities and business schools, particularly as part of the Masters Degree in Quantitative Finance and Risk Management of Bocconi University, with a number of study grants and placement opportunities awarded.
The "Jobs & Careers" section of the Group website is constantly updated in terms of content and functions.

Recruitments during the year (by type of contract)	Italy	Abroad	Total
Permanent contracts	352	1,329	1,681
of which restart contracts	56	-	56
Non-permanent contracts	25	47	72
Apprenticeship contracts	-	-	-
of which new starter contracts	74	1,124	1,198
New personnel contracts	16	12	28

The deterioration of the international economic situation and the new regulatory measures have meant that action was necessary both to recover revenue and to adapt to the new scenario of organisational structures burdened with surplus production capacity and excessive costs. Discussions inside the Intesa Sanpaolo Group continued on the basis of principles set out in the new national collective employment agreement: recovery of profitability, growth of productivity, support for employment and enhancement of generational solidarity, together with a compatible pay policy. The Employment and Productivity Protocol confirms this approach, taking on an important social aspect through a balance between social cohesion and the need to provide the markets with an indication of stability. On the one hand, the commitments confirmed the objectives already accepted in the July 2011 agreement, supporting the voluntary retirements previously agreed in addition to those regarding employment for young people. On the other hand, measures were agreed which focus on increasing productivity and efficiency (more flexible service and working hours, block on overtime) and cost-related action identified, in such a way as to limit the impact on employees (using up residual leave, reduction of service by 4 to 6 days in total over a 3-year period with approximately 60% of the related pay being disbursed from the Solidarity Allowance).
Innovative agreements have safeguarded the value of the company bonus with a formula that has allowed employees to choose between the traditional payment in cash or allowing the company to reimburse children's school fees, integrated health services and/or supplementary welfare benefits also in favour of family members, with a view to enhancing the company welfare scheme.

	Turnover rate
Italy	-3.98%
Men	*-5.39%*
Women	*-2.53%*
Abroad	-3.97%
Men	*-2.76%*
Women	*-4.67%*

The Group workforce turnover rate recorded a drop (-3.98%), in line with the structural action envisaged in the Business Plan.
Innovative channels and tools have strengthened ongoing, transparent reporting to involve everyone who works in the Group, particularly the WEB TV of Banca dei Territori which on a daily basis proposes national and local topics useful for life in the company. A boost to integration and internationalisation was represented by the setup of the Extranet channel of the Corporate and Investment Banking Division for international colleagues. In support of environmental sustainability the Bank has made its

house organ available online only. Listening action was developed once again this year by means of a climate analysis with 60% participation in Italy and through targeted initiatives that involved over 12,000 persons.

In 2012 Intesa Sanpaolo strongly boosted its policies regarding job placement within the Group for disabled persons, recruiting around 60 disabled persons and enhancing the special skills of individuals in relation to their role and to the level of complexity required by the Bank. The care with which Intesa Sanpaolo manages its inclusion practices, in partnership with the leading national organisations and associations, earned the Bank the Diversitalavoro Diversity&Inclusion Award.

The reference model for the governance of professional development is "ON Air", launched in 2011 with a pilot project in the Banca dei Territori Division and extended in 2012 to the Parent Company Head Office Departments, involving approximately 3,500 employees. Based on a self-candidacy system, the Professional Development Model integrates the HR management system for the selection of the most motivated and professionally skilled persons, and envisages the creation of Development Paths to encourage the most practical manner for achieving objectives. The distinguishing features of the model are the enhancement of diversity and the setup of "high-potential pools of talent", i.e. staff that can guarantee that business needs can be covered efficiently. The Talent Pool includes around 100 Italian and international colleagues that during the year participated in and completed the Executive Program in Banking Management, in English, organised in cooperation with the Bocconi Business School.

For two years now, Performer has been the Group's performance appraisal system in Italy and in a number of international structures of the Corporate Division. It forms part of the more generic process of the HR management and development process and is designed to enhance excellence, taking into consideration the different complexities of the work areas covered. In particular, the self-assessment phase allows staff to understand that they are the key players in their professional development, whilst the Manager's assessment is drives and directs team performance and individual responsibility.
Again in 2012, the remuneration policies and incentive systems continued to pursue the objective of correlating variable remuneration to the extent of risk actually assumed, short term and long term, and of maintaining a sufficient level of capitalisation. Within the framework outlined above, the connection between individual leveraging and incentive mechanisms to better differentiate variable pay on a merit basis has been strengthened, without prejudice to compliance with the principle of symmetry between the incentives assigned and actual results achieved at corporate level.

Consistent with the strategic lines that govern Intesa Sanpaolo Training, 2012 was once again characterised by strong investment in the development of career skills, with ongoing training through the "Professional Academies" and the Pro Training Programmes dedicated to Branch roles and through specific requalification projects (e.g. the Esperti Bancassicurazione Project). Training has also sustained dissemination of the culture of excellence and responsibility with projects that have transversally involved the Group's managerial staff, focusing on topics of innovation, simplification and inter-generation. The "Etica d'impresa e Responsabilità sociale in Intesa Sanpaolo" project (Business ethics and social responsibility in Intesa Sanpaolo) was implemented and involved company members in an experience and territorial laboratory on corporate social responsibility issues. In 2012, listening to employees was once again the departure point for the constant improvement of training accessibility and efficiency. In fact, with the launch of the annual FREE 18 initiative, which makes CDs, books and audiobooks available to employees for use out of working hours, an ad hoc survey was proposed to staff that allowed the Bank to gather feedback from almost 35,000 people, in addition to the satisfaction questionnaires already envisaged in the standard efficiency measurement process. Lastly, special attention was given to innovation and to improving the accessibility and usability of the remote channels (e-learning, web TV, audio social network), used in the learning enhancement and improvement of mandatory training (ISPAD and ISVAP project). The focus on external/internal exchange and "contamination" continued with the "OFFicine Formative" Project, which today forms part of a service platform offered by the Group to develop new businesses and the employability of young people.

Training	Italy	Abroad
Training days during the year (classroom + distance learning) (*)	925,776	161,626
Training days per employee	14.0	5.6

(*) the figure excludes the use of Web TV

Risk assessment of the health and safety of employees in the workplace is the mission of the Prevention and Protection Department, which has created a management system to implement a health and safety policy in compliance with the requirements defined in the most important national standards (UNI EN ISO 9001 - UNI - INAIL ISPESL).
The risk management activities are divided into several steps that offer: risk identification, identification of prevention and protection procedures, definition of a plan of action by the company departments involved in its implementation, followed by the actual implementation of the planned action.
In 2012 over 5,000 site visits were performed at the Group's organisational units in order to update the risk assessment. After this activity, the "Risk Assessment Document" was updated for each bank and company in the Group in Italy. After consulting the Workers' Representatives in charge of safety this was made available to all staff. The methodology adopted to assess work-related stress involves two macro-steps: a preliminary assessment (now completed for the first time for all Group companies) and where appropriate a more in-depth assessment (launched in consultation with the "Devoto" Occupational Health Clinic of the University of Milano, for certain specific and uniform groups of workers for which scientific literature indicates a potentially strong exposure. The application of this method was performed by a special multi-business work group which planned, coordinated and applied the entire assessment procedure envisaged. Analysis of the indicators has so far shown no overall organisational conditions that could result in a significant presence of work-related stress and has identified areas for improvement and control to raise the levels of wellbeing. For the areas in question, the result is consistent in quality terms with a reading of the effect indicators pointed out in the Epidemiology Reports on staff subject to health monitoring in the period 2008-2011. In anonymous and aggregate format the report summarises the data obtained from health records prepared by company doctors during check-ups and processed by the Occupational Medicine Department of the University of Milano.

The working population examined at that time (over 4,000 employees) showed a good to excellent state of health (91%) and no employee was judged to be in a poor state of health, whilst those with mediocre/fair health amounted to 9% and with a disorder/illness frequency lower than that of the general population. With regard to the clinical conditions most associated with activities involving VDT (visual disorders, muscular-skeletal system disorders, work-related stress) the picture emerging was essentially positive and unchanged compared to the previous epidemiology report. As regards aspects relating to improving the health of the population examined, in particular smoking and drinking habits, the picture was again essentially positive compared both to the previous epidemiology report data and to ISTAT figures.

Total accidents throughout the year	Italy	Abroad	Total
Total accidents throughout the year	905	137	1,042
Accidents inside the company	*225*	*36*	*261*
Accidents outside the company	*680*	*101*	*781*
Percentage of accidents out of the total number of employees	1.4	0.5	1.1

In the "miaformazione" section of the company Intranet, a dashboard has been set up to cover all company training courses on occupational health and safety, including the e-learning course "tutti al sicuro" (All Safe). In addition to support and training dedicated to prevention, screens describing the training courses and WebTV programmes, learning materials, info-training support media are provided.

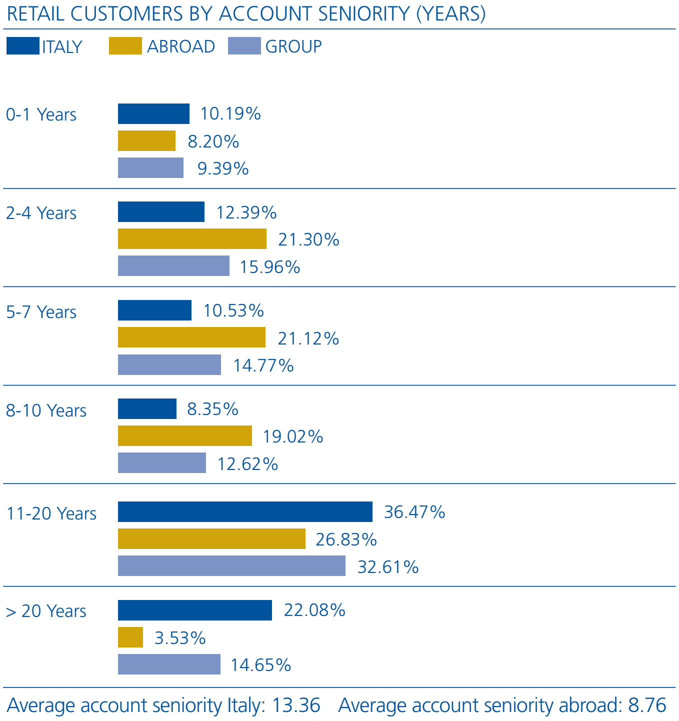
The dashboard now also offers "In-forma al pc: pillole formative sullo stretching alla scrivania", useful hints and tips on keeping fit and performing short, useful preventive exercises to protect personal physical health while at the PC. Around fifty ideas will be identified in partnership with the Qualified Physician Coordinators of the Intesa Sanpaolo Group and will gradually be made available.

Post-robbery support activities continued with help from specialists at University of Milano. The support, arranged after voluntary consent obtained in advance from the interested parties, was provided by the company doctor and - in cases considered more critical (given the dynamics of the event) - also by a psychologist.

In 2012 no corporate liability was confirmed in any of the three case types listed below:
- deaths of permanent staff in the workplace in which corporate liability was confirmed;
- serious accidents in the workplace resulting in serious or very serious injury to permanent staff in which corporate liability was confirmed;
- charges related to occupational diseases from employees or former employees and cases of mobbing in which corporate liability was confirmed.

Customers

In a context of economic crisis, Intesa Sanpaolo has continued to guarantee innovative financial solutions to meet the needs of the general public in special situations of hardship or in emerging social classes such as the young and immigrants. Firstly, continued implementation was guaranteed for the "Household Plan" promoted by the Italian Banking Association and the major consumer associations, which allows the suspension of home mortgage repayments for 12 months. In July 2012 the Bank adopted the new memorandum of understanding "Household Path", which defines a harmonised series of subsidies for households (house purchase, birth of children, etc.) and - in implementation of the "Decreto Salva Italia" – quickly launched a Basic Account with limited operations and no fees for people in situations of particular hardship. By the end of December, 2,315 Basic Accounts had been opened by customers.



For people over age 60 a range of subsidised products have been developed, including a new savings book and a named, rechargeable prepaid card that links typical current account services to the customer's payment card functions.
The environmental and social emergencies of 2012 also saw Intesa Sanpaolo working alongside households and economic operators. In total, 350 million euro were allocated with particularly favourable terms to finance the restoration of homes and buildings hit by the earthquake in Emilia Romagna and by the floods that affected Toscana, Umbria and Alto Lazio.
A special focus was reserved for the very young, for which special subsidies and dedicated promotion were arranged to facilitate their approach to banking products. Superflash is the umbrella brand for customers in the 18-35 age range with dedicated services, special initiatives and its own web site and branches. The products include 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.
With the aim of encouraging integration and financial inclusion of non-Italians, Intesa Sanpaolo further developed the money transfer service established after the agreement signed with Western Union in 2011. To further decrease remit execution costs in certain destination countries, given the longer times involved, the Next Day service was launched, flanked at the beginning of 2013 by the new Express to Family service which, as a result of bilateral agreement with a number of the Group's banks abroad, allows money to be sent at the same cost as a credit transfer in Italy. The service is also available to non-customers performing the transactions in cash at rates that are still convenient.

Also with regard to businesses, dialogue continued with the SMEs in order that the Bank could work alongside them on a path to overcome the crisis. Intesa Sanpaolo was party to major agreements between associations and institutional organisations: the agreement with Confindustria Piccola Industria of November 2011 which makes a credit line of 10 billion euro available for investments in strategic areas in support of the competitiveness of Italian companies.
Also important was the signing in 2012 of the "New measures relating to credit for SMEs", the institutional agreement that envisages the option of suspending mortgage and leasing repayments, extending mortgages, bank advances and leasehold property loan due dates, and the granting of loans related to increasing the equity achieved by small and medium enterprises.
In support of a specific sector of the Italian economy particularly hard hit by the economic crisis, Intesa Sanpaolo also implemented an agreement with ANCE (the National Association of Construction Companies) which provides ANCE members with a credit line of 2 billion euro to develop construction projects, with specific focus on enhancing the value of and renovating existing real estate assets.
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. To encourage these synergies, the work of a team of specialists operating in each of the Bank's regional governance centres continued with its task of facilitating dialogue between the Bank and businesses. A "National Observatory" and Regional Laboratories were created that aim to understand the phenomenon of business networks, disseminate accurate information on its developments and strengthen the Group's supply model.
On the issue of support to innovation, the Intesa Sanpaolo Start Up Initiative continued, now consolidated in Italy as one of the most important initiatives in the promotion of innovative start-ups, promoting the bringing together of innovators and financing partners. In three years it has reached 50 editions, increased the number of countries, technologies and business sectors, developed partnerships worldwide with the Global Venture Competition of Berkeley University and in Italy with the Università Cattolica/Altis and the San Michele Valore Impresa association.

Also well worth mentioning is the Nova+ financing programme which supplements the traditional credit rating analysis with a technical and business assessment of the investment plans, conducted by a Mediocredito Italiano team of engineers specialised in the various product sectors which makes use of partnerships with a number of Italian universities to assess the technological risk of the more complex and ambitious projects. Loans for almost 370 million euro were disbursed in 2012.
With regard to the equity segment, in 2012 the "Fondo Investimenti per l'Abitare" (Social Housing fund) continued to call for commitments from its own investors, including Intesa Sanpaolo, in order to finance property development initiatives to be used as social housing.
The support of public and private players that participate in the creation of large infrastructures and the improvement of public services continued in 2012. Intesa Sanpaolo is committed to facilitating the implementation of large infrastructural works of national interest. In parallel with this type of financing, adoption of the without recourse factoring to avoid delays in payments from Public Administration for supply services, planning and public works was significant, thereby guaranteeing the necessary cash flow to businesses forced to face a critical situation.

Shareholders
In 2012 the Group's priority objective was to preserve the sustainability of results in a macroeconomic scenario still unstable due to the continuing crisis. Considerable attention - in addition to profitability targets, with the ongoing monitoring of efficiency and productivity at Group level - was also given to action aimed at strengthening the capital base and improving the risk and liquidity profiles.

During 2012, communications with the financial community continued to focus on sustainable profitability and the Group's solidity as a safe point of reference for stakeholders. To guarantee access to all, again in 2012 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.
In order to contribute to the creation of long-term sustainable value, regular and frequent meetings were held with the financial community that consolidated lasting relationships based on mutual 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 Sustainability Index since 2007. From 2011 Intesa Sanpaolo is also present on the DJSI index. Lastly, in 2012 Intesa Sanpaolo was included in the Carbon Performance Leadership Index, the ECPI and Vigeo Europe 120 indices.

Suppliers
In 2012 the overall expenses incurred by the Intesa Sanpaolo Group for purchases totalled over 2.7 billion euro, with breakdown as follows:

BREAKDOWN OF 2012 ADMINISTRATIVE EXPENSES BY CATEGORY

As a result of the ongoing enhancement of the Parent Company's Suppliers Portal, transparency in relations with suppliers and in the purchasing process was in 2012 once again characterised by our management. In fact, the portal offers an online bidding system: those who apply are required to register online, where, if invited to take part in a bid, they can follow all the stages of the process in a transparent manner. Transparency and fairness are the guiding principles behind development of the purchasing cycle management process. The main areas of action have touched upon invoice routing, digitalisation of the billing process and the screening of incoming invoices. Finalisation of the processes also led to improved communications with suppliers. A further step forward in monitoring payment terms will be possible as a result of completion of the section of the Portal dedicated to communications, now at implementation stage, where suppliers can find information relating to orders, billable and invoiced services and payments.
At the end of 2012 almost 4,000 suppliers were registered on the Portal. A significant number if we consider the fact that registrations were zeroed out in 2011 when upgrading of the Portal began. During the registration stage, in addition to entering all their personal details, the supplier also gives answers to a questionnaire regarding their social and environmental responsibility practices. This allows not only an overall technical and economic assessment, but also a sustainability assessment of the suppliers.
Still in this stage, candidates have to read the Organisational, Management and Control Model (Legislative Decree 231/2001), the Group's Internal Code of Conduct and Intesa Sanpaolo's Code of Ethics: those that become Intesa Sanpaolo suppliers sign agreements which include compliance with the corporate values.

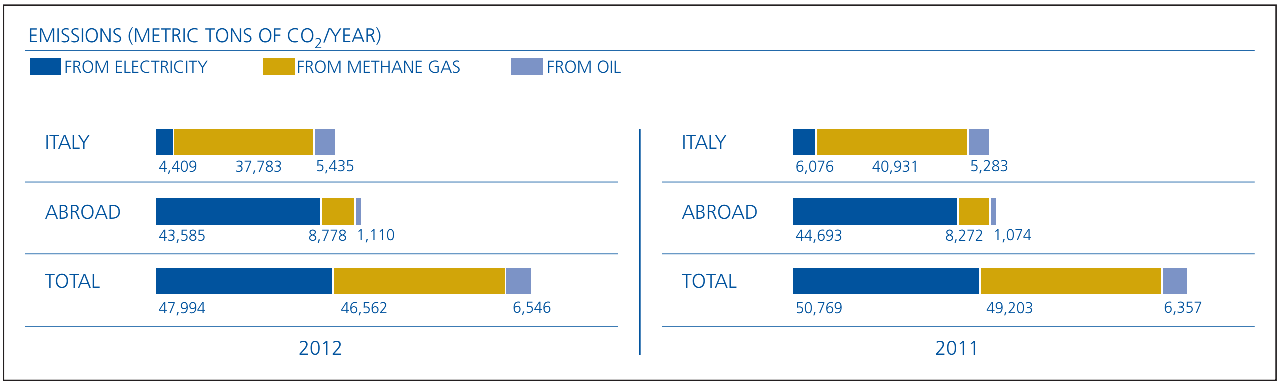
Of the near 4,000 suppliers entered on the portal, around 1,400 have completed the registration procedure. Out of these, 13% declare to publish a social and environmental report, 3.2% hold SA 8000 certification, 22% have a code of ethics or policies describing their social commitment, 14% hold environmental certifications and 9% have an environmental policy.
During 2012, the assessment of tender management procedures continued to be carried out on a regular basis in order to prevent and identify any critical situations or conduct. The statements provided by suppliers and included on the Portal are verified through a sample monitoring system which focuses on the product categories most at risk and on cases considered worth studying further.
The verification of compliance with the social criteria is conducted by in-house staff and refers to property service specifications (plant and system maintenance) and to persons (cleaning staff), and envisages checks on the expiry of Chamber of Commerce documentation and the Single Register of Contributions Paid.
However, for investigations into compliance with environmental criteria – for example, energy efficiency, the use of cleaning products that meet regulatory standards and contractual clauses relating to compliance with environmental regulations – site inspections are performed by either in-house staff or by external companies and always refer to property services and to persons.
The activities of Intesa Sanpaolo's Prevention and Protection Department refer not only to employee protection but also to the protection of suppliers conducting their activities on Bank premises. The activities consist in sharing current Health and Safety rules with these suppliers, ensuring that their employees operate according to suitable standards and guaranteeing that no risks arise from interference between the activities of the various suppliers and those of Bank staff.
To facilitate this activity, in 2012 the Department launched a project that aims to improve the operations of suppliers that work at Intesa Sanpaolo offices. This is a training initiative, the first phase of which targets employees that interact with the suppliers, which will then be extended to the suppliers themselves through a dedicated web site.

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 that of customers and suppliers (indirect impact), through application of its Environmental and Energy 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 Energy Manager in liaison with the Mobility Manager, who is in turn supported by the Area Mobility Delegates. Already ISO 14001 certified, in 2012 Intesa Sanpaolo updated its Environmental and Energy Management System (SGAE) to the ISO 50001 international standard and extended this to a sample of branches in Puglia. The geographic distribution of sites covered thereby numbers 190 sites. Through the SGAE the company has a real pilot series on which to monitor, measure and manage performance indicators and quality levels, using integrated procedures, of the management of the most significant environmental and energy aspects with a view to gradual improvement.

The Group's electricity consumption in Italy represents approximately 20% of the credit and insurance sector's entire consumption.

Energy consumption by source (million kWh)	2012			2011		
	Italy	**Abroad**	**Total**	**Italy**	**Abroad**	**Total**
Heat energy	202	48	250	217	45	262
Electricity	441	109	550	472	111	583
of which hydroelectric-powered electricity from renewable sources	*137*	*-*	*137*	*419*	*-*	*419*
of which energy from other renewable sources	*282*	*-*	*282*	*26*	*2*	*28*
of which cogeneration	*11*	*-*	*11*	*12*	*-*	*12*
of which traditional	*11*	*109*	*120*	*15*	*109*	*124*



The Intesa Sanpaolo Group continues to use energy from renewable sources on all possible sites in Italy, corresponding to approximately 95% of its electricity consumption. In 2012 a number of medium/large photovoltaic plants were also installed in owned buildings with a high electricity consumption, together with small, innovative photovoltaic plants (totalling 826 kWp installed): as a result of these installations and the purchase of electricity from renewable sources, it is estimated that around 165,000 metric tons of CO_2 emissions were avoided. A further 2,600 metric tons per year of CO_2 emissions were avoided by self-generation of energy from renewable sources through heat pumps.

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 6.8%, potentially corresponding to around 12,700 metric tons of CO_2 emissions avoided.
These results were achieved through a number of initiatives targeting improved overall energy efficiency:

- greater use of energy consumption dataloggers managed via web, which allow the activation of switch on/switch off programming of the lighting and air conditioning systems;
- application of a new Building Heat Check-up (CTE) procedure in buildings and branches covered by the SGAE system: this led to a 6.9% decrease in heating consumption;
- gradual replacement of office equipment with more energy-efficient models.

In addition, in line with the contents of the new internal policy on sustainable branches, renovated or newly built sites (around 80 in 2012) were fitted out in accordance with criteria for improving energy efficiency and management. Of particular interest among these was the construction of the first "Filiale ad energia quasi 0" (almost zero energy branch) inaugurated in June 2012 in Marghera, Venice, which in addition to producing electricity from photovoltaic plants has adopted effective solutions (building insulation and systems) to reduce the property's energy consumption, as a result of which electricity consumption decreased by 50% and gas heating consumption was zero.

Worthy of note is the restructuring of the Moncalieri technology hub, upgraded from energy class "E" to "C", and the new "Gallerie d'Italia" Museum in Piazza della Scala, Milano, which as a result of the new air conditioning and lighting systems will offer an annual saving of around 550,000 kWh of electricity and approximately 90,000 m^3 of gas.
In addition to achieving significant energy savings, these refurbishments lead to the availability of 55% tax deductions, recognised for works to improve building energy performance and confirmed by related Energy Certificates.

Following the issue of the corporate policy on the purchase and use of paper and paper products meeting sustainability criteria for internal use, in 2012 in Italy the use of recycled paper certified as low-environmental impact reached the remarkable figure of 85% of the total used. In the same year, the usual activities to dematerialise certain specific printing stages (direct debits, forms F24, credit transfer accounting and datasheets for branches and offices) led to avoiding the use of over 650 metric tons of paper, corresponding to more than 1,200 metric tons of CO_2 emissions avoided. In parallel, subscriptions to the Online Reporting service were extended, which further reduced paper consumption by around 334 metric tons, thereby avoiding over 640 metric tons of CO_2 emissions.
The implementation of the ISPad system, which allows accounting documents to be signed at the counter on a digital tablet, should also be remembered. The customer subscription rate remained at high levels (around 85% of proposals sent) and this led to dematerialisation of the bank and customer copies of accounting statements by over 67 million printouts, reducing CO_2 emissions by a further 600 metric tons.

In 2012 a strong reduction in the quantities of waste produced was recorded in Italy (-32%), attributable both to gradual improvement of the municipal separated waste collection system, especially paper, and a decrease in waste relating to toner disposal.
The overall costs incurred to protect the environment in Italy decreased, not only due to the reduction in scope, but also as a result of the gradual renewal of systems in recent years and more careful system maintenance management. Note that with regard to 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 employee training, the extension of the "Ambientiamo" platform continues, which in 2012 was enhanced by four modules dedicated to renewable energies and one on mobility with the aim of promoting and disseminating awareness of environment-friendly technologies and sustainable mobility.
Furthermore, Intesa Sanpaolo takes part each year in many sensitisation initiatives, for example RAI's Radio2 broadcast "M'illumino di meno", "World Environment Day", "European Renewable Energy Week" and "European Week for Waste Reduction" with communication campaigns that target customers through the use of IT tools available on the ATM machines, the web site and at Branches. We have also joined the CSR-related communications and awareness campaign "Io Aderisco", promoted by the Piemonte Regional Government and by Unioncamere Piemonte.

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. Updated reports on the Home-to-Work Travel Plans submitted to the Local Governments of the 11 areas involved (Milano, Napoli, Parma, Roma, Torino, Moncalieri, Vicenza, Padova, Firenze, Venezia and Bologna) illustrated the results and the implementation status of the key initiatives planned for last year, giving tangible proof of the solutions and projects adopted at corporate level on mobility issues. Among these, the more important are the new Business Travel process, offering an integrated corporate mobility system that promotes responsible conduct with a view to reducing economic and environmental impact; completion of the Area Mobility Managers Network with 10 employees acting as support to the Group Mobility Manager; development of the environmental impact reporting model for the corporate mobility of the entire Group – in Italy and abroad – in line with Global Reporting Initiative standards and ABIenergia guidelines. Of the main projects planned for this year, the Mobility Management Department proposes in particular to complete the network of special arrangements with public transport operators, promote initiatives that encourage their use via the portal and to arrange a new mobility survey on all the areas involved.
As a result of these and other projects, a number of which particularly innovative, the Group has achieved prestigious recognition at national and international level, amongst which are the classification in Bloomberg's "World's Greenest Banks" prepared in March 2012 in which Intesa Sanpaolo takes 3rd place worldwide and 1st place among Italian banks.

From a study presented by ABI's Renewable Energies Observatory, the sector that made the largest investments in Italy during the crisis was the Green Economy, so much so that from 2007 to 2011 the banking system financed projects for around 20 billion

euro, to which the Intesa Sanpaolo Group contributed approximately 7.5 billion euro. The offer of loans targeting the corporate, small business and individual customer segments wishing to invest in energy savings and renewable sources, continued in 2012 with two new products: “Finanziamento Energie Rinnovabili”, a loan dedicated to small businesses and energy service companies and for the construction of new plants for the production of renewable energies other than photovoltaic, and “Leasenergy 20-200”, loans for small photovoltaic plants that are based on cooperation agreements between Leasint and a number of approved technical partners.
In terms of personal loans to individuals, note that in 2012 about 5,400 “Prestito Ecologico” loans were allocated for a total of approximately 82 million euro.
With reference to the small business segment, "Energia Business” and “Finanziamento Energie Rinnovabili” loans were disbursed in 2012 for a total of around 358 million euro.
For businesses, 2012 saw disbursements of medium and long term loans for approximately 800 million euro in support of projects involving the use of photovoltaic panels, biomass plants and hydroelectric plants. A significant number of loans for plants designed to produce energy from renewable sources were disbursed through Leasint and Centro Leasing, the Intesa Sanpaolo Group companies dedicated to leasing transactions. In 2012, 496 contracts were signed for the “Leasenergy” and “Leasenergy 20-200” products for a total of around 984 million euro. As part of its activities in support of green energy development, Leasint has contributed to the construction of over 1800 renewable source energy production plants totalling more than 2 Gigawatt.

Agriventure, an Intesa Sanpaolo Group company dedicated to the agricultural, agro-food and agro-energy sectors, provides consulting services to businesses in the production chain, from the primary industry to initial transformation. As a result of Agriventure’s expertise, in 2012 it was possible to organise an important convention in Vercelli that offered a way to further study new potential opportunities in the rice production chain through greater sensitisation to the issue of environmental sustainability and the correct use of resources for the production of renewable energy.
In identifying new trends and openings, through the Energy Desk, Mediocredito Italiano further consolidated its focus on energy efficiency, participating in work groups to discuss the issue with competent institutional authorities and structuring partnerships on dedicated financial proposals with leading Italian operators. In addition, project financing for renewable energies were monitored by Banca IMI and by the new Public Finance Department.
The Corporate and Investment Banking Division increased its presence in the Cleantech sector with three new editions of the Start Up Initiative in international roadshows (France, Germany and the UK), two editions dedicated to business sectors (construction and transport) and one edition focusing on technology applications in which a round table on the companies’ investments in Cleantech was also held (Cleantech Corporate Venture Capital). Intesa Sanpaolo’s membership of the Desertec Industrial Initiative also continued, with a view to developing as soon as possible the first renewable energy production projects in the Middle East and North Africa (MENA) and to allowing the transfer of part of the energy produced to the European markets.
Intesa Sanpaolo has dedicated the Internet portal Impresa@mbiente to businesses wishing to adopt a “green” approach to their business activities: this tool allows customers to give visibility to products and services they propose to their customers. Information and sector studies on topics of interest, news updated daily and an overview of products and services offered by the Intesa Sanpaolo Group are also available to all businesses, customers or otherwise.

Among the Group structures that have now consolidated their presence in sectors of major social importance (environmental sustainability, urban revitalisation, infrastructure facilities), EQUITER has made its mark. This Group company is dedicated to venture capital investments in the environment, infrastructures and utilities sectors. Alongside the consolidated investment activities in its core sectors and advisory services on the management of investments in the PPP Italia infrastructural fund, in 2012 Equiter developed a new business sector associated with the management of Community Structural Funds for the 2007-2013 programme, made available by the European Community to facilitate recovery policies from the development gap between the various areas of the European Union. In fact, the company was awarded the management of three funds for a total of approximately 190 million euro, assigned by the EU “Jessica” project managed by the EIB, for the Sicilia, Sardegna and Campania regions. The Jessica funds will be used to finance Urban Revitalisation projects which, in addition to stronger growth, will encourage employment and social inclusion through recourse to a wide range of action from infrastructure facilities to promoting the widespread production of energy from renewable sources.
All the company departments involved in environmental issues meet regularly at the “Green Table”, an interdepartmental work group coordinated by the CSR Unit which discusses current topics and offers the opportunity to share new regulatory measures and internal best practices.
The monitoring of environmental and social risk in project financing transactions through application of the Equator Principles, adopted by the Group in 2007, was further enhanced following the completion of training courses dedicated to project finance specialists in Italy and abroad. The training sessions, which began in 2011, were dedicated to the firm application of Operating Guidelines for implementation of the Equator Principles issued in 2010. Another element consolidating this monitoring was the International Subsidiary Banks Division’s issue of Rules for Implementation of the Equator Principles, which will gradually be implemented and adopted by individual Group Banks active in the project financing field. In order to guarantee consistency at Group level, an engagement path for suitable Banks was launched by means of a series of seminars on application of the Principles and on the approach adopted by the Parent Company.

Community

In 2012 Intesa Sanpaolo launched a number of projects to promote social and cultural development, encourage cohesion and create value and wellbeing for the community.
One of the key projects was the Progetto Cultura, a strategic reference framework containing the multi-year planning of the Bank’s cultural initiatives. Through a three-year plan prepared by a scientific committee, Intesa Sanpaolo set two objectives: making the historic, artistic, architectural and archives heritage available to the community and a targeted planning of innovative cultural and scientific proposals.
The promotion of the Bank’s artistic heritage, which aims to encourage its enjoyment by an increasingly wider public, is one of the key spheres of activity of the Progetto Cultura which is implemented along various lines: a scientific study and cataloguing of the works; systematic restoration activity; museum projects creating permanent displays available to the community of an increasingly

larger part of the collections; planning and organisation of temporary exhibitions; the loan of works to temporary Italian and international exhibitions.
Last autumn, the Piazza Scala Galleries in Milano, inaugurated in 2011, saw the opening of "Cantiere del Novecento" in the historic offices of Banca Commerciale Italiana. The museum in Milano joins Palazzo Leoni Montanari in Vicenza and Palazzo Zevallos Stigliano in Napoli: a network of cultural hubs, the "Gallerie d'Italia", which intends to cover all of Italy. The public's response was more than favourable, confirmed by the number of visitors: over 200,000 in Milano, more than 46,000 in Napoli and in excess of 52,000 in Vicenza.
2012 saw the conclusion of the restoration phase of the XVI edition of "Restituzioni", the biennial restoration programme of public works of art, promoted and organised by Intesa Sanpaolo in partnership with the Italian architectural, archaeological and art history inspectorates. 43 series of works of art – for a total of 250 individual works dating from the VIII century to the dawn of the XIX century – were restored and will be the key players in a large exhibition to be held in Napoli in spring 2013 at the Capodimonte Museum and at Palazzo Zevallos Stigliano.

The commitment continued to organising and publicizing projects for the in-depth study of art, music, history and local traditions, with the aims of protection, dissemination and public access. In particular, the editorial and music project Vox Imago, dedicated to opera, was enhanced with a new edition dedicated to Mozart's "Die Zauberflöte", involving training sessions for high school teachers. Memorable among the various editorial initiatives are the "Musei e Gallerie di Milano" series, characterised by scientific aims and the safeguarding of the public artistic heritage, and the Guides to the historic headquarters. With a view to sharing its book heritage, the editorial advisory services provided to the various Group departments was intensified. Numerous musical initiatives, with the objective of bringing together the music awareness of an increasingly disparate public, were arranged not only through concerts, but also programmes dedicated to young disabled people and study sessions open to the general public. A final important channel for the dissemination of culture is the wide circulation of our publications in favour of public libraries in Italy and abroad.

Also with regard to microcredit projects, Intesa Sanpaolo confirms its commitment to facilitating social inclusion and employment opportunities. A great many activities were arranged in partnership with foundations and local ONLUS associations, and participation continued in "Prestito della Speranza", the major national initiative promoted by the Italian Episcopal Conference (CEI), which made a guarantee fund of 30 million euro available to cover loans disbursed by the banks. The project was relaunched in 2010 following the signing of a framework agreement between ABI and CEI which, amending the access terms, expanded the range of potential beneficiaries. A new type of loan was also introduced to start up and sustain business activities, the Microcredito d'Impresa (Business Microcredit) loan. As regards social microcredit, Intesa Sanpaolo was confirmed as lead banking partner for the initiative and in terms of business microcredit the Bank launched a specific product for small business customers that offers loans of up to 25,000 euro in support of new activities or businesses in economic difficulty. The support work of the VoBIS volunteers' network is crucial: a network made up of former bankers who accompany and tutor the applicants.

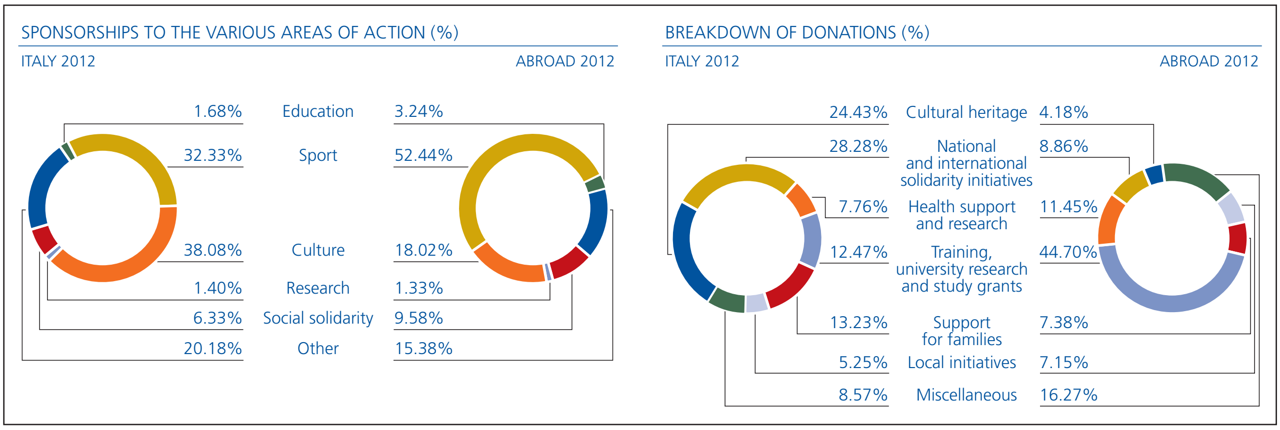
Banca Prossima, the Group bank dedicated to the Non-Profit sector, achieved important milestones: 22,000 customers, around 4.3 billion euro in deposits (almost 1 billion in direct deposits) and 1.5 billion euro in loans granted, of which around 1 billion euro has been used. The Intesa Sanpaolo Group's major Foundation shareholders recently subscribed to Banca Prossima capital, giving rise to a synergistic relationship in support of the non-profit segment of the Italian economy. Through the setup in 2011 of the "Fondazione per l'Innovazione del Terzo Settore (FITS!)" the task continued of gathering partners intending to cooperate in absolute transparency and in low profit terms in the main priorities for sustainability of the lay and religious non-profit sector. Another important initiative consolidated in 2012 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 charity fund were selected and authorised by the Bank's competent Bodies on the basis of a Plan approved by the Supervisory Board, which defined the ongoing lines of action to be followed on a consolidated path towards supporting the community. This path was founded on the pillar of solidarity and on coordination with the sphere of those operating as non-profit organisations (non-profit operators, foundations, local public entities, religious entities) for the promotion of projects that are most effective in covering the basic needs of every individual, especially the weakest. Again in 2012 the Charity Fund aimed to cover the needs of geographical areas 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 development of local donations (up to a maximum 5,000 euro, managed autonomously by the Regional Governance Centres) which allow the branches of Intesa Sanpaolo and banks in the Banca dei Territori Division, that do not have their own charity fund (or a fund without sufficient resources), 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 third planning stage. The first year of the three-year period ended successfully in September 2012 with achievement of most of the objectives. The second year's plans were launched immediately. This project, supported by Intesa Sanpaolo and Fondazione Cariplo since 2005, aims to create a barrier against AIDS in Malawi starting with preventing transmission of the virus from mother to child. The health-related action is flanked by targeted action to limit the impact of the virus on the population and to relaunch the country's economy by integrated action in the fields of health, nutrition, orphan support, prevention and local development.

Regarding sponsorships, once again of major importance were the 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 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 develop and consolidate constructive relations in communities in which the bank operates. Activities with the various partners are all geared towards long-term sustainability, in such a way as to develop long-lasting relations effective in promoting events of great importance to our stakeholders.

Between donations and sponsorships, over 56 million euro was distributed in 2012.



Economic value generated and distributed

In 2012 the economic value generated by the Intesa Sanpaolo Group[4] exceeded 14 billion euro. This amount expresses the value of the wealth produced, most of which is distributed among the various stakeholders with which the Group interacts in various ways on a day-to-day basis. In particular:

– employees and collaborators benefited from around 43% of the economic value generated, for a total of 6 billion euro. The caption also includes 144 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 approximately 20% of the economic value generated, for a total of around 2.8 billion euro in payment for goods and services;
– the Government, Organisations and Institutions recorded a total flow of funds of 2 billion euro, around 14% of the economic value generated and for the most part referring to current income taxes. Group companies then used 3 million euro to the benefit of the community, through the allocation of profits to charities and as donations and gifts;
– approximately 6% of the economic value generated was allocated to shareholders and minority interests, largely in terms of the proposed dividend, for a total of over 0.9 billion euro;
– the remaining 2.3 billion euro was withheld by the corporate system. This refers to prepaid and deferred taxes, amortisation, provisions for risks and charges and retained earnings. Self-financing is considered an investment that other stakeholder categories make each year to maintain efficiency and allow development of the Bank as a whole.

[4] 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.

Economic value	millions of euro	%
Economic value generated	**14,073**	**100.0%**
Economic value distributed	**-11,731**	**83.5%**
Employees and collaborators (*)	-6,031	42.9%
Suppliers	-2,799	19.9%
Government, Organisations and Institutions, Community	-2,020	14.4%
Shareholders and Minority interests	-881	6.3%
Economic value retained	**2,342**	**16.5%**

(*) The caption includes charges for exit incentives of 144 million euro.

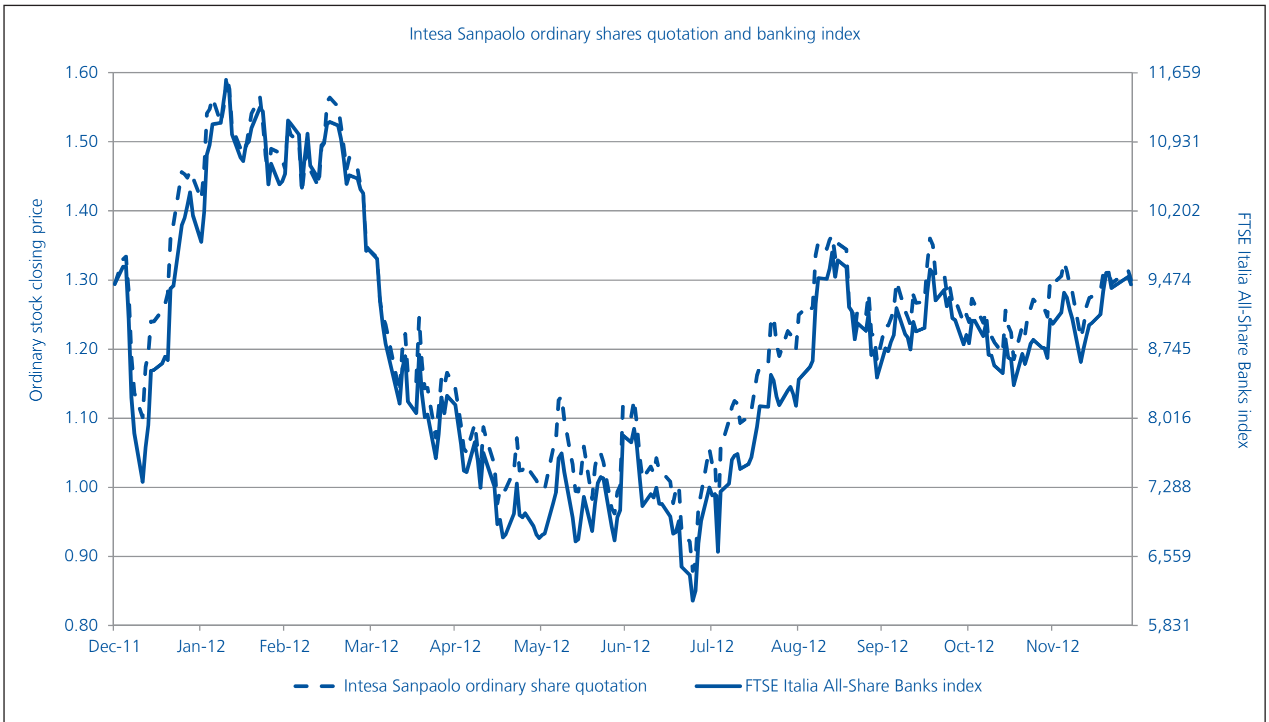
ECONOMIC VALUE IN 2012

INTESA SANPAOLO STOCK

Intesa Sanpaolo stock

Stock price performance

2012 performance of the European banking sector index was highly volatile: after hitting period highs in February following an easing of tension in sovereign debt markets, the index gradually lost ground until it hit period lows in July fuelled by uncertainty regarding growth prospects in the Euro Zone, new concerns over the stability of public accounts in several peripheral countries of the Eurozone and the spreading of the crisis to Spain, which has highlighted the need to recapitalise the national banking system.
The index subsequently regained lost ground thanks to an attenuation in investor risk aversion following the European Central Bank's announcement of the launch of a programme to purchase government securities (Outright Monetary Transactions). After gaining +21.9% on the previous year on 9 February, the Euro Stoxx Banks index had lost as much as 28.2% by 23 July and ended the year with a 12% growth with performance being 1.8% lower than the Euro Stoxx 50 index.
The Italian banking sector's sensitivity to sovereign debt-related tensions and concerns over economic growth is still above the European average and its year-end performance remained at the levels of the previous year after hitting period highs on 8 February (exceeding 26%) and period lows on 23 July (-36.9% compared to year-end 2011).
2012 performance of Intesa Sanpaolo ordinary shares was comparable to that of banking industry indexes: a decline in the first few days of January followed by an upward trend up to the beginning of February when the price hit its highest peak, a further downtrend up to the last week in July when it hit its lowest peak, and then a phase of recovery with the stock exceeding the 2011 year-end price by 0.5% at the end of December.
The price of Intesa Sanpaolo savings shares had increased by 10.7% at the end of December compared to year-end 2011. The discount with respect to the ordinary share dropped to around 18%, from 25% at year-end 2011.
Intesa Sanpaolo's capitalisation amounted to 21.1 billion euro at the end of December compared to 21 billion euro at year-end 2011.



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.

	31.12.2012		31.12.2011	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,492,822,013	932,170,435	13,774,655,034	932,305,682
Income attributable to the various categories of shares *(millions of euro)*	1,514	91	-7,752	-438
Basic EPS (*euro*)	0.10	0.10	-0.56	-0.47
Diluted EPS (*euro*)	0.10	0.10	-0.56	-0.47

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 2012 indicated in relation to both average figures and year-end figures – was significantly impacted by market trends.

(millions of euro)

	31.12.2012	2012	2011	2010	2009	2008
Market capitalisation	21,147	20,066	27,006	31,209	32,228	48,639
Group's shareholders' equity	49,613	48,327	50,287	53,107	50,818	50,256
Price / book value	**0.43**	**0.42**	**0.54**	**0.59**	**0.63**	**0.97**

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 view of the negative 2011 result, a request was submitted to the Shareholders' Meeting to distribute profits previously allocated to extraordinary reserves for a total amount of 822 million euro.

(millions of euro)

	2012	2011	2010	2009	2008
Net income	1,605	-8,190	2,705	2,805	2,553
Dividends	832	-	1,033	1,033	24
Pay-out ratio	**52%**	**-**	**38%**	**37%**	**1%**

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)

	2012	2011	2010	2009	2008
Ordinary share					
Dividend per share	0.050	0.050	0.080	0.080	0.000
Average stock price	1.233	1.658	2.479	2.569	3.834
Dividend yield	4.06%	3.02%	3.23%	3.11%	0.00%
Savings share					
Dividend per share	0.061	0.050	0.091	0.091	0.026
Average stock price	1.022	1.399	1.967	1.916	3.441
Dividend yield	5.97%	3.57%	4.63%	4.75%	0.76%

Ratings

On 6 February 2012, following the downgrading of Italy's rating, Fitch lowered Intesa Sanpaolo'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 a 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. ISP's long- and short-term ratings ("BBB+/Negative/A-2") were confirmed by S&P on 3 August 2012.

On 14 May 2012, Moody's lowered its bank financial strength rating (BFSR) from C+ to C-, its long-term rating from A2 to A3 and its short-term rating from P-1 to P-2, with a negative outlook, following the conclusion of the review process that began on 15 February 2012 as part of a European evaluation of financial sector ratings. On 16 July 2012, Moody's then lowered the long-term rating assigned to the Bank from A3 to Baa2, following a similar change in Italy's rating. The P-2 short-term rating and C- BFSR were confirmed. The outlook on the BFSR and long-term rating is negative, in line with that on the sovereign rating.

	Rating Agency		
	Moody's	**Standard & Poor's**	**Fitch**
Short-term debt	P-2	A-2	F2
Long-term debt	Baa2	BBB+	A-
Outlook	Negative	Negative	Negative
Financial strength	C- (*)	-	-
Viability	-	-	a -
Support	-	-	2

(*) Negative outlook

OTHER INFORMATION

Other information

The list of Group companies and subsidiaries as at 31 December 2012 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 2012 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 Art. 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 Art 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 2013

As previously stated, the phase of moderate growth in the global economy is expected to continue in the current year. Economic activity will continue to remain weak in the Eurozone, although a slight recovery is expected during the second half of the year. A similar trend is envisaged in Italy as well, where the fiscal restriction and the consequences of the financial crisis will continue to weigh on the performance of the economy at least for the first half of the year. An effective recovery of economic activity has been postponed until 2014. Monetary policies will maintain an expansionary outlook, even in Europe. The official rates of the ECB will most likely remain unchanged throughout 2013.
The International Monetary Fund expects overall GDP for the emerging economies to grow to 5.5%, only slightly higher than the 5.1% estimated for 2012. In detail, the growth rate is above 7% in Asia, above 3% in Latin America, the Middle East and North Africa (MENA) and in the Confederation of Independent States (CIS), and more limited in Central and South-Eastern Europe, at just above 1% according to recent estimates by the EBRD (European Bank for Reconstruction and Development).
The cyclical phase is still in a recession in Slovenia and Hungary, slowing in Slovakia and recovering in Albania and Romania, while the road to recovery in Croatia and Serbia is still uncertain. Forecasts in Egypt indicate a further recovery, but there are concerns regarding the uncertainties in terms of political developments and on the possibility to reach an agreement for financial support by the International Monetary Fund.
On the monetary front, forecasts on short-term interest rates in the countries of Eastern Europe indicate overall stability or a slight decline, more limited than what was previously expected, due to moderate inflationary pressures and the accommodating guidelines of the Central Banks, with some exceptions, including Serbia, where the Central Bank could still increase rates to encourage a recovery in inflation.

Italian banking sector business will be sharply impacted by weakness in the Italian macroeconomic scenario and by the consequences of the sovereign debt crisis. The desired gradual easing of bank funding and in rates on loans, consistent with the accommodative monetary policy conditions and the decline in money rates, will remain subject to the performance of spreads on government bonds. Furthermore, high credit risk will continue to weigh on the normalisation of bank loan rates. Continuation of the economic recession is expected for a good part of 2013, negatively impacting loan quality and the trend in loans to customers, with possible signs of a recovery only expected towards year-end. In terms of funding, growth in household deposits is expected to continue.

In 2013, the Intesa Sanpaolo Group will continue to prioritise the delivery of sustainable results. Attention will be strongly focused both on profitability targets and on actions aimed at strengthening the capital base and improving the profile of risk and liquidity.
Risk management systems will be further bolstered and the Group's efficiency and productivity will be constantly addressed. Specifically, repricing actions - that began in 2011 and continued in 2012 - will make it possible to partially limit the impact of an expected negative environment on market rates; strict cost containment actions will counteract the effects of automatic pay increases and inflation; and the cost of credit will remain at a high level.

The Management Board

Milan, 12 March 2013

INTESA SANPAOLO GROUP
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets		31.12.2012	31.12.2011	Changes	
				amount	%
10.	Cash and cash equivalents	5,301	4,061	1,240	30.5
20.	Financial assets held for trading	63,546	59,963	3,583	6.0
30.	Financial assets designated at fair value through profit and loss	36,887	34,253	2,634	7.7
40.	Financial assets available for sale	97,209	68,777	28,432	41.3
50.	Investments held to maturity	2,148	2,621	-473	-18.0
60.	Due from banks	36,533	35,865	668	1.9
70.	Loans to customers	376,625	376,744	-119	-
80.	Hedging derivatives	11,651	10,248	1,403	13.7
90.	Fair value change of financial assets in hedged portfolios (+/-)	73	137	-64	-46.7
100.	Investments in associates and companies subject to joint control	2,706	2,630	76	2.9
110.	Technical insurance reserves reassured with third parties	13	15	-2	-13.3
120.	Property and equipment	5,530	5,536	-6	-0.1
130.	Intangible assets	14,719	15,041	-322	-2.1
	of which				
	- goodwill	*8,681*	*8,689*	*-8*	*-0.1*
140.	Tax assets	12,563	14,702	-2,139	-14.5
	a) current	*2,730*	*2,379*	*351*	*14.8*
	b) deferred	*9,833*	*12,323*	*-2,490*	*-20.2*
	- of which convertible into tax credit (Law no. 214/2011)	*5,984*	*6,511*	*-527*	*-8.1*
150.	Non-current assets held for sale and discontinued operations	25	26	-1	-3.8
160.	Other assets	7,943	8,602	-659	-7.7
Total Assets		**673,472**	**639,221**	**34,251**	**5.4**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2012	31.12.2011	Changes amount	Changes %
10.	Due to banks	73,352	78,644	-5,292	-6.7
20.	Due to customers	218,051	197,165	20,886	10.6
30.	Securities issued	159,307	160,245	-938	-0.6
40.	Financial liabilities held for trading	52,195	48,740	3,455	7.1
50.	Financial liabilities designated at fair value through profit and loss	27,047	22,653	4,394	19.4
60.	Hedging derivatives	10,776	8,576	2,200	25.7
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,802	1,686	116	6.9
80.	Tax liabilities	3,494	4,064	-570	-14.0
	a) current	*1,617*	*689*	*928*	
	b) deferred	*1,877*	*3,375*	*-1,498*	*-44.4*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	18,039	13,963	4,076	29.2
110.	Employee termination indemnities	1,207	1,338	-131	-9.8
120.	Allowances for risks and charges	3,343	3,628	-285	-7.9
	a) post employment benefits	*416*	*402*	*14*	*3.5*
	b) other allowances	*2,927*	*3,226*	*-299*	*-9.3*
130.	Technical reserves	54,660	50,761	3,899	7.7
140.	Valuation reserves	-1,399	-3,298	-1,899	-57.6
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,941	13,843	-3,902	-28.2
180.	Share premium reserve	30,934	36,143	-5,209	-14.4
190.	Share capital	8,546	8,546	-	-
200.	Treasury shares (-)	-14	-4	10	
210.	Minority interests (+/-)	586	718	-132	-18.4
220.	Net income (loss)	1,605	-8,190	9,795	
Total Liabilities and Shareholders' Equity		**673,472**	**639,221**	**34,251**	**5.4**

Consolidated income statement

(millions of euro)

	2012	2011	Changes	
			amount	%
10. Interest and similar income	19,700	19,149	551	2.9
20. Interest and similar expense	-8,418	-7,762	656	8.5
30. Interest margin	**11,282**	**11,387**	**-105**	**-0.9**
40. Fee and commission income	6,641	6,298	343	5.4
50. Fee and commission expense	-1,511	-1,278	233	18.2
60. Net fee and commission income	**5,130**	**5,020**	**110**	**2.2**
70. Dividend and similar income	507	542	-35	-6.5
80. Profits (Losses) on trading	549	-204	753	
90. Fair value adjustments in hedge accounting	-8	-8	-	-
100. Profits (Losses) on disposal or repurchase of	1,348	753	595	79.0
a) loans	*-3*	*-16*	*-13*	*-81.3*
b) financial assets available for sale	*270*	*590*	*-320*	*-54.2*
c) investments held to maturity	*-14*	*-1*	*13*	
d) financial liabilities	*1,095*	*180*	*915*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	1,294	-210	1,504	
120. Net interest and other banking income	**20,102**	**17,280**	**2,822**	**16.3**
130. Net losses / recoveries on impairment	-4,521	-5,021	-500	-10.0
a) loans	*-4,308*	*-4,229*	*79*	*1.9*
b) financial assets available for sale	*-161*	*-776*	*-615*	*-79.3*
c) investments held to maturity	*1*	*-2*	*3*	
d) other financial activities	*-53*	*-14*	*39*	
140. Net income from banking activities	**15,581**	**12,259**	**3,322**	**27.1**
150. Net insurance premiums	5,660	9,260	-3,600	-38.9
160. Other net insurance income (expense)	-8,145	-10,016	-1,871	-18.7
170. Net income from banking and insurance activities	**13,096**	**11,503**	**1,593**	**13.8**
180. Administrative expenses	-9,085	-9,839	-754	-7.7
a) personnel expenses	*-5,570*	*-6,223*	*-653*	*-10.5*
b) other administrative expenses	*-3,515*	*-3,616*	*-101*	*-2.8*
190. Net provisions for risks and charges	-258	-222	36	16.2
200. Net adjustments to / recoveries on property and equipment	-469	-381	88	23.1
210. Net adjustments to / recoveries on intangible assets	-710	-723	-13	-1.8
220. Other operating expenses (income)	486	494	-8	-1.6
230. Operating expenses	**-10,036**	**-10,671**	**-635**	**-6.0**
240. Profits (Losses) on investments in associates and companies subject to joint control	-123	-207	-84	-40.6
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	30	171	-141	-82.5
280. Income (Loss) before tax from continuing operations	**2,967**	**-9,542**	**12,509**	
290. Taxes on income from continuing operations	-1,313	1,415	-2,728	
300. Income (Loss) after tax from continuing operations	**1,654**	**-8,127**	**9,781**	
310. Income (Loss) after tax from discontinued operations	-	-	-	
320. Net income (loss)	**1,654**	**-8,127**	**9,781**	
330. Minority interests	-49	-63	-14	-22.2
340. Parent Company's net income (loss)	**1,605**	**-8,190**	**9,795**	
Basic EPS - Euro	**0.10**	**-0.56**		
Diluted EPS - Euro	**0.10**	**-0.56**		

Statement of consolidated comprehensive income

(millions of euro)

		2012	2011	Changes	
				amount	%
10.	**NET INCOME (LOSS)**	**1,654**	**-8,127**	**9,781**	
	Other comprehensive income (net of tax)				
20.	Financial assets available for sale	2,302	-1,696	3,998	
30.	Property and equipment	-	-	-	
40.	Intangible assets	-	-	-	
50.	Hedges of foreign investments	-	-	-	
60.	Cash flow hedges	-369	-434	-65	-15.0
70.	Foreign exchange differences	-33	-141	-108	-76.6
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	-10	24	-34	
110.	**Total other comprehensive income (net of tax)**	**1,890**	**-2,247**	**4,137**	
120.	**TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)**	**3,544**	**-10,374**	**13,918**	
130.	**Total consolidated comprehensive income pertaining to minority interests**	**40**	**60**	**-20**	
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**3,504**	**-10,434**	**13,938**	

Changes in consolidated shareholders' equity as at 31 December 2012

(millions of euro)

	31.12.2012											
	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 1.1.2012	**8,461**	**488**	**36,213**	**13,920**	**99**	**-3,292**	**-**	**-4**	**-8,127**	**47,758**	*47,040*	*718*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR												
Reserves			**-5,209**	**-2,967**					**8,176**	**-**	*-*	*-*
Dividends and other allocations [a]									**-49**	**-49**	*-*	*-49*
CHANGES IN THE PERIOD												
Changes in reserves				**-121**						**-121**	*-99*	*-22*
Operations on shareholders' equity												
Issue of new shares				-						**-**	*-*	*-*
Purchase of treasury shares				-				-10		**-10**	*-10*	*-*
Extraordinary dividends				-822						**-822**	*-822*	*-*
Changes in equity instruments										**-**	*-*	*-*
Derivatives on treasury shares										**-**	*-*	*-*
Stock options										**-**	*-*	*-*
Other	-86		-15							-101	*-*	*-101*
Total comprehensive income for the period						**1,890**			**1,654**	**3,544**	*3,504*	*40*
SHAREHOLDERS' EQUITY AS AT 31.12.2012	**8,375**	**488**	**30,989**	**10,010**	**99**	**-1,402**	**-**	**-14**	**1,654**	**50,199**	*49,613*	*586*
- Group	**8,061**	**485**	**30,934**	**9,842**	**99**	**-1,399**	**-**	**-14**	**1,605**	**49,613**		
- minority interests	**314**	**3**	**55**	**168**	**-**	**-3**	**-**	**-**	**49**	**586**		

[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 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.

Consolidated statement of cash flows

(millions of euro)

	31.12.2012	31.12.2011
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**4,749**	**8,225**
- net income (loss) (+/-)	1,654	-8,127
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	727	2,841
- gains/losses on hedging activities (-/+)	8	8
- net losses/recoveries on impairment (+/-)	5,163	16,350
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,179	1,104
- net provisions for risks and charges and other costs/revenues (+/-)	526	1,069
- net insurance premiums to be collected (-)	-17	-
- other insurance revenues/charges to be collected (-/+)	616	3,250
- taxes and duties to be settled (+)	-895	-4,777
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-4,212	-3,493
2. Cash flow from / used in financial assets	**-31,305**	**2,947**
- financial assets held for trading	-2,727	12,166
- financial assets designated at fair value through profit and loss	773	245
- financial assets available for sale	-24,707	-9,905
- due from banks: repayable on demand	-2,623	-3,945
- due from banks: other	1,955	9,416
- loans to customers	-4,598	-2,897
- other assets	622	-2,133
3. Cash flow from / used in financial liabilities	**29,519**	**-16,516**
- due to banks: repayable on demand	284	-961
- due to banks: other	-5,807	26,007
- due to customers	20,941	-21,228
- securities issued	157	-20,245
- financial liabilities held for trading	3,148	3,308
- financial liabilities designated at fair value through profit and loss	2,281	-2,649
- other liabilities	8,515	-748
Net cash flow from (used in) operating activities	**2,963**	**-5,344**
B. INVESTING ACTIVITIES		
1. Cash flow from	**489**	**2,020**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	29	26
- sales/reimbursements of investments held to maturity	460	1,234
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	-	760
2. Cash flow used in	**-1,325**	**-1,236**
- purchases of investments in associates and companies subject to joint control	-209	-211
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-439	-500
- purchases of intangible assets	-396	-344
- purchases of subsidiaries and business branches	-281	-181
Net cash flow from (used in) investing activities	**-836**	**784**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-10	6
- share capital increases	-	4,946
- dividend distribution and other	-871	-1,077
Net cash flow from (used in) financing activities	**-881**	**3,875**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,246**	**-685**
RECONCILIATION		
Cash and cash equivalents at beginning of period	4,061	4,758
Net increase (decrease) in cash and cash equivalents	1,246	-685
Cash and cash equivalents: foreign exchange effect	-6	-12
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,301**	**4,061**

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, 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 2012 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. Additional amendments issued by the Bank of Italy on 7 August 2012 and 15 January 2013 have also been taken into account.
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 2012 (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 endorsement regulations, which came into force in 2012.

IFRS in force since 2012

Regulation endorsement	Title
1205/2011	Amendments to IFRS 7 - Financial Instruments: Disclosures – Transfers of Financial Assets

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 2013.

IFRS applicable subsequent to 31 December 2012

Regulation endorsement	Title	Effective date
475/2012	Amendments to IAS 1 Presentation of Items of Other Comprehensive Income Amendments to IAS 19 Employee Benefits	01/01/2013 First financial year starting on or after 01/01/2013
1254/2012	IFRS 10 Consolidated Financial Statements IFRS 11 Joint Arrangements IFRS 12 Disclosure of Interests in Other Entities IAS 27 Separate Financial Statements IAS 28 Investments in Associates and Joint Ventures	01/01/2014 First financial year starting on or after 01/01/2014
1255/2012	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets IFRS 13 Fair Value Measurement IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	01/01/2013 First financial year starting on or after 01/01/2013 (*)
1256/2012	Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	01/01/2013 First financial year starting on or after 01/01/2013 (for amendments to IFRS 7) 01/01/2014 First financial year starting on or after 01/01/2014 (for amendments to IAS 32)

(*) Each company shall apply the amendments to IAS 12 and IFRS 1 at the latest, as from the commencement date of its first financial year starting on or after the third day following that of its publication in the Official Journal of the European Union.

Given the relevance of the regulatory changes, the following is a brief discussion of the contents of certain of the Regulations indicated in the table.

With Regulation no. 475/2012 the European Commission endorsed certain amendments to IAS 1 to increase the clarity of the statement of comprehensive income (Other Comprehensive Income – OCI), by grouping together captions that in future will not be subject to reversal to the income statement and those that may be subject to reversal to the income statement under specific conditions. The same Regulation endorsed the new version of IAS 19, the aim of which is to facilitate the ease of understanding

and comparability of financial statements, especially with regard to defined benefit plans. The more important new elements introduced refer to elimination of the “corridor method”, with immediate recognition of changes in the value of bonds and assets serving the plan in the statement of comprehensive income.
The elimination of that method will entail an impact on the Group’s shareholders’ equity as at the date of initial application of the new standard, inasmuch as actuarial gains or losses not previously recognised under the “corridor method” will be recognised. According to estimates, the overall impact for the Group, as at 1 January 2013, will entail a reduction in equity valuation reserves of approximately 283 million euro, net of the tax effect (389 million euro before taxes).

By contrast, Regulation no. 1254/2012 introduced various changes in the area of consolidation through the endorsement of certain accounting standards (IFRS 10, IFRS 11 and IFRS 12) and the ensuing introduction of amendments to existing standards (IAS 27 and IAS 28).
The objective of IFRS 10 is to provide a single consolidation model that identifies control as the basis for consolidation for all types of entities. The standard provides a precise definition of the case in which an investor controls a company. In fact, according to IFRS 10, control exists if and only if the investor:

– has the power to direct the investee’s activities;
– is exposed to the variability of the returns of the investee in which it has invested; and
– has the ability to influence the investee’s future returns, by using the power at its disposal.

IFRS 10 essentially establishes that in order to have control of a company, an investor must have the ability, deriving from a legally understood right or even from a mere de facto situation, to have a significant influence on the type of management strategies to be assumed with regard to the investee’s relevant activities and to be exposed to the variability of returns.
IFRS 11 instead establishes the principles of financial reporting by entities that are parties to arrangements that establish “joint control,” which may take the form of a joint venture (an entity in which the parties have rights to their share of net assets) or a joint operation (an operation whereby the parties that have joint control have rights to the assets and obligations for the liabilities).
Finally, IFRS 12 combines, strengthens and supersedes disclosure obligations for subsidiaries, joint arrangements and associates and unconsolidated structured entities. This standard was developed with the aim of consolidating and improving, including by introducing certain changes in terms of required disclosures, the disclosure requirements envisaged by the previous IAS 27, 28 and 31.

Finally, in Regulation no. 1255/2012, the European Commission endorsed IFRS 13. The new standard does not extend the scope of application of measurement at fair value, but rather provides a guide as to how to measure the fair value of financial instruments and non-financial assets and liabilities where already required or permitted by other accounting standards. The aim was to “concentrate” into a single standard the rules for measurement at fair value, previously contained in various standards, in some cases with prescriptions in conflict with one another.

Furthermore, none of the community regulations endorsing international accounting standards during the period in question significantly impacted preparation of the 2012 financial statements: as already indicated in the table, these are new standards (or amendments to existing standards), application of which is mandatory effective on or after 1 January 2013.

It is also noted that in 2012 the IASB amended several IAS/IFRS previously issued.
The following table presents the main accounting standards affected by the amendments, with a specification of the scope or subject matter of the changes. 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.

International accounting standards not endorsed as at 31 December 2012

Standard/ Interpretation		Date of issue
IFRS 1 (changes)	Government Loans	13/03/2012
IFRS 1 (changes)	Improvements to IFRSs (2009-2011 cycle)	17/05/2012
IAS 1 (changes)	Improvements to IFRSs (2009-2011 cycle)	17/05/2012
IAS 16 (changes)	Improvements to IFRSs (2009-2011 cycle)	17/05/2012
IAS 32 (changes)	Improvements to IFRSs (2009-2011 cycle)	17/05/2012
IAS 34 (changes)	Improvements to IFRSs (2009-2011 cycle)	17/05/2012
IFRS 10 (changes)	Transition Guidance	28/06/2012
IFRS 11 (changes)	Transition Guidance	28/06/2012
IFRS 12 (changes)	Transition Guidance	28/06/2012
IFRS 10 (changes)	Investment Entities	31/10/2012
IFRS 12 (changes)	Investment Entities	31/10/2012
IAS 27 (changes)	Investment Entities	31/10/2012

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) is not relevant for the purposes of the Intesa Sanpaolo 2012 consolidated financial statements inasmuch as it has not been endorsed by the European Commission.

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 2012 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 2011. 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 financial statement forms

Balance sheet and 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 2012 and for 2011 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Statement of comprehensive income for the year

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 2012 and for 2011 are in any case included. Negative amounts are preceded by the minus sign.

Changes in shareholders' equity

Changes in 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 in 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.

Statement of cash flows

The 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 Circular 262 with subsequent amendments issued by the Bank of Italy on 22 December 2005.

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 with the situation as at 31 December 2011 there have not been any changes of particular significance in the scope of consolidation. However, mention should be made of those connected to the offer submitted by Intesa Sanpaolo to the Receivers of the Delta Group, under extraordinary administration. Specifically, the Group acquired the company New 16, merged into Intesa Sanpaolo Provis concurrently with acquisition, and the insurer Bentos Assicurazioni, consolidated at equity. For further details of the above transactions, see Part G of these Notes to the consolidated financial statements.
Several extraordinary intragroup transactions were carried out during the year, which had no effects on the Consolidated financial statements; they consisted in 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 line by line in the individual financial statements of the companies involved, without recognition of any economic effect.
In this area, the most important transactions involved the full demerger of Banca Infrastrutture Innovazione e Sviluppo S.p.A. in favour of the Parent Company (except for the leasing business assigned to Leasint) and the transactions related to the establishment of Cassa di Risparmio dell'Umbria, resulting from the merger of Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Città di Foligno S.p.A. and Cassa di Risparmio di Città Terni e Narni S.p.A.. In addition, Banco Emiliano Romagnolo, Finanziaria B.T.B., Intesa Investimenti and SEP Servizi e Progetti were merged by incorporation into the Parent Company. In addition, a number of operational units were transferred between Group companies, involving the Carifirenze Group in particular, in the context of transactions aimed at the geographical reorganisation of branches.
For the details of the transactions under common control (UCC) finalised during the year, see Part G of these Notes to the consolidated financial statements.

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 2012.

Consolidated companies

Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
A. CONSOLIDATED COMPANIES					
Parent Company					
Intesa Sanpaolo S.p.A. Share capital 8,545,681,412.32 euro in shares of 0.52 euro	Torino				
A. 1 Companies subject to full consolidation					
1 Adriano Finance S.r.l. (c) Share capital 15,000 euro	Roma	4	Intesa Sanpaolo	5.00	
2 Adriano Finance 2 S.r.l. (c) Share capital 10,000 euro	Milano	4	Intesa Sanpaolo	5.00	
3 Adriano Lease Sec S.r.l. (c) Share capital 10,000 euro	Conegliano	4	Intesa Sanpaolo	5.00	
4 Arten Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	87.38	
5 B.I. Private Equity Ltd Share capital 100,000 euro	Dublin	1	Private Equity International	100.00	
6 Banca dell'Adriatico S.p.A. Share capital 272,652,000 euro	Pesaro	1	Intesa Sanpaolo	100.00	
7 Banca di Credito Sardo S.p.A. Share capital 258,276,569.35 euro	Cagliari	1	Intesa Sanpaolo	100.00	
8 Banca di Trento e Bolzano S.p.A. Share capital 65,915,704.40 euro	Trento	1	Intesa Sanpaolo	87.27	
9 Banca Fideuram S.p.A. Share capital 186,255,207.16 euro	Roma	1	Intesa Sanpaolo	100.00	
10 Banca IMI S.p.A. Share capital 962,464,000 euro	Milano	1	Intesa Sanpaolo	100.00	
11 Banca Imi Securities Corp Share capital Usd 44,500,000	New York	1	Imi Capital Markets USA Corp.	100.00	
12 Banca Intesa a.d., Beograd (f) Share capital RSD 21,315,900,000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
13 Banca Intesa Zao (formerly Banca Intesa - Closed Joint-Stock Company) (n) Share capital RUB 10,820,180,800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	39.77 46.98 86.75	
14 Banca Monte Parma S.p.A. Share capital 147,359,895.03 euro	Parma	1	Intesa Sanpaolo	78.62	
15 Banca Prossima S.p.A. (p) Share capital 80,000,000 euro	Milano	1	Intesa Sanpaolo	71.67	
16 Banco di Napoli S.p.A. Share capital 1,000,000,000 euro	Napoli	1	Intesa Sanpaolo	100.00	
17 Bank of Alexandria S.A.E. (g) Share capital EGP 800,000,000	Cairo	1	Intesa Sanpaolo	80.00	70.25
18 Banka Koper d.d. (h) Share capital 22,173,218.16 euro	Koper	1	Intesa Sanpaolo	97.62	
19 Brivon Hungary Zrt Share capital HUF 15,000,000	Budapest	1	Recovery Property Utilisation and Services	100.00	
20 Canova Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
21 Cassa dei Risparmi di Forlì e della Romagna S.p.A. Share capital 214,428,465 euro	Forlì	1	Intesa Sanpaolo	82.08	
22 Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Share capital 210,263,000 euro	Gorizia	1	Intesa Sanpaolo	100.00	
23 Cassa di Risparmio del Veneto S.p.A. Share capital 781,169,000 euro	Padova	1	Intesa Sanpaolo	100.00	
24 Cassa di Risparmio della Provincia di Viterbo S.p.A. Share capital 49,407,056.31 euro	Viterbo	1	Cassa di Risparmio di Firenze	75.81	82.02
25 Cassa di Risparmio di Ascoli Piceno S.p.A. Share capital 70,755,020 euro	Ascoli Piceno	1	Intesa Sanpaolo	100.00	
26 Cassa di Risparmio di Civitavecchia S.p.A. Share capital 34,505,380 euro	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
27 Cassa di Risparmio di Firenze S.p.A. (i) Share capital 831,364,347 euro	Firenze	1	Intesa Sanpaolo	89.74	
28 Cassa di Risparmio di Pistoia e della Lucchesia S.p.A. (formerly Cassa di Risparmio di Pistoia e Pescia S.p.A.) (j) Share capital 171,846,279.99 euro	Pistoia	1	Cassa di Risparmio di Firenze Intesa Sanpaolo	74.88 8.11 82.99	
29 Cassa di Risparmio di Rieti S.p.A. Share capital 47,339,291 euro	Rieti	1	Cassa di Risparmio di Firenze	85.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
30	Cassa di Risparmio di Venezia S.p.A. Share capital 284,536,000 euro	Venezia	1	Intesa Sanpaolo	100.00	
31	Cassa di Risparmio in Bologna S.p.A. Share capital 703,692,000 euro	Bologna	1	Intesa Sanpaolo	100.00	
32	Casse di Risparmio dell'Umbria S.p.A. (formerly Cassa di Risparmio di Spoleto S.p.A.) Share capital 187,657,326 euro	Terni	1	Cassa di Risparmio di Firenze	87.85	99.49
				Intesa Sanpaolo	10.84	
					98.69	
33	Centro Factoring S.p.A. Share capital 25,200,000 euro	Firenze	1	Intesa Sanpaolo	68.20	
				Cassa di Risparmio di Pistoia e della Lucchesia	5.73	
					73.93	
34	Centro Leasing S.p.A. Share capital 155,020,051.50 euro	Firenze	1	Leasint	88.19	
35	Cib Bank Ltd Share capital HUF 145,000,000,003	Budapest	1	Intesa Sanpaolo Holding International	67.69	
				Intesa Sanpaolo	32.31	
					100.00	
36	CIB Car Trading Ltd Share capital HUF 10,000,000	Budapest	1	Recovery Property Utilisation and Services	100.00	
37	CIB Factor Financial Services Ltd (formerly CIB Factor Financial Service Ltd) Share capital HUF 103,500,000	Budapest	1	Cib Bank	100.00	
38	CIB Insurance Broker Ltd Share capital HUF 10,000,000	Budapest	1	CIB Bank	100.00	
39	CIB Investment Fund Management Ltd Share capital HUF 600,000,000	Budapest	1	Cib Bank	94.98	
				Recovery Property Utilisation and Services	5.02	
					100.00	
40	CIB Leasing Holding Limited Liability Company Share capital HUF 500,000	Budapest	1	Cib Bank	100.00	
41	CIB Leasing Ltd Share capital HUF 53,000,000	Budapest	1	CIB Leasing Holding	98.23	
				CIB Real Estate	1.77	
					100.00	
42	CIB Real Estate Ltd Share capital HUF 52,000,000	Budapest	1	Cib Bank	100.00	
43	CIB Rent Operative Leasing Ltd Share capital HUF 800,000,000	Budapest	1	Cib Bank	100.00	
44	Cimabue Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
45	Compagnia Italiana Finanziaria - CIF S.r.l. Share capital 138,864,869.00 euro	Milano	1	IN.FRA - Investire nelle Infrastrutture	63.78	
46	Consumer Finance Holding a.s. Share capital 53,110,277 euro	Kezmarok	1	Vseobecna Uverova Banka	100.00	
47	DB Platinum II Sicav (d)	Luxembourg	4	Intesa Sanpaolo Vita	100.00	
48	Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo	-	
49	Epsilon Associati SGR S.p.A. Share capital 5,200,000 euro	Milano	1	Eurizon Capital SGR	51.00	
				Banca IMI	49.00	
					100.00	
50	Equiter S.p.A. Share capital 150,000,000 euro	Torino	1	Intesa Sanpaolo	100.00	
51	Eurizon Capital S.A. Share capital 7,557,200 euro	Luxembourg	1	Eurizon Capital SGR	100.00	
52	Eurizon Capital SGR S.p.A. Share capital 95,010,000 euro	Milano	1	Intesa Sanpaolo	100.00	
53	Eurizon Investment Sicav (d)	Luxembourg	4	Intesa Sanpaolo Vita	44.47	
				Intesa Sanpaolo Life	55.31	
					99.78	
54	Eurizon Multi Alpha Classe I (d)	Luxembourg	4	Intesa Sanpaolo Vita	66.10	
				Eurizon Capital	33.90	
					100.00	
55	Euro-Tresorerie S.A. Share capital 250,038,322.20 euro	Paris	1	Financière Fideuram	100.00	
56	Fideuram Asset Management (Ireland) Ltd Share capital 1,000,000 euro	Dublin	1	Banca Fideuram	100.00	
57	Fideuram Bank Luxembourg S.A. Share capital 30,000,000 euro	Luxembourg	1	Banca Fideuram	100.00	
58	Fideuram Fiduciaria S.p.A. Share capital 1,551,000 euro	Torino	1	Banca Fideuram	100.00	
59	Fideuram Fund Bond Euro High Yield (d)	Luxembourg	4	Fideuram Vita	49.87	
				Intesa Sanpaolo Vita	27.74	
					77.61	
60	Fideuram Fund Bond Usa (d)	Luxembourg	4	Fideuram Vita	80.54	
				Intesa Sanpaolo Vita	0.06	
					80.60	

	Name	Registered office	Type of relationship (a)	Investment: direct ownership	Investment: % held	Votes available % (b)
61	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita	60.45	
				Intesa Sanpaolo Vita	2.14	
					62.59	
62	Fideuram Fund Bond Yen (d)	Luxembourg	4	Fideuram Vita	93.29	
				Intesa Sanpaolo Vita	0.03	
					93.32	
63	Fideuram Fund Equity Europe Growth (d)	Luxembourg	4	Fideuram Vita	91.89	
				Intesa Sanpaolo Vita	4.95	
					96.84	
64	Fideuram Fund Equity Europe Value (d)	Luxembourg	4	Fideuram Vita	89.72	
				Intesa Sanpaolo Vita	6.55	
					96.27	
65	Fideuram Fund Equity Euro (d)	Luxembourg	4	Fideuram Vita	91.80	
				Intesa Sanpaolo Vita	4.92	
					96.72	
66	Fideuram Fund Equity Euro Corporate Bond (d)	Luxembourg	4	Fideuram Vita	50.01	
				Intesa Sanpaolo Vita	8.17	
					58.18	
67	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita	82.67	
				Intesa Sanpaolo Vita	6.72	
				Intesa Sanpaolo Life	4.35	
					93.74	
68	Fideuram Fund Equity Italy (d)	Luxembourg	4	Fideuram Vita	87.24	
				Intesa Sanpaolo Vita	2.55	
					89.79	
69	Fideuram Fund Equity Japan (d)	Luxembourg	4	Fideuram Vita	92.86	
				Intesa Sanpaolo Vita	3.10	
					95.96	
70	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Fideuram Vita	90.33	
				Intesa Sanpaolo Vita	2.54	
					92.87	
71	Fideuram Fund Equity Usa (d)	Luxembourg	4	Fideuram Vita	92.14	
				Intesa Sanpaolo Vita	3.03	
					95.17	
72	Fideuram Fund Equity Usa Growth (d)	Luxembourg	4	Fideuram Vita	94.80	
				Intesa Sanpaolo Vita	4.39	
					99.19	
73	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Fideuram Vita	92.16	
				Intesa Sanpaolo Vita	6.37	
					98.53	
74	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Fideuram Vita	86.30	
				Intesa Sanpaolo Vita	2.04	
					88.34	
75	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Fideuram Vita	71.10	
				Intesa Sanpaolo Vita	10.11	
					81.21	
76	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Fideuram Vita	73.02	
				Intesa Sanpaolo Vita	9.20	
					82.22	
77	Fideuram Fund Euro Short Risk (d)	Luxembourg	4	Fideuram Vita	72.04	
				Intesa Sanpaolo Vita	5.86	
					77.90	
78	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Fideuram Vita	56.48	
				Intesa Sanpaolo Vita	21.96	
					78.44	
79	Fideuram Fund Flexible Opportunity (d)	Luxembourg	4	Intesa Sanpaolo Life	97.10	
80	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Fideuram Vita	100.00	
81	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Fideuram Vita	100.00	
82	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Fideuram Vita	100.00	
83	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Fideuram Vita	100.00	
84	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Fideuram Vita	100.00	
85	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Fideuram Vita	100.00	
86	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Fideuram Vita	100.00	
87	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Fideuram Vita	100.00	
88	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Fideuram Vita	100.00	
89	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Fideuram Vita	100.00	
90	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Fideuram Vita	100.00	
91	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Fideuram Vita	100.00	
92	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Fideuram Vita	100.00	
93	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Fideuram Vita	100.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	Investment % held	Votes available % (b)
94	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Fideuram Vita	100.00	
95	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Fideuram Vita	100.00	
96	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Fideuram Vita	100.00	
97	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Fideuram Vita	100.00	
98	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Fideuram Vita	100.00	
99	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Fideuram Vita	100.00	
100	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Fideuram Vita	100.00	
101	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Fideuram Vita	100.00	
102	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Fideuram Vita	100.00	
103	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Fideuram Vita	100.00	
104	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Fideuram Vita	100.00	
105	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Fideuram Vita	100.00	
106	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Fideuram Vita	100.00	
107	Fideuram Fund Zero Coupon 2040 (d)	Luxembourg	4	Fideuram Vita	100.00	
108	Fideuram Fund Zero Coupon 2041 (d)	Luxembourg	4	Fideuram Vita	100.00	
109	Fideuram Fund Zero Coupon 2042 (d)	Luxembourg	4	Fideuram Vita	100.00	
110	Fideuram Gestions S.A. Share capital 10,000,000 euro	Luxembourg	1	Banca Fideuram Fideuram Vita	99.94 0.06	
					100.00	
111	Fideuram Investimenti S.G.R. S.p.A. Share capital 25,850,000 euro	Milano	1	Banca Fideuram	99.50	
112	Fideuram Vita S.p.A. Share capital 356,946,836 euro	Roma	1	Intesa Sanpaolo Banca Fideuram	80.01 19.99	
					100.00	
113	Financière Fideuram S.A. Share capital 346,761,600 euro	Paris	1	Banca Fideuram	100.00	
114	Finor Leasing d.o.o. Share capital 2,044,700 euro	Koper	1	Banka Koper	100.00	
115	Fondo Caravaggio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
116	Fondo Bond Eur Long Term (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	34.02 25.77	
					59.79	
117	Fondo Bond Eur Medium Term (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	34.80 29.14	
					63.94	
118	Fondo Bond Eur Short Term (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	36.30 32.95	
					69.25	
119	Fondo Bond GBP (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	35.63 46.32	
					81.95	
120	Fondo Bond JPY (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	41.64 37.03	
					78.67	
121	Fondo Bond USD (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	40.81 34.63	
					75.44	
122	Fondo Cash Eur (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	32.35 16.70	
					49.05	
123	Fondo Equity Consumer Discretionary (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	0.99 56.48	
					57.47	
124	Fondo Equity Eastern Europe (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	38.32 61.68	
					100.00	
125	Fondo Equity Emerging Market (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	34.85 30.18	
					65.03	
126	Fondo Equity Europe (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	4.86 49.08	
					53.94	
127	Fondo Equity High Tech (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	0.07 67.53	
					67.60	
128	Fondo Euro Cash (d)	Luxembourg	4	Intesa Sanpaolo Life Intesa Sanpaolo Vita	24.58 28.54	
					53.12	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
129	Fondo Flexible Strategy (d)	Luxembourg	4	Intesa Sanpaolo Vita	58.59	
130	Fondo Total Return Alpha Strategy (d)	Luxembourg	4	Intesa Sanpaolo Vita	91.93	
131	Hayez Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
132	IMI Capital Markets USA Corp. Share capital USD 5,000	New York	1	IMI Investments	100.00	
133	IMI Finance Luxembourg S.A. Share capital 100,000 euro	Luxembourg	1	IMI Investments	100.00	
134	IMI Fondi Chiusi S.G.R. S.p.A. Share capital 2,000,000 euro	Bologna	1	IMI Investimenti	100.00	
135	IMI Investimenti S.p.A. Share capital 579,184,200 euro	Bologna	1	Intesa Sanpaolo	100.00	
136	IMI Investments S.A. Share capital 21,660,000 euro	Luxembourg	1	Banca IMI	100.00	
137	Immobiliare Nuova Sede S.r.l. Share capital 51,480 euro	Firenze	1	Cassa di Risparmio di Firenze	100.00	
138	IN.FRA - Investire nelle Infrastrutture S.p.A. (o) Share capital 117,342,245.47 euro	Milano	1	Intesa Sanpaolo	90.60	
139	Infogroup S.c.p.A. 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 della Lucchesia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				Casse di Risparmio dell'Umbria	0.01	
				altre quote minori	0.01	
					100.00	
140	Iniziative Logistiche S.r.l. Share capital 58,901,017.59 euro	Milano	1	IN.FRA - Investire nelle Infrastrutture	61.58	
141	Intesa Funding LLC Share capital USD 25,000	Wilmington	1	Intesa Sanpaolo	100.00	
142	Intesa Global Finance Company Ltd Share capital 100,000 euro	Dublin	1	Intesa Sanpaolo Holding International	100.00	
143	Intesa Lease Sec S.r.l. Share capital 60,000 euro	Milano	1	Leasint	100.00	
144	Intesa Leasing (Closed Joint-Stock Company) Share capital RUB 3,000,000	Moscow	1	Banca Intesa Zao	100.00	
145	Intesa Leasing d.o.o. Beograd Share capital RSD 960,374,301	Beograd	1	Banca Intesa Beograd	100.00	
146	Intesa Sanpaolo Assicura S.p.A. Share capital 27,912,258 euro	Torino	1	Intesa Sanpaolo Vita	100.00	
147	Intesa Sanpaolo Bank Albania Sh.A. (l) Share capital ALL 5,562,517,674	Tirana	1	Intesa Sanpaolo	98.61	100.00
148	Intesa Sanpaolo Bank Ireland Plc Share capital 400,500,000 euro	Dublin	1	Intesa Sanpaolo	100.00	
149	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Share capital BAM 44,782,000	Sarajevo	1	Intesa Sanpaolo Holding International	94.92	
150	Intesa Sanpaolo Card BH D.O.O. Share capital BAM 3,649,126.50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
151	Intesa Sanpaolo Card d.o.o. - Ljubljana Share capital 5,618,760.80 euro	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
152	Intesa Sanpaolo Card d.o.o. - Zagreb 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	
153	Intesa Sanpaolo Group Services S.c.p.A. Share capital 272,157,000 euro	Torino	1	Intesa Sanpaolo	99.88	
				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	
				Casse di Risparmio dell'Umbria	0.01	
				altre quote minori	0.04	
					100.00	
154	Intesa Sanpaolo Holding International S.A. Share capital 2,200,087,440 euro	Luxembourg	1	Intesa Sanpaolo	100.00	
155	Intesa Sanpaolo Immobilière S.A. Share capital 350,000 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
156	Intesa Sanpaolo Leasing Romania IFN S.A. Share capital RON 1,080,000	Bucharest	1	Intesa Sanpaolo Romania CIB Leasing	99.50 0.50 100.00	
157	Intesa Sanpaolo Life Ltd Share capital 625,000 euro	Dublin	1	Intesa Sanpaolo Vita	100.00	
158	Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A. Share capital 15,300,000 euro	Milano	1	Intesa Sanpaolo	100.00	
159	Intesa Sanpaolo Private Bank (Suisse) S.A. Share capital CHF 20,000,000	Lugano	1	Intesa Sanpaolo Holding International	100.00	
160	Intesa Sanpaolo Private Banking S.p.A. Share capital 105,313,200 euro	Milano	1	Intesa Sanpaolo	100.00	
161	Intesa Sanpaolo Provis S.r.l. (formerly Intesa Real Estate S.r.l.) Share capital 4,625,000 euro	Roma	1	Intesa Sanpaolo	100.00	
161	Intesa Sanpaolo Real Estate S.A. Share capital 2,940,476 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
162	Intesa Sanpaolo Romania S.A. Commercial Bank Share capital Ron 886,639,410	Arad	1	Intesa Sanpaolo Cassa di Risparmio di Firenze Intesa Sanpaolo Holding International	91.47 8.18 0.35 100.00	
163	Intesa Sanpaolo Servitia S.A. Share capital 1,500,000 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
164	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Share capital 1,032,000 euro	Milano	1	Intesa Sanpaolo	100.00	
165	Intesa Sanpaolo Vita S.p.A. Share capital 320,322,508.16 euro	Torino	1	Intesa Sanpaolo	99.99	
166	Intesa Sec. 3 S.r.l. Share capital 70,000 euro	Milano	1	Intesa Sanpaolo	60.00	
167	Intesa Sec. Npl S.p.A. Share capital 129,000 euro	Milano	1	Intesa Sanpaolo	60.00	
168	Intesa Sec. S.p.A. Share capital 100,000 euro	Milano	1	Intesa Sanpaolo	60.00	
169	Inversiones Mobiliarias S.A.- IMSA Share capital PEN 7,941,112.83	Lima	1	Intesa Sanpaolo	99.40	
170	ISP CB Ipotecario S.r.l. Share capital 120,000 euro	Milano	1	Intesa Sanpaolo	60.00	
171	ISP CB Pubbico S.r.l. Share capital 120,000 euro	Milano	1	Intesa Sanpaolo	60.00	
172	ISP OBG S.r.l. Share capital 42,038 euro	Milano	1	Intesa Sanpaolo	60.00	
173	Leasint S.p.A. Share capital 172,043,500 euro	Milano	1	Intesa Sanpaolo	100.00	
174	Levanna Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
175	Lima Sudameris Holding S.A. in liquidation Share capital PEN 172,384,709.03	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
176	Lunar Funding V Plc (k)	Dublin	4	Intesa Sanpaolo	-	
177	Lux Gest Asset Management S.A. Share capital 200,000 euro	Luxembourg	1	Société Européenne de Banque	100.00	
178	Mediocredito Italiano S.p.A. Share capital 572,043,495 euro	Milano	1	Intesa Sanpaolo	100.00	
179	Mediofactoring S.p.A. Share capital 220,000,000 euro	Milano	1	Intesa Sanpaolo	100.00	
180	Mercurio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	92.54	
181	Moneta S.p.A. Share capital 176,611,670 euro	Bologna	1	Intesa Sanpaolo	100.00	
182	Neos Finance S.p.A. Share capital 142,518,306 euro	Bologna	1	Intesa Sanpaolo	100.00	
183	PBZ Card d.o.o. Share capital HRK 43,422,200	Zagreb	1	Privredna Banka Zagreb	100.00	
184	PBZ Invest d.o.o. Share capital HRK 5,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
185	PBZ Leasing d.o.o. za poslove leasinga Share capital HRK 15,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
186	PBZ Nekretnine d.o.o. Share capital HRK 3,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
187	PBZ Stambena Stedionica d.d. Share capital HRK 115,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
188	Pravex Bank Public Joint-Stock Company Commercial Bank Share capital UAH 941,920,000	Kiev	1	Intesa Sanpaolo	100.00	

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
189	Private Equity International S.A. Share capital 101,000,000 euro	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
190	Privredna Banka Zagreb d.d. (q) Share capital HRK 1,907,476,900	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
191	RE Consult Infrastrutture S.p.A. Share capital 121,150,000 euro	Milano	1	Iniziative Logistiche Compagnia Italiana Finanziaria - CIF	38.00 62.00 100.00	
192	Recovery a.s. Share capital 33,200 euro	Bratislava	1	Vseobecna Uverova Banka	100.00	
193	Recovery Property Utilisation and Services ZRT. Share capital HUF 10,000,000	Budapest	1	Cib Bank	100.00	
194	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
195	Sanpaolo Invest Ireland Ltd Share capital 500,000 euro	Dublin	1	Banca Fideuram	100.00	
196	Sanpaolo Invest SIM S.p.A. Share capital 15,264,760 euro	Roma	1	Banca Fideuram	100.00	
197	Setefi S.p.A. Share capital 8,450,000 euro	Milano	1	Intesa Sanpaolo	100.00	
198	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Share capital 2,600,000 euro	Milano	1	Intesa Sanpaolo	100.00	
199	Société Européenne de Banque S.A. Share capital 535,091,520 euro	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
200	SP Lux Sicav II (d)	Luxembourg	4	Intesa Sanpaolo Life	90.13	
201	Split 2 S.r.l. (m)	Conegliano	4	Leasint	-	
202	Starling Finance Srl (e)	Dublin	4	Fideuram Vita	-	
203	Sudameris S.A. Share capital 49,671,600 euro	Paris	1	Intesa Sanpaolo	99.87	
204	T T 1 Lux S.A. Share capital 31,000 euro	Luxembourg	1	IMI Investimenti	100.00	
205	Tiepolo Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
206	Trade Receivables Investment Vehicle Sarl (d)	Luxembourg	4	Banca IMI/Duomo Funding	100.00	
207	Vseobecna Uverova Banka a.s. Share capital 430,819,063.81 euro	Bratislava	1	Intesa Sanpaolo Holding International	96.84	
208	VUB Asset Management Sprav. Spol a.s. Share capital 1,660,000 euro	Bratislava	1	Vseobecna Uverova Banka	100.00	
209	VUB Factoring a.s. Share capital 2,232,334 euro	Bratislava	1	Vseobecna Uverova Banka	100.00	
210	VUB Leasing a.s. Share capital 16,600,000 euro	Bratislava	1	Vseobecna Uverova Banka	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) Consolidated collective investment entity pursuant to SIC 12.

(e) SDS - Società a Destinazione Specifica for the issuance of structured products covering unit-linked policies (SIC 12).

(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 2.38% of share capital.

(i) Please note that there is a put option sold to minority shareholders on 10.26% of share capital.

(j) Please note that there is a put option sold/call option purchased from minority shareholders on 16.52% 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

No events of particular relevance occurred after the balance sheet date.

In the interest of completeness of information, it should be noted that on 8 January 2013 Intesa Sanpaolo launched a senior dual-tranche bond issue targeted at the U.S. and Canadian markets for a total of 3.5 billion U.S. dollars.
It is composed of two fixed-rate bonds issued under the U.S. Medium Term Notes Programme of Intesa Sanpaolo: the first one is a 3-year bond issued for an amount of 2 billion dollars and the second one is a 5-year bond issued for an amount of 1.5 billion dollars. The bonds placed on the U.S. market are exempt from registration under Section 3(a)(2) of the U.S. Securities Act as technically guaranteed by the New York branch of Intesa Sanpaolo; the part targeted at the Canadian market was placed in the provinces of Ontario and Quebec on the basis of the exemptions applicable to initial placements reserved only to institutional investors (private placement).
With reference to the 3-year bond, the semi-annual coupon is equal to 3.125% per annum. Considering its 99.966% re-offer price, the yield to maturity is 3.137% per annum and the total spread for the investor is equal to the yield of the 3-year U.S.

Treasury Bill plus 275 basis points per annum.
With reference to the 5-year bond, the semi-annual coupon is equal to 3.875% per annum. Considering its 99.851% re-offer price, the yield to maturity is 3.908% per annum and the total spread for the investor is equal to the yield of the 5-year U.S. Treasury Bill plus 310 basis points per annum.

Also in January, Intesa Sanpaolo launched a 1 billion euro Covered Bonds (Obbligazioni Bancarie Garantite, OBG) issue on the Euromarket, targeted at professional investors and international financial intermediaries, in order to optimise its treasury management.
The issue consists of 12-year, fixed-rate covered bonds under the 20 billion euro Issue Programme, mostly backed by residential and commercial mortgage loans assigned by Intesa Sanpaolo. The demand, 87% of which was from international institutional investors, was approximately 3.5 billion euro (3.5 times the target). Together with the bond floated on the U.S. market, as described above, this issue already covers the approximate total wholesale medium-/long-term maturities for all of 2013. The annual coupon is equal to 3.375%.Considering its 99.418% re-offer price, the yield to maturity is 3.435% per annum. The total spread for the investor is equal to the mid-swap rate + 150 basis points, 106 basis points under the BTP of the same maturity. The bond is listed on the Luxembourg Stock Exchange as well as traded over-the-counter, as is customary.

SECTION 5 - OTHER ASPECTS

Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group's Italian companies 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.

Other aspects

KPMG S.p.A. audited the Consolidated financial statements as at 31 December 2012, in execution of the resolution of the Shareholders' Meeting of 10 May 2011, which appointed the company as independent auditor for the years from 2012 to 2020, 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 upon 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.
Three different cases of restructuring of credit exposures may be identified:
– proper restructurings (as defined in Bank of Italy Circular 272);
– renegotiations;
– the discharge of debt through substitution of the debtor or debt-for-equity swap.
In accordance with the Bank of Italy regulations, debt (credit exposure) restructuring is defined as a transaction whereby the bank, for economic reasons, makes a concession to the debtor, in consideration of the financial difficulties experienced by the debtor, which concession the bank otherwise would not have made and which results in a loss for the creditor. The bank's concession essentially consists of a waiver of certain of its contractually defined rights, which translates into an immediate or deferred benefit for the debtor, which derives an advantage from such waiver, and in a corresponding loss for the bank. The effects of such waiver are measured by the decrease (increase) in the economic value of the loan (debt) compared to the carrying amount of the loan (debt) prior to restructuring.
Relationships that fall into this category are classified among non-performing loans.
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.
As an alternative to the scenarios outlined above (restructurings and renegotiations), the bank and debtor may agree on the discharge of the original debt through:
– novation or assumption by another debtor (assignment with release);
– substantial modification of the nature of the contract involving a debt-equity swap.
Such events, since they entail a substantial modification of the contractual terms, from an accounting standpoint result in the extinguishment of the previous relationship and the ensuing recognition of the new relationship at fair value, with the recognition in the income statement of a gain or loss equal to the difference between the book value of the former loan and the fair value of the assets received.

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 forecast 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.
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 relating 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. Equity investments

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 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.
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 and may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

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 expected technological obsolescence and over a maximum period of seven years; 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 (so-called 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 discounting rate is determined on the basis of market returns, surveyed as at the date of measurement, on high-quality corporate bonds, taking account of the residual average duration of the liability. 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 entity 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 designated 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 of high-quality corporate bonds 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 basis 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).
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, struck on the most advantageous 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.
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.
When no prices can be derived on active markets, the fair value of financial instruments is determined using the Comparable Approach (level 2) which uses measurement models based on market parameters. In this case, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the 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.
For derivatives, in consideration of their number and complexity, a systematic reference framework has been developed 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 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 determination of the fair value of a hedge fund is the result of an analytical process that involves two distinct approaches applied respectively to funds managed through the use of a Management Account Founded infrastructure and funds not managed according to such a platform.
In the former case, fair value corresponds to the NAV provided by the fund administrator.
In the second case, 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[5]) 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.

[5] 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.

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:
  o reference categories are established for the various types of market parameters;
  o the reference requirements governing the identification of official revaluation sources are set;
  o the fixing conditions of official figures are established;
  o 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.

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 in 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 forecast 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 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.

Equity investments

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.
In order to test its real-estate assets for signs of impairment, the Group conducts an annual analysis of the various real-estate market scenarios. If such analyses bring to light signs of impairment, an appraisal is prepared for the properties for which such signs of impairment have been found. 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 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, 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 rules. 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 different market conditions and 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 2012.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 31.12.2012	Fair value at 31.12.2012	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	1,915	1,731	125	47	-1	47
Debt securities	Financial assets held for trading	Financial assets held to maturity	-	-	1	-	-	-
Debt securities	Financial assets held for trading	Financial assets available for sale	-	-	-	1	-	2
Shares and funds	Financial assets held for trading	Financial assets available for sale	37	37	-1	-	-1	-
Debt securities	Financial assets available for sale	Loans	6,024	4,207	679	171	261	171
Loans	Financial assets available for sale	Loans	119	111	-13	3	-18	3
TOTAL			**8,095**	**6,086**	**791**	**222**	**241**	**223**

The income components related to net increases attributable to the risk profile being hedged of reclassified assets amount to 299 million euro.

Had the Group not reclassified the above financial assets, positive income components would have been recognised for an amount of 791 million euro (before tax), instead of positive income components of 241 million euro (before tax), generating a positive effect of 550 million euro (before tax), broken down as follows:

– write-off of the positive income components recognised during the year following the 241 million euro transfer. Of this amount, 58 million euro relates to adjustments and 299 million euro to fair value increases following hedges;
– reversal of the positive income components which would have been recognised had no transfer taken place, totalling 791 million euro. Of this amount, 78 million euro refers to adjustments, 299 million euro to fair value increases due to hedges and 414 million euro to the increase in Valuation reserves.

Moreover, had no reclassification taken place, other negative income components amounting to 2 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 2012 would have been written down by 2,005 million euro, of which 171 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, negative components for 2011: 11 million euro, positive components for 2012: 135 million euro) and 1,834 million euro to be recognised in the Valuation reserve in Shareholders' equity (against 2,248 million euro as at 31 December 2011 with a positive net variation of 414 million euro relating to the negative variation, had no transfer occurred).

As at 31 December 2012, reclassifications amount to a nominal 7,464 million euro. Of this amount:

– 5,633 million euro was reclassified 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;
– 1,831 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 2012.

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 3.3% and estimated cash flows at the date financial assets were reclassified amount to 7,379 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	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	12,143	50,579	824	10,525	48,076	1,362
2. Financial assets designated at fair value through profit or loss	31,944	4,537	406	27,727	6,335	191
3. Financial assets available for sale	89,445	5,264	2,500	61,878	4,920	1,979
4. Hedging derivatives	-	11,649	2	-	10,247	1
Total	**133,532**	**72,029**	**3,732**	**100,130**	**69,578**	**3,533**
1. Financial liabilities held for trading	5,335	46,200	660	4,250	43,534	956
2. Financial liabilities designated at fair value through profit or loss	-	27,047	-	-	22,653	-
3. Hedging derivatives	-	10,757	19	-	8,567	9
Total	**5,335**	**84,004**	**679**	**4,250**	**74,754**	**965**

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	**1,362**	**191**	**1,979**	**1**
2. Increases	**946**	**271**	**2,194**	**1**
2.1 Purchases	584	5	1,477	-
2.2 Gains recognised in:	158	41	133	1
2.2.1 Income statement	*158*	*41*	*13*	*1*
- of which capital gains	*115*	*41*	*-*	*-*
2.2.2 Shareholders' equity	*X*	*X*	*120*	*-*
2.3 Transfers from other levels	138	162	480	-
2.4 Other increases	66	63	104	-
3. Decreases	**-1,484**	**-56**	**-1,673**	**-**
3.1 Sales	-752	-6	-1,261	-
3.2 Reimbursements	-38	-5	-59	-
3.3 Losses recognized in:	-357	-29	-182	-
3.3.1 Income statement	*-357*	*-29*	*-98*	*-*
- of which capital losses	*-157*	*-29*	*-89*	*-*
3.3.2 Shareholders' equity	*X*	*X*	*-84*	*-*
3.4 Transfers to other levels	-308	-1	-33	-
3.5 Other decreases	-29	-15	-138	-
4. Final amount	**824**	**406**	**2,500**	**2**

"Transfers from other levels" of "Financial assets held for trading" are mainly 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	**956**	**-**	**9**
2. Increases	**210**	**-**	**12**
2.1 Issues	82	-	11
2.2 Losses recognised in:	109	-	1
2.2.1 Income statement	*109*	-	*1*
- of which capital losses	*109*	-	*1*
2.2.2 Shareholders' equity	*X*	*X*	-
2.3 Transfers from other levels	19	-	-
2.4 Other increases	-	-	-
3. Decreases	**-506**	**-**	**-2**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-142	-	-
3.3 Gains recognised in:	-351	-	-2
3.3.1 Income statement	*-351*	-	*-2*
- of which capital gains	*-150*	-	*-2*
3.3.2 Shareholders' equity	*X*	*X*	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-13	-	-
4. Final amount	**660**	**-**	**19**

"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 6 million euro[6] 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.
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.

[6] 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).

(millions of euro)

1. Initial amount	**40**
2. Increases	**4**
2.1 New transactions	4
3. Decreases	**-9**
3.1 Releases to the income statement	-9
4. Final amount	**35**

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)

	31.12.2012	31.12.2011
a) Cash	3,914	3,043
b) On demand deposits with Central Banks	1,387	1,018
TOTAL	**5,301**	**4,061**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(millions of euro)

	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	10,341	6,134	332	9,011	7,381	347
1.1 structured securities	*45*	*424*	*21*	*35*	*542*	*44*
1.2 other debt securities	*10,296*	*5,710*	*311*	*8,976*	*6,839*	*303*
2. Equities	297	1	1	202	-	-
3. Quotas of UCI	1,045	265	153	663	6	563
4. Loans	-	8	-	-	1	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	*8*	-	-	*1*	-
Total A	**11,683**	**6,408**	**486**	**9,876**	**7,388**	**910**
B. Derivatives						
1. Financial derivatives	398	42,537	322	566	37,417	383
1.1 trading	*381*	*42,220*	*322*	*564*	*37,152*	*383*
1.2 fair value option	*15*	-	-	-	*16*	-
1.3 other	*2*	*317*	-	*2*	*249*	-
2. Credit derivatives	62	1,634	16	83	3,271	69
2.1 trading	*62*	*1,634*	*3*	*83*	*3,271*	*56*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	*13*	-	-	*13*
Total B	**460**	**44,171**	**338**	**649**	**40,688**	**452**
TOTAL (A+B)	**12,143**	**50,579**	**824**	**10,525**	**48,076**	**1,362**

2.1 Of which Banking group

(millions of euro)

	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	10,112	5,449	313	8,863	6,463	347
1.1 structured securities	*45*	*424*	*21*	*35*	*542*	*44*
1.2 other debt securities	*10,067*	*5,025*	*292*	*8,828*	*5,921*	*303*
2. Equities	297	1	1	202	-	-
3. Quotas of UCI	892	265	153	413	6	563
4. Loans	-	8	-	-	1	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	*8*	-	-	*1*	-
Total A	**11,301**	**5,723**	**467**	**9,478**	**6,470**	**910**
B. Derivatives						
1. Financial derivatives	372	42,527	322	557	37,401	383
1.1 trading	*372*	*42,220*	*322*	*557*	*37,152*	*383*
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	*307*	-	-	*249*	-
2. Credit derivatives	59	1,634	16	83	3,271	69
2.1 trading	*59*	*1,634*	*3*	*83*	*3,271*	*56*
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	*13*	-	-	*13*
Total B	**431**	**44,161**	**338**	**640**	**40,672**	**452**
TOTAL (A+B)	**11,732**	**49,884**	**805**	**10,118**	**47,142**	**1,362**

2.1 Of which Insurance companies

(millions of euro)

	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	229	685	19	148	918	-
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*229*	*685*	*19*	*148*	*918*	-
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	153	-	-	250	-	-
4. Loans	-	-	-	-	-	-
4.1 reverse repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total A	**382**	**685**	**19**	**398**	**918**	**-**
B. Derivatives						
1. Financial derivatives	26	10	-	9	16	-
1.1 trading	*9*	-	-	*7*	-	-
1.2 fair value option	*15*	-	-	-	*16*	-
1.3 other	*2*	*10*	-	*2*	-	-
2. Credit derivatives	3	-	-	-	-	-
2.1 trading	*3*	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**29**	**10**	**-**	**9**	**16**	**-**
TOTAL (A+B)	**411**	**695**	**19**	**407**	**934**	**-**

2.2 Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

	31.12.2012	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2011
A) CASH ASSETS					
1. Debt securities	**16,807**	*15,874*	*933*	-	**16,739**
a) Governments and Central Banks	9,627	*9,391*	*236*	-	8,096
b) Other public entities	163	*163*	-	-	98
c) Banks	4,429	*3,828*	*601*	-	5,257
d) Other issuers	2,588	*2,492*	*96*	-	3,288
2. Equities	**299**	*299*	-	-	**202**
a) Banks	14	*14*	-	-	33
b) Other issuers	285	*285*	-	-	169
- insurance companies	*15*	*15*	-	-	*2*
- financial institutions	*15*	*15*	-	-	*2*
- non-financial companies	*255*	*255*	-	-	*165*
- other	-	-	-	-	-
3. Quotas of UCI	**1,463**	*1,310*	*153*	-	**1,232**
4. Loans	**8**	***8***	**-**	**-**	**1**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	2	*2*	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	6	*6*	-	-	1
Total A	**18,577**	*17,491*	*1,086*	-	**18,174**
B) DERIVATIVES					
a) Banks	30,909	*30,870*	*39*	-	30,941
- fair value	*30,909*	*30,870*	*39*	-	30,941
b) Customers	14,060	*14,060*	-	-	10,848
- fair value	*14,060*	*14,060*	-	-	10,848
Total B	**44,969**	*44,930*	*39*	-	**41,789**
TOTAL (A+B)	**63,546**	*62,421*	*1,125*	-	**59,963**

2.3 Cash financial assets held for trading: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**16,739**	**202**	**1,232**	**1**	**18,174**
B. Increases	**434,691**	**27,812**	**9,319**	**66**	**471,888**
B.1 purchases	428,058	27,412	9,111	66	464,647
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	402	13	71	-	486
B.3 other changes	6,231	387	137	-	6,755
C. Decreases	**-434,623**	**-27,715**	**-9,088**	**-59**	**-471,485**
C.1 sales	-422,843	-26,909	-8,982	-56	-458,790
of which business combinations	-	-	-	-	-
C.2 reimbursements	-8,137	-	-	-3	-8,140
C.3 negative fair value differences	-73	-8	-24	-	-105
C.4 trasfers to other portfolios	-80	-	-	-	-80
C.5 other changes	-3,490	-798	-82	-	-4,370
D. Final amount	**16,807**	**299**	**1,463**	**8**	**18,577**

2.3 Of which Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**15,673**	**202**	**982**	**1**	**16,858**
B. Increases	**432,007**	**27,812**	**9,261**	**66**	**469,146**
B.1 purchases	427,656	27,412	9,075	66	464,209
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	316	13	54	-	383
B.3 other changes	4,035	387	132	-	4,554
C. Decreases	**-431,806**	**-27,715**	**-8,933**	**-59**	**-468,513**
C.1 sales	-420,678	-26,909	-8,870	-56	-456,513
of which business combinations	-	-	-	-	-
C.2 reimbursements	-7,531	-	-	-3	-7,534
C.3 negative fair value differences	-70	-8	-24	-	-102
C.4 trasfers to other portfolios	-80	-	-	-	-80
C.5 other changes	-3,447	-798	-39	-	-4,284
D. Final amount	**15,874**	**299**	**1,310**	**8**	**17,491**

2.3 Of which Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**1,066**	**-**	**250**	**-**	**1,316**
B. Increases	**2,684**	**-**	**58**	**-**	**2,742**
B.1 purchases	402	-	36	-	438
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	86	-	17	-	103
B.3 other changes	2,196	-	5	-	2,201
C. Decreases	**-2,817**	**-**	**-155**	**-**	**-2,972**
C.1 sales	-2,165	-	-112	-	-2,277
of which business combinations	-	-	-	-	-
C.2 reimbursements	-606	-	-	-	-606
C.3 negative fair value differences	-3	-	-	-	-3
C.4 trasfers to other portfolios	-	-	-	-	-
C.5 other changes	-43	-	-43	-	-86
D. Final amount	**933**	**-**	**153**	**-**	**1,086**

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)

	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	19,069	4,340	256	16,008	6,073	2
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*19,069*	*4,340*	*256*	*16,008*	*6,073*	*2*
2. Equities	1,905	-	-	1,403	-	14
3. Quotas of UCI	10,946	1	150	10,295	-	175
4. Loans	24	196	-	21	262	-
4.1 structured	-	-	-	-	-	-
4.2 other	*24*	*196*	-	*21*	*262*	-
Total	**31,944**	**4,537**	**406**	**27,727**	**6,335**	**191**
Cost	**29,884**	**4,400**	**455**	**29,355**	**7,533**	**199**

3.1 Of which Banking group

(millions of euro)

	31.12.2012			31.12.2011		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	21	974	-	405	274	1
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*21*	*974*	-	*405*	*274*	*1*
2. Equities	-	-	-	-	-	14
3. Quotas of UCI	-	-	144	-	-	168
4. Loans	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total	**21**	**974**	**144**	**405**	**274**	**183**
Cost	**21**	**875**	**168**	**405**	**281**	**191**

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)

	31.12.2012			31.12.2011		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	19,048	3,366	256	15,603	5,799	1
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	*19,048*	*3,366*	*256*	*15,603*	*5,799*	*1*
2. Equities	1,905	-	-	1,403	-	-
3. Quotas of UCI	10,946	1	6	10,295	-	7
4. Loans	24	196	-	21	262	-
4.1 structured	-	-	-	-	-	-
4.2 other	*24*	*196*	-	*21*	*262*	-
Total	**31,923**	**3,563**	**262**	**27,322**	**6,061**	**8**
Cost	**29,863**	**3,525**	**287**	**28,950**	**7,252**	**8**

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)

	31.12.2012	*Of which:*			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**23,665**	*995*	*22,670*	-	**22,083**
a) Governments and Central Banks	18,263	*553*	*17,710*	-	14,938
b) Other public entities	18	*18*	-	-	21
c) Banks	4,599	*231*	*4,368*	-	1,050
d) Other issuers	785	*193*	*592*	-	6,074
2. Equities	**1,905**	-	*1,905*	-	**1,417**
a) Banks	530	-	*530*	-	126
b) Other issuers	1,375	-	*1,375*	-	1,291
- insurance companies	*71*	-	*71*	-	*60*
- financial institutions	*58*	-	*58*	-	*57*
- non-financial companies	*1,027*	-	*1,027*	-	*967*
- other	*219*	-	*219*	-	*207*
3. Quotas of UCI	**11,097**	**144**	**10,953**	-	**10,470**
4. Loans	**220**	-	*220*	-	**283**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	213	-	*213*	-	273
d) Other counterparties	7	-	*7*	-	10
TOTAL	**36,887**	*1,139*	*35,748*	-	**34,253**

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	**22,083**	**1,417**	**10,470**	**283**	**34,253**
B. Increases	**8,782**	**1,314**	**7,230**	**66**	**17,392**
B.1 purchases	2,389	555	6,185	31	9,160
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	2,258	211	632	-	3,101
B.3 other changes	4,135	548	413	35	5,131
C. Decreases	**-7,200**	**-826**	**-6,603**	**-129**	**-14,758**
C.1 sales	-3,244	-572	-2,509	-13	-6,338
of which business combinations	-	-	-	-	-
C.2 reimbursements	-983	-	-	-	-983
C.3 negative fair value differences	-411	-115	-120	-1	-647
C.4 other changes	-2,562	-139	-3,974	-115	-6,790
D. Final amount	**23,665**	**1,905**	**11,097**	**220**	**36,887**

3.3 Of which Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**680**	**14**	**168**	**-**	**862**
B. Increases	**945**	**-**	**-**	**-**	**945**
B.1 purchases	747	-	-	-	747
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	169	-	-	-	169
B.3 other changes	29	-	-	-	29
C. Decreases	**-630**	**-14**	**-24**	**-**	**-668**
C.1 sales	-555	-	-	-	-555
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1	-	-	-	-1
C.3 negative fair value differences	-33	-	-24	-	-57
C.4 other changes	-41	-14	-	-	-55
D. Final amount	**995**	**-**	**144**	**-**	**1,139**

3.3 Of which Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**21,403**	**1,403**	**10,302**	**283**	**33,391**
B. Increases	**7,837**	**1,314**	**7,230**	**66**	**16,447**
B.1 purchases	1,642	555	6,185	31	8,413
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	2,089	211	632	-	2,932
B.3 other changes	4,106	548	413	35	5,102
C. Decreases	**-6,570**	**-812**	**-6,579**	**-129**	**-14,090**
C.1 sales	-2,689	-572	-2,509	-13	-5,783
of which business combinations	-	-	-	-	-
C.2 reimbursements	-982	-	-	-	-982
C.3 negative fair value differences	-378	-115	-96	-1	-590
C.4 other changes	-2,521	-125	-3,974	-115	-6,735
D. Final amount	**22,670**	**1,905**	**10,953**	**220**	**35,748**

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(millions of euro)

	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	86,895	4,656	778	59,350	4,167	534
1.1 Structured securities	*4*	*-*	*-*	*23*	*89*	*-*
1.2 Other debt securities	*86,891*	*4,656*	*778*	*59,327*	*4,078*	*534*
2. Equities	1,029	522	1,101	1,287	651	969
2.1 Measured at fair value	*1,029*	*513*	*1,082*	*1,287*	*643*	*936*
2.2 Measured at cost	*-*	*9*	*19*	*-*	*8*	*33*
3. Quotas of UCI	1,521	81	589	1,241	92	449
4. Loans	-	5	32	-	10	27
TOTAL	**89,445**	**5,264**	**2,500**	**61,878**	**4,920**	**1,979**

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)

	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	47,090	3,051	370	23,542	2,535	396
1.1 Structured securities	*4*	*-*	*-*	*23*	*89*	*-*
1.2 Other debt securities	*47,086*	*3,051*	*370*	*23,519*	*2,446*	*396*
2. Equities	539	522	967	672	651	830
2.1 Measured at fair value	*539*	*513*	*948*	*672*	*643*	*797*
2.2 Measured at cost	*-*	*9*	*19*	*-*	*8*	*33*
3. Quotas of UCI	409	39	583	429	41	449
4. Loans	-	5	32	-	10	27
TOTAL	**48,038**	**3,617**	**1,952**	**24,643**	**3,237**	**1,702**

4.1 Of which Insurance companies

(millions of euro)

	31.12.2012			31.12.2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	39,805	1,605	333	35,808	1,632	138
1.1 Structured securities	*-*	*-*	*-*	*-*	*-*	*-*
1.2 Other debt securities	*39,805*	*1,605*	*333*	*35,808*	*1,632*	*138*
2. Equities	490	-	134	615	-	139
2.1 Measured at fair value	*490*	*-*	*134*	*615*	*-*	*139*
2.2 Measured at cost	*-*	*-*	*-*	*-*	*-*	*-*
3. Quotas of UCI	1,112	42	6	812	51	-
4. Loans	-	-	-	-	-	-
TOTAL	**41,407**	**1,647**	**473**	**37,235**	**1,683**	**277**

4.1 Of which Other companies

As at 31 December 2012 there was 75 million euro in assets attributable to other companies consisting of other level 3 debt securities, whereas the category was not present at the end of 2011.

4.2 Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**92,329**	***50,511***	***41,743***	*75*	**64,051**
a) Governments and Central Banks	81,374	*47,005*	*34,369*	-	51,964
b) Other public entities	189	*164*	*25*	-	275
c) Banks	6,883	*2,141*	*4,667*	*75*	7,883
d) Other issuers	3,883	*1,201*	*2,682*	-	3,929
2. Equities	**2,652**	***2,028***	***624***	-	**2,907**
a) Banks	288	*255*	*33*	-	336
b) Other issuers	2,364	*1,773*	*591*	-	2,571
- insurance companies	*543*	*367*	*176*	-	*492*
- financial institutions	*424*	*418*	*6*	-	*531*
- non-financial companies	*1,397*	*988*	*409*	-	*1,548*
- other	-	-	-	-	-
3. Quotas of UCI	**2,191**	***1,031***	***1,160***	-	**1,782**
4. Loans	**37**	***37***	-	-	**37**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	5	*5*	-	-	10
d) Other counterparties	32	*32*	-	-	27
TOTAL	**97,209**	***53,607***	***43,527***	*75*	**68,777**

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)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Financial assets with specific fair value hedges	**36,138**	***36,060***	***78***	-	**17,629**
a) Interest rate risk	36,094	*36,016*	*78*	-	17,588
b) Price risk	-	-	-	-	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	44	*44*	-	-	41
2. Financial assets with specific cash flow hedges	-	-	-	-	-
a) Interest rate risk	-	-	-	-	-
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**36,138**	***36,060***	***78***	-	**17,629**

4.4 Financial assets available for sale: annual changes

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**64,051**	**2,907**	**1,782**	**37**	**68,777**
B. Increases	**114,113**	**1,049**	**2,120**	**11**	**117,293**
B.1 purchases	104,947	393	1,835	10	107,185
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	4,175	299	104	1	4,579
B.3 write-backs recognised in:	-	10	2	-	12
- income statement	-	*X*	-	-	-
- shareholders' equity	-	*10*	*2*	-	*12*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	4,991	347	179	-	5,517
C. Decreases	**-85,835**	**-1,304**	**-1,711**	**-11**	**-88,861**
C.1 sales	-54,451	-768	-1,513	-1	-56,733
of which business combinations	-	-	-	-	-
C.2 reimbursements	-29,460	-28	-16	-5	-29,509
C.3 negative fair value differences	-966	-99	-43	-5	-1,113
C.4 impairment losses recognised in:	-27	-111	-26	-	-164
- income statement	*-27*	*-108*	*-26*	-	*-161*
- shareholders' equity	-	*-3*	-	-	*-3*
C.5 transfers to other portfolios	-	-9	-	-	-9
C.6 other changes	-931	-289	-113	-	-1,333
D. Final amount	**92,329**	**2,652**	**2,191**	**37**	**97,209**

4.4 Of which Banking group

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**26,473**	**2,153**	**919**	**37**	**29,582**
B. Increases	**88,739**	**652**	**1,188**	**11**	**90,590**
B.1 purchases	85,484	146	1,070	10	86,710
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	1,884	273	52	1	2,210
B.3 write-backs recognised in:	-	7	2	-	9
- income statement	-	*X*	-	-	-
- shareholders' equity	-	*7*	*2*	-	*9*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	1,371	226	64	-	1,661
C. Decreases	**-64,701**	**-777**	**-1,076**	**-11**	**-66,565**
C.1 sales	-35,425	-351	-962	-1	-36,739
of which business combinations	-	-	-	-	-
C.2 reimbursements	-28,303	-28	-16	-5	-28,352
C.3 negative fair value differences	-633	-85	-39	-5	-762
C.4 impairment losses recognised in:	-24	-83	-25	-	-132
- income statement	*-24*	*-80*	*-25*	-	*-129*
- shareholders' equity	-	*-3*	-	-	*-3*
C.5 transfers to other portfolios	-	-9	-	-	-9
C.6 other changes	-316	-221	-34	-	-571
D. Final amount	**50,511**	**2,028**	**1,031**	**37**	**53,607**

4.4 Of which Insurance companies

(millions of euro)

	Debt securities	Equities	Quotas of UCI	Loans	Total
A. Initial amount	**37,578**	**754**	**863**	**-**	**39,195**
B. Increases	**25,299**	**397**	**932**	**-**	**26,628**
B.1 purchases	19,388	247	765	-	20,400
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	2,291	26	52	-	2,369
B.3 write-backs recognised in	-	3	-	-	3
- income statement	-	*X*	-	-	-
- shareholders' equity	-	*3*	-	-	*3*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	3,620	121	115	-	3,856
C. Decreases	**-21,134**	**-527**	**-635**	**-**	**-22,296**
C.1 sales	-19,026	-417	-551	-	-19,994
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,157	-	-	-	-1,157
C.3 negative fair value differences	-333	-14	-4	-	-351
C.4 impairment losses recognised in	-3	-28	-1	-	-32
- income statement	*-3*	*-28*	*-1*	-	*-32*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-615	-68	-79	-	-762
D. Final amount	**41,743**	**624**	**1,160**	**-**	**43,527**

4.4 Of which Other companies

In 2012 the only item recorded was the purchase of 75 million euro in debt securities.

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 Banca delle Marche S.p.A. (18 million euro) and 3 Italia S.p.A. (17 million euro).

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(millions of euro)

	31.12.2012				31.12.2011			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,148	1,835	190	-	2,621	2,396	-	-
Structured securities	-	-	-	-	-	-	-	-
Other	*2,148*	*1,835*	*190*	-	*2,621*	*2,396*	-	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**2,148**	**1,835**	**190**	**-**	**2,621**	**2,396**	**-**	**-**

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)

	31.12.2012				31.12.2011			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,148	1,835	190	-	2,621	2,396	-	-
Structured securities	-	-	-	-	-	-	-	-
Other	*2,148*	*1,835*	*190*	-	*2,621*	*2,396*	-	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**2,148**	**1,835**	**190**	**-**	**2,621**	**2,396**	**-**	**-**

5.2 Investments held to maturity: borrowers/issuers

(millions of euro)

	31.12.2012	*Of which:*			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Debt securities	**2,148**	*2,148*	-	-	**2,621**
a) Governments and Central Banks	1,781	*1,781*	-	-	2,127
b) Other public entities	-	-	-	-	11
c) Banks	226	*226*	-	-	259
d) Other issuers	141	*141*	-	-	224
2. Loans	**-**	-	-	-	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
TOTAL	**2,148**	*2,148*	-	-	**2,621**
TOTAL FAIR VALUE	**2,025**	*2,025*	-	-	**2,396**

5.3 Investments held to maturity with specific hedges

As at 31 December 2012, 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	**2,621**	**-**	**2,621**
B. Increases	**137**	**-**	**137**
B.1 purchases	130	-	130
of which business combinations	-	-	-
B.2 write-backs	1	-	1
B.3 transfers from other portfolios	-	-	-
B.4 other changes	6	-	6
C. Decreases	**-610**	**-**	**-610**
C.1 sales	-295	-	-295
of which business combinations	-	-	-
C.2 reimbursements	-278	-	-278
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-37	-	-37
D. Final amount	**2,148**	**-**	**2,148**

5.4 Of which Banking group

(millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**2,621**	**-**	**2,621**
B. Increases	**137**	**-**	**137**
B.1 purchases	130	-	130
of which business combinations	-	-	-
B.2 write-backs	1	-	1
B.3 transfers from other portfolios	-	-	-
B.4 other changes	6	-	6
C. Decreases	**-610**	**-**	**-610**
C.1 sales	-295	-	-295
of which business combinations	-	-	-
C.2 reimbursements	-278	-	-278
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-37	-	-37
D. Final amount	**2,148**	**-**	**2,148**

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(millions of euro)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
A. Due from Central Banks	**8,555**	*8,555*	-	-	**7,021**
1. Time deposits	883	*883*	-	-	970
2. Compulsory reserve	7,567	*7,567*	-	-	5,706
3. Repurchase agreements	89	*89*	-	-	311
4. Other	16	*16*	-	-	34
B. Due from banks	**27,978**	*27,442*	*535*	*1*	**28,844**
1. Current accounts and deposits	10,529	*10,043*	*485*	*1*	8,220
2. Time deposits	2,171	*2,171*	-	-	1,848
3. Other loans	13,450	*13,450*	-	-	13,431
3.1 Reverse repurchase agreements	*8,609*	*8,609*	-	-	*6,687*
3.2 Financial leases	*6*	*6*	-	-	*7*
3.3 Other	*4,835*	*4,835*	-	-	*6,737*
4. Debt securities	1,828	*1,778*	*50*	-	5,345
4.1 Structured	-	-	-	-	*178*
4.2 Other	*1,828*	*1,778*	*50*	-	*5,167*
TOTAL (book value)	**36,533**	*35,997*	*535*	*1*	**35,865**
TOTAL (fair value)	***36,432***	*35,896*	*535*	*1*	**35,405**

Non-performing loans due from banks amounted to 41 million euro as at 31 December 2012 and 69 million euro as at 31 December 2011.

6.2 Due from banks with specific hedges

(millions of euro)

	31.12.2012	31.12.2011
1. Due from banks with specific fair value hedges	**703**	**429**
a) Interest rate risk	611	429
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	92	-
2. Due from banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**703**	**429**

6.3 Financial leases

Financial lease receivables included under Due from banks were immaterial as at 31 December 2012.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(millions of euro)

	31.12.2012			31.12.2011		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Current accounts	34,199	-	3,782	33,832	-	2,776
2. Reverse repurchase agreements	14,911	-	-	5,302	-	-
3. Mortgages	161,653	-	13,950	164,845	-	10,669
4. Credit card loans, personal loans and transfer of one fifth of salaries	15,389	-	726	15,664	-	686
5. Finance leases	20,120	8	3,339	21,611	3	2,523
6. Factoring	12,013	31	479	11,350	37	343
7. Other loans	73,154	-	5,999	83,158	-	5,474
8. Debt securities	16,714	-	158	18,286	-	185
8.1 Structured securities	*-*	*-*	*155*	*8*	*-*	*-*
8.2 Other debt securities	*16,714*	*-*	*3*	*18,278*	*-*	*185*
TOTAL (book value)	**348,153**	**39**	**28,433**	**354,048**	**40**	**22,656**
TOTAL (fair value)	**346,790**	**39**	**28,433**	**347,642**	**40**	**22,656**

Loans to customers include loans disbursed on public funds under administration for which the Bank holds the risk in the amount of 136 million euro.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

7.1 Of which Banking group

(millions of euro)

	31.12.2012		
	Performing	Non-performing	
		purchased	other
1. Current accounts	34,199	-	3,782
2. Reverse repurchase agreements	14,911	-	-
3. Mortgages	161,653	-	13,950
4. Credit card loans, personal loans and transfer of one fifth of salaries	15,389	-	726
5. Finance leases	20,120	8	3,339
6. Factoring	12,013	31	479
7. Other loans	73,134	-	5,999
8. Debt securities	15,615	-	158
8.1 Structured securities	*-*	*-*	*155*
8.2 Other debt securities	*15,615*	*-*	*3*
TOTAL (book value)	**347,034**	**39**	**28,433**
TOTAL (fair value)	**345,671**	**39**	**28,433**

7.1 Of which Insurance companies

As at 31 December 2012, 23 million euro was attributable to insurance companies, of which 20 million euro was attributable to other performing loans and 3 million euro to other performing debt securities (total fair value of 23 million euro).

7.1 Of which Other companies

As at 31 December 2012, 1,096 million euro was attributable to other companies, consisting solely of other performing debt securities (total fair value of 1,096 million euro).

7.2 Loans to customers: borrower/issuer breakdown

(millions of euro)

	31.12.2012			31.12.2011		
	Performing	Non-performing		Performing	Non-performing	
		purchased	other		purchased	other
1. Debt securities	**16,714**	**-**	**158**	**18,286**	**-**	**185**
a) Governments	4,595	-	-	4,313	-	-
b) Other public entities	5,946	-	2	5,991	-	-
c) Other issuers	6,173	-	156	7,982	-	185
- non-financial companies	*1,812*	*-*	*156*	*2,272*	*-*	*185*
- financial institutions	*4,241*	*-*	*-*	*5,229*	*-*	*-*
- insurance companies	*25*	*-*	*-*	*342*	*-*	*-*
- other	*95*	*-*	*-*	*139*	*-*	*-*
2. Loans	**331,439**	**39**	**28,275**	**335,762**	**40**	**22,471**
a) Governments	11,297	-	6	11,334	-	1
b) Other public entities	14,804	-	234	13,729	-	237
c) Other counterparties	305,338	39	28,035	310,699	40	22,233
- non-financial companies	*193,620*	*32*	*23,420*	*206,101*	*32*	*18,105*
- financial institutions	*25,614*	*-*	*487*	*17,515*	*-*	*375*
- insurance companies	*72*	*-*	*-*	*508*	*-*	*-*
- other	*86,032*	*7*	*4,128*	*86,575*	*8*	*3,753*
TOTAL	**348,153**	**39**	**28,433**	**354,048**	**40**	**22,656**

7.2 Of which Banking group

(millions of euro)

	31.12.2012		
	Performing	Non-performing	
		purchased	other
1. Debt securities	**15,615**	**-**	**158**
a) Governments	4,595	-	-
b) Other public entities	5,946	-	2
c) Other issuers	5,074	-	156
- non-financial companies	*1,812*	*-*	*156*
- financial institutions	*3,145*	*-*	*-*
- insurance companies	*25*	*-*	*-*
- other	*92*	*-*	*-*
2. Loans	**331,419**	**39**	**28,275**
a) Governments	11,297	-	6
b) Other public entities	14,804	-	234
c) Other counterparties	305,318	39	28,035
- non-financial companies	*193,620*	*32*	*23,420*
- financial institutions	*25,596*	*-*	*487*
- insurance companies	*72*	*-*	*-*
- other	*86,030*	*7*	*4,128*
TOTAL	**347,034**	**39**	**28,433**

7.2 Of which Insurance companies

As at 31 December 2012, 23 million euro was attributable to insurance companies, of which 18 million euro consisted of loans to financial institutions, 3 million euro of debt securities of other issuers and 2 million euro of loans to other parties.

7.2 Of which Other companies

As at 31 December 2012, 1,096 million euro was attributable to other companies, consisting solely of debt securities issued by financial institutions.

7.3 Loans to customers with specific hedges

(millions of euro)

	31.12.2012	31.12.2011
1. Loans to customers with specific fair value hedges	**34,753**	**34,589**
a) Interest rate risk	34,266	34,589
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	487	-
2. Loans to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**34,753**	**34,589**

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	**31.12.2012**					
	Non-performing loans	**Minimum lease payments**			**Gross investment**	
		Capital	*of which guaranteed residual value*	**Interest**		*of which unguaranteed residual value*
Up to 3 months	1,475	802	*19*	86	2,363	*39*
Between 3 and 12 months	825	1,973	*26*	392	3,190	*101*
Between 1 and 5 years	396	6,963	*103*	2,300	9,659	*218*
Over 5 years	452	9,463	*315*	2,883	12,798	*14*
Unspecified maturity	-	-	-	-	-	-
Total, gross	**3,148**	**19,201**	***463***	**5,661**	**28,010**	***372***
Loans for assets to be leased	199	1,072	-	-	1,271	-
Adjustments	-	-153	-	-	-153	-
- collective	-	-153	-	-	-153	-
Total, net	**3,347**	**20,120**	***463***	**5,661**	**29,128**	***372***

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 31.12.2012			Notional value 31.12.2012	Fair value 31.12.2011			Notional value 31.12.2011
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**11,649**	**2**	**181,045**	**-**	**10,247**	**1**	**164,452**
1) fair value	-	11,619	2	178,545	-	10,197	1	158,787
2) cash flows	-	30	-	2,500	-	50	-	5,665
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**11,649**	**2**	**181,045**	**-**	**10,247**	**1**	**164,452**

8.1 Of which Banking group

(millions of euro)

	Fair value 31.12.2012			Notional value 31.12.2012	Fair value 31.12.2011			Notional value 31.12.2011
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A) Financial derivatives	**-**	**11,649**	**2**	**181,045**	**-**	**10,208**	**1**	**162,449**
1) fair value	-	11,619	2	178,545	-	10,158	1	156,784
2) cash flows	-	30	-	2,500	-	50	-	5,665
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**11,649**	**2**	**181,045**	**-**	**10,208**	**1**	**162,449**

8.1 Of which Other companies

As at 31 December 2012, there were no hedging derivatives attributable to other companies, whereas they came to 39 million euro as at 31 December 2011 (the relative notional value came to 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					Generic	Specific	Generic	
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks				
1. Financial assets available for sale	1	-	-	-	-	X	-	X	X
2. Loans	232	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	1	X	9	X
5. Other transactions	-	21	-	-	-	X	-	X	-
Total assets	**233**	**21**	**-**	**-**	**-**	**1**	**-**	**9**	**-**
1. Financial liabilities	8,708	-	-	X	585	X	4	X	X
2. Portfolio	X	X	X	X	X	2,090	X	-	X
Total liabilities	**8,708**	**-**	**-**	**-**	**585**	**2,090**	**4**	**-**	**-**
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	1	-	-	-	-	X	-	X	X
2. Loans	232	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	1	X	9	X
5. Other transactions	-	21	-	-	-	X	-	X	-
Total assets	**233**	**21**	**-**	**-**	**-**	**1**	**-**	**9**	**-**
1. Financial liabilities	8,708	-	-	X	585	X	4	X	X
2. Portfolio	X	X	X	X	X	2,090	X	-	X
Total liabilities	**8,708**	**-**	**-**	**-**	**585**	**2,090**	**4**	**-**	**-**
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 mainly refer to specific fair value hedges of loans disbursed and liabilities issued, as well as generic fair value hedges of core deposits.

8.2 Of which Other companies

As at 31 December 2012, there were no hedging derivatives attributable to other companies, whereas they came to 39 million euro as at 31 December 2011 and related to other companies for specific hedges of financial liabilities.

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)

	31.12.2012	*Of which:*			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change	**73**	*73*	-	-	**138**
1.1. of specific portfolios	73	*73*	-	-	138
a) loans	*73*	*73*	-	-	*138*
b) assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-**	-	-	-	**-1**
2.1. of specific portfolios	-	-	-	-	-1
a) loans	-	-	-	-	*-1*
b) assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**73**	*73*	-	-	**137**

9.2 Assets hedged by macrohedging of interest rate risk

(millions of euro)

Hedged assets	31.12.2012	31.12.2011
1. Loans	11,738	9,762
2. Assets available for sale	-	-
3. Portfolio	-	12,996
TOTAL	**11,738**	**22,758**

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.

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 relationship (a)	Investment		Votes available %
				Direct ownership	% held	
A. COMPANIES SUBJECT TO JOINT CONTROL						
1	Allfunds Bank S.A. Capital Euro 27,040,620 in shares of Euro 30	Madrid	7	Intesa Sanpaolo	50.00	50.00
2	Augusto S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
3	Colombo S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
4	Diocleziano S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
5	Enerpoint Energy S.r.l. Capital Euro 10,600,000	Desio	7	Equiter	50.00	50.00
6	Eurotlx Sim S.p.A. 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. Capital Chf 4,000,000 in shares of Chf 100	Lugano	7	Equiter	25.00	25.00
8	Intesa Soditic Trade Finance Limited Capital Usd 5,000,000	London	7	Intesa Sanpaolo Holding International	50.00	50.00
9	Leonardo Technology S.p.A. Capital Euro 160,000	Milano	7	Intesa Sanpaolo	25.00	25.00
10	Manucor S.p.A. Capital Euro 10,000,000 in shares of Euro 1	Milano	7	Intesa Sanpaolo	72.75	45.50
11	MIR Capital Management S.A. Capital Euro 31,000 in shares of Euro 1	Luxembourg	4	Private Equity International	50.00	50.00
12	Noverca Italia S.r.l. Capital Euro 196,077	Roma	7	Intesa Sanpaolo	34.00	34.00
13	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management Capital HRK 56,000,000 in shares of HRK 1,000	Zagreb	7	Privredna Banka Zagreb	50.00	50.00
14	Shangai Sino-Italy Business Advisory Company Ltd Capital USD 1,560,000 in shares of USD 1	Shanghai	7	Intesa Sanpaolo	40.00	40.00
15	Vub Generali Dochodkova Spravcovska Spolocnost A.s. 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	A.I.2 S.r.l. Capital Euro 100,000,000	Roma	4	In.Fra.	22.17	22.17
2	A4 Holding S.p.A. Capital Euro 127,485,288.60 in shares of Euro 72.30	Verona	4	Re Consult Infrastrutture Equiter Compagnia Italiana Finanziaria	23.26 6.41 5.68	23.26 6.41 5.68
3	Aeroporti Holding S.r.l. Capital Euro 50,000,000	Caselle Torinese	4	Equiter	35.31	35.31
4	AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l. Capital Euro 214,641	Milano	4	Intesa Sanpaolo	42.86	42.86
5	Alitalia - Compagnia Aerea Italiana S.p.A. (b) Capital Euro 668,355,344	Fiumicino	4	Intesa Sanpaolo	10.01	10.01
6	Ambienta Società di Gestione del Risparmio S.p.A. Capital Euro 1,500,000 in shares of Euro 100	Milano	4	Equiter	20.00	20.00
7	Autostrada Pedemontana Lombarda S.p.A. Capital Euro 200,000,000 in shares of Euro 1,000	Milano	4	Equiter Intesa Sanpaolo	20.11 6.03	20.11 6.03
8	Autostrade Lombarde S.p.A. Capital Euro 466,984,840 in shares of Euro 1	Brescia	4	Intesa Sanpaolo	42.51	42.51
9	Banca Impresa Lazio S.p.A. Capital Euro 10,000,000 in shares of Euro 10,000	Roma	4	Intesa Sanpaolo	12.00	12.00
10	Bank of Qingdao co. LTD Capital CNY 2,555,980,000	Qingdao	4	Intesa Sanpaolo	20.00	20.00
11	Be Operations Execute, Manage & Perform S.p.A. (formerly B.E.E. Sourcing S.p.A.) Capital Euro 351,900 in shares of Euro 1	Roma	4	Intesa Sanpaolo C.R. dell'Umbria	13.04 11.96	13.04 11.96
12	Be Think, Solve, Execute S.p.A. (formerly B.E.E. Team S.p.A.) Capital Euro 20,537,247.25 in shares of Euro 0.30	Roma	4	Imi Investimenti	22.06	22.06

		Registered office	Type of relation-ship (a)	Investment Direct ownership	% held	Votes available %
13	Cassa di Risparmio di Fermo S.p.A. Capital Euro 39,241,087.50 in shares of Euro 51.65	Fermo	4	Intesa Sanpaolo	33.33	33.33
14	Cr Firenze Mutui S.r.l. Capital Euro 10,000	Conegliano Veneto	8	C.R. di Firenze	10.00	10.00
15	Euromilano S.p.A. 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. Capital Euro 51,995.00	Luxembourg	4	Intesa Sanpaolo	21.95	21.95
17	I. Tre Iniziative Immobiliari Industriali S.p.A. Capital Euro 510,000 in shares of Euro 0.51	Arquà Polesine	4	C.R. del Veneto	20.00	20.00
18	Iren S.p.A. Capital Euro 1,276,225,677 in shares of Euro 1	Torino	4	Equiter	2.27	2.45
19	Ism Investimenti S.p.A. Capital Euro 5,000,000 in shares of Euro 1	Mantova	4	Imi Investimenti	28.57	28.57
20	Italconsult S.p.A. Capital Euro 20,483,420 in shares of Euro 1	Roma	4	Intesa Sanpaolo	40.00	40.00
21	Italfondiario S.p.A. Capital Euro 20,000,000 in shares of Euro 1	Roma	4	Intesa Sanpaolo	11.25	11.25
22	LKS 2 S.A. Capital Euro 15,141,815.49 in shares of Euro 0.01	Luxembourg	4	T T 1 Lux S.A.	29.50	29.50
23	Mandarin Capital Management S.A. Capital Euro 271,000	Luxembourg	4	Private Equity International	20.00	20.00
24	Mater-Bi S.p.A. Capital Euro 14,560,000 in shares of Euro 0.52	Milano	4	Intesa Sanpaolo	34.48	34.48
25	Mezzanove Capital Management S.a.r.l. Capital Euro 12,500 in shares of Euro 25	Luxembourg	4	Private Equity International	47.00	47.00
26	Misr Alexandria for Financial Investments Mutual Fund Co. Capital EGP 30,000,000	Cairo	4	Bank of Alexandria	25.00	25.00
27	Misr International Towers Co. Capital EGP 40,000,000	Cairo	4	Bank of Alexandria	27.86	27.86
28	Nh Hoteles S.A. Capital Euro 493,234,860	Madrid	4	Private Equity International Intesa Sanpaolo	3.30 2.35	3.30 2.35
29	Nh Italia S.r.l. Capital Euro 233,846,717.53	Milano	4	Intesa Sanpaolo	44.50	44.50
30	Noverca S.r.l. Capital Euro 2,949,288.52	Roma	4	Intesa Sanpaolo	10.00	10.00
31	Nuovo Trasporto Viaggiatori S.p.A. Capital Euro 148,953,918 in shares of Euro 1	Roma	4	Imi Investimenti	20.00	20.00
32	Penghua Fund Management Co. Ltd. Capital CNY 150,000,000 in shares of CNY 1	Shenzhen	4	Eurizon Capital SGR	49.00	49.00
33	Pietra S.r.l. Capital Euro 40,000	Milano	4	Intesa Sanpaolo	22.22	22.22
34	Pirelli & C. S.p.A. Capital Euro 1,345,380,536.73 in shares of Euro 2.76	Milano	4	Intesa Sanpaolo	1.58	1.62
35	Portocittà S.p.A. Capital Euro 2,933,248	Trieste	4	Intesa Sanpaolo C.R. del Friuli Venezia Giulia	12.50 12.50	12.50 12.50
36	Prelios S.p.A. Capital Euro 218,877,615.35 in shares of Euro 0.26	Milano	4	Intesa Sanpaolo	0.91	0.91
37	Prelios Sgr S.p.A. 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. Capital Euro 32,135,988 in shares of Euro 0.50	Mantova	4	Intesa Sanpaolo	23.96	23.96
39	Risanamento S.p.A. 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. 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. Capital Euro 100,000	Spinea	4	Centro Leasing	20.00	20.00
42	Sagat S.p.A. 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. 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. dell'Umbria	0.07	0.07
				C.R. di Rieti	0.03	0.03
				C.R. di Ascoli Piceno	0.02	0.02
				Banca Fideuram	0.07	0.07
				Banca Monte Parma	0.01	0.01
				C.R. della Provincia di Viterbo	0.03	0.03
44	Sirti S.p.A. Capital Euro 95,892,274	Milano	4	Banca Imi	26.84	26.84
45	Slovak Banking Credit Bureau s.r.o. Capital Euro 9,958.17	Bratislava	4	Vseobecna Uverova Banka	33.33	33.33
46	Smia S.p.A. Capital Euro 1,473,229.50	Roma	4	Banca Fideuram	0.63	0.63
				C.R. di Civitavecchia	0.16	0.16
				C.R. di Firenze	0.42	0.42
				Intesa Sanpaolo	38.33	38.33
47	Società di Progetto Autostrada Diretta Brescia Milano S.p.A. Capital Euro 332,117,693 in shares of Euro 1	Brescia	4	Intesa Sanpaolo	0.05	0.05
48	Solar Express S.r.l. Capital Euro 116,000	Firenze	4	Intesa Sanpaolo	40.00	40.00
49	Telco S.p.A. Capital Euro 1,784,619,719.25 in shares of Euro 0.67	Milano	4	Intesa Sanpaolo	11.62	11.62
50	Termomeccanica S.p.A. Capital Euro 3,666,635.96 in shares of Euro 0.52	La Spezia	4	Intesa Sanpaolo	35.05	35.05
51	Umbria Export Società Consortile a.r.l. Capital Euro 108,500	Perugia	4	C.R. dell'Umbria	33.87	33.87
52	Unimatica S.p.A. Capital Euro 500,000 in shares of Euro 500	Bologna	4	Infogroup	25.00	25.00
53	UPA Servizi S.p.A. Capital Euro 1,504,278 in shares of Euro 1	Padova	4	C.R. del Veneto	44.32	44.32
54	Varese Investimenti S.p.A. Capital Euro 4,350,000 in shares of Euro 10	Varese	4	Intesa Sanpaolo	40.00	40.00
55	Vendor Italia S.r.l. Capital Euro 50,000	Spinea	4	Centro Leasing	20.00	20.00
56	Cargoitalia S.p.A. in liquidation Capital Euro 8,700,000 in shares of Euro 1	Milano	4	Intesa Sanpaolo	33.33	33.33
57	Collegamento Ferroviario Genova-Milano S.p.A. in liquidation Capital Euro 120,000 in shares of Euro 1	Genova	4	Intesa Sanpaolo	20.00	20.00
58	Consorzio Bancario SIR S.p.A. in liquidation 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
59	Europrogetti e Finanza S.p.A. in liquidation Capital Euro 5,636,400 in shares of Euro 0.30	Roma	4	Intesa Sanpaolo	15.97	15.97
60	Impianti S.r.l. in liquidation Capital Euro 92,952	Milano	4	Intesa Sanpaolo	26.27	26.27
				Banca di Trento e Bolzano	1.69	1.69
61	Sviluppo Industriale S.p.A. under voluntary liquidation Capital Euro 628,444.32 in shares of Euro 22.26	Pistoia	4	C.R. di Pistoia e Lucchesia	28.27	28.27
62	United Valves Co. (Butterfly) in liquidation 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					**138**	
Allfunds Bank S.A.	542	199	22	149	99	-
Augusto S.r.l.	-	-	-	-	-	-
Colombo S.r.l.	-	-	-	-	-	-
Diocleziano S.r.l.	-	-	-	-	-	-
Enerpoint Energy S.r.l.	25	11	1	11	6	-
Eurotlx Sim S.p.A.	11	7	1	8	4	-
Green Initiative Carbon Asset s (GICA) S.a.	-	-	-	-	-	-
Intesa Soditic Trade Finance Limited	7	1	-	4	2	-
Leonardo Technology S.p.A.	221	64	-	15	4	-
Manucor S.p.A.	116	123	-6	6	2	-
Mir Capital Management S.A. (a)	-	-	-	-	-	-
Noverca Italia S.r.l.	35	4	-7	18	3	-
PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management	21	6	2	19	10	-
Shangai Sino-Italy Business Advisory Company Ltd	-	-	-	-	-	-
Vub Generali Dochodkova Spravcovska Spolocnost A.s.	16	5	2	15	8	-
A.2. Investments in associates					**1,903**	
A.I.2 s.r.l. (a)	-	-	-	130	29	-
A4 Holding S.p.A.	1,557	677	19	490	369	-
Aeroporti Holding S.r.l.	54	-	-	53	17	-
AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l.	-	-	-	-	-	-
Alitalia - Compagnia Aerea Italiana S.p.A.	2,915	1,761	-190	279	58	-
Ambienta Società di Gestione del Risparmio S.p.A.	3	5	-	2	-	-
Autostrada Pedemontana Lombarda S.p.A.	271	8	-3	186	56	-
Autostrade Lombarde S.p.A.	315	1	-	220	174	-
Banca Impresa Lazio S.p.A.	59	2	-	7	1	-
Bank Of Qingdao Co. LTD	12,365	590	113	904	228	-
Be Operations Execute, Manage & Perform S.p.A. (formerly B.E.E. Sourcing S.p.A.)	27	23	-	4	1	-
Be Think, Solve, Execute S.p.A. (formerly B.E.E. Team S.p.A.)	106	58	2	34	10	3
Cassa di Risparmio di Fermo S.p.A.	1,578	48	7	149	50	-
Cr Firenze Mutui S.r.l.	-	-	-	-	-	-
Euromilano S.p.A.	156	3	-6	31	14	-
Gcl Holdings L.P. S.a.r.l.	864	239	-14	190	42	-
I. Tre Iniziative Immobiliari Industriali S.p.A.	8	4	-	1	-	-
Iren S.p.A.	7,010	3,185	68	1,671	28	13
Ism Investimenti S.p.A.	95	-	-1	43	12	-
Italconsult S.p.A. (a)	21	-	-	21	8	-
Italfondiario S.p.A.	62	25	-1	35	3	-
LKS 2 S.A. (a)	151	-	-	151	45	-
Mandarin Capital Management S.A.	5	7	-	5	1	-
Mater-Bi S.p.A.	131	196	1	27	9	-
Mezzanove Capital Management S.a.r.l.	-	-	-	-	-	-
Misr Alexandria for Financial Investments Mutual Fund Co.	19	1	1	19	5	-
Misr International Towers Co.	21	2	1	17	5	-
Nh Hoteles S.A.	3,075	1,442	-27	1,113	76	36
Nh Italia S.r.l.	788	128	-12	359	163	-
Noverca S.r.l.	28	1	-2	24	-	-
Nuovo Trasporto Viaggiatori S.p.A.	674	27	-20	128	33	-
Penghua Fund Management Co. Ltd.	134	163	22	102	104	-
Pietra S.r.l.	29	-	-	24	5	-
Pirelli & C. S.p.A.	7,535	4,777	306	2,279	35	67
Portocittà S.r.l.	3	-	-1	1	1	-

(millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
Prelios S.p.A.	905	126	-171	145	1	1
Prelios Sgr S.p.A.	51	30	-3	29	18	-
R.C.N. Finanziaria S.p.A.	-	-	-	-	-	-
Risanamento S.p.A.	-	-	-	-	46	49
Rizzoli Corriere della Sera MediaGroup S.p.A.	2,126	1,274	-381	259	9	46
S.A.F.I. S.r.l.	-	1	-	-	-	-
Sagat S.p.A.	174	71	4	64	18	-
SIA S.p.A.	266	350	22	142	73	-
Sirti S.p.A.	-	-	-	-	-	-
Slovak Banking Credit Bureau s.r.o.	1	2	-	-	-	-
Smia S.p.A. (a)	39	-	-	38	15	-
Società di Progetto Autostrada Diretta Brescia Milano S.p.A.	603	9	-1	164	-	-
Solar Express S.r.l.	6	2	-	5	2	-
Telco S.p.A.	3,608	164	-818	921	107	-
Termomeccanica S.p.A.	304	201	6	95	28	-
Umbria Export Società Consortile a.r.l.	1	-	-	-	-	-
Unimatica S.p.A.	3	2	-	1	-	-
UPA Servizi S.p.A.	11	14	-1	5	2	-
Varese Investimenti S.p.A.	4	-	-	4	2	-
Vendor Italia S.r.l.	-	1	-	-	-	-
Cargoitalia S.p.A. in liquidation	65	53	-	9	-	-
Collegamento Ferroviario Genova-Milano S.p.A. in liquidation	-	-	-	-	-	-
Consorzio Bancario SIR S.p.A. in liquidation	-	-	-	-6	-	-
Europrogetti e Finanza S.p.A. in liquidation	7	1	-	-9	-	-
Impianti S.r.l. in liquidation	-	-	-	-2	-	-
Sviluppo Industriale S.p.A. under voluntary liquidation	2	-	-	-	-	-
United Valves Co. (Butterfly) in liquidation	-	-	-	-	-	-
Total companies carried at equity					**2,041**	**-**
Banca d'Italia					624	
Other minority interests (b)					41	
Total					**2,706**	

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)

	31.12.2012	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2011
A. Initial amount	**2,630**	*2,268*	-	*362*	**2,716**
B. Increases	**369**	*348*	-	*21*	**379**
B.1 purchases	283	*269*	-	*14*	242
of which business combinations	-	-			-
B.2 write-backs	-	-	-	-	-
B.3 revaluations	86	*79*	-	*7*	118
B.4 other changes	-	-	-	-	19
C. Decreases	**-293**	*-279*	-	*-14*	**-465**
C.1 sales	-28	*-28*	-	-	-26
C.2 impairment losses (a)	-209	*-209*	-	-	-345
C.3 other changes	-56	*-42*	-	*-14*	-94
D. Final amount	**2,706**	*2,337*	-	*369*	**2,630**
E. Total revaluations	**1,928**	*1,921*	-	*7*	**1,842**
F. Total impairment losses	**1,115**	*1,115*	-	-	**906**

(a) includes - 191 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 2012 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

The Parent Company subscribed for a mandatorily convertible bond issued by Risanamento.

The instrument contains an embedded derivative on shares of the issuer, which entailed the recognition among Commitments for put options issued of approximately 169 million euro.

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 of 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. In particular, the most significant impairment loss referred to the investment in Telco S.p.A. for 116 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)

	31.12.2012	31.12.2011
A. Non-life business	**10**	**10**
A.1 premiums reserves	5	6
A.2 claims reserves	5	4
A.3 other reserves	-	-
B. Life business	**3**	**5**
B.1 mathematical reserves	2	4
B.2 reserves for amounts to be disbursed	1	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	**13**	**15**

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 2012.

SECTION 12 – PROPERTY AND EQUIPMENT – CAPTION 120

12.1 Property and equipment: breakdown of assets measured at cost

(millions of euro)

	31.12.2012	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2011
A. Property and equipment used in operations					
1.1 owned	5,012	*4,932*	*31*	*49*	4,977
a) land	*1,474*	*1,451*	*22*	*1*	*1,469*
b) buildings	*2,743*	*2,689*	*8*	*46*	*2,694*
c) furniture	*302*	*300*	*1*	*1*	*302*
d) electronic equipment	*397*	*397*	-	-	*421*
e) other	*96*	*95*	-	*1*	*91*
1.2 acquired under finance lease	17	*17*	-	-	19
a) land	*7*	*7*	-	-	*7*
b) buildings	*9*	*9*	-	-	*9*
c) furniture	-	-	-	-	-
d) electronic equipment	-	-	-	-	-
e) other	*1*	*1*	-	-	*3*
Total A	**5,029**	*4,949*	*31*	*49*	**4,996**
B. Investment property					
2.1 owned	501	*185*	-	*316*	540
a) land	*103*	*57*	-	*46*	*93*
b) buildings	*398*	*128*	-	*270*	*447*
2.2 acquired under finance lease	-	-	-	-	-
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
Total B	**501**	*185*	-	*316*	**540**
TOTAL (A + B)	**5,530**	*5,134*	*31*	*365*	**5,536**

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	**1,481**	**4,092**	**1,000**	**2,920**	**428**	**9,921**
A.1 Total net adjustments	-5	-1,389	-698	-2,499	-334	-4,925
A.2 Net initial carrying amount	**1,476**	**2,703**	**302**	**421**	**94**	**4,996**
B. Increases	**23**	**271**	**54**	**141**	**142**	**631**
B.1 Purchases	18	46	52	135	115	366
of which business combinations	*14*	*5*	-	-	-	*19*
B.2 Capitalised improvement costs	-	157	-	-	-	157
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	5	68	2	6	27	108
C. Decreases	**-18**	**-222**	**-54**	**-165**	**-139**	**-598**
C.1 Sales	-16	-28	-1	-3	-9	-57
of which business combinations	-	-	-	*-1*	-	*-1*
C.2 Depreciation	-	-116	-50	-157	-22	-345
C.3 Impairment losses recognised in:	-1	-28	-1	-1	-	-31
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-1*	*-28*	*-1*	*-1*	-	*-31*
C.4 Negative fair value differences recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-1	*-1*
C.6 Transfer to:	-	-	-	-1	-	-1
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	*-1*	-	*-1*
C.7 Other changes	-1	-50	-2	-3	-107	-163
D. Net final carrying amount	**1,481**	**2,752**	**302**	**397**	**97**	**5,029**
D.1 Total net adjustments	6	1,533	749	2,657	356	5,301
D.2 Gross final carrying amount	**1,487**	**4,285**	**1,051**	**3,054**	**453**	**10,330**
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	**1,459**	**4,078**	**997**	**2,918**	**423**	**9,875**
A.1 Total net adjustments	-5	-1,383	-697	-2,498	-331	-4,914
A.2 Net initial carrying amount	**1,454**	**2,695**	**300**	**420**	**92**	**4,961**
B. Increases	**22**	**223**	**53**	**141**	**135**	**574**
B.1 Purchases	18	42	51	135	115	361
of which business combinations	*14*	*5*	-	-	-	*19*
B.2 Capitalised improvement costs	-	157	-	-	-	157
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	4	24	2	6	20	56
C. Decreases	**-18**	**-220**	**-53**	**-164**	**-131**	**-586**
C.1 Sales	-16	-28	-1	-3	-3	-51
of which business combinations	-	-	-	*-1*	-	*-1*
C.2 Depreciation	-	-114	-50	-157	-22	-343
C.3 Impairment losses recognised in	-1	-28	-	-1	-	-30
a) shareholders' equity	-	-	-	-	-	-
b) income statement	*-1*	*-28*	-	*-1*	-	*-30*
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	-	-1
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	*-1*	-	*-1*
C.7 Other changes	-1	-50	-2	-2	-106	-161
D. Net final carrying amount	**1,458**	**2,698**	**300**	**397**	**96**	**4,949**
D.1 Total net adjustments	6	1,525	747	2,656	353	5,287
D.2 Gross final carrying amount	**1,464**	**4,223**	**1,047**	**3,053**	**449**	**10,236**
E. Measurement at cost	-	-	-	-	-	-

12.3 Of which Insurance companies

As at 31 December 2012, 31 million euro was attributable to insurance companies, of which 22 million euro related to land, 8 million euro to buildings and 1 million euro to furniture.

12.3 Of which Other companies

As at 31 December 2012, 49 million euro was attributable to other companies, of which 46 million euro related to buildings, 1 million euro to land, 1 million euro to furniture and 1 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	**93**	**447**	*69*	*233*	-	-	*24*	*214*
B. Increases	**36**	**168**	*8*	*46*	-	-	*28*	*122*
B.1 Purchases	23	68	-	*9*	-	-	*23*	*59*
of which business combinations	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
B.7 Other changes	13	100	*8*	*37*	-	-	*5*	*63*
C. Decreases	**-26**	**-217**	*-20*	*-151*	-	-	*-6*	*-66*
C.1 Sales	-3	-24	*-3*	*-18*	-	-	-	*-6*
of which business combinations	-	-	-	-	-	-	-	-
C.2 Depreciation	-	-4	-	*-3*	-	-	-	*-1*
C.3 Negative fair value differences	-	-	-	-	-	-	-	-
C.4 Impairment losses	-15	-74	*-11*	*-20*	-	-	*-4*	*-54*
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-	-
C.6 Transfer to other assets	-	-	-	-	-	-	-	-
a) property used in operations	-	-	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
C.7 Other changes	-8	-115	*-6*	*-110*	-	-	*-2*	*-5*
D. Final carrying amount	**103**	**398**	*57*	*128*	-	-	*46*	*270*
E. Fair value measurement	**105**	**401**	*59*	*131*	-	-	*46*	*270*

12.5 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2012 came to approximately 180 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)

	31.12.2012		Of which:						31.12.2011	
			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**	**8,681**	*X*	*7,531*	*X*	*1,142*	*X*	*8*	**X**	**8,689**
A.1.1 Group	x	8,681	*x*	*7,531*	*x*	*1,142*	*x*	*8*	x	8,689
A.1.2 Minority interests	x	-	*x*	-	*x*	-	*x*	-	x	-
A.2 Other intangible assets	**3,654**	**2,384**	*3,275*	*2,384*	*379*	-	-	-	**3,968**	**2,384**
A.2.1 Assets measured at cost	3,654	2,384	*3,275*	*2,384*	*379*	-	-	-	3,968	2,384
a) Internally generated intangible assets	*579*	-	*579*	-	-	-	-	-	*501*	-
b) Other assets	*3,075*	*2,384*	*2,696*	*2,384*	*379*	-	-	-	*3,467*	*2,384*
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**3,654**	**11,065**	*3,275*	*9,915*	*379*	*1,142*	-	*8*	**3,968**	**11,073**

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 2012 reference should instead be made to Part G - Business combinations.

Other intangible assets with a finite useful life include 2,823 million euro in intangibles recognised in relation to business combinations. Of these, 743 million euro refer to intangibles linked to asset management, 366 million euro to the value of the insurance policy portfolio and 1,714 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	31.12.2012	31.12.2011
Banca dei Territori	5,043	5,039
Corporate and Investment Banking	867	867
Eurizon Capital	1,038	1,038
Banca Fideuram	1,002	1,002
International Subsidiary Banks	731	743
Bank of Alexandria (Egypt)	-	
Pravex Bank (Ukraine)	-	-
Total	**8,681**	**8,689**

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	**20,267**	**1,927**	**-**	**7,756**	**2,384**	**32,334**
A.1 Total net adjustments	-11,578	-1,426	-	-4,289	-	-17,293
A.2 Net initial carrying amount	**8,689**	**501**	**-**	**3,467**	**2,384**	**15,041**
B. Increases	**4**	**287**	**-**	**117**	**-**	**408**
B.1 Purchases	4	-	-	115	-	119
of which business combinations	*4*	-	-	-	-	*4*
B.2 Increases of internally generated intangible assets	X	287	-	-	-	287
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	-	-	-	2	-	2
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-12**	**-209**	**-**	**-509**	**-**	**-730**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-205	-	-505	-	-710
- Amortisation	X	-205	-	-505	-	-710
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
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	-12	-	-	-	-	-12
C.6 Other changes	-	-4	-	-4	-	-8
D. Net final carrying amount	**8,681**	**579**	**-**	**3,075**	**2,384**	**14,719**
D.1 Total net adjustments	11,578	1,631	-	4,794	-	18,003
E. Gross final carrying amount	**20,259**	**2,210**	**-**	**7,869**	**2,384**	**32,722**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The increases in intangible assets deriving from business combinations included the goodwill recognised following the acquisition of New 16. For further details on the criteria applied in the recognition of this asset, see Part G of these Notes to the consolidated financial statements.

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	**19,008**	**1,920**	**-**	**6,822**	**2,384**	**30,134**
A.1 Total net adjustments	-11,469	-1,419	-	-3,789	-	-16,677
A.2 Net initial carrying amount	**7,539**	**501**	**-**	**3,033**	**2,384**	**13,457**
B. Increases	**4**	**287**	**-**	**115**	**-**	**406**
B.1 Purchases	4	-	-	113	-	117
of which business combinations	*4*	-	-	-	-	*4*
B.2 Increases of internally generated intangible assets	X	287	-	-	-	287
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	-	-	-	2	-	2
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-12**	**-209**	**-**	**-452**	**-**	**-673**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-205	-	-448	-	-653
- Amortisation	X	-205	-	-448	-	-653
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
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	-12	-	-	-	-	-12
C.6 Other changes	-	-4	-	-4	-	-8
D. Net final carrying amount	**7,531**	**579**	**-**	**2,696**	**2,384**	**13,190**
D.1 Total net adjustments	11,469	1,624	-	4,237	-	17,330
E. Gross final carrying amount	**19,000**	**2,203**	**-**	**6,933**	**2,384**	**30,520**
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**	**-**	**934**	**-**	**2,171**
A.1 Total net adjustments	-88	-7	-	-500	-	-595
A.2 Net initial carrying amount	**1,142**	**-**	**-**	**434**	**-**	**1,576**
B. Increases	**-**	**-**	**-**	**2**	**-**	**2**
B.1 Purchases	-	-	-	2	-	2
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	**-**	**-**	**-**	**-57**	**-**	**-57**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-57	-	-57
- Amortisation	X	-	-	-57	-	-57
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
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**	**-**	**-**	**379**	**-**	**1,521**
D.1 Total net adjustments	88	7	-	557	-	652
E. Gross final carrying amount	**1,230**	**7**	**-**	**936**	**-**	**2,173**
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	**29**	**-**	**-**	**-**	**-**	**29**
A.1 Total net adjustments	-21	-	-	-	-	-21
A.2 Net initial carrying amount	**8**	**-**	**-**	**-**	**-**	**8**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-
- Amortisation	X	-	-	-	-	-
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
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.
In the 2011 financial statements impairment losses of 10,317 million euro were recognised on goodwill (6,464 million euro on goodwill of the Banca dei Territori CGU, 2,349 million euro on goodwill of the Corporate and Investment Banking CGU, 373 million euro on goodwill of Banca Fideuram, 1,009 million euro on goodwill of Bank of Alexandria and 122 million euro on goodwill of the International Subsidiary Banks CGU).
The following impairment losses were recorded also 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 31.12.2011	Amortisation	Other changes 2011 (a)	Financial statements 31.12.2012
BANCA DEI TERRITORI	**8,928**	**-238**	**4**	**8,694**
- Intangible asset management - distribution	163	-54	-	109
- Intangible assets insurance - product. and distribut.	421	-55	-	366
- Intangible core deposits	1,798	-129	-	1,669
- Intangible brand name	1,507	-	-	1,507
- Goodwill	5,039	-	4	5,043
CORPORATE AND INVESTMENT BANKING	**1,369**	**-**	**-**	**1,369**
- Intangible brand name	502	-	-	502
- Goodwill	867	-	-	867
EURIZON CAPITAL	**1,189**	**-50**	**-**	**1,139**
- Intangible asset management - production	151	-50	-	101
- Goodwill	1,038	-	-	1,038
BANCA FIDEURAM	**2,087**	**-132**	**-**	**1,955**
- Intangible asset management - product. and distribut. [b]	661	-128	-	533
- Intangible core deposits	49	-4	-	45
- Intangible brand name	375	-	-	375
- Goodwill	1,002	-	-	1,002
INTERNATIONAL SUBSIDIARY BANKS	**743**	**-**	**-12**	**731**
- Goodwill	743	-	-12	731
BANK OF ALEXANDRIA (Egypt)	**-**	**-**	**-**	**-**
PRAVEX BANK (Ukraine)	**-**	**-**	**-**	**-**
GROUP TOTAL	**14,316**	**-420**	**-8**	**13,888**
- Intangible asset management	975	-232	-	743
- Intangible assets insurance	421	-55	-	366
- Intangible core deposits	1,847	-133	-	1,714
- Intangible brand name	2,384	-	-	2,384
- Goodwill	8,689	-	-8	8,681

[a] Other changes include the acquisition of New 16 the exchange-rate effect of the international subsidiaries.

[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.

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 relationships 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, two acquisitions were finalised during the year in the context of the offer submitted by Intesa Sanpaolo to the Receivers of the Delta Group, under extraordinary administration. These were:
– New 16;
– Bentos Assicurazioni.

New 16, which was the beneficiary of a partial de-merger by SediciBanca of lending operations and a property, was acquired on 17 December 2012 for agreed consideration of 17 million euro. A comparison of the price paid and equity of New 16 as at the execution date, 13 million euro, yields a difference of 4 million euro, allocated to goodwill. Intesa Sanpaolo Vita, in which Intesa Sanpaolo holds a 99.99% interest, acquired 100% of the shares representing the share capital of Bentos Assicurazioni on 17 December 2012 for agreed consideration of 13 million euro. For the purposes of the application of IFRS 3, the price paid was in line with the company’s equity.

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 420 million euro gross of the tax effect (approximately 288 million euro net).

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. In addition, intangible assets with a finite useful life must be tested for impairment whenever there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.
Lastly, it should be mentioned that IAS 36, for the purpose of determining the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows arising from the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the relationships initially recognised according to IFRS 3 and those 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 relationships from others.

This concept can also be applied in impairment testing of goodwill to determine 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 market values for calculation of the recoverable amount, values in use were used in the impairment tests for the 2012 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 2012.

Impairment testing of intangibles

Asset management portfolio
The intangible asset recognised in the financial statements of Intesa Sanpaolo is considered to have a finite useful life. For the purposes of the 2012 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, operating cost levels and cost of capital).
In 2012 there was an overall increase in asset volumes compared to the end of 2011, especially in the final months of the year. Overall, the value of the assets under management (AUM) considered was generally higher at the end of 2012 than in December 2011.
Among the other factors analysed, product unit profitability in 2012 generally remained at the previous year's levels, whereas operating costs were lower than forecast in the budget (used for the analyses conducted at the end of 2011). The trend in redemption rates, on the other hand, did not constitute a meaningful sign that the intangible asset may have become impaired. The decrease in the cost of capital for the CGUs considered is a further positive element in the overall analyses conducted.
These analyses supported the assumption that there were no indicators of impairment of the AUM intangible asset, also considering the further reduction in the carrying amount of the asset in the financial statements due to the recognition of the amortisation charge for 2012.
It should be recalled that the impairment tests conducted for the 2009 and 2010 financial statements yielded positive results, meaning that it was not necessary to recognise impairment beyond 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, since no impairment indicators were found, as was the case for the 2012 financial statements, analyses of the main variables determining the value of the asset were conducted.

For the 2012 financial statements, the amortisation of the asset for the year was recognised to the income statement, decreasing its carrying amount (a total of 232 million euro, gross of the tax effect, which represents approximately 24% of the carrying amount of AUM intangible as at 31 December 2011).

The following table presents AUM volumes at the end of 2012 and the change in such volumes compared to December 2011.

(millions of euro)

Assets Under Management	AUM volumes	
	Value 2012	Change compared to 2011
AUM production - Eurizon Capital [(a)]	154,263	8.7%
AUM distribution - Eurizon Capital	60,922	4.7%
AUM production and distribution - Banca Fideuram [(b)]	58,450	13.6%

[(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 31.12.2011	Amortisation	Financial statements 2012
Banca dei Territori			
Intangibile asset management - distribution	163	-54	109
Eurizon Capital			
Intangibile asset management - production	151	-50	101
Banca Fideuram			
Intangibile asset management - produc. and distribut. [a]	661	-128	533
Total Intangible asset management	**975**	**-232**	**743**

[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 rates over a period representing the residual life of the insurance contracts.

For the 2012 financial statements the amortisation of the asset for the year was recognised to the income statement. The amortisation for 2012 amounted to approximately 13% of the carrying amount of the asset at the end of 2011 (for a total of 55 million euro gross of the tax effect and 37 million net).

This type of intangible was also subject to an update and extension of the analyses of the main impairment indicators already conducted during the year. However, the value in use of the intangible asset was not recalculated, as it instead had been for the purposes of the 2011 financial statements, owing above all to the volatility of the financial markets, particularly in the second half of 2011, and the developments in the Italian sovereign debt crisis.

The performance of the insurance business in 2012 did not point out any particular critical issues. Accordingly, the value of the intangible asset was not recalculated.

Despite rising surrender rates, mathematical reserves showed growth; owing in part to the containment of operating costs, product profitability increased slightly; financial parameters, due partly to the performance of the securities in portfolio following the easing of tensions surrounding government securities, were better than at the end of 2011.

The table below provides the value of mathematical 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 initial valuation of the insurance portfolio.

(millions of euro)

Insurance portfolio	Model technical reserves [a]	
	Value 2012	Change compared to 2011
Traditional	45,083	5.0%
Pension funds	627	15.5%
Unit-linked	16,358	3.9%
Index-linked	4,651	-31.2%
TOTAL [b]	**66,719**	**1.1%**

[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 2012, coming to 67 billion euro at year-end.

There was a significant increase in reserves for traditional products, which came to nearly 45 billion euro. Overall, reserves for this latter type of policy accounted for more than two-thirds of total reserves. 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” products in this category.

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 31.12.2011	Amortisation	Financial statements 2012
Banca dei Territori			
Intangible assets insurance - produc. and distribut.	421	-55	366

Core deposits

"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The value of the intangible core deposits is due to the future benefits for the acquirer deriving from a stable form of funding with a lower funding cost compared to market parameters. 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 2012 financial statements, the share of amortisation of the asset for the year (133 million euro gross of taxes and 90 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; if the answer is positive 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 2012. 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.

The following factors were taken into account in order to identify any potential impairment indicators: 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 following table presents a summary of the amount of stable funding of the CGUs included in the scope of reference for the periods considered. The amounts include technical forms related to current accounts and free deposits (and thus excluding term deposit components) held by non-intragroup retail counterparties (referring to customers falling into certain business segments) on the basis of the same criteria defined for the initial recognition of the intangible.

(millions of euro)

CGU	2012	Change compared to 2011
Banca dei Territori	94,600	-1.5%
Banca Fideuram	5,006	10.4%
Total [(a)]	**99,606**	**-1.0%**

[(a)] The forms of funding analysed are those with balances relating to the following economic sectors of business: consumer households, family businesses, tradesmen, ecclesiastical and religious organisations and entities, and assistance and charity institutions. Bearer deposits are included.

The analyses conducted showed that the volumes of the Banca dei Territori CGU and the Banca Fideuram CGU, which as at 31 December 2012 were down slightly overall compared to the end of 2011, were significantly higher than the stocks analysed for the purchase price allocation for the business combinations.

With respect to profitability, the hypothesised mark-down performance is affected by the trend in short-term interest rates (1-month Euribor). The latter remained at lower levels than at the time of initial measurement. The year 2012 was characterised by a considerable reduction in rates, which stood at extremely reduced rates at year-end. Over the next two years, short-term rates are expected to remain very low, to then increase once more in the following years.

Operating costs were down compared to 2011, owing to efficiency measures, although to a lesser extent than the reduction in the contribution by interest.

On the basis of an estimate of the foregoing quantitative impacts on the value of the deposit premium, it was determined that the amount of volumes, up sharply compared to the amount calculated for the purchase price allocation, and the decrease in the cost of capital more than offset the negative effects attributable to the other factors set out above.

On the basis of the foregoing considerations, 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), and also considering that the initial amount of the intangible has already been decreased over time by more than one-third of its value, no indicators were detected that would support the belief that the intangible asset may have become impaired.

The following table presents a summary of the values of core deposits intangibles, broken down by the CGU to which they pertain.

(millions of euro)

CGU	Financial Statements 31.12.2011	Amortisation	Financial Statements 31.12.2012
Banca dei Territori			
Intangibile core deposits	1,798	-129	1,669
Banca Fideuram			
Intangibile core deposits	49	-4	45
Total	**1,847**	**-133**	**1,714**

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 determine the so-called "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 for a no definite time 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 different methods.
As this intangible asset has no independent cash flows, for impairment testing purposes for the 2012 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 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 of 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 on the managerial responsibilities governing the operating guidelines and monitoring activity. Organisational 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 the recoverable amount of an asset - which is in itself the base for impairment tests - according to which the relevant item is the amount that the company expects to recover from that asset, considering any synergies with other assets.
Therefore, in accordance with the criteria applied for the determination of the prices of the business combinations that gave rise to goodwill recognition, 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 managed 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.

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.

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.
With regard to 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 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 2009 Ukraine reported a further decrease in GDP in real terms as the consequence of a sharp decline in investments and consumption. Beginning in 2010 and continuing in 2011, GDP began to rise once more, although at modest rates. In 2012, owing to the renewed intensification of the crisis, especially in European countries, GDP growth slowed sharply, as did inflation. GDP growth should resume in the coming years, although at a slower pace than estimated in previous years. The currency scenario also was and still is quite critical, although it has improved slightly in future estimates, inasmuch as inflation, down in 2012 and expected to increase sharply beginning in 2013, and the deterioration of competitive positions lead to projections of a depreciation of the currency. Bank interest rates remained at very high levels. The spread implicit in CDSs (average values for December 2012), while down compared to December 2011, was higher than for the other countries belonging to the International Subsidiary Banks CGU. Finally, it should be noted that in December 2012 the country's rating was downgraded from B2 to B3 by the agency Moody's. Among the reasons provided were concerns over economic growth, the government's ability to implement the necessary reforms and the liquidity profile, in light of the extensive measures by the central bank to combat the crisis.
With regard to the subsidiary Bank of Alexandria, for the purposes of 2011 impairment testing the bank was separated from the International Subsidiary Banks CGU due to a profound political crisis. 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 then the commencement of an electoral phase. Consequently, due to the belief that the persisting tensions and uncertainty regarding the time required to stabilise the political situation would affect our Group's operating and general policy decisions in the area by limiting the strategies for the uniform and integrated governance of the bank within the International Subsidiary Banks Division, the previous year it was deemed necessary to consider the Egyptian subsidiary separately from the Group's International Subsidiary Banks CGU. A new government was formed in 2012 as a result of parliamentary and presidential elections. Nonetheless, the political situation has remained unstable. This situation obviously also continues to generate uncertainties regarding the political and economic policies to be implemented by the new government, with the resulting influence on the bank's strategic decisions.
For the purposes of the 2012 impairment testing, it was deemed appropriate to maintain the decisions made with respect to the previous financial statements, and thus to consider Pravex Bank and Bank of Alexandria as autonomous, distinct CGUs from the Group's International Subsidiary Banks Division in conducting the impairment test for the consolidated and separate financial statements.
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 these 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 with 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 equity 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 31.12.2012			
	Book value prior to impairment test	*of which goodwill Group share*	*of which brand name*	*of which minority interests*
Banca dei Territori	21,333	*5,043*	*1,507*	*208*
Corporate and Investment Banking	17,395	*867*	*502*	*224*
Eurizon Capital	1,705	*1,038*	-	-
Banca Fideuram	2,971	*1,002*	*375*	-
International Subsidiary Banks	6,215	*731*	-	*85*
Bank of Alexandria (Egypt)	538	-	-	*108*
Pravex Bank (Ukraine)	81	-	-	-
GROUP TOTAL	**50,238**	***8,681***	***2,384***	***625***

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 usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity (through the use of perpetual return formulae, or, alternatively, temporary return formulae, if it is not realistic to expect the assets subject to measurement to generate positive cash flows over the long term), 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.
Theoretically, Terminal value should express the normal average income that an enterprise is capable of generating in the long term. Since the business plan expresses the performance of results in the short/medium term, in contexts of particular volatility of macro-financial variables, the cash flow in the final year of the forecasting period might not be representative of an expected normal average income to be projected into the long term. In such situations, the aforementioned normal average income may be estimated on the basis of fundamental and structural analyses that consider both the enterprise's competitive advantage, if destined to be maintained regardless of the contingent scenario of crisis or volatility of macro-economic and financial variables, and information drawn from the enterprise's history.
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 to be used must 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 different 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 must be 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 2012 financial statements, the volatility of financial markets and the uncertainties regarding the future macroeconomic environment make the definition of near-term future cash flows from operating activities and the identification of growth rates in order to calculate the Terminal value of

CGUs particularly complex.
The current environment, which is unprecedented in view of the interweaving of the financial crisis and the economic downturn which has hit a number of European countries, has pushed down interest rates up to levels never reached before, and has generated deeply negative trends in production and consumption indicators. These factors have a significant impact on the profitability of the banking system, including that of the Intesa Sanpaolo Group, and make highly complex to carry out short and medium-term forecasts on which to base multiyear business plans. On the other hand, it should be noted that the present crisis is system-wide, and does not affect the Intesa Sanpaolo Group's primary production factors and its structural capacity to generate sustained income yielding and an appropriate return on capital once the current weakness of the financial markets and the macroeconomic environments are overcome.
Pending the drafting of a new business plan, the estimates of expected cash flows for the purposes of impairment testing have been based on the forecasts concerning the expected macroeconomic and banking sector trends prepared by Intesa Sanpaolo's Research Department.
The macroeconomic scenario for the five-year period 2013-2017 was constructed by combining internal projections for the Italian economy and the main variables of the major economies/economic areas with the Oxford Economics structural model/database. Interest rate curve projections were generated by using an internal model based on Eurozone GDP forecasts and ECB official rate projections.
Estimates of the expected performances of financial aggregates for the Italian banking sector were produced through the Research Department's forecasting model, internally developed and updated periodically to take account of the development of sector phenomena. The econometric model applies, as exogenous data, macroeconomic and financial estimates and, on the basis of fundamental relations with those estimates, generates the expected performances of the main banking aggregates and rates.
Specific estimates of the main macroeconomic and banking variables were prepared for each of the foreign countries in which the Intesa Sanpaolo Group operates.
The expected growth trends thus estimated have been applied for each year in the period 2013-2017, taking into account – in 2013 – budget indications. In substance, the estimates of expected financial flows are the output of projections consistent with the above-mentioned macro-economic and financial trends and therefore do not include the effect of specific management actions designed to maximise cash flows, other than by reference to actions already launched this year.
The estimate of the trend in impairment losses on loans was prepared according to a specific study by the Risk Management Department, which, on the basis of the development of the macroeconomic scenario described above, estimated the performance (tending towards gradual improvement after 2013) of transfers to defaulted status and the costs of covering positions classified as non-performing through the same forecasting model used by the Group for its Internal Capital Adequacy Assessment Process (ICAAP) and budget.

Among various financial valuation techniques, the value of a company at the end of the 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).
In the decisions to be taken with regard to the criteria for extrapolating cash flows beyond the forecasting period, account must be taken of the market context in which the prospective scenario is being determined.
With respect to the impairment test as at 31 December 2012, as the macro-economic scenario considered rests on the assumption that "normal" conditions will be restored only after the analytical forecasting period, the Group's profitability in 2017 is not to be regarded as its "normal" profitability under ordinary conditions and thus to be projected into perpetuity.
Accordingly, a cash flow under "normal conditions", to be projected into perpetuity for the purposes of determining "Terminal value", was estimated. This estimate was prepared by defining a specific "normalisation" horizon by recourse, where possible, to reliable international sources. The purpose of this approach is to ensure that the reference scenario is as far as possible independent of subjective choices on the selection of estimate criteria or benchmarks. The situation labelled as "normal" was referred to the assumed development of the economy in the period 2018-2022, net of the possible (unforeseeable) cyclical fluctuations of real and financial variables, drawn from the projections prepared by the European Commission. Under this scenario we have assumed the end of the sovereign debt crisis in the Eurozone and the start of a debt reduction process in Italy, as required by the new stability and growth pact.
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, "normal" income was determined, coinciding with the sustainable average income identified in the above-mentioned period 2018-2022. In substance, we have assumed that the primary sources of income for the Group, influenced in the short and medium term by the current economic downturn, over the long term will allow the Group to achieve the profitability levels reflected in the Terminal value and by and large in line with the profits generated by the Group before the start of the financial crisis in 2008, taking into account inflationary trends and the reduction in operating costs achieved over the years.
All cash flows for each CGU, thus determined, were corrected to take account of flows associated with corporate assets. These flows were allocated according to rational criteria so that they expressed the absorption by the various CGUs of the services rendered by the Corporate Centre.
In accordance with impairment testing practice in previous years, the "g" rate was determined as the average nominal GDP growth rate of the countries in which each CGU (or component of the International Subsidiary Banks CGU) operates, observed and forecast for the period 2008-2017. In order to consider both the entire period of crisis experienced, beginning in 2008, and the prospects of an economic recovery and return to a "normal" scenario, reference was made to the period 2008-2017, inasmuch as it 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" rate were drawn from estimates, updated through February 2013, prepared by the Intesa Sanpaolo Research Department.
Italy presents a negative value for its average real growth rate for the period 2008-2017. Since the "g" rate is used to discount the erminal value flow in perpetuity, it was considered realistic and rational not to assume negative real growth to be projected in perpetuity. Accordingly, 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 2008-2017.
The following tables present forecasts of the main macroeconomic indicators considered for the purposes of determining expected

cash flows for the period 2013-2017 and of calculating Terminal value.

Italy	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 - 2022 Average**	**Δ**
REAL ECONOMY								
Real GDP Italy	-2.4	-1.5	0.5	1.2	1.3	1.4	1.6	
Consumer prices Italy	3.0	2.0	2.4	2.2	2.2	2.2	2.0	
Period-end ECB rate	0.75	0.75	1.00	1.75	2.50	3.25	-	0.25
3 month Euribor rate	0.6	0.2	0.5	1.6	2.5	3.1	-	0.6
BANKING SECTOR								
Loans	0.1	-1.0	1.3	2.8	3.6	3.7	4.4	
Direct customer deposits	0.3	1.1	2.3	3.3	3.3	3.2	3.3	
Average customer spread	2.0	1.9	2.0	2.1	2.3	2.5	-	0.1
Mutual funds	11.2	2.0	2.0	4.0	4.4	5.6	7.0	
Portfolio management	1.7	1.5	2.2	4.3	4.9	5.6	7.0	
Life technical reserves	0.3	1.5	2.8	4.5	5.3	5.6	7.0	

Values	**Countries**	Albania	Bosnia -Hercegovina	Croatia	Serbia	Slovenia	Slovak Republic	Hungary	Romania	Russia	Ukraine	Egypt
2012	Real GDP	0.6	-0.2	-1.8	-1.6	-2.2	2.4	-1.5	0.2	3.4	0.9	3.2
	Inflation	2.0	2.2	3.2	7.2	2.8	3.8	5.7	3.4	5.2	0.8	7.4
	Increase in loans	4.2	3.5	-3.0	14.0	-2.8	2.6	-12.5	4.5	16.0	2.0	6.5
	Increase in deposits	6.5	3.6	2.0	10.0	-1.5	4.3	-2.5	5.0	9.5	8.5	6.4
	Loan interest rates	10.7%	n.a.	9.6%	18.0%	4.1%	5.1%	9.1%	11.3%	9.0%	18.2%	12.2%
	Deposit interest rates	5.4%	n.a.	1.9%	9.8%	2.0%	1.2%	6.3%	5.4%	5.4%	12.2%	7.6%
2013	Real GDP	0.8	0.4	-0.4	-0.2	-1.6	0.4	-0.2	0.3	3.0	0.5	3.8
	Inflation	2.4	2.3	3.0	8.6	2.6	3.5	4.2	4.0	6.4	6.5	9.0
	Increase in loans	5.5	3.8	-0.3	3.5	-0.8	2.7	-3.2	5.0	11.0	1.0	6.8
	Increase in deposits	6.7	4.2	1.5	3.0	0.5	2.9	-1.0	5.5	10.2	6.0	6.7
	Loan interest rates	10.6%	n.a.	9.4%	17.8%	4.0%	4.9%	8.0%	11.0%	8.8%	17.5%	11.4%
	Deposit interest rates	5.2%	n.a.	1.7%	9.7%	1.9%	0.9%	4.9%	5.2%	5.3%	11.0%	7.0%
2014	Real GDP	1.8	1.5	1.2	1.8	1.0	2.0	1.2	1.5	3.5	2.5	4.4
	Inflation	2.6	2.5	2.7	5.5	2.6	3.2	3.2	3.5	6.3	7.0	10.5
	Increase in loans	6.0	4.7	3.0	4.7	1.1	4.0	0.5	5.5	11.3	4.3	7.1
	Increase in deposits	6.9	4.8	3.2	5.0	1.6	4.0	2.5	5.9	10.5	8.2	7.0
	Loan interest rates	10.8%	n.a.	9.7%	16.8%	4.5%	5.3%	7.8%	10.9%	8.7%	15.1%	11.3%
	Deposit interest rates	5.3%	n.a.	2.0%	9.0%	2.1%	1.3%	4.6%	5.3%	5.2%	8.5%	6.9%
2015	Real GDP	2.5	2.0	2.5	2.2	1.5	2.5	1.8	2.1	3.9	3.5	4.7
	Inflation	3.0	2.8	2.9	5.0	2.8	3.0	3.0	3.2	6.2	6.8	10.0
	Increase in loans	6.8	5.5	4.0	5.0	3.0	5.5	2.0	5.7	11.5	6.3	7.3
	Increase in deposits	7.1	5.5	3.7	6.5	4.0	4.8	3.5	6.2	11.1	10.2	7.2
	Loan interest rates	11.1%	n.a.	10.0%	14.2%	4.7%	5.7%	8.0%	11.0%	8.6%	15.2%	11.0%
	Deposit interest rates	5.5%	n.a.	2.2%	7.5%	2.4%	1.6%	4.8%	5.4%	5.1%	8.6%	6.5%
2016	Real GDP	3.0	2.8	3.0	2.5	2.5	3.0	2.2	2.6	4.1	3.8	4.9
	Inflation	3.0	3.0	3.0	4.5	3.0	3.0	3.0	3.0	6.1	6.5	9.5
	Increase in loans	7.2	6.1	4.5	5.5	3.5	5.7	3.0	5.9	11.8	8.4	7.4
	Increase in deposits	7.5	6.2	4.2	7.0	4.7	4.9	4.0	6.5	11.6	10.3	7.3
	Loan interest rates	11.3%	n.a.	10.3%	12.5%	4.8%	5.8%	8.1%	11.3%	8.5%	15.5%	10.8%
	Deposit interest rates	5.6%	n.a.	2.5%	6.0%	2.5%	1.7%	4.9%	5.6%	5.0%	8.7%	6.3%
2017	Real GDP	3.2	3.0	3.2	3.0	2.8	3.5	2.5	3.1	4.2	3.9	5.0
	Inflation	3.0	3.0	3.0	4.0	3.0	3.0	3.0	3.0	6.0	6.0	9.0
	Increase in loans	7.5	6.3	5.0	5.8	3.6	6.0	3.5	6.0	12.0	9.7	7.5
	Increase in deposits	7.8	6.4	4.5	7.4	4.8	5.0	4.5	6.7	12.0	10.5	7.4
	Loan interest rates	11.8%	n.a.	10.5%	12.0%	5.0%	5.9%	8.2%	11.5%	8.5%	15.8%	10.5%
	Deposit interest rates	5.8%	n.a.	2.7%	5.5%	2.7%	1.8%	5.0%	5.7%	5.0%	9.0%	6.0%
2018 - 2022	Real GDP	3.2	3.2	3.0	3.0	2.6	3.5	2.3	3.2	4.0	3.6	5.0
	Inflation	2.5	2.5	2.5	3.0	2.5	2.5	2.5	2.5	6.0	5.5	7.5
	Increase in loans	7.7	6.0	5.4	6.2	4.3	6.0	3.7	5.7	11.5	10.3	12.2
	Increase in deposits	7.4	6.4	5.5	6.0	4.9	6.0	4.8	6.3	11.8	11.3	11.3
	Loan interest rates	11.7%	n.a.	9.0%	11.0%	5.5%	6.3%	7.7%	9.3%	9.0%	14.0%	10.3%
	Deposit interest rates	5.7%	n.a.	1.5%	4.5%	3.2%	2.3%	4.7%	3.8%	5.1%	7.6%	5.8%

The scenario of reference for the global economic calls for moderate expansion in the period 2013-17, with an acceleration in 2013 and 2014 primarily due to the recovery of the European economy. It is assumed that the phase of accommodating monetary policies will extend to most of the reference period, with negative short-term real rates in OECD countries until the end of 2014.
The Eurozone's economy is expected to undergo a further slight contraction in 2013, but a slow recovery, permitted by the more

accommodating fiscal policy stance and easing of peripheral debt tensions, will drive growth to near 1% in 2014. GDP growth is then expected to exceed 1.5% from 2015 to 2017. Inflation is projected to decline in 2013, and then to remain marginally above 2% per year.
For the Italian economy, it is prudentially assumed that GDP will decline by 1.5% in 2013, in excess of the consensus estimate and most recent projections by the IMF and European Commission. The contraction of the economy continues to be driven by the compression of domestic demand caused by fiscal austerity. A slow recovery is projected for the period 2014-17, with growth rates of just over 1%.
The forecast for 2018 onwards calls for a scenario of "normalisation" characterised by an average growth rate for the Italian economy (1.6%) higher than that estimated for the previous five-year period, and thus a considerable improvement in the performance of the cost of credit risk, although it remains at higher levels than before the financial crisis.
Official rates in the Eurozone are expected to remain stable at 0.75% until the beginning of 2014, when the economic recovery could induce the ECB to withdraw part of the monetary stimulus. In the reference scenario, the level of the rate for the primary refinancing operations will gradually climb to 2.5% in 2016 and then to 3.25% at the end of 2017.
The scenario for the banking sector is expected to involve a slow, gradual recovery of credit to the economy starting in 2014. In 2013 bank loans will continue to decline at an annual average level, given the lack of demand. Offering policies will continue to be shaped by prudence, as a consequence of high credit risk and capital and liquidity constraints.
A slight recovery of loans to businesses is expected in the final part of 2013, consistent with the return of the economy to a path of weak growth. Loans to households are expected to decline in 2013, affected by the difficulties in the real-estate market, the impact of austerity measures and unemployment.
A return to growth of loans to households will only begin in mid-2014, with approximately two quarters of delay with respect to loans to businesses. During the period 2015-17, the increase in bank lending will become more evident once more, driven by loans to businesses and still weak in the case of loans to households.
With regard to direct deposits, moderate growth is expected to continue in 2013, fostered by the lower level of attractiveness of government securities for investors, given the decline in yields. The growth rate for amounts due to customers should remain higher than that for loans until 2015. Thereafter, especially in the "normalisation" scenario, the growth of loans will be higher than that of deposits by approximately one percentage point.
In 2013 a moderate decline in the rate on loans to households and businesses is expected on average. Banking rates will begin to increase once more in the second half of 2014, with the beginning of an increase in monetary and policy rates. In the three-year period 2014-2016, the average rate on loans to businesses and households will increase by slightly more than one percentage point, returning to pre-crisis values.
During the period 2018-2022, the average rate on loans will settle at approximately 5.7%.

With regard to the macroeconomic scenario of the foreign countries in which the Group operates, recent developments in the global situation have been followed by a phase of economic slowdown, with expected real GDP growth of 2.3% in 2012 (2.2% in 2011). The slowdown was most marked in the CEE and SEE countries, owing to the recession in the Eurozone, through the commercial and financial channels. In the CEE area, GDP performance showed a decline of 0.4% in 2012 owing to the recessionary phase in Slovenia (-2.2%) and Hungary (-1.5%), despite the positive performance by Slovakia (+2.4%). In the SEE area economies also declined by 0.4% overall, with Bosnia, Croatia and Serbia in recession. In both areas economic growth should give rise to a gradual recovery in the second half of 2013, with GDP still declining by 0.1% overall during the year.
In the long term, it is expected that the CEE/SEE countries will converge towards an average growth rate of 3% in 2018-2022, in excess of both the expected average for the five-year period 2013-2017 (1.8%) and the five-year period 2008-2012 (0.3%), but approximately one-half lower than the average for the years 2003-2007 (5.4%).
In 2013 monetary policies are expected to remain expansionary in CEE/SEE countries, with stable or slightly declining short-term interest rates, whereas the growth of loans should improve only moderately in view of subsequent reinforcement in later years. However, the loan/GDP ratio is expected to decline further in most cases, especially in the countries of greatest financial vulnerability, such as Hungary and Slovenia in the CEE area and Serbia in the SEE area.
Loan performance is expected to slow further in 2013 in the CIS and MENA countries, in Russia, where at 11% it still exceeds the inflation rate (and nominal GDP growth), and in Ukraine and Egypt, where it shows a negative profile in real terms, although with increases of 1% and 6.8%, respectively. Deposit performance is expected to improve overall in 2013 in the countries in which Intesa Sanpaolo operates, showing a higher profile than loans, with a slight positive correction of the ratio of loans to deposits in countries in which it is currently imbalanced. Bank rates (on deposits and loans) are expected to follow the profile of the monetary rates of reference in the medium term.

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 parameters 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 cost of capital is determined using the Capital Asset Pricing Model (CAPM). Based on this model the cost of capital 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 costs of capital of each CGU were identified.
It should be noted that since cash flows were determined in nominal terms discounting rates were also determined in nominal terms, meaning that they incorporate inflation expectations.
It should be recalled, that the considerable volatility of financial parameters that characterised the second half of 2011, the extreme prudence adopted in estimating cash flows and the long-term prospects underlying the estimate of value in use had led to the use of differentiated discounting rates for the 2011 impairment test: one rate, in line with market conditions at the time of performance of the impairment test (highly turbulent) for the flow forecasting and extrapolation period (ten years), and another rate that envisaged a prospect of moderate improvement in financial parameters, and was thus more representative of an ordinary situation, to discount flows in Terminal value.
A single discounting rate was used for both cash flows and Terminal value in the 2012 impairment test, as done for impairment tests prior to 2011, inasmuch as the volatility of financial parameters considered for the purposes of calculating the cost of capital decreased sharply in the second half of the year.
Entering into the details of the various components that contribute to the determination of discounting rates, it may be remarked that:

- the risk-free component was determined using the December 2012 yield on ten-year German government bonds (and 30-year securities for international banks that operate in countries that in recent years have shown GDP growth rates considerably in excess of those reported in mature countries);
- the equity risk premium – represented by the difference between stock market yield and the Return on Investment 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 generally not representative of economic “fundamentals,” while also creating a framework of uncertainty within which it is difficult to formulate reliable forecasts of results in order to estimate the equity risk premium implicit in stock market quotations. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2012, adjusted for the differential between the US inflation rate and the German inflation rate (the market used as the basis for risk-free calculation)[7];
- 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;
- the country risk premium was considered separately to the risk-free component in order to gain a clearer picture of this specific component of the risk factors which, especially for certain countries in which the Group operates, is of particular importance. This component was determined on the basis of historical data by taking account of 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. In specific reference to Italy, considering the significant volatility of the spread observed in the past two years, and despite the belief that such volatility is destined to decrease in the medium term, instead of historical average values it was prudentially decided to consider the spread on Italian government bonds over German government bonds observed in December 2012, which was more than 50 bps above the historical average value.

Although there are studies and research conducted in recent months that support the belief that in the current financial market context the yield spread between the securities of the various countries is not fully explained by the performances of those countries’ macroeconomic and financial parameters and that, on the one hand, the yields on the securities of certain countries (Germany in particular) has been underestimated to some extent due to the so-called “safe haven phenomena” and, on the other, the yields on the securities of other Eurozone countries (including Italy) have been overestimated and are thus higher than would result from consideration of those countries’ fundamentals, there does not seem to be any objective, sufficiently solid basis for obtaining an appropriate measurement of these distorting phenomena that might be considered when setting discounting rates for impairment testing purposes.
In addition, the presumed underestimation of the risk-free rate considered in the impairment test tends to be partially offset by the presumed overestimation of the spreads on the Italian government bonds used to measure the country risk premium, thus yielding an overall measurement of discounting rates regarded as balanced, with the appropriate integration of the beta and ERP components.

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: 2012-2017 and 2012-Terminal value weighted average growth rates, "g” growth rates for Terminal value purposes, the various discounting rates and inflation rates.

[7] Source: New York University – Stern School of Business.

Rates/ parameters / CGU	Nominal growth rates for 2012 - 2017	Nominal growth rates for 2012 - Terminal value	Nominal discounting rates		Growth rates "g" over the long term		Inflation rates 2012
			2012	2011 (1)	2012	2011	
Banca dei Territori	31.50%	32.33%	9.08%	9.61%	2.28%	2.30%	2.28%
Corporate and Investment Banking	9.06%	11.32%	10.90%	11.49%	2.28%	2.30%	2.28%
Eurizon Capital	5.70%	7.61%	10.51%	11.15%	2.28%	2.30%	2.28%
Banca Fideuram	12.84%	14.13%	9.86%	10.44%	2.28%	2.30%	2.28%
International Subsidiary Banks (2)	n.a.	n.a.	11.99% (3)	11.27%	5.46% (4)	4.71%	3.84% (5)
Bank of Alexandria (Egypt)	n.a.	4.66%	25.68%	26.54%	15.21%	16.10%	10.69%
Pravex Bank (Ukraine)	n.a.	n.a.	24.72%	25.40%	10.43%	11.95%	9.21%
Weighted average rate	**20.50%**	**23.63%**	**10.16%**	**10.60%**	**2.81%**	**2.63%**	**n.m.**

(1) Terminal Value discounting rate; the cash flow discounting rates applied for the various international subsidiaries as at 31 December 2011 were as follows: Banca dei Territori 10.93%, Corporate and Investment Banking 12.81%, Eurizon Capital 12.47%, Banca Fideuram 11.76%, International Subsidiary Banks 11.27%, Bank of Alexandria 26.54%, Pravex Bank 25.40%

(2) Weighted average rates

(3) The discounting rates applied for the various international subsidiaries as at 31 December 2012 were as follows: Intesa Sanpaolo Bank Albania (Albania) 14.61%, Banka Koper (Slovenia) 10.16%, BIB (Serbia) 18.59%, CIB (Hungary) 12.63%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 12.92%, Banca Intesa (Russia) 17.12%, PBZ (Croatia) 9.96%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 17.61%, VUB (Slovakia) 10.40%

(4) The growth rates "g" applied for the various international subsidiaries as at 31 December 2012 were as follows: Intesa Sanpaolo Bank Albania (Albania) 5.93%, Banka Koper (Slovenia) 2.93%, BIB (Serbia) 8.42%, CIB (Hungary) 4.42%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 5.70%, Banca Intesa (Russia) 10.69%, PBZ (Croatia) 3.11%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 4.36%, VUB (Slovakia) 5.21%

(5) The inflation rates applied for the various international subsidiaries as at 31 December 2012 were as follows: Intesa Sanpaolo Bank Albania (Albania) 2.87%, Banka Koper (Slovenia) 2.74%, BIB (Serbia) 7.29%, CIB (Hungary) 4.11%, Intesa Sanpaolo Romania S.A Commercial Bank (Romania) 4.54%, Banca Intesa (Russia) 7.69%, PBZ (Croatia) 2.95%, Intesa Sanpaolo Banka Bosna Hercegovina (Bosnia) 2.86%, VUB (Slovakia) 2.91%

Impairment testing results

The results of impairment tests did not indicate a need to apply impairment losses to goodwill for any of the Intesa Sanpaolo Group's CGUs; the values in use identified for the various CGUs according to the method and on the basis of the parameters illustrated in the foregoing pages thus confirmed the amounts carried in the financial statements.

The values in use determined exceeded market values, represented by the security's price quotation, and thus by the stock market capitalisation, and the valuations recently expressed by investment houses and financial analysts, which in turn were lower than the equity value.

However, both valuations have different characteristics from a "basic" valuation represented by the value in use.

The price of Intesa Sanpaolo stock is impacted by the conditions of financial markets, and of the Italian financial markets in particular, which, although they have recovered slightly, generally remain depressed, 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.

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.

Accordingly, in developing the valuation model, caution was applied both when estimating projected cash flows and choosing financial parameters:

- expected cash flows – generated by projections that are consistent with macro-economic and financial trends and which take into account the Group's budget indications for 2013 – do not include the effect of specific management actions designed to maximise cash flows, other than by reference to actions already launched this year. Moreover, these flows take into account the full attribution to CGUs of the financial effects of the services provided by the Corporate Centre;
- the cost of capital was determined analytically, based on market parameters gathered for each CGU according to the various risk levels of the respective businesses, considering the various risk factors analytically as well; furthermore, the average weighted rate obtained is largely consistent with the cost of capital of Intesa Sanpaolo expressed by the market and with the average rates used by investment houses in the most recent reports on Intesa Sanpaolo stock;
- the "g" rate, for the purpose of Terminal value for Italy, which represents the Group's main business area has been set at zero in real terms.

The parameters and information used to test the recoverability of intangible assets with indefinite useful lives are significantly influenced by the macroeconomic scenario and financial market trends, which could undergo changes that currently may not be foreseen. If in the future the macroeconomic scenario should deteriorate with respect to assumptions or become delayed in the normalisation process underlying the impairment test, this would have effects on the estimate of the various CGUs' cash flows and on the main assumptions adopted, which could lead, in the financial statements of the coming years, to different results from those outlined in these financial statements.

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 of up to 100 bps and a decrease in the growth rate for Terminal value purposes of up to 50 bps was verified. In addition, analyses were conducted of changes in the value in use resulting from a decrease in the cash flows used for Terminal value purposes.
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 of -/+10 basis points, as well as a reduction in the cash flows used for Terminal value purposes 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 cash flows - 10%
Banca dei Territori	-1.31%	-1.68%	-8.92%
Corporate and Investment Banking	-0.85%	-1.20%	-7.45%
Eurizon Capital	-0.85%	-1.20%	-7.12%
Banca Fideuram	-0.96%	-1.31%	-7.36%
International Subsidiary Banks	-1.37%	-1.75%	-8.59%
Bank of Alexandria (Egypt)	-0.63%	-0.92%	-6.68%
Pravex Bank (Ukraine)	n.m.	n.m.	n.m.

In the case of the Corporate and Investment Banking CGU, a 10% decrease in the Terminal value cash flow would result in an estimated value in use of 1,028 million euro less than the carrying amount. In all of the other situations represented in the table, the resulting values in use would not be less than the carrying amounts.
The – heavily penalising – adoption of discounting rates increased by 100 bps or "g" growth rates decreased by 50 bps (and thus negative in real terms for Italy) would result in an estimated value in use less than the carrying amount, in the former case for the Corporate and Investment Banking CGU (1,369 million euro less) and International Subsidiary Banks CGU (45 million euro less), and in the latter case for the Corporate and Investment Banking CGU (432 million euro less).

In other stress testing, analyses were performed with the aim of determining the limits for the main inputs, beyond which impairment testing of the CGUs would require the recognition of impairment. The following table presents the "g" growth rates and discounting rates for each CGU that would result in a value in use in line with carrying amounts, assuming equal cash flows to be discounted.

Sensitivity / CGU	Growth rate "g"	Difference with respect to rate "g" used	Discount rate	Difference with respect to discount rate used
Banca dei Territori	-1.67%	-395 bps	11.78%	270 bps
Corporate and Investment Banking	2.08%	-20 bps	11.03%	13 bps
Eurizon Capital	-0.16%	-244 bps	12.11%	160 bps
Banca Fideuram	-6.18%	-846 bps	14.65%	479 bps
International Subsidiary Banks	4.19%	-127 bps	12.94%	95 bps
Bank of Alexandria (Egypt)	12.66%	-255 bps	27.32%	164 bps
Pravex Bank (Ukraine)	n.a.	n.a.	n.a.	n.a.

13.3 Other information
There were no significant commitments to purchase intangible assets as at 31 December 2012.

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 9,833 million euro, of which 8,900 million refers to taxes recorded through profit and loss and 933 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.

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 1,877 million euro and the balancing entry is mostly in the income statement (1,636 million euro) as well as in shareholders' equity (241 million euro).

14.3 Changes in deferred tax assets (through profit and loss)

(millions of euro)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**9,651**	*9,304*	*347*	-	**5,209**
2. Increases	**1,541**	*1,494*	*47*	-	**5,673**
2.1 Deferred tax assets recognised in the period	1,154	*1,109*	*45*	-	4,944
a) related to previous years	*46*	*46*	-	-	*11*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	*3*	*3*	-	-	-
d) other	*1,105*	*1,060*	*45*	-	*4,933*
2.2 New taxes or tax rate increases	-	-	-	-	89
2.3 Other increases	378	*376*	*2*	-	565
2.4 Business combinations	9	*9*	-	-	75
3. Decreases	**-2,292**	*-2,059*	*-233*	-	**-1,231**
3.1 Deferred tax assets eliminated in the period	-832	*-725*	*-107*	-	-781
a) reversals	*-541*	*-528*	*-13*	-	*-588*
b) write-offs	*-37*	*-37*	-	-	*-1*
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-254*	*-160*	*-94*	-	*-192*
3.2 Tax rate reductions	-1	*-1*	-	-	-
3.3 Other decreases	-1,459	*-1,333*	*-126*	-	-439
a) changes into tax credits pursuant to Law no. 214/2011	*-905*	*-905*	-	-	*-104*
b) other	*-554*	*-428*	*-126*	-	*-335*
3.4 Business combinations	-	-	-	-	-11
4. Final amount	**8,900**	*8,739*	*161*	-	**9,651**

Other increases recorded under point 2.3 mainly include the reversal of netting performed in the previous year.

Other decreases as per point 3.3 essentially include netting performed during the year between deferred tax assets and liabilities.

Other decreases a) changes into tax credits pursuant to Law no. 214/2011 refers to the deferred tax assets pursuant to Law no. 214/2011 deriving from Adjustments to loans deductible in future years and Goodwill, trademarks and other intangibles transformed into tax credits equal in amount to the product of the loss for the year recognised in the consolidated financial statements as at 31 December 2011 and the ratio of deferred tax assets to the sum of share capital and reserves presented in the aforementioned consolidated financial statements, as also shown in the following detail table.

14.3.1 Changes in deferred tax assets eligible for transformation into tax credits (through profit and loss) (Law no. 214/2011)

(millions of euro)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**6,511**	*6,411*	*100*	*-*	**3,221**
2. Increases	**562**	*562*	*-*	*-*	**3,695**
3. Decreases	**-1,089**	*-991*	*-98*	*-*	**-405**
3.1 Reversals	-144	*-84*	*-60*	*-*	-279
3.2 Changes into tax credits	-905	*-905*	*-*	*-*	-104
a) from losses for the year	*-905*	*-905*	*-*	*-*	*-104*
b) from fiscal losses	*-*	*-*	*-*	*-*	*-*
3.3 Other decreases	-40	*-2*	*-38*	*-*	-22
4. Final amount	**5,984**	*5,982*	*2*	*-*	**6,511**

14.4 Changes in deferred tax liabilities (through profit and loss)

(millions of euro)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**2,195**	*1,376*	*819*	*-*	**2,409**
2. Increases	**524**	*470*	*52*	*2*	**993**
2.1 Deferred tax liabilities recognised in the period	167	*123*	*44*	*-*	340
a) related to previous years	*1*	*1*	*-*	*-*	*-*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*166*	*122*	*44*	*-*	*340*
2.2 New taxes or tax rate increases	-	*-*	*-*	*-*	89
2.3 Other increases	352	*342*	*8*	*2*	550
2.4 Business combinations	5	*5*	*-*	*-*	14
3. Decreases	**-1,083**	*-545*	*-538*	*-*	**-1,207**
3.1 Deferred tax liabilities eliminated in the period	-741	*-296*	*-445*	*-*	-953
a) reversals	*-306*	*-286*	*-20*	*-*	*-842*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*-435*	*-10*	*-425*	*-*	*-111*
3.2 Tax rate reductions	-	*-*	*-*	*-*	-
3.3 Other decreases	-342	*-249*	*-93*	*-*	-227
3.4 Business combinations	-	*-*	*-*	*-*	-27
4. Final amount	**1,636**	*1,301*	*333*	*2*	**2,195**

Other increases recorded under point 2.3 mainly include the reversal of netting performed in the previous year.
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 in connection with the tax realignment of goodwill and other intangible assets (option pursuant to art. 15, paragraphs 10-bis and 10-ter, Law Decree no. 185/08, converted to Law no. 2/09)

During 2012, Intesa Sanpaolo decided to exercise the option of realigning the intangible assets carried in the consolidated financial statements only, including with respect to the transactions finalised in 2011, as envisaged in Article 20, paragraph 1, Law Decree no. 201 of 6 December 2011. The realignment involved the goodwill of 31 million euro recognised in the 2011 consolidated financial statements on the acquisition of the controlling equity investment in Banca Monte Parma and allowed the recognition of deferred tax assets of 10 million euro in return for the payment of a substitute tax charge of 5 million euro, with a positive effect on the 2012 income statement of 5 million euro. Within the Intesa Sanpaolo Group, realignment was also exercised for an additional 71 million euro of goodwill carried in separate financial statements in relation to business contributions; the option allowed the recognition of deferred tax assets of 23 million euro in return for the payment of a substitute tax charge of 11 million euro, with a further positive effect on the 2012 income statement of 12 million euro.

The detailed statement of the amounts referring to each company 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
Intesa Sanpaolo	31	-	-	5	10	-	5
Cassa di Risparmio di Firenze	46	-	-	7	15	-	8
Cassa di Risparmio di Pistoia e della Lucchesia	20	-	-	3	6	-	3
Casse di Risparmio dell'Umbria	5	-	-	1	2	-	1
TOTAL INTESA SANPAOLO GROUP	**102**	**-**	**-**	**16**	**33**	**-**	**17**

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.

14.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2012	*Of which:*			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**2,672**	*1,039*	*1,633*	-	**765**
2. Increases	**490**	*465*	*25*	-	**2,051**
2.1 Deferred tax assets recognised in the period	413	*413*	-	-	1,821
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*413*	*413*	-	-	*1,821*
2.2 New taxes or tax rate increases	-	-	-	-	30
2.3 Other increases	77	*52*	*25*	-	199
2.4 Business combinations	-	-	-	-	1
3. Decreases	**-2,229**	*-596*	*-1,633*	-	**-144**
3.1 Deferred tax assets eliminated in the period	-2,221	*-590*	*-1,631*	-	-122
a) reversals	*-290*	*-240*	*-50*	-	*-101*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	*-350*	*-350*	-	-	-
d) other	*-1,581*	-	*-1,581*	-	*-21*
3.2 Tax rate reductions	-1	*-1*	-	-	-
3.3 Other decreases	-7	*-5*	*-2*	-	-22
3.4 Business combinations	-	-	-	-	-
4. Final amount	**933**	*908*	*25*	-	**2,672**

14.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**1,180**	*54*	*1,126*	-	**199**
2. Increases	**297**	*86*	*211*	-	**1,076**
2.1 Deferred tax liabilities recognised in the period	293	*84*	*209*	-	786
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*293*	*84*	*209*	-	*786*
2.2 New taxes or tax rate increases	-	-	-	-	18
2.3 Other increases	4	*2*	*2*	-	271
2.4 Business combinations	-	-	-	-	1
3. Decreases	**-1,236**	*-38*	*-1,198*	-	**-95**
3.1 Deferred tax liabilities eliminated in the period	-1,145	*-33*	*-1,112*	-	-25
a) reversals	*-9*	*-9*	-	-	*-20*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-1,136*	*-24*	*-1,112*	-	*-5*
3.2 Tax rate reductions	-1	*-1*	-	-	-
3.3 Other decreases	-90	*-4*	*-86*	-	-69
3.4 Business combinations	-	-	-	-	-1
4. Final amount	**241**	*102*	*139*	-	**1,180**

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 2012 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 2012, as in the case of the 2011 financial statements, assets arising from temporary deductible differences associated with impairment losses on loans, goodwill and other intangible assets with indefinite useful lives ("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, subsequently converted into Law 214/2011), 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. This arrangement is also borne out by the joint Bank of Italy, Consob and ISVAP document no. 5 of 15 May 2012 (issued in the context of the Coordination Board for the application of IAS/IFRS) concerning the "Accounting treatment of deferred tax assets deriving from Law 214/2011" and the subsequent IAS ABI document no. 112 of 31 May 2012 ("Tax credits deriving from the transformation of deferred tax assets: clarification from the Bank of Italy, Consob and ISVAP regarding the application of IAS/IFRS").

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 with indefinite useful lives ("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 2012.

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)

	31.12.2012	*Of which:*			31.12.2011
		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	25	*25*	-	-	26
A.4 Intangible assets	-	-	-	-	-
A.5 Other	-	-	-	-	-
Total A	**25**	*25*	-	-	**26**
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 2012.

15.3 Information on companies subject to significant influence not carried at equity

As at 31 December 2012, 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	1,407	*1,401*	*6*	*-*
Amounts to be debited - deriving from securities transactions	674	*473*	*201*	*-*
Transit items	74	*74*	*-*	*-*
Cheques drawn on the bank settled	56	*56*	*-*	*-*
Leasehold improvements	150	*147*	*-*	*3*
Amounts due from tax authorities relating to insurance business	1,013	*-*	*1,013*	*-*
Other	4,569	*4,080*	*481*	*8*
TOTAL 31.12.2012	**7,943**	*6,231*	*1,701*	*11*
TOTAL 31.12.2011	**8,602**	*7,188*	*1,408*	*6*

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(millions of euro)

	31.12.2012	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2011
1. Due to Central Banks	**43,668**	***43,668***	**-**	**-**	**45,919**
2. Due to banks	**29,684**	***29,563***	***11***	***110***	**32,725**
2.1 Current accounts and deposits	5,787	*5,695*	*10*	*82*	5,149
2.2 Time deposits	5,311	*5,297*	-	*14*	4,295
2.3 Loans	18,058	*18,043*	*1*	*14*	22,737
2.3.1 Repurchase agreements	*8,344*	*8,344*	-	-	*12,690*
2.3.2 Other	*9,714*	*9,699*	*1*	*14*	*10,047*
2.4 Debts for commitments to repurchase own equity instruments	500	*500*	-	-	484
2.5 Other debts	28	*28*	-	-	60
TOTAL	**73,352**	***73,231***	***11***	***110***	**78,644**
Fair value	**72,373**	***72,252***	***11***	***110***	**77,899**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
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 20.88% of Privredna Banka Zagreb for a total of approximately 268 million euro;
– Put & Call Agreement to purchase 9.75% of Bank of Alexandria for a total of approximately 149 million euro;
– Put & Call Agreement to purchase the remaining 13.25% of Banca Intesa Zao for a total of approximately 82 million euro.

Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.

The repurchase agreements presented in the table include long-term repurchase transactions with a total carrying amount of 1,133 million euro, of which 678 million euro is attributable to the Parent Company, relating to the various cases described below.
The first of these cases involves de-risking transactions finalised in 2012 with the twofold aim of funding the Group's operations (through repurchase transactions), on the one hand, and of reducing credit risks associated with the securities portfolio (through the acquisition of financial guarantees), on the other.
The repurchase transactions, with a carrying amount of 689 million euro (of which 234 million euro attributable to the Parent Company) have as their underlying a non-replaceable portfolio of Italian government securities (with maturities from 2019 to 2033) and, in the case of the Parent Company, securities issued by local and public corporate entities of Eurozone nations (with maturities from 2015 to 2018), hedged against interest rate risk through IRS (asset swap) contracts, already present in the financial statements at the time of execution of the repurchase transactions and recognised among financial assets available for sale and, in the case of the Parent Company, among loans to customers. The maturity and nominal value coincide with those of the securities; the financial guarantees have a shorter duration than the maturity of the underlying securities. The second case involves transactions with a book value of 143 million euro, entirely attributable to the Parent Company, finalised in previous years in the context of public finance activity and consisting of medium-/long-term repurchase agreements aimed at funding the purchase of securities issued by Italian regions. These transactions have been undertaken with various counterparties and have maturities that correspond to those of the securities purchased. In addition, an IRS hedging against interest rate risk has also been entered into between the parties. Lastly, the Bank has provided additional collateral for the counterparty.
Considering that it is collateralised, this form of medium-/long-term funding has allowed the Bank to obtain a better net return on its investments in securities than it would have obtained by relying upon other forms of financing with the same time horizon but unsupported by the same guarantee structure.
In the interest of thoroughness, we report the third case, consisting of long-term repurchase agreements with a book value of 301 million euro (entirely attributable to the Parent Company), entered into with the sole purpose of procuring new funding and entered into by using securities already present in portfolio as the underlying, chiefly classified as loans to customers (already hedged against interest-rate risk by IRS contracts). The maturities of the repurchase agreements (from 2013 to 2017) are in some cases equal to the maturities of the underlying securities. In all cases, securities sold not derecognised may be replaced. For recognition purposes, an assessment was conducted on the aims underlying the set of contractual agreements,

taking account of the instructions provided by the supervisory authorities in Bank of Italy/Consob/IVASS Document No. 6 of 8 March 2013, "Accounting treatment of 'long-term structured repurchase agreements'."
The analysis focused on the structure, cash flows and risks associated with the transactions in order to verify whether the cases described above may be considered similar to the long-term structured repurchase agreements described in the above Document, and whether, for the purposes of observance of the principle of the prevalence of substance over form, the indicators presented in IAS 39, Guidance on Implementing, paragraph B.6, according to which the substance of a transaction may be considered essentially similar to that of a derivative contract, and, in particular, a credit default swap, were present.
With respect to the first case, the repurchase agreements were not concurrent with the purchases of the securities and execution of the interest rate swaps, inasmuch as the securities and derivative instruments were already present in the portfolio. In addition, the securities were purchased from and the derivatives entered into with market counterparties other than those with which the repurchase agreements were entered into.
With respect to the second case, although the repurchase agreements were concurrent with the purchases of the securities and execution of the interest rate swaps, those agreements were entered into with different counterparties and, in some cases, for nominal values lower than those of the securities.
Lastly, with respect to the third case, the specific purpose for which they were undertaken, demonstrated by the replaceability of the securities underlying the repurchase agreements, excludes a correlation between the various phases and differentiates the transactions from those described in the above-mentioned Document. The securities had already been recognised and the counterparties with which the transactions were undertaken were different.
Consequently, in all cases the analysis shows elements of differentiation from the long-term structured repurchase agreements described in the aforementioned Document and grounds for the inapplicability of the guidelines envisaged in IAS 39, Guidance on Implementing, paragraph B.6. All of the transactions relating to the cases described above have therefore been recognised, considering the individual contractual components separately.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

There are no subordinated debts as at 31 December 2012.

1.3 Breakdown of caption 10 Due to banks: structured debts

There are no structured debts as at 31 December 2012.

1.4 Due to banks with specific hedges

As at 31 December 2012, debts with fair value hedges against interest rate risk amounted to 283 million euro.

1.5 Financial lease payables

There are no financial lease payables due to banks as at 31 December 2012.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(millions of euro)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Current accounts and deposits	146,307	*146,307*	-	-	154,527
2. Time deposits	48,352	*48,352*	-	-	29,246
3. Loans	18,092	*18,061*	*31*	-	8,663
3.1 Repurchase agreements	*14,414*	*14,414*	-	-	*4,640*
3.2 Other	*3,678*	*3,647*	*31*	-	*4,023*
4. Debts for commitments to repurchase own equity instruments	455	*455*	-	-	539
5. Other debts	4,845	*4,807*	*38*	-	4,190
TOTAL	**218,051**	***217,982***	***69***	**-**	**197,165**
Fair value	**218,029**	***217,960***	***69***	**-**	**196,698**

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 10.26% of Cassa di Risparmio di Firenze for a total of approximately 273 million euro;
- Put & Call Agreement to purchase 16.52% of Cassa di Risparmio di Pistoia for a total of approximately 85 million euro;
- Put & Call Agreement to purchase the remaining 7.00% of Banca Intesa a.d. Beograd for a total of approximately 43 million euro.

2.2 Breakdown of caption 20 Due to customers: subordinated debts
As at 31 December 2012, the amount under Due to customers included subordinated debts of 43 million euro.

2.3 Breakdown of caption 20 Due to customers: structured debts
There are no structured debts as at 31 December 2012.

2.4 Due to customers with specific hedges
As at 31 December 2012, debts with specific hedges included under Due to customers are immaterial.

2.5 Financial lease payables
As at 31 December 2012, financial lease payables included under Due to customers are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(millions of euro)

	31.12.2012				31.12.2011			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	149,837	56,004	89,698	144	151,218	46,030	86,906	166
1.1 structured	*28,980*	*5,811*	*21,847*	*13*	*30,177*	*2,907*	*23,093*	-
1.2 other	*120,857*	*50,193*	*67,851*	*131*	*121,041*	*43,123*	*63,813*	*166*
2. other	9,470	-	8,250	1,220	9,027	-	7,974	1,010
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*9,470*	-	*8,250*	*1,220*	*9,027*	-	*7,974*	*1,010*
TOTAL	**159,307**	**56,004**	**97,948**	**1,364**	**160,245**	**46,030**	**94,880**	**1,176**

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 2012 have a negative fair value of 480 million euro.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

3.1 Of which Banking group

(millions of euro)

	31.12.2012				31.12.2011			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Securities								
1. bonds	149,837	56,004	89,698	144	151,218	46,030	86,906	166
1.1 structured	*28,980*	*5,811*	*21,847*	*13*	*30,177*	*2,907*	*23,093*	-
1.2 other	*120,857*	*50,193*	*67,851*	*131*	*121,041*	*43,123*	*63,813*	*166*
2. other	9,288	-	8,068	1,220	8,963	-	7,910	1,010
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*9,288*	-	*8,068*	*1,220*	*8,963*	-	*7,910*	*1,010*
TOTAL	**159,125**	**56,004**	**97,766**	**1,364**	**160,181**	**46,030**	**94,816**	**1,176**

3.1 Of which Other companies

(millions of euro)

	31.12.2012				31.12.2011			
	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	182	-	182	-	64	-	64	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*182*	-	*182*	-	*64*	-	*64*	-
TOTAL	**182**	**-**	**182**	**-**	**64**	**-**	**64**	**-**

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 13,440 million euro.

3.3 Breakdown of caption 30 Securities issued: securities with specific hedges

(millions of euro)

	31.12.2012	31.12.2011
1. Securities with specific fair value hedges	**119,349**	**112,670**
a) Interest rate risk	117,877	110,538
b) Foreign exchange risk	-	-
c) Various risks	1,472	2,132
2. Securities with specific cash flow hedges	**237**	**278**
a) Interest rate risk	237	278
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**119,586**	**112,948**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(millions of euro)

	31.12.2012					31.12.2011				
	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	**2,219**	**2,509**	**1**	**-**	**2,510**	**1,839**	**1,945**	**4**	**-**	**1,949**
2. Due to customers	**529**	**533**	**-**	**-**	**533**	**327**	**334**	**-**	**-**	**334**
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	**2,748**	**3,042**	**1**	**-**	**3,043**	**2,166**	**2,279**	**4**	**-**	**2,283**
B. DERIVATIVES										
1. Financial derivatives	**X**	**2,210**	**44,371**	**577**	**X**	**X**	**1,886**	**39,907**	**632**	**X**
1.1 Trading	X	2,186	43,886	484	X	X	1,886	39,391	556	X
1.2 Fair value option	X	24	-	-	X	X	-	-	-	X
1.3 Other	X	-	485	93	X	X	-	516	76	X
2. Credit derivatives	**X**	**83**	**1,828**	**83**	**X**	**X**	**85**	**3,623**	**324**	**X**
2.1 Trading	X	83	1,828	83	X	X	85	3,623	324	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**2,293**	**46,199**	**660**	**X**	**X**	**1,971**	**43,530**	**956**	**X**
TOTAL (A+B)	**X**	**5,335**	**46,200**	**660**	**X**	**X**	**4,250**	**43,534**	**956**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

4.1 Of which Banking group

(millions of euro)

	31.12.2012					31.12.2011				
	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	**2,219**	**2,509**	**1**	**-**	**2,510**	**1,839**	**1,945**	**4**	**-**	**1,949**
2. Due to customers	**529**	**533**	**-**	**-**	**533**	**327**	**334**	**-**	**-**	**334**
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	**2,748**	**3,042**	**1**	**-**	**3,043**	**2,166**	**2,279**	**4**	**-**	**2,283**
B. DERIVATIVES										
1. Financial derivatives	**X**	**2,181**	**44,344**	**577**	**X**	**X**	**1,879**	**39,885**	**632**	**X**
1.1 Trading	X	2,181	43,862	484	X	X	1,879	39,371	556	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	482	93	X	X	-	514	76	X
2. Credit derivatives	**X**	**62**	**1,826**	**83**	**X**	**X**	**85**	**3,623**	**324**	**X**
2.1 Trading	X	62	1,826	83	X	X	85	3,623	324	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**2,243**	**46,170**	**660**	**X**	**X**	**1,964**	**43,508**	**956**	**X**
TOTAL (A+B)	**X**	**5,285**	**46,171**	**660**	**X**	**X**	**4,243**	**43,512**	**956**	**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 includes protected-capital securitised derivatives (certificates) amounting to 3,054 million euro; at the end of 2011, these amounted to 2,286 million euro.

4.1 Of which Insurance companies

(millions of euro)

	31.12.2012					31.12.2011				
	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**	**29**	**27**	**-**	**X**	**X**	**7**	**22**	**-**	**X**
1.1 Trading	X	5	24	-	X	X	7	20	-	X
1.2 Fair value option	X	24	-	-	X	X	-	-	-	X
1.3 Other	X	-	3	-	X	X	-	2	-	X
2. Credit derivatives	**X**	**21**	**2**	**-**	**X**	**X**	**-**	**-**	**-**	**X**
2.1 Trading	X	21	2	-	X	X	-	-	-	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**50**	**29**	**-**	**X**	**X**	**7**	**22**	**-**	**X**
TOTAL (A+B)	**X**	**50**	**29**	**-**	**X**	**X**	**7**	**22**	**-**	**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 2012.

4.3 Breakdown of caption 40 Financial liabilities held for trading: structured debts

The Group has structured debts of 52 million euro classified under Financial liabilities held for trading as at 31 December 2012.

4.4 Financial cash liabilities (excluding "short selling") held for trading: annual changes

As at 31 December 2012, 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)

	31.12.2012					31.12.2011				
	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	27,038	-	27,038	-	27,038	21,955	-	21,955	-	22,054
2.1 structured	-	-	-	-	*X*	-	-	-	-	*X*
2.2 other	*27,038*	-	*27,038*	-	*X*	*21,955*	-	*21,955*	-	*X*
3. Debt securities	9	-	9	-	9	720	-	698	-	693
3.1 structured	-	-	-	-	*X*	*706*	-	*685*	-	*X*
3.2 other	*9*	-	*9*	-	*X*	*14*	-	*13*	-	*X*
TOTAL	**27,047**	**-**	**27,047**	**-**	**27,047**	**22,675**	**-**	**22,653**	**-**	**22,747**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1 Of which Banking group

(millions of euro)

	31.12.2012					31.12.2011				
	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	9	-	9	-	9	720	-	698	-	693
3.1 structured	-	-	-	-	X	*706*	-	*685*	-	X
3.2 other	*9*	-	*9*	-	X	*14*	-	*13*	-	X
TOTAL	**9**	**-**	**9**	**-**	**9**	**720**	**-**	**698**	**-**	**693**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1 Of which Insurance companies

(millions of euro)

	31.12.2012					31.12.2011				
	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	27,038	-	27,038	-	27,038	21,955	-	21,955	-	22,054
2.1 structured	-	-	-	-	X	-	-	-	-	X
2.2 other	*27,038*	-	*27,038*	-	X	*21,955*	-	*21,955*	-	X
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	-	X	-	-	-	-	X
3.2 other	-	-	-	-	X	-	-	-	-	X
TOTAL	**27,038**	**-**	**27,038**	**-**	**27,038**	**21,955**	**-**	**21,955**	**-**	**22,054**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Liabilities designated at fair value as at 31 December 2012 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 2012.

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	**-**	**21,955**	**698**	**22,653**
B. Increases	**-**	**8,638**	**28**	**8,666**
B.1 issues	-	6,550	-	**6,550**
B.2 sales	-	-	-	**-**
of which business combinations	-	-	-	-
B.3 positive fair value differences	-	2,087	-	**2,087**
B.4 other changes	-	1	28	**29**
C. Decreases	**-**	**-3,555**	**-717**	**-4,272**
C.1 purchases	-	-864	-51	**-915**
C.2 reimbursements	-	-2,405	-663	**-3,068**
C.3 negative fair value differences	-	-	-	**-**
C.4 other changes	-	-286	-3	**-289**
D. Final amount	**-**	**27,038**	**9**	**27,047**

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

6.1. Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2012			Notional value	Fair value 31.12.2011			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**10,757**	**19**	**102,897**	**-**	**8,567**	**9**	**105,912**
1. Fair value	-	8,431	19	92,266	-	6,766	9	98,347
2. Cash flows	-	2,326	-	10,631	-	1,801	-	7,565
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**10,757**	**19**	**102,897**	**-**	**8,567**	**9**	**105,912**

6.1 Of which Banking group

(millions of euro)

	Fair value 31.12.2012			Notional value	Fair value 31.12.2011			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**10,442**	**19**	**102,344**	**-**	**8,316**	**9**	**105,359**
1. Fair value	-	8,116	19	91,713	-	6,515	9	97,794
2. Cash flows	-	2,326	-	10,631	-	1,801	-	7,565
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**10,442**	**19**	**102,344**	**-**	**8,316**	**9**	**105,359**

6.1 Of which Insurance companies

(millions of euro)

	Fair value 31.12.2012			Notional value	Fair value 31.12.2011			Notional value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**315**	**-**	**553**	**-**	**251**	**-**	**553**
1. Fair value	-	315	-	553	-	251	-	553
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**315**	**-**	**553**	**-**	**251**	**-**	**553**

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	1,869	-	-	-	11	X	-	X	X
2. Loans	5,475	-	-	X	169	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	37	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**7,344**	**-**	**-**	**-**	**180**	**37**	**-**	**-**	**-**
1. Financial liabilities	786	-	-	X	53	X	14	X	X
2. Portfolio	X	X	X	X	X	50	X	2,312	X
Total liabilities	**786**	**-**	**-**	**-**	**53**	**50**	**14**	**2,312**	**-**
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	1,554	-	-	-	11	X	-	X	X
2. Loans	5,475	-	-	X	169	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	37	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**7,029**	**-**	**-**	**-**	**180**	**37**	**-**	**-**	**-**
1. Financial liabilities	786	-	-	X	53	X	14	X	X
2. Portfolio	X	X	X	X	X	50	X	2,312	X
Total liabilities	**786**	**-**	**-**	**-**	**53**	**50**	**14**	**2,312**	**-**
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

As at 31 December 2012 351 million euro was attributable to insurance companies, relating entirely to the fair value hedging of interest rate risk on financial assets available for sale.

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)

	31.12.2012	*Of which:*			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Positive fair value change of financial liabilities	1,869	*1,869*	-	-	***1,769***
2. Negative fair value change of financial liabilities	-67	*-67*	-	-	***-83***
TOTAL	**1,802**	*1,802*	-	-	***1,686***

7.2 Financial liabilities hedged by macrohedging of interest rate risk: breakdown

(millions of euro)

	31.12.2012	31.12.2011
1. Debts	-	-
2. Portfolio	36,564	36,730
TOTAL	**36,564**	**36,730**

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. In addition, in 2012 hedges of the interest rate risk arising from the effect of the maturity mismatch between funding and lending were undertaken through overnight index swaps (OISs).
The change in liabilities subject to macrohedging compared to the previous year was the result of the following:

– a decrease in hedged core deposits following the revision of the model, ensuing from the decline in volumes, of approximately 3 billion euro;
– an increase in hedges of funding with OISs of approximately 2.5 billion euro.

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)

	31.12.2012	Of which:		
		Banking group	*Insurance companies*	*Other companies*
Due to suppliers	1,179	*1,152*	*24*	*3*
Amounts due to third parties	422	*421*	-	*1*
Transit items	52	*52*	-	-
Adjustments for portfolio items to be settled	1,226	*1,226*	-	-
Amounts to be credited and items under processing	2,949	*2,943*	*6*	-
Personnel charges	374	*373*	*1*	-
Due to social security entities	135	*135*	-	-
Guarantees given and commitments	441	*441*	-	-
Other items relating to insurance business	4,980	-	*4,980*	-
Due to tax authorities	1,412	*978*	*432*	*2*
Other	4,869	*4,224*	*636*	*9*
TOTAL 31.12.2012	**18,039**	***11,945***	***6,079***	***15***
TOTAL 31.12.2011	**13,963**	***10,127***	***3,825***	***11***

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2012	Of which:			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
A. Initial amount	**1,338**	***1,334***	***4***	**-**	**1,370**
B. Increases	**196**	***196***	**-**	**-**	**160**
B.1 Provisions in the year	60	*60*	-	-	67
B.2 Other	136	*136*	-	-	93
of which business combinations	-	-	-	-	*10*
C. Decreases	**-327**	***-327***	**-**	**-**	**-192**
C.1 Benefits paid	-205	*-205*	-	-	-57
C.2 Other	-122	*-122*	-	-	-135
of which business combinations	-	-	-	-	-
D. Final amount	**1,207**	***1,203***	***4***	**-**	**1,338**

C.1 refers to benefits paid as at 31 December 2012.
For greater detail on actuarial calculations, see Section 12.3 – Post employment defined benefit plans.

11.2 Other information

The value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 1,354 million euro as at December 2012, while at the end of 2011 it amounted to 1,385 million euro.
Actuarial losses not recognised in the income statement in 2012, in application of the "corridor approach", totalled 147 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(millions of euro)

	31.12.2012	*Of which:*			31.12.2011
		Banking group	*Insurance companies*	*Other companies*	
1. Post employment benefits	**416**	***416***	***-***	***-***	**402**
2. Other allowances for risks and charges	**2,927**	***2,908***	***17***	***2***	**3,226**
2.1 Legal disputes	922	*917*	*5*	*-*	940
2.2 Personnel charges	1,283	*1,273*	*10*	*-*	1,281
2.3 Other	722	*718*	*2*	*2*	1,005
TOTAL	**3,343**	***3,324***	***17***	***2***	**3,628**

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	**402**	**3,226**	***402***	***3,209***	***-***	***16***	***-***	***1***
B. Increases	**75**	**910**	***75***	***899***	***-***	***8***	***-***	***3***
B.1 Provisions in the year	43	762	*43*	*753*	*-*	*8*	*-*	*1*
B.2 Time value changes	21	36	*21*	*36*	*-*	*-*	*-*	*-*
B.3 Changes due to discount rate variations	-	16	*-*	*16*	*-*	*-*	*-*	*-*
B.4 Other	11	96	*11*	*94*	*-*	*-*	*-*	*2*
of which business combinations	-	-	*-*	*-*	*-*	*-*	*-*	*-*
C. Decreases	**-61**	**-1,209**	***-61***	***-1,200***	***-***	***-7***	***-***	***-2***
C.1 Uses in the year	-39	-792	*-39*	*-785*	*-*	*-7*	*-*	*-*
C.2 Changes due to discount rate variations	-	-	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Other	-22	-417	*-22*	*-415*	*-*	*-*	*-*	*-2*
of which business combinations	-	-	*-*	*-*	*-*	*-*	*-*	*-*
D. Final amount	**416**	**2,927**	***416***	***2,908***	***-***	***17***	***-***	***2***

As at 31 December 2012 the variations due to changes in the discounting rate totalled 16 million euro and were attributable to the Parent Company and network banks.

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 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 plans in effect within 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; retired personnel of the Cassa di Risparmio di Pistoia e Pescia internal fund, transferred to that fund as at 1/09/2012;
- 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.
- Supplementary pension fund for the personnel of Banca Monte Parma: this is a corporate pension fund for the company's personnel and it is addressed towards all employees of the lending unit, Banks and Pledge sections, in service as at 31 October 1991.

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". Other increases in external plans primarily related to the settlement of the Cassa di Risparmio di Pistoia internal fund and the supplementary fund for the personnel of Banco di Napoli.

(millions of euro)

Defined benefit obligations	31.12.2012			31.12.2011		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,385**	**275**	**2,885**	**1,327**	**271**	**2,855**
Current service costs	8	3	19	8	3	21
Recognised past service costs	-	-	-	-	-	-
Unrecognised past service costs	-	-	-	-	-	-
Interest costs	52	17	131	59	18	146
Recognised actuarial losses	-	2	-	-	3	-
Unrecognised actuarial losses	97	27	414	93	14	91
Positive exchange differences	-	2	-	-	2	-
Increases - business combinations	-	-	-	10	-	-
Participants' contributions	-	-	1	-	-	2
Recognised actuarial gains	-	-	-	-	-	-
Unrecognised actuarial gains	-	-11	-	-	-16	-15
Negative exchange differences	-	-7	-	-	-4	-
Benefits paid	-201	-15	-215	-57	-15	-215
Decreases - business combinations	-	-	-	-	-	-
Curtailments of the fund	-	-	-	-	-	-
Settlements of the fund	-	-11	-	-	-	-
Other increases	136	1	11	81	3	-
Other decreases	-123	-1	-	-136	-4	-
Final amount	**1,354**	**282**	**3,246**	**1,385**	**275**	**2,885**
Total unrecognised actuarial gains	**-**	**-11**	**-**	**-**	**-16**	**-15**
Total unrecognised actuarial losses	**97**	**27**	**414**	**93**	**14**	**91**

Liabilities of the defined benefit obligations pension plan	31.12.2012			31.12.2011		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,354	51	-	1,385	46	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	231	3,246	-	229	2,885

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	**31.12.2012**		**31.12.2011**	
	Internal plans	**External plans**	**Internal plans**	**External plans**
Initial amount	**92**	**2,771**	**91**	**2,945**
Expected return	5	126	5	150
Recognised actuarial losses	-	-	-	-
Unrecognised actuarial losses	-1	-22	-5	-148
Positive exchange differences	2	-	2	1
Increases- business combinations	-	-	-	-
Employer contributions	6	-	3	-
Participants' contributions	-	1	-	2
Recognised actuarial gains	-	-	-	-
Unrecognised actuarial gains	2	150	-	-
Negative exchange differences	-	-	-	-
Decreases - business combinations	-	-	-	-
Benefits paid	-5	-216	-5	-215
Curtailments of the fund	-	-	-	-
Settlements of the fund	-	-	-	-
Other changes	-	35	1	36
Final amount	**101**	**2,845**	**92**	**2,771**
Total unrecognised actuarial gains	**2**	**150**	**-**	**-**
Total unrecognised actuarial losses	**-1**	**-22**	**-5**	**-148**

(millions of euro)

	31.12.2012				**31.12.2011**			
	Internal plans	**%**	**External plans**	**%**	**Internal plans**	**%**	**External plans**	**%**
Equities and mutual equity funds	52	51.5	1,268	44.5	41	44.6	874	31.5
Debt securities and mutual bond investment funds	26	25.7	745	26.2	30	32.6	880	31.8
Real estate assets and equity shareholdings in real estate companies	8	7.9	739	26.0	6	6.5	771	27.8
Insurance activities	-	-	-	-	-	-	-	-
Other assets	15	14.9	93	3.3	15	16.3	246	8.9
TOTAL	**101**	**100.0**	**2,845**	**100.0**	**92**	**100.0**	**2,771**	**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)

	31.12.2012			**31.12.2011**		
	Employee termination indemnities	**Internal plans**	**External plans**	**Employee termination indemnities**	**Internal plans**	**External plans**
1. Present value of the defined benefit obligations	1,354	282	3,246	1,385	275	2,885
2. Fair value of the plan assets	-	101	2,845	-	92	2,771
A. Fund status	**1,354**	**181**	**401**	**1,385**	**183**	**114**
1. Unrecognised actuarial gains (sum of cumulated gains)	-	-	-	5	2	121
2. Unrecognised actuarial losses (sum of cumulated losses)	-147	-56	-316	-52	-47	-186
3. Unrecognised past service costs	-	-	-	-	-	-
4. Unrecognised assets because not reimbursable	-	-	232	-	-	118
5. Fair value of assets reimbursable by third parties	-	-	-	-	-	-
B. Total	**-147**	**-56**	**-84**	**-47**	**-45**	**53**
Recognised assets	**-**	**21**	**-**	**-**	**23**	**-**
Recognised liabilities	**1,207**	**146**	**317**	**1,338**	**162**	**262**

In addition to the recognised liabilities described above, additional provisions for risks and charges of 5 million euro were made in view of the planned liquidation of certain minor funds.

5. Description of the main actuarial assumptions

The table below indicates the actuarial assumptions and interest rates used by the various funds.

Actuarial assumptions	31.12.2012				31.12.2011			
	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	3.2%	X	3.0%	2.0%	4.1%	X	3.0%	2.0%
INTERNAL PLANS								
Pension fund for employees of Mediocredito Lombardo	2.8%	4.6%	-	2.0%	4.6%	5.1%	-	2.0%
Pension fund for the tax-collection employees of former Cariplo	2.4%	4.4%	-	2.0%	4.4%	4.9%	-	2.0%
Pension fund for Managers of former Comit (API)	2.1%	3.8%	-	2.0%	3.8%	4.5%	-	2.0%
London branch pension fund	4.3%	-	4.2%	2.9%	4.8%	-	4.4%	3.1%
Cassa di Risparmio di Viterbo fund	2.1%	-	3.5%	2.0%	3.7%	-	2.7%	2.0%
Cassa di Risparmio di Ascoli Piceno fund	2.8%	-	3.5%	2.0%	4.7%	-	2.6%	2.0%
Cassa di Risparmio di Città di Castello fund	-	-	-	-	4.6%	-	2.6%	2.0%
Cassa di Risparmio di Foligno fund	-	-	-	-	4.4%	-	2.6%	2.0%
Cassa di Risparmio di Rieti fund	2.6%	-	3.5%	2.0%	4.4%	-	2.6%	2.0%
Cassa di Risparmio di Spoleto fund	2.8%	-	3.5%	2.0%	4.6%	5.0%	2.6%	2.0%
Banca CR Firenze (Mirandola) fund	2.4%	-	-	2.0%	4.3%	-	-	2.0%
Cassa di Risparmio di Pistoia e Pescia fund	-	-	-	-	4.3%	-	-	2.0%
Cassa di Risparmio di Civitavecchia fund	2.8%	-	-	2.0%	4.5%	-	-	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%	-	7.0%	5.5%	10.0%	-	3.2%	5.5%
EXTERNAL PLANS								
Supplementary pension fund for Employees of Istituto Bancario San Paolo di Torino	3.4%	4.7%	2.0%	2.0%	4.7%	5.4%	2.0%	2.0%
New York branch pension fund	3.8%	6.5%	-	-	4.3%	7.0%	-	-
Supplementary pension fund for Employees of Banco di Napoli - Sect. A	2.8%	4.5%	2.1%	2.0%	4.5%	5.0%	2.0%	2.0%
Pension fund for employees of former Cariplo	2.8%	4.4%	-	2.0%	4.4%	4.9%	-	2.0%
Pension fund for employees of former Crediop	2.8%	4.6%	2.0%	2.0%	4.6%	5.1%	2.0%	2.0%
Employee pension fund Cariparo-retired employees section	2.9%	4.7%	-	2.0%	4.7%	4.6%	-	2.0%
Cassa di Risparmio di Firenze "ex-exempted" pension fund	3.4%	4.8%	-	2.0%	4.8%	-	-	2.0%
Banca Monte Parma fund	2.9%	-	1.5%	2.0%	-	-	-	-

In continuity with 2011, the Intesa Sanpaolo Group primarily uses as its discounting rate the Eur Composite A rate curve, weighted on the basis of the ratio of payments and advances referring to each maturity, on the one hand, and the total amount of payments and advances to be made for the final fulfilment of the entire obligation, on the other. In the case of defined-benefit plans in particular, the rate used corresponds to the average rate that reflects the market parameters to which the plan refers. The Eur Composite A curve is obtained daily from Bloomberg's information provider and refers to a basket of securities issued by investment-grade corporate issuers included in the A rating class, residing in the Eurozone and belonging to various sectors.

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)

	31.12.2012	31.12.2011
2. Other allowances		
2.1 legal disputes	922	940
2.2 personnel charges	1,283	1,281
incentive-driven exit plans	*770*	*808*
employee seniority bonuses	*183*	*171*
other personnel expenses	*330*	*302*
2.3 other risks and charges	722	1,005
other indemnities due to agents of the distribution network	*158*	*245*
other	*564*	*760*
TOTAL	**2,927**	**3,226**

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: breakdown

(millions of euro)

	Direct work	Indirect work	31.12.2012	31.12.2011
A. Non-life business	**419**	**-**	**419**	**342**
A.1 premiums reserves	288	-	288	237
A.2 claims reserves	128	-	128	101
A.3 other reserves	3	-	3	4
B. Life business	**48,015**	**-**	**48,015**	**41,366**
B.1 mathematical reserves	47,161	-	47,161	44,427
B.2 reserves for amounts to be disbursed	364	-	364	468
B.3 other reserves	490	-	490	-3,529
C. Technical reserves for investment risks to be borne by the insured	**6,226**	**-**	**6,226**	**9,053**
C.1 reserves for contracts with disbursements connected with investment funds and market indices	5,258	-	5,258	7,780
C.2 reserves from pension fund management	968	-	968	1,273
D. Total insurance reserves carried by reinsurers	**54,660**	**-**	**54,660**	**50,761**

13.2 Technical reserves: annual changes

(millions of euro)

	31.12.2012	31.12.2011
A. Non-life business	**419**	**342**
Initial amount	342	286
Business combinations	-	-
Changes in the reserve (+/-)	77	56
B. Life business and other technical reserves	**54,241**	**50,419**
Initial amount	50,419	49,902
Business combinations	-	-
Change in premiums	5,497	8,513
Change in payments	-7,532	-4,948
Changes due to income and other bonuses recognised to insured parties (+/-)	1,932	1,134
Changes due to exchange differences (+/-)	-	-
Changes in other technical reserves (+/-)	3,925	-4,182
C. Total technical reserves	**54,660**	**50,761**

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	**15,501,281,775**	**932,490,561**
- fully paid-in	15,501,281,775	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-2,826,676**	**-162,000**
A.2 Shares outstanding: initial number	**15,498,455,099**	**932,328,561**
B. Increases	**12,097,432**	**2,357,357**
B.1 New issues	230,380	-
- for consideration	230,380	-
business combinations	*230,380*	-
conversion of bonds	-	-
exercise of warrants	-	-
other	-	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	11,867,052	2,357,357
B.3 Other	-	-
C. Decreases	**-22,878,020**	**-2,388,618**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-22,878,020	-2,388,618
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**15,487,674,511**	**932,297,300**
D.1 Treasury shares (+)	13,837,644	193,261
D.2 Final number of shares	**15,501,512,155**	**932,490,561**
- fully paid-in	15,501,512,155	932,490,561
- not paid-in	-	-

15.3 Share capital: other information

The share capital of the Bank as at 31 December 2012 amounted to 8,546 million euro, divided into 15,501,512,155 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.

At the date of this document the share capital was fully paid-in and liberated.

15.4 Reserves: other information

Reserves amounted to 9,941 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 3,925 million euro, as well as the consolidation reserve equal to 6,016 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. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.

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 1,399 million euro and included valuation reserves of financial assets available for sale for 58 million euro, reserves of cash flow hedge derivatives for -1,291 million euro, exchange rate valuation reserves (relating to fully consolidated investments) for -418 million euro and legally-required revaluation reserves for +351 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)

	31.12.2012	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2011
1) Financial guarantees given	**17,090**	***17,090***	**-**	**-**	**19,256**
a) Banks	3,493	*3,493*	-	-	3,354
b) Customers	13,597	*13,597*	-	-	15,902
2) Commercial guarantees given	**32,269**	***32,269***	**-**	**-**	**32,928**
a) Banks	3,787	*3,787*	-	-	3,486
b) Customers	28,482	*28,482*	-	-	29,442
3) Irrevocable commitments to lend funds	**55,954**	***55,954***	**-**	**-**	**55,962**
a) Banks	14,853	*14,853*	-	-	9,477
- of certain use	*14,036*	*14,036*	-	-	*7,794*
- of uncertain use	*817*	*817*	-	-	*1,683*
b) Customers	41,101	*41,101*	-	-	46,485
- of certain use	*8,306*	*8,306*	-	-	*10,907*
- of uncertain use	*32,795*	*32,795*	-	-	*35,578*
4) Underlying commitments on credit derivatives: protection sales	**77,513**	***77,513***	**-**	**-**	**57,957**
5) Assets pledged as collateral of third party commitments	**15**	***15***	**-**	**-**	**15**
6) Other commitments	**2,041**	***2,041***	**-**	**-**	**1,623**
TOTAL	**184,882**	***184,882***	**-**	**-**	**167,741**

2. Assets pledged as collateral of liabilities and commitments

(millions of euro)

	31.12.2012	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2011
1. Financial assets held for trading	9,314	*9,314*	-	-	8,331
2. Financial assets designated at fair value through profit and loss	243	*243*	-	-	14
3. Financial assets available for sale	19,153	*19,153*	-	-	16,839
4. Investments held to maturity	563	*563*	-	-	746
5. Due from banks	4,070	*4,070*	-	-	23,912
6. Loans to customers	57,354	*57,354*	-	-	32,976
7. Property and equipment	-	-	-	-	-
TOTAL	**90,697**	***90,697***	**-**	**-**	**82,818**

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	31.12.2012
Assets in the balance sheet	13,651	771	14,422
Intra-group assets	18,856	197	19,053
Total Assets	**32,507**	**968**	**33,475**
Financial liabilities in the balance sheet	27,038	-	27,038
Technical reserves in the balance sheet	5,258	967	6,225
Intra-group liabilities	185	-	185
Total Liabilities	**32,481**	**967**	**33,448**

5. Management and dealing on behalf of third parties

(millions of euro)

	31.12.2012	31.12.2011
1. Trading on behalf of customers		
a) Purchases	789,572	671,192
1. settled	*787,078*	*669,975*
2. to be settled	*2,494*	*1,217*
b) Sales	734,239	654,344
1. settled	*732,876*	*654,199*
2. to be settled	*1,363*	*145*
2. Portfolio management		
a) individual	77,140	73,279
b) collective	62,051	61,249
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	42,308	43,181
1. securities issued by companies included in the consolidation area	*242*	*34,758*
2. other securities	*42,066*	*8,423*
b) third party securities held in deposit (excluding portfolio management): other	558,880	682,151
1. securities issued by companies included in the consolidation area	*108,043*	*125,567*
2. other securities	*450,837*	*556,584*
c) third party securities deposited with third parties	602,885	670,499
d) portfolio securities deposited with third parties	79,207	91,504
4. Other	**159,150**	**159,000**

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 the application of acceleration clauses;
- 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	2012	2011
1. Financial assets held for trading	488	1	1	490	617
2. Financial assets designated at fair value through profit and loss	371	-	-	371	360
3. Financial assets available for sale	2,874	1	-	2,875	2,297
4. Investments held to maturity	88	2	-	90	108
5. Due from banks	162	549	5	716	740
6. Loans to customers	493	13,007	3	13,503	13,871
7. Hedging derivatives	X	X	1,627	1,627	1,127
8. Other assets	X	X	28	28	29
TOTAL	**4,476**	**13,560**	**1,664**	**19,700**	**19,149**

Interest and similar income also includes interest income on securities relating to repurchase agreements.
Loans to customers include interest of 127 million euro on doubtful loans, of 304 million euro on substandard loans, of 77 million euro on restructured loans and of 98 million euro on past due loans.

1.1 Of which Banking group

(millions of euro)

	Debt securities	Loans	Other transactions	2012	2011
1. Financial assets held for trading	470	1	-	471	600
2. Financial assets designated at fair value through profit and loss	33	-	-	33	27
3. Financial assets available for sale	1,229	1	-	1,230	756
4. Investments held to maturity	88	2	-	90	108
5. Due from banks	161	546	5	712	731
6. Loans to customers	465	13,004	3	13,472	13,840
7. Hedging derivatives	X	X	1,654	1,654	1,145
8. Other assets	X	X	28	28	29
TOTAL	**2,446**	**13,554**	**1,690**	**17,690**	**17,236**

1.1 Of which Insurance companies

(millions of euro)

	Debt securities	Loans	Other transactions	2012	2011
1. Financial assets held for trading	18	-	1	19	17
2. Financial assets designated at fair value through profit and loss	338	-	-	338	333
3. Financial assets available for sale	1,643	-	-	1,643	1,541
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	1	3	-	4	9
6. Loans to customers	4	-	-	4	4
7. Hedging derivatives	X	X	-27	-27	-18
8. Other assets	X	X	-	-	-
TOTAL	**2,004**	**3**	**-26**	**1,981**	**1,886**

1.1 Of which Other companies

(millions of euro)

	Debt securities	Loans	Other transactions	2012	2011
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets designated at fair value through profit and loss	-	-	-	-	-
3. Financial assets available for sale	2	-	-	2	-
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	-	-	-	-	-
6. Loans to customers	24	3	-	27	27
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
TOTAL	**26**	**3**	**-**	**29**	**27**

1.2 Interest and similar income: differentials on hedging transactions

(millions of euro)

	2012	*Of which:*			2011
		Banking group	*Insurance companies*	*Other companies*	
A. Positive differentials on hedging transactions	4,156	*4,156*	*-*	*-*	3,244
B. Negative differentials on hedging transactions	-2,529	*-2,502*	*-27*	*-*	-2,117
BALANCE (A - B)	**1,627**	***1,654***	***-27***	***-***	**1,127**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31 December 2012 includes 2,334 million euro relating to financial assets in foreign currency.

1.3.2 Interest income on financial lease receivables

As at 31 December 2012, interest income on financial leases amounted to 679 million euro.

1.4 Interest and similar expense: breakdown

(millions of euro)

	Debts	Securities	Other transactions	2012	2011
1. Due to Central Banks	363	X	-	363	190
2. Due to banks	543	X	3	546	651
3. Due to customers	1,869	X	1	1,870	1,480
4. Securities issued	X	5,621	-	5,621	5,402
5. Financial liabilities held for trading	-	-	2	2	3
6. Financial liabilities designated at fair value through profit and loss	-	6	-	6	1
7. Other liabilities and allowances	X	X	10	10	35
8. Hedging derivatives	X	X	-	-	-
TOTAL	**2,775**	**5,627**	**16**	**8,418**	**7,762**

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	2012	2011
1. Due to Central Banks	363	X	-	363	190
2. Due to banks	536	X	1	537	642
3. Due to customers	1,869	X	1	1,870	1,479
4. Securities issued	X	5,612	-	5,612	5,398
5. Financial liabilities held for trading	-	-	2	2	3
6. Financial liabilities designated at fair value through profit and loss	-	6	-	6	1
7. Other liabilities and allowances	X	X	10	10	35
8. Hedging derivatives	X	X	-	-	-
TOTAL	**2,768**	**5,618**	**14**	**8,400**	**7,748**

1.4 Of which Insurance companies

As at 31 December 2012 interest expense on amounts due to banks total 2 million euro.

1.4 Of which Other companies

As at 31 December 2012, 16 million euro was attributable to other companies, of which 7 million euro on amounts due to banks and 9 million euro on securities issued.

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 2012 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 2012 included 1,216 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

As at 31 December 2012, 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)

	2012	Of which:			2011
		Banking group	*Insurance companies*	*Other companies*	
A) Guarantees given	**392**	***392***	**-**	**-**	**399**
B) Credit derivatives	**-**	**-**	**-**	**-**	**2**
C) Management, dealing and consultancy services	**2,514**	***2,511***	**-**	***3***	**2,368**
1. trading in financial instruments	64	*64*	-	-	66
2. currency dealing	47	*47*	-	-	59
3. portfolio management	1,570	*1,570*	-	-	1,518
3.1. individual	*372*	*372*	-	-	*362*
3.2. collective	*1,198*	*1,198*	-	-	*1,156*
4. custody and administration of securities	73	*73*	-	-	86
5. depositary bank	19	*19*	-	-	17
6. placement of securities	243	*243*	-	-	155
7. reception and transmission of orders	209	*209*	-	-	195
8. consultancy services	85	*85*	-	-	78
8.1. on investments	58	*58*	-	-	46
8.2. on financial structure	27	*27*	-	-	32
9. distribution of third party services	204	*201*	-	*3*	194
9.1. portfolio management	*79*	*79*	-	-	*73*
9.1.1. individual	*3*	*3*	-	-	*4*
9.1.2. collective	*76*	*76*	-	-	*69*
9.2. insurance products	*121*	*118*	-	*3*	*116*
9.3. other products	*4*	*4*	-	-	*5*
D) Collection and payment services	**437**	***437***	**-**	**-**	**452**
E) Servicing related to securitisations	**2**	***2***	**-**	**-**	**3**
F) Services related to factoring	**159**	***159***	**-**	**-**	**139**
G) Tax collection services	**-**	**-**	**-**	**-**	**-**
H) Management of multilateral trading facilities	**-**	**-**	**-**	**-**	**-**
I) Management of current accounts	**1,035**	***1,035***	**-**	**-**	**876**
J) Other services	**2,102**	***1,672***	***430***	**-**	**2,059**
TOTAL	**6,641**	***6,208***	***430***	***3***	**6,298**

Other services mostly recorded fees on credit and debit cards of 752 million euro as well as commissions on loans of 707 million euro.

2.2 Fee and commission income: distribution channels of products and services – Banking group

(millions of euro)

	2012	2011
A) Group branches	**1,293**	**1,175**
1. portfolio management	907	900
2. placement of securities	232	143
3. third party services and products	154	132
B) "Door-to-door" sales	**697**	**665**
1. portfolio management	651	607
2. placement of securities	9	11
3. third party services and products	37	47
C) Other distribution channels	**24**	**24**
1. portfolio management	12	11
2. placement of securities	2	1
3. third party services and products	10	12

2.3 Fee and commission expense: breakdown

(millions of euro)

	2012	Of which:			2011
		Banking group	*Insurance companies*	*Other companies*	
A) Guarantees received	**120**	***120***	***-***	***-***	**22**
B) Credit derivatives	**14**	***14***	***-***	***-***	**9**
C) Management, dealing and consultancy services	**707**	***699***	***8***	***-***	**645**
1. trading in financial instruments	38	*37*	*1*	*-*	41
2. currency dealing	2	*2*	*-*	*-*	2
3. portfolio management:	66	*66*	*-*	*-*	69
3.1 own portfolio	*65*	*65*	*-*	*-*	*68*
3.2 third party portfolio	*1*	*1*	*-*	*-*	*1*
4. custody and administration of securities	60	*53*	*7*	*-*	72
5. placement of financial instruments	80	*80*	*-*	*-*	34
6. "door-to-door" sale of financial instruments, products and services	461	*461*	*-*	*-*	427
D) Collection and payment services	**103**	***103***	***-***	***-***	**108**
E) Other services	**567**	***442***	***124***	***1***	**494**
TOTAL	**1,511**	***1,378***	***132***	***1***	**1,278**

E - Other services includes 289 million euro fees on credit and debit cards, 116 million euro on the placement of investment insurance products, 81 million euro on banking services to Italian branches, 66 million euro on banking services to foreign branches and 15 million euro on other minor services.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

	2012		Of which:						2011	
			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	330	3	330	2	-	1	-	-	362	3
B. Financial assets available for sale	60	23	*33*	*5*	*27*	*18*	-	-	78	18
C. Financial assets designated at fair value through profit and loss	49	14	-	*14*	*49*	-	-	-	41	14
D. Investments in associates and companies subject to joint control	28	X	*28*	*X*	-	*X*	-	*X*	26	X
TOTAL	**467**	**40**	***391***	***21***	***76***	***19***	***-***	***-***	**507**	**35**

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	**486**	**870**	**-105**	**-693**	**558**
1.1 Debt securities	402	717	-73	-488	558
1.2 Equities	13	89	-8	-183	-89
1.3 Quotas of UCI	71	63	-24	-22	88
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-	1
2. Financial liabilities held for trading	**4**	**822**	**-44**	**-1,089**	**-307**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	4	822	-44	-1,089	-307
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**76**
4. Derivatives	**20,437**	**54,414**	**-21,905**	**-52,829**	**222**
4.1 Financial derivatives	17,725	52,940	-19,182	-51,300	288
- on debt securities and interest rates	*16,247*	*41,803*	*-17,107*	*-40,796*	*147*
- on equities and stock indexes	*1,410*	*3,823*	*-2,015*	*-3,232*	*-14*
- on currencies and gold	*X*	*X*	*X*	*X*	*105*
- other	*68*	*7,314*	*-60*	*-7,272*	*50*
4.2 Credit derivatives	2,712	1,474	-2,723	-1,529	-66
TOTAL	**20,927**	**56,106**	**-22,054**	**-54,611**	**549**

"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	**383**	**802**	**-102**	**-690**	**393**
1.1 Debt securities	316	654	-70	-487	413
1.2 Equities	13	89	-8	-183	-89
1.3 Quotas of UCI	54	58	-24	-20	68
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-	1
2. Financial liabilities held for trading	**4**	**822**	**-44**	**-1,089**	**-307**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	4	822	-44	-1,089	-307
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**90**
4. Derivatives	**20,432**	**54,404**	**-21,892**	**-52,816**	**223**
4.1 Financial derivatives	17,720	52,940	-19,177	-51,298	280
- on debt securities and interest rates	*16,242*	*41,803*	*-17,102*	*-40,794*	*149*
- on equities and stock indexes	*1,410*	*3,823*	*-2,015*	*-3,232*	*-14*
- on currencies and gold	*X*	*X*	*X*	*X*	*95*
- other	*68*	*7,314*	*-60*	*-7,272*	*50*
4.2 Credit derivatives	2,712	1,464	-2,715	-1,518	-57
TOTAL	**20,819**	**56,028**	**-22,038**	**-54,595**	**399**

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	**103**	**68**	**-3**	**-3**	**165**
1.1 Debt securities	86	63	-3	-1	145
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	17	5	-	-2	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**	**-14**
4. Derivatives	**1**	**10**	**-13**	**-13**	**-5**
4.1 Financial derivatives	1	-	-5	-2	4
- on debt securities and interest rates	*1*	-	*-5*	*-2*	*-6*
- on equities and stock indexes	-	-	-	-	-
- on currencies and gold	*X*	*X*	*X*	*X*	*10*
- other	-	-	-	-	-
4.2 Credit derivatives	-	10	-8	-11	-9
TOTAL	**104**	**78**	**-16**	**-16**	**146**

4.1 Of which Other companies

The net result for 2012 pertaining to other companies was immaterial (+4 million euro).

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

	2012	*Of which:*			2011
		Banking group	*Insurance companies*	*Other companies*	
A. Income from					
A.1 fair value hedge derivatives	5,970	*5,963*	*7*	-	5,796
A.2 financial assets hedged (fair value)	3,020	*2,958*	*62*	-	3,206
A.3 financial liabilities hedged (fair value)	1,136	*1,136*	-	-	1,203
A.4 cash flow hedge: derivatives	-	-	-	-	75
A.5 currency assets and liabilities	4	*4*	-	-	38
Total income from hedging (A)	**10,130**	***10,061***	***69***	**-**	**10,318**
B. Expenses for					
B.1 fair value hedge derivatives	-5,858	*-5,794*	*-64*	-	-5,817
B.2 financial assets hedged (fair value)	-1,087	*-1,087*	-	-	-263
B.3 financial liabilities hedged (fair value)	-3,189	*-3,189*	-	-	-4,133
B.4 cash flow hedge: derivatives	-4	*-4*	-	-	-
B.5 currency assets and liabilities	-	-	-	-	-113
Total expense from hedging (B)	**-10,138**	***-10,074***	***-64***	**-**	**-10,326**
C. Fair value adjustments in hedge accounting (A - B)	**-8**	***-13***	***5***	**-**	**-8**

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

	2012			2011		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	1	-1	-	1	-	1
2. Loans to customers	81	-84	-3	47	-64	-17
3. Financial assets available for sale	768	-498	270	816	-226	590
3.1 Debt securities	*537*	*-443*	*94*	*207*	*-190*	*17*
3.2 Equities	*215*	*-42*	*173*	*581*	*-32*	*549*
3.3 Quotas of UCI	*16*	*-13*	*3*	*28*	*-4*	*24*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	1	-15	-14	-	-1	-1
Total assets	**851**	**-598**	**253**	**864**	**-291**	**573**
Financial liabilities						
1. Due to banks	10	-	10	-	-	-
2. Due to customers	342	-1	341	1	-	1
3. Securities issued	779	-35	744	191	-12	179
Total liabilities	**1,131**	**-36**	**1,095**	**192**	**-12**	**180**

6.1 Of which Banking group

(millions of euro)

	2012			2011		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	1	-1	-	1	-	1
2. Loans to customers	81	-84	-3	47	-64	-17
3. Financial assets available for sale	425	-86	339	619	-22	597
3.1 Debt securities	*246*	*-75*	*171*	*90*	*-22*	*68*
3.2 Equities	*177*	*-11*	*166*	*522*	-	*522*
3.3 Quotas of UCI	*2*	-	*2*	*7*	-	*7*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	1	-15	-14	-	-1	-1
Total assets	**508**	**-186**	**322**	**667**	**-87**	**580**
Financial liabilities						
1. Due to banks	10	-	10	-	-	-
2. Due to customers	342	-1	341	1	-	1
3. Securities issued	779	-35	744	191	-12	179
Total liabilities	**1,131**	**-36**	**1,095**	**192**	**-12**	**180**

6.1 Di pertinenza delle imprese di assicurazione

(millions of euro)

	2012			2011		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	343	-412	-69	197	-204	-7
3.1 Debt securities	*291*	*-368*	*-77*	*117*	*-168*	*-51*
3.2 Equities	*38*	*-31*	*7*	*59*	*-32*	*27*
3.3 Quotas of UCI	*14*	*-13*	*1*	*21*	*-4*	*17*
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**343**	**-412**	**-69**	**197**	**-204**	**-7**
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	**3,101**	**1,270**	**-647**	**-397**	**3,327**
1.1 Debt securities	2,258	788	-411	-199	2,436
1.2 Equities	211	218	-115	-123	191
1.3 Quotas of UCI	632	250	-120	-56	706
1.4 Loans	-	14	-1	-19	-6
2. Financial liabilities	**-**	**4**	**-2,087**	**-29**	**-2,112**
2.1 Debt securities	-	4	-	-29	-25
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-2,087	-	-2,087
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**191**	**127**	**-154**	**-85**	**79**
TOTAL	**3,292**	**1,401**	**-2,888**	**-511**	**1,294**

The fair value change attributable to the Intesa Sanpaolo Group credit rating entailed the recognition of charges of -21 million euro compared to income of 6 million euro recorded in the previous year.
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	**169**	**5**	**-57**	**-14**	**103**
1.1 Debt securities	169	5	-33	-14	127
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	-	-	-24	-	-24
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**4**	**-**	**-29**	**-25**
2.1 Debt securities	-	4	-	-29	-25
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	**169**	**9**	**-57**	**-43**	**78**

7.1 Of which Insurance companies

(millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets	**2,932**	**1,265**	**-590**	**-383**	**3,224**
1.1 Debt securities	2,089	783	-378	-185	2,309
1.2 Equities	211	218	-115	-123	191
1.3 Quotas of UCI	632	250	-96	-56	730
1.4 Loans	-	14	-1	-19	-6
2. Financial liabilities	**-**	**-**	**-2,087**	**-**	**-2,087**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-2,087	-	-2,087
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives (*)	**191**	**127**	**-154**	**-85**	**79**
TOTAL	**3,123**	**1,392**	**-2,831**	**-468**	**1,216**

(*) 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				2012	2011
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-3**	**-2**	**1**	**4**	**-**	**8**	**8**	**1**
- Loans	*-*	*-1*	*-1*	*1*	*4*	*-*	*5*	*8*	*3*
- Debt securities	*-*	*-2*	*-1*	*-*	*-*	*-*	*3*	*-*	*-2*
B. Loans to customers	**-199**	**-5,663**	**-500**	**374**	**1,154**	**4**	**514**	**-4,316**	**-4,230**
Non-performing loans purchased	-	-4	-	-	-	-	-	-4	-4
- Loans	*-*	*-4*	*X*	*-*	*-*	*-*	*X*	*-4*	*-4*
- Debt securities	*-*	*-*	*X*	*-*	*-*	*-*	*X*	*-*	*-*
Other	-199	-5,659	-500	374	1,154	4	514	-4,312	-4,226
- Loans	*-150*	*-5,659*	*-455*	*374*	*1,154*	*4*	*481*	*-4,251*	*-3,761*
- Debt securities	*-49*	*-*	*-45*	*-*	*-*	*-*	*33*	*-61*	*-465*
C. Total	**-199**	**-5,666**	**-502**	**375**	**1,158**	**4**	**522**	**-4,308**	**-4,229**

The financial effects due to release of time value on discounted non-performing loans, recognised under "Recoveries - Individual – of interest", amount to a total of 375 million euro. Of this amount, 1 million euro relates to past due loans by over 90 days, 83 million euro relates to substandard loans, 12 million euro refers to restructured loans and 279 million euro refers to doubtful loans.

8.1 Of which Banking group

(millions of euro)

	Impairment losses			Recoveries				2012	2011
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	**-**	**-3**	**-2**	**1**	**4**	**-**	**8**	**8**	**1**
- Loans	*-*	*-1*	*-1*	*1*	*4*	*-*	*5*	*8*	*3*
- Debt securities	*-*	*-2*	*-1*	*-*	*-*	*-*	*3*	*-*	*-2*
B. Loans to customers	**-199**	**-5,663**	**-500**	**374**	**1,154**	**4**	**514**	**-4,316**	**-4,230**
Non-performing loans purchased	-	-4	-	-	-	-	-	-4	-4
- Loans	*-*	*-4*	*X*	*-*	*-*	*-*	*X*	*-4*	*-4*
- Debt securities	*-*	*-*	*X*	*-*	*-*	*-*	*X*	*-*	*-*
Other	-199	-5,659	-500	374	1,154	4	514	-4,312	-4,226
- Loans	*-150*	*-5,659*	*-455*	*374*	*1,154*	*4*	*481*	*-4,251*	*-3,761*
- Debt securities	*-49*	*-*	*-45*	*-*	*-*	*-*	*33*	*-61*	*-465*
C. Total	**-199**	**-5,666**	**-502**	**375**	**1,158**	**4**	**522**	**-4,308**	**-4,229**

8.2 Net impairment losses on financial assets available for sale: breakdown

(millions of euro)

	Impairment losses		Recoveries		2012	2011
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-27	-	-	-27	-655
B. Equities	-	-108	X	X	-108	-116
C. Quotas of UCI	-	-26	X	-	-26	-5
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-161**	**-**	**-**	**-161**	**-776**

8.2 Of which Banking group

(millions of euro)

	Impairment losses		Recoveries		2012	2011
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-24	-	-	-24	-468
B. Equities	-	-80	X	X	-80	-62
C. Quotas of UCI	-	-25	X	-	-25	-5
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-129**	**-**	**-**	**-129**	**-535**

8.2 Of which Insurance companies

(millions of euro)

	Impairment losses		Recoveries		2012	2011
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-3	-	-	-3	-187
B. Equities	-	-28	X	X	-28	-54
C. Quotas of UCI	-	-1	X	-	-1	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-32**	**-**	**-**	**-32**	**-241**

8.3 Net impairment losses on investments held to maturity: breakdown

In 2012, net recoveries on impairment of investments held to maturity attributable to the banking group amounted to 1 million euro.

8.4 Net impairment losses on other financial activities: breakdown

(millions of euro)

	Impairment losses			Recoveries				2012	2011
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-52	-27	-	22	-	26	-31	-15
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-24	-13	-	13	-	3	-21	3
D. Other operations	-2	-5	-9	-	4	-	11	-1	-2
E. Total	**-2**	**-81**	**-49**	**-**	**39**	**-**	**40**	**-53**	**-14**

8.4 Of which Banking group

(millions of euro)

	Impairment losses			Recoveries				2012	2011
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-52	-27	-	22	-	26	-31	-15
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-24	-13	-	13	-	3	-21	3
D. Other operations	-2	-4	-9	-	3	-	11	-1	-
E. Total	**-2**	**-80**	**-49**	**-**	**38**	**-**	**40**	**-53**	**-12**

8.4 Of which Other companies

In 2012 there were -1 million euro in net impairment losses and +1 million euro in net recoveries of other financial activities referring to other companies (net write-backs equal to zero), while at the end of 2011, net impairment losses amounted to -2 million euro.

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	2012	2011
A. Life business				
A.1 Gross accounted premiums (+)	5,496	-	5,496	9,094
A.2 Premiums ceded for reinsurance (-)	-1	X	-1	-1
A.3 Total	**5,495**	**-**	**5,495**	**9,093**
B. Non-life business				
B.1 Gross accounted premiums (+)	222	-	222	222
B.2 Premiums ceded for reinsurance (-)	-5	X	-5	-5
B.3 Changes in the gross amount of premium reserve (+/-)	-51	-	-51	-48
B.4 Changes in premium reserves reassured with third parties (-/+)	-1	-	-1	-2
B.5 Total	**165**	**-**	**165**	**167**
C. Total net premiums	**5,660**	**-**	**5,660**	**9,260**

SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

10.1 Other net insurance income (expense): breakdown

(millions of euro)

	2012	2011
1. Net change in technical reserves	33	-2,889
2. Claims accrued and paid during the year	-7,529	-6,765
3. Other income/expenses arising from insurance business	-649	-362
TOTAL	**-8,145**	**-10,016**

10.2 Breakdown of Net change in technical reserves

(millions of euro)

Net change in technical reserves	2012	2011
1. Life business		
A. Mathematical reserves	-2,590	-4,692
A.1 Gross annual amount	*-2,588*	*-4,684*
A.2 Amount reinsured with third parties (-)	*-2*	*-8*
B. Other technical reserves	-232	257
B.1 Gross annual amount	*-232*	*257*
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	2,855	1,546
C.1 Gross annual amount	*2,855*	*1,546*
C.2 Amount reinsured with third parties (-)	-	-
Total "life business reserves"	**33**	**-2,889**
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	2012	2011
Life business: charges associated to claims, net of reinsurance ceded	**-7,447**	**-6,718**
A. Amounts paid	-7,552	-6,783
A.1 Gross annual amount	*-7,553*	*-6,784*
A.2 Amount reinsured with third parties (-)	*1*	*1*
B. Change in funds for amounts to be disbursed	105	65
B.1 Gross annual amount	*104*	*64*
B.2 Amount reinsured with third parties (-)	*1*	*1*
Non-life business: charges associated to claims, net of recoveries and reinsurance ceded	**-82**	**-47**
C. Amounts paid	-56	-39
C.1 Gross annual amount	*-57*	*-40*
C.2 Amount reinsured with third parties (-)	*1*	*1*
D. Change in recoveries net of quotas borne by reinsurers	-	-
E. Change in damage fund	-26	-8
E.1 Gross annual amount	*-27*	*-8*
E.2 Amount reinsured with third parties (-)	*1*	*-*

10.4 Breakdown of Other income/expenses arising from insurance business

(millions of euro)

	2012	2011
Other income	**89**	**130**
Life business	84	126
Non-life business	5	4
Other expenses	**-738**	**-492**
Life business	-714	-473
Non-life business	-24	-19

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(millions of euro)

	2012	Of which:			2011
		Banking group	*Insurance companies*	*Other companies*	
1) Personnel employed	**5,525**	***5,472***	***52***	***1***	**6,162**
a) wages and salaries	3,783	*3,746*	*36*	*1*	3,833
b) social security charges	937	*929*	*8*	-	981
c) termination indemnities	111	*111*	-	-	139
d) supplementary benefits	7	*6*	*1*	-	6
e) provisions for termination indemnities	56	*56*	-	-	62
f) provisions for post employment benefits	64	*64*	-	-	62
- defined contribution plans	-	-	-	-	-
- defined benefit plans	*64*	*64*	-	-	*62*
g) payments to external pension funds	219	*216*	*3*	-	230
- defined contribution plans	*218*	*215*	*3*	-	*228*
- defined benefit plans	*1*	*1*	-	-	*2*
h) costs from share based payments	-	-	-	-	-
i) other benefits in favour of employees	348	*344*	*4*	-	849
2) Other non-retired personnel	**9**	***9***	**-**	**-**	**17**
3) Directors and statutory auditors	**36**	***33***	***3***	**-**	**44**
4) Early retirement costs	**-**	**-**	**-**	**-**	**-**
TOTAL	**5,570**	***5,514***	***55***	***1***	**6,223**

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

	2012	Of which:			2011
		Banking group	*Insurance companies*	*Other companies*	
Personnel employed	**94,207**	***93,558***	***649***	**-**	**97,233**
a) managers	1,758	*1,729*	*29*	-	1,795
b) total officers	34,202	*33,951*	*251*	-	33,398
c) other employees	58,247	*57,878*	*369*	-	62,040
Other personnel	**378**	***377***	***1***	**-**	**454**
TOTAL	**94,585**	***93,935***	***650***	**-**	**97,687**

11.3 Post employment defined benefit plans: total expense

(millions of euro)

	2012			2011		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-8	-3	-19	-8	-3	-21
Financial costs of determining the present value of the defined benefit obligations	-52	-17	-131	-59	-18	-146
Expected return from the fund's assets	-	5	126	-	5	150
Reimbursement from third parties	-	-	-	-	-	-
Actuarial gains recognised	-	-	-	-	-	-
Actuarial losses recognised	-	-2	-	-	-3	-
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 2012 amounted to 348 million euro, of which 144 million euro referred to charges for incentive-driven exit plans. The residual 204 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)

	2012	2011
Expenses for maintenance of information technology and electronic equipment	586	596
Telephonic, teletransmission and transmission expenses	109	124
Information technology expenses	**695**	**720**
Rentals and service charges - real estate	395	398
Security services	66	67
Cleaning of premises	55	56
Expenses for maintenance of real estate assets	89	95
Energy costs	132	122
Property costs	21	17
Management of real estate assets	**758**	**755**
Printing, stationery and consumables expenses	56	62
Transport and related services expenses (including counting of valuables)	111	109
Information expenses	152	78
Postal and telegraphic expenses	111	127
General structure costs	**430**	**376**
Expenses for consultancy fees	154	230
Legal and judiciary expenses	156	188
Insurance premiums - banks and customers	51	52
Professional and legal expenses	**361**	**470**
Advertising and promotional expenses	**147**	**167**
Services rendered by third parties	**207**	**262**
Indirect personnel costs	**116**	**127**
Other costs	**166**	**162**
Indirect taxes and duties	**714**	**663**
Recovery of taxes and duties	**-2**	**-**
Recovery of other expenses	**-77**	**-86**
TOTAL	**3,515**	**3,616**

* * * * *

Administrative expenses for 2012, 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 182 million euro.

Charges for integration and exit incentives: breakdown

(millions of euro)

	2012	2011
Personnel expenses	**144**	**718**
- expenses for incentive-driven exit plans	144	718
Other administrative expenses	**38**	**29**
- information technology expenses	21	19
- management of real estate assets	-	2
- professional and legal expenses	8	2
- advertising and promotional expenses	1	1
- services rendered by third parties	3	2
- indirect personnel costs	2	-
- other costs	3	3
TOTAL	**182**	**747**

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

12.1 Net provisions for risks and charges: breakdown

(millions of euro)

	Provisions	Uses	2012
Net provisions for legal disputes	-186	53	-133
Net provisions for other personnel charges	-2	-	-2
Net provisions for risks and charges	-196	73	-123
TOTAL	**-384**	**126**	**-258**

The amounts listed above include a 13 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	-348	-120	-	-468
- used in operations	*-344*	*-31*	-	*-375*
- investment	*-4*	*-89*	-	*-93*
A.2 Acquired under finance lease	-1	-	-	-1
- used in operations	*-1*	-	-	*-1*
- investment	-	-	-	-
TOTAL	**-349**	**-120**	**-**	**-469**

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	-710	-	-	-710
- internally generated	*-205*	-	-	*-205*
- other	*-505*	-	-	*-505*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-710**	**-**	**-**	**-710**

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	-653	-	-	-653
- internally generated	*-205*	-	-	*-205*
- other	*-448*	-	-	*-448*
A.2 Acquired under finance lease	-	-	-	-
TOTAL	**-653**	**-**	**-**	**-653**

14.1 Of which Insurance companies

As at 31 December 2012 there were -57 million euro in impairment losses pertaining to insurance companies, entirely attributable to amortisation of other intangible assets.

SECTION 15 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 220

15.1 Other operating expenses: breakdown

(millions of euro)

	2012	*Of which:*		
		Banking group	*Insurance companies*	*Other companies*
Other expenses for consumer credit and leasing transactions	66	*66*	-	-
Settlements for legal disputes	9	*9*	-	-
Amortisation of leasehold improvements	60	*59*	-	*1*
Contributions to Interbank Deposit Protection Fund	16	*16*	-	-
Other non-recurring expenses	93	*87*	*4*	*2*
Other	116	*113*	*3*	-
TOTAL 2012	**360**	*350*	*7*	*3*
TOTAL 2011	**327**	*320*	*6*	*1*

15.2 Other operating income: breakdown

(millions of euro)

	2012	Of which:		
		Banking group	*Insurance companies*	*Other companies*
Recovery of expenses	611	*610*	-	*1*
Income IT companies	35	*35*	-	-
Insurance reimbursements	1	*1*	-	-
Reimbursements for services rendered to third parties	34	*34*	-	-
Income related to consumer credit and leasing	20	*20*	-	-
Rentals and recovery of expenses on real estate	24	*20*	-	*4*
Other non-recurring income	60	*52*	*6*	*2*
Other	61	*61*	-	-
TOTAL 2012	**846**	***833***	***6***	***7***
TOTAL 2011	**821**	***811***	***5***	***5***

SECTION 16 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 240

16.1 Profits (Losses) on disposal of equity investments: breakdown

(millions of euro)

	2012	Of which:			2011
		Banking group	*Insurance companies*	*Other companies*	
1) Companies subject to joint control					
A. Revenues	15	*15*	-	-	14
1. Revaluations	*15*	*15*	-	-	*14*
2. Profits on disposal	-	-	-	-	-
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-8	*-8*	-	-	-8
1. Write-downs	*-7*	*-7*	-	-	*-1*
2. Impairment losses	*-1*	*-1*	-	-	*-7*
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	-
Net result	**7**	***7***	***-***	***-***	**6**
2) Investments in associates					
A. Revenues	71	*64*	-	*7*	125
1. Revaluations	*71*	*64*	-	*7*	*87*
2. Profits on disposal	-	-	-	-	*21*
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	*17*
B. Charges	-201	*-201*	-	-	-338
1. Write-downs	*-184*	*-184*	-	-	*-54*
2. Impairment losses	*-17*	*-17*	-	-	*-283*
3. Losses on disposal	-	-	-	-	*-1*
4. Other	-	-	-	-	-
Net result	**-130**	***-137***	***-***	***7***	**-213**
TOTAL	**-123**	***-130***	***-***	***7***	**-207**

For companies subject to joint control and significant influence, income from valutation at fair value of the equity stakes is recorded under Revaluations.

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

The results of impairment testing on goodwill recorded in the financial statements did not lead to impairment losses in 2012. See Part A – Accounting policies for details on the means of determination of goodwill impairment.

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)

	2012	Of which:			2011
		Banking group	*Insurance companies*	*Other companies*	
A. Real estate assets	26	*28*	-	*-2*	40
- profits on disposal	*29*	*28*	-	*1*	*42*
- losses on disposal	*-3*	-	-	*-3*	*-2*
B. Other assets [a]	4	*4*	-	-	131
- profits on disposal	*5*	*5*	-	-	170
- losses on disposal	*-1*	*-1*	-	-	*-39*
Net result	**30**	***32***	**-**	***-2***	**171**

[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)

	2012	Of which:			2011
		Banking group	*Insurance companies*	*Other companies*	
1. Current taxes (-)	-2,524	*-1,985*	*-539*	-	-3,402
2. Changes in current taxes of previous years (+/-)	288	*286*	*2*	-	27
3. Reduction in current taxes of the year (+)	28	*28*	-	-	14
3bis. Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	905	*905*	-	-	104
4. Changes in deferred tax assets (+/-)	-584	*-522*	*-62*	-	4,148
5. Changes in deferred tax liabilities (+/-)	574	*173*	*401*	-	524
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**-1,313**	***-1,115***	***-198***	**-**	**1,415**

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(millions of euro)

	2012
Income before tax from continuing operations	2,967
Income before tax from discontinued operations	-
Theoretical taxable income	**2,967**

	Taxes	%
Income taxes - theoretical tax charge	**981**	**33.1**
Increase in taxes	**655**	**23.0**
Non-deductible costs (non-deductible interest payable)	183	6.2
Other non-deductible costs (adjustments to loans, personnel expenses, etc.)	390	13.1
Other	111	3.7
Decrease in taxes	**-20**	**-11.9**
Effects of the participation exemption	-9	-0.3
Effects of international companies lower rates	-65	-2.2
IRES refund applications for deductible IRAP for personnel expenses	-266	-9.0
Other	-12	-0.4
Total changes in taxes	**332**	**11.1**
Total income tax expense for the period	**1,313**	**44.2**
of which: - total income tax expense from continuing operations	**1,313**	
- total income tax expense from discontinued operations	**-**	

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 2012, there was no income (loss) after tax from discontinued operations.

21.2 Breakdown of taxes on discontinued operations

As at 31 December 2012, there were no taxes on discontinued operations.

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

As at 31 December 2012, minority interests amount to 49 million euro. Among the more significant elements is the contribution of minority interests of the Privredna Banka Zagreb Group (30 million euro) and the Bank of Alexandria (14 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

	31.12.2012		31.12.2011	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	15,492,822,013	932,170,435	13,774,655,034	932,305,682
Income attributable to the various categories of shares *(millions of euro)*	1,514	91	-7,752	-438
Basic EPS (*euro*)	0.10	0.10	-0.56	-0.47
Diluted EPS (*euro*)	0.10	0.10	-0.56	-0.47

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**	**1,654**
	Other comprehensive income			
20.	Financial assets available for sale:	3,321	-1,019	2,302
	a) fair value changes	3,616	-1,077	2,539
	b) reversal to income statement	-168	9	-159
	- impairment losses	*30*	*-10*	*20*
	- gains/losses from disposals	*-198*	*19*	*-179*
	c) other changes	-127	49	-78
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:	-549	180	-369
	a) fair value changes	-528	173	-355
	b) reversal to income statement	2	-	2
	c) other changes	-23	7	-16
70.	Foreign exchange differences:	-33	-	-33
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-33	-	-33
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:	-10	-	-10
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment losses	-	-	-
	- gains/losses from disposals	-	-	-
	c) other changes	-10	-	-10
110.	**Total other comprehensive income**	**2,729**	**-839**	**1,890**
120.	**TOTAL COMPREHENSIVE INCOME**	**X**	**X**	**3,544**
130.	**Total consolidated comprehensive income pertaining to minority interests**	**X**	**X**	**40**
140.	**Total consolidated comprehensive income pertaining to the Parent Company**	**X**	**X**	**3,504**

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. The Chief Risk Officer is responsible for proposing the Risk Appetite Framework, setting the Group's risk management, compliance and legal guidelines and policies in accordance with company strategies and objectives and coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, including within the various corporate departments. The Chief Risk Officer ensures oversight of the Group's overall risk profile by establishing methods and monitoring exposure to the various types of risk.
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 Management Board and the Supervisory 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 decrease 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 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 operational 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[8] and

[8] In December 2012 the full demerger of the Bank was completed in favour of the Parent Company Intesa Sanpaolo S.p.A. and Leasint S.p.A..

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

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 obtained authorisation to use the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. The scope of application of the advanced approaches is being progressively expanded in accordance with the roll out plan presented to the Management and to the Supervisory Authorities. For additional details see the section on operational risk.

In 2012 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 in functional terms 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.

Risk Management

In the context of second level internal controls, the Risk Management Department is responsible for developing methods for controlling risk exposure within the various business units, reporting on the overall situation to corporate governance bodies, adopting risk capital measures for management reporting and the assessment of the adequacy of the Group's internal capital and providing the supervisory authorities with the information required by applicable regulations. The Department's tasks and functions are discussed in detail in the subsequent chapters of Part E.

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. The Internal Validation function 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. It ensures that internal models, whether already operational or in the development stages, 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.
With respect to the first pillar in particular, it conducts 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.
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-two risks, Internal Validation conducts analyses of methodologies, 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. The main analyses are conducted in the context of the prudential control process and summarised in the ICAAP book.
The function also manages 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.
The Internal Validation function adopts a decentralised approach for companies with local validation functions (certain international 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 best practices in the area and take the form of documentary, empirical and operating practice analyses.
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 2012, the main validation activities in the area of credit risks pertained to:
- the adoption of the AIRB approach for the regulatory SME Retail segment (PD and LGD models);
- the adoption of the AIRB approach for Leasint and Mediofactoring (LGD model);
- the adoption of the AIRB approach for the specialist Structured Finance models (LAF/AF/CRE/PF);
- the periodic quantitative analyses required by the Bank of Italy for the regulatory Residential Mortgage for Private Individuals and Corporate segments (PD and LGD models);

- monitoring analyses (backtesting, performance analyses and empirical analyses of use tests) for the Residential mortgage for Private Individuals and Corporate segments authorised for the IRB approach in the context of the annual validation report;
- the analyses functional to the assessment of the measures taken on the corporate FIRB and mortgage IRB system of VUB, conducted together with the local validation function in order to meet the requirements of regulators (slotting models for SPV and real estate development exposures, IALC PD, SME and mortgage PD recalibration, measures to improve the mortgage LGD model, new calculation methods for the conservative margin for determining the central tendency and refinements of the validation framework).

Validation activities for Operational Risk conducted in 2012 primarily took the form of:
- monitoring the measures taken in accordance with the requirements set in the regulatory capital "floor" revision order of summer 2011;
- amongst validation activities aimed at presenting three applications: the application for the inclusion of insurance policies in the AMA internal system for the purposes of calculating the capital requirement for operational risks; the application to extend the AMA internal system to the first tranche of what is known as the "fourth scope" of adoption, consisting of the main companies of the Fideuram Group and the two subsidiaries of the VUB Group, VUB Leasing and Consumer Financial Holding (the analyses of the subsidiaries of the VUB Group were conducted together with the local validation function); and, lastly, the application for the modification of the method of allocating the requirement calculated with the AMA internal method;
- 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.

Internal validation activity relating to the market risk component focused on the following areas:
- validation activity aimed at the application for authorisation of the extension of the market risk internal model to the "specific debt security risk" factor (Spread VaR and Incremental Risk Charge models);
- annual validation analyses (annual report);
- monitoring of the existing model for calculating stressed VaR, which entails a half-yearly revision of the adequacy of the historical stress period to be used in the calculation. The analyses were replicated on an extraordinary basis in August 2012 inasmuch as stressed VaR was in some cases lower than non-stressed VaR in the third quarter of 2012;
- periodic analyses required by the Bank of Italy on the progress of corrective measures applied to the spread VaR and IRC models.

The Bank of Italy conducted two pre-validation visits in 2012 relating to counterparty risk, currently used for management purposes only by the Parent Company and Banca IMI. The Internal Validation function analysed both the calculation system implemented and the organisational processes and information technology systems underlying the management of counterparty risk.

The main analyses conducted in 2012 with regard to Pillar II risks pertain to:
- the method used to assess loan portfolio concentration risk;
- the updating of the model for measuring banking book property risk;
- the core deposit behavioural component pertaining to banking book interest rate risk;
- certain components of liquidity risk (for example, committed lines of credit).

Stress testing methodologies, foreign exchange risk, equity risk for the banking book, insurance risk and strategic risk, which were validated in previous years, were not subject to change in 2012. 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. Management of non-compliance risk is entrusted to the Compliance Department, which reports to the Chief Risk Officer, from a position of autonomy with respect to operational departments, and of separation from internal auditing.

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, including in light of the most significant ongoing projects, such as Out-of-branch offering and initiatives aimed at achieving compliance with new regulations enacted at an international level (e.g., EMIR, Dodd Frank Act, short-selling law). 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, adjusting those roles to the changed economic scenario, and on the procedures that apply to operations with the aim of improving the service rendered to customers, with particular reference to the adequacy assessment model. Work also continued in the area of monitoring personal transactions, clearing new products and services and controlling customer operations in order to prevent market abuse. In the 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 particular, work focused on revising the commission scheme applied to customers, in accordance with the new art. 117-bis of the Consolidated Law on Banking concerning "Interest on credit facilities and overdrafts" introduced by the "Save Italy" Decree;
– in the area of insurance and pension services, business functions received constant advice, concerning in particular new legal developments relating to motor policies and policies paired with mortgages. In addition, initiatives continued with the aim of enhancing governance of non-compliance risks pertaining to the insurance and pension segment, with respect to the Group's distribution networks. In this area, the line of pension products and the associated marketing process were revised and a project was launched in order to return the residual premium for policies associated with loans repaid in advance;
– 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 verification of its proper implementation.

Considerable importance was attached to personnel training programmes, involving the implementation, in collaboration with the competent company functions, of initiatives aimed at pre-defined targets in order to maximise their efficacy.

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 2012, the Anti-Money Laundering Function devoted the utmost attention to projects aimed at reinforcing coverage of the Group's Italian and international 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). Internal auditors conduct their activity in accordance with the principles laid down in the Internal Auditor's Code of Ethics, inspired by that proposed by the Institute of Internal Auditors. 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 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 primarily aimed at monitoring the evolution of the risks associated with credit quality, liquidity risk measurement and management, interest rate, property and counterparty risk, internal capital adequacy estimation criteria and international activities. Particular attention was also devoted to the themes of compliance with money laundering prevention legislation.
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 various market, counterparty, property, liquidity, interest rate, 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;
- measures affecting Italian product company subsidiaries, with a priority focus on credit quality and processes, as well as the money laundering prevention process;
- the verification of the operations performed by foreign banks, companies and branches, with interventions by both local internal auditors and internal auditors from the Parent Company;
- 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, 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 the auditing departments of Italian and international subsidiary banks and companies, 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”, which concern the methods of implementation for verification of the adequacy and effective application of administrative and accounting procedures at the Group level, as well

as responsibilities and rules for the maintenance of an adequate system of relationships with the corporate functions of the Parent Company and subsidiaries.

The monitoring of the quality of accounting and financial information is based on a joint review of:

– the efficacy and efficiency of the organisational arrangements adopted, in specific reference to the functionality of internal controls of financial information, through an audit plan aimed at ongoing assessment of the adequacy and effective application of the administrative and accounting procedures instrumental to the preparation of financial statement documents and all other financial disclosures to the markets, including, in particular, the Basel 2 Pillar 3 public disclosure document; in order accurately to document the quality of arrangements for controlling the flow of accounting data 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 information technology systems, particularly those used to produce accounting and financial information;
– 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 qualitative assessments of the complexity of the processes of producing financial information in relation to the specific nature of the business, risk profiles and operating context. 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 and disseminating the financial statement information deemed most sensitive;
– the reliability of the methods and assumptions on which forecasting estimates and valuation models are based;
– the logical consistency of the criteria for presenting the main risks and uncertainties to which the Group is exposed.

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[9] to ensure homogeneous application of the verification process conducted on Group companies and valuation criteria for the system of internal controls on financial information. In particular, the method involves an initial overall 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 general areas are examined on the basis of enquiries and evidence provided by Internal Auditing functions, followed by further inquiry by the Manager responsible for preparing the Company's financial reports, primarily concerning company 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 general assessments involving a set of case-by-case reviews 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 enquiries and evidence provided by the various Company control functions with a view towards fully sharing information and maximising operational synergies. Once Group activity has been completed, each Company then prepares a Report on the internal control system functional to financial reporting, which is enhanced 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 results of the reviews conducted by control functions and enquiries carried out with the management, as well as suggestions submitted by the independent auditors in the performance of their duties in certifying the financial statements;
– 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 consolidated presentation of operating performance and margins, highlighting the main risks and potential uncertainties to which the Group is exposed.

The Reports thus 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 reliability of accounting information processes and the efficacy of the system of internal controls safeguarding them. In addition, a specific illustration is provided of the schedule of reviews 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 the internal control system on processes sensitive to financial reporting. The Administrative and Financial Governance Unit coordinates the assessment process to be conducted within each company according to consistent methods and technical instructions. The process 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 assessment phase has been completed on a company basis, all of the deficiencies detected within the Group are factored and evaluated on a consolidated basis, assessing the possible

[9] 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.

connections and the risk of potential distortion effects on financial reporting, and setting the related intervention priorities and work schedules to be monitored over time in accordance with the significance of the operational malfunctions.
Once the assessment process conducted in concert with Group companies has been completed, the Administrative and Financial Governance Unit prepares a periodic report that the Manager responsible for preparing the Company's financial reports presents to the Control Committee and Financial Statements Committee, for subsequent presentation to the Supervisory Board and Management Board. The above report contains:

- the degree of dissemination of the administrative and financial governance model achieved within the Group, a process of gradual extension of which to companies of more limited operating scope also continued in 2012;
- monitoring of the functionality of the organisational and control arrangements already adopted by all significant companies, including a review of the regularity of the planned communication flows with the management, control bodies and independent auditors;
- the main initiatives carried out with the aim of enhancing the administrative and accounting system during the year, with regards to the completion of measures aimed at developing the application architecture for generating the Group's accounting information and rationalising processing steps instrumental to generating consolidated supervisory reports;
- the improvements made to 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 incorporated into the Group Accounting Rules;
- the malfunctions detected, specifying the potential risk of distortion of information and the accounts that may have been affected, as well as of the compensatory controls that had a mitigating effect;
- an overarching judgment, considering the information provided during the year by the companies and Parent Company's functions, the opinions stated by management and any suggestions made by the independent auditors.

Upon completion of the set of 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 systematic monitoring by the Manager responsible for preparing the Company's financial reports.
The information is 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 2012 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, paragraph 1 of the Market Regulation).
In connection with this provision, the "material" companies to be included in the scope of mandatory monitoring for 2012 were identified. The scope of monitoring was determined by considering the individual contribution to the captions of the consolidated income statement and balance sheet (quantitative analysis), as well as by evaluating the complexity of the processes of generating financial information associated with the specific nature of the business and the operating scenario of reference (qualitative analysis). For such companies, compliance was achieved with provisions requiring that:

a) the public be provided access to the accounting positions 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 the subsidiary possesses 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 cash flow 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 "material" subsidiaries:

- systematically provided the Parent Company with the information required to draft the consolidated financial statements and publish individual accounting situations;
- awarded a specific audit engagement to certify the accuracy of the transposition of the information from the local financial statements to 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 timely notice of all material facts bearing on accounting and financial information;
  - the schedule of reviews to be conducted locally in execution of the directives of the Manager responsible for preparing the Company's financial statements, with the coordination of the Administrative and Financial Governance Unit, was managed with the aim of verifying the adequacy of administrative and accounting procedures; following the completion of these activities, a Report on the internal control system for financial reporting was drafted, characterised by the same degree of pervasiveness of analysis and evaluative rigour as observed for compliance with the requirements of art. 154 bis of the Consolidated Law on Finance.

The set of initiatives conducted in relation to companies located in and governed by the laws of non-EU member states results in a high level of integration of the administrative and financial governance model extended to the entire Group. In further detail, the possibility of formulating a comparative opinion of the quality of the administrative and accounting procedures implemented within the various entities has been reinforced, in a manner also functional to an appreciation of the processes of estimating and measuring captions of the financial statements at a time of severe turbulence and a high degree of uncertainty affecting certain local markets. In addition, it was ensured that there was an adequate level of exchange and communication between local

management and the Parent Company and independent auditors for informed, timely management of information and the sharing of suggestions regarding the enhancement of the system of controls on accounting information.
In the case of companies considered "immaterial" in accordance with the law, the Parent Company nonetheless remained committed to implementing a uniform administrative and financial governance model, in relation to which it obtained the various companies' articles of association, as well as the powers and compositions of their corporate bodies, in addition to extending certain forms of control, such as the auditing of the reporting package and/or local financial statements by the auditor. Lastly, more indirect forms of supervision applied to companies qualifying as "exempt", such as the auditing of financial statements in accordance with local law and observance of corporate and regulatory obligations towards the Parent Company.
In the case of subsidiaries subject to compulsory auditing in accordance with the provisions of the cited art. 36, the work done 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.

* * * * *

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 functionally coordinates the recovery of doubtful loans by Intesa Sanpaolo Group Services through the Loan Recovery Department, 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 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 adapting the Risk Appetite Framework to the management of credit risk, in accordance with company strategies and objectives, as well as 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, implements credit controls, including rating controls, and constantly monitors risk and credit quality performance.
Intesa Sanpaolo Group Services provides specialised operating support for loan recovery activity and 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 lines 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 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, 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 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 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) through econometric multivariate analysis models. LGD is determined according to differentiated models, specialised by operating segment (Corporate, SME Retail, Mortgage, Factoring and Leasing).

The rating models (PD and LGD) for the Retail Mortgage segment received authorisation for transition to the IRB approach effective from June 2010 report, while rating models for the SME Retail received authorisation for transition to the IRB approach effective from December 2012 report. The rating models for the Corporate segment received authorisation for the use of the AIRB approach to calculate capital requirements effective from 31 December 2010 reporting date (the FIRB approach had been used since December 2008), while the LGD Corporate models for Leasing and Factoring products received authorisation for transition to the AIRB approach effective from June 2012 report.

For information about the plan to extend the IRB approach to other portfolios, refer to the paragraph concerning the Basel 2 Project.

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.

Ratings and mitigating credit factors (guarantees, types of loan products/lending facilities and covenants) play a fundamental role in the loan granting andmonitoring process and contribute to setting the Credit Powers and Granting and Monitoring Rules. The Credit Quality Monitoring Unit oversees the above aspects at the Group level, through specific, extensive control and monitoring activities. However, these activities are part of a broader system of credit controls that the Unit implements directly and coordinates with the aid of the cutting-edge information technology tools which are also made available to the business units for their respective areas of responsibility, in part, to the extent within their respective purviews, by Division departments. Examples of such tools include the Ermes - Rating Controls application, a tool that allows rating control activities to be managed by computer, and the Credit Monitoring Portal.
This latter application, which has been in use since 2010 and receives input from the Credit Control Panel, is the Group's primary source in supporting the monitoring of the loan portfolio in terms of its development over time and quantitative and qualitative composition as well as the 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.
In this context, the peripheral units within the Banca dei Territori and Corporate & Investment Banking Divisions down to the Area level, enjoy access to "information" dashboards that provide a full, 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 the information;
– facilitating the identification of critical areas and the definition of priority actions;
– supporting the exchange of information between units on a consistent basis.
The aforementioned tools are subject to constant maintenance performed by the Credit Quality Monitoring Unit, 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 general phenomena and/or specific aspects of the lending process.

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.).
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, the 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.
Potential exposure (estimated with the actual average PFE – potential future exposure) has been adopted by Banca IMI (effective from October 2010) and the Parent Company, Intesa Sanpaolo (effective from April 2012), for the purposes of operational measurement of uses.
For the rest of the Group, the definition of the use of the credit lines for transactions in OTC derivatives 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.
The validation process for regulatory purposes (in view of Basel 3) of the internal counterparty risks model for Intesa Sanpaolo and Banca IMI was initiated in 2012.
The advanced measurement approach for counterparty risk is in the development phase for the network banks, with the aim of launching the validation process for regulatory purposes by the end of 2013.

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 3, 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 (PFE) – for measuring credit lines utilisation on non-collateralised derivatives by Banca IMI;
– April 2012 – adoption for management purposes only of PFE for calculating credit lines utilisation for non-collateralised

derivatives by the Parent Company, Banca Intesa Sanpaolo; the measurement will also be extended to collateralised derivatives in the first few months of 2013;
- October 2012: re-estimation of add-ons on interest-rate derivatives;
- November 2012: extension of the PFE measurement to the collateralised derivatives of Banca IMI.

As part of the project, following internal validation by the responsible company functions (Internal Validation and the Internal Auditing Department), plans call for an application for validation to be submitted for the Parent Company, Intesa Sanpaolo, and Banca IMI in 2013, with the aim of obtaining authorisation for the use of the model for regulatory purposes.
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.

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. Il contenuto del "codice" interno è coerente con le "Linee Guida per la valutazione degli immobili in garanzia delle esposizioni creditizie" promosse da ABI.
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 periodically through various statistical valuation 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.
In 2012 a series of measures were completed with the aim of ensuring data quality and the recovery of eligibility for certain forms of protection.

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 their granting, 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 past due, in decreasing order of severity), the Group applies regulations issued by the Bank of Italy, consistent with the regulations envisaged 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.
The information presented in the following chapters, in continuity with the contents of financial statements from previous years relating to financial restructuring transactions and, more generally, the renegotiation of credit exposures, also takes account of the instructions provided by the European Securities and Markets Authority (ESMA) in the document published in December, "Public Statement on the Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions."
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 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 from 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:

- the attribution to the Loan Recovery Department of Intesa Sanpaolo Group Service of coordination of all loan recovery activities and direct management (for Intesa Sanpaolo and almost all banks within the Banca dei Territori Division) of customers classified as doubtful effective from July 2010 showing exposures in excess of a pre-determined threshold amount;
- the attribution to Italfondiario S.p.A. (for Intesa Sanpaolo 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 from July 2010 showing exposures below the aforementioned threshold amount (the activity of Italfondiario 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 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 is 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 in managing the loans entrusted to it under management mandate was monitored by the responsible internal units of the Group. In particular, it should be noted that the individual measurement 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 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 "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	4	81	38	23	60,666	-	972	61,784
2. Financial assets available for sale	2	-	-	4	50,541	-	41,819	92,366
3. Investments held to maturity	-	-	-	-	2,147	-	-	2,147
4. Due from banks	37	-	-	4	35,956	-	535	36,532
5. Loans to customers	11,203	11,494	2,863	2,912	347,033	-	1,119	376,624
6. Financial assets designated at fair value through profit and loss	-	7	-	-	987	-	22,891	23,885
7. Financial assets under disposal	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	11,651	-	-	11,651
Total 31.12.2012	**11,246**	**11,582**	**2,901**	**2,943**	**508,981**	**-**	**67,336**	**604,989**
Total 31.12.2011	**9,079**	**9,182**	**3,439**	**1,156**	**484,878**	**-**	**62,728**	**570,462**

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	192	-46	146	X	X	60,666	60,812
2. Financial assets available for sale	6	-	6	50,541	-	50,541	50,547
3. Investments held to maturity	-	-	-	2,149	-2	2,147	2,147
4. Due from banks	123	-82	41	35,975	-19	35,956	35,997
5. Loans to customers	49,672	-21,200	28,472	349,623	-2,590	347,033	375,505
6. Financial assets designated at fair value through profit and loss	7	-	7	X	X	987	994
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	11,651	11,651
Total A	**50,000**	**-21,328**	**28,672**	**438,288**	**-2,611**	**508,981**	**537,653**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	972	972
2. Financial assets available for sale	-	-	-	41,819	-	41,819	41,819
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	535	-	535	535
5. Loans to customers	-	-	-	1,119	-	1,119	1,119
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	22,891	22,891
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**-**	**-**	**-**	**43,473**	**-**	**67,336**	**67,336**
Total 31.12.2012	**50,000**	**-21,328**	**28,672**	**481,761**	**-2,611**	**576,317**	**604,989**
Total 31.12.2011	**42,077**	**-19,221**	**22,856**	**459,726**	**-3,178**	**547,606**	**570,462**

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 46 million euro (33 million euro as at 31 December 2011).
Within performing exposures, as at 31 December 2012, exposures renegotiated under collective agreements amounted to 8,103 million euro in gross terms and 8,026 million euro in net terms. Such renegotiations, agreed to in the cases of borrowers not classified amongst non-performing loans, entail, at least, the maintenance of the original rate of return and a maximum extension of contractual expiry of 36 months, and thus do not generate losses for the Group. Other performing exposures thus came to 473,658 million euro in gross terms and 568,291 million euro in net terms.
Other performing exposures include 3,706 million euro in assets past due by up to three months, 334 million euro in assets past due by more than three months but less than six months and 740 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 5,478 million euro, 1,160 million euro and 1,800 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	120	-82	X	38
b) Substandard loans	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	9	-	X	9
e) Other assets	43,296	X	-19	43,277
TOTAL A	**43,425**	**-82**	**-19**	**43,324**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1	-	X	1
b) Other	94,827	X	-21	94,806
TOTAL B	**94,828**	**-**	**-21**	**94,807**
TOTAL (A + B)	**138,253**	**-82**	**-40**	**138,131**

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	**152**	**1**	**-**	**3**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**-**	**-**	**-**	**11**
B.1 inflows from performing exposures	-	-	-	11
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	-	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-32**	**-1**	**-**	**-5**
C.1 outflows to performing exposures	-	-	-	-3
C.2 write-offs	-	-	-	-
C.3 repayments	-26	-1	-	-2
C.4 credit disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-
C.6 other decreases	-6	-	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**120**	**-**	**-**	**9**
- 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	**85**	**-**	**-**	**1**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**3**	**-**	**-**	**-**
B.1 impairment losses	3	-	-	-
B.1bis losses on disposal	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	-	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-6**	**-**	**-**	**-1**
C.1 recoveries on impairment losses	-3	-	-	-1
C.2 recoveries on repayments	-	-	-	-
C.2bis profits on disposal	-	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-
C.5 other decreases	-3	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**82**	**-**	**-**	**-**
- 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	28,365	-17,159	X	11,206
b) Substandard loans	14,486	-2,985	X	11,501
c) Restructured exposures	3,586	-723	X	2,863
d) Past due exposures	3,249	-332	X	2,917
e) Other assets	415,515	X	-2,592	412,923
TOTAL A	**465,201**	**-21,199**	**-2,592**	**441,410**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1,520	-194	X	1,326
b) Other	121,658	X	-272	121,386
TOTAL B	**123,178**	**-194**	**-272**	**122,712**
TOTAL (A + B)	**588,379**	**-21,393**	**-2,864**	**564,122**

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 241 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 3,664 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 1,709 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	**24,966**	**11,486**	**4,032**	**1,319**
- of which exposures sold not derecognised	*23*	*24*	*-*	*8*
B. Increases	**8,516**	**13,947**	**873**	**10,229**
B.1 inflows from performing exposures	457	6,662	99	9,168
B.2 transfers from other non-performing exposure categories	6,592	5,607	528	242
B.3 other increases	1,334	1,678	246	819
B.4 business combinations	133	-	-	-
C. Decreases	**-5,117**	**-10,947**	**-1,319**	**-8,299**
C.1 outflows to performing exposures	-138	-1,456	-57	-2,754
C.2 write-offs	-2,425	-99	-96	-6
C.3 repayments	-1,176	-1,648	-406	-700
C.4 credit disposals	-396	-46	-	-
C.5 transfers to other non-performing exposure categories	-378	-7,121	-714	-4,756
C.6 other decreases	-604	-577	-46	-83
C.7 business combinations	-	-	-	-
D. Final gross exposure	**28,365**	**14,486**	**3,586**	**3,249**
- of which exposures sold not derecognised	*34*	*27*	*-*	*13*

The “other increases” mainly include the application of overdue interest, collections of loans derecognised in full (through “repayments”) and increases in balances for charges and the revaluation of positions in foreign currency following the change in the exchange rate.
The "other decreases" consist mainly of losses on disposal, with respect to the share not covered by the provision, and the decrease in balances in foreign currency due to changes in the exchange rate.

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	**15,963**	**2,360**	**607**	**172**
- of which exposures sold not derecognised	*5*	*3*	*-*	*-*
B. Increases	**5,417**	**2,945**	**466**	**675**
B.1 impairment losses	3,044	2,052	286	490
B.1bis losses on disposal	36	4	-	-
B.2 transfers from other non-performing exposure categories	1,429	607	135	36
B.3 other increases	835	282	45	149
B.4 business combinations	73	-	-	-
C. Decreases	**-4,221**	**-2,320**	**-350**	**-515**
C.1 recoveries on impairment losses	-657	-373	-24	-59
C.2 recoveries on repayments	-305	-95	-3	-6
C.2bis profits on disposal	-24	-5	-	-
C.3 write-offs	-2,425	-99	-96	-6
C.4 transfers to other non-performing exposure categories	-121	-1,556	-152	-378
C.5 other decreases	-689	-192	-75	-66
C.6 business combinations	-	-	-	-
D. Final total adjustments	**17,159**	**2,985**	**723**	**332**
- of which exposures sold not derecognised	*14*	*5*	*-*	*-*

The "other increases" mainly include the application of overdue interest, collections of loans derecognised in full (through "recoveries on repayments") and increases in balances of funds in foreign currency following the change in the exchange rate.
The "other decreases" consist mainly of collection of overdue interest applied in previous years, losses on disposal not covered by the provision and 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 as part of restructuring agreements for non-performing positions. The gross loans converted came to 111 million euro and were adjusted for 76 million euro. The equity instruments obtained were recognised at their fair value of approximately 20 million euro at the execution date and classified among assets available for sale. In addition, convertible loans of 41 million euro were converted into shares, recognised among Equity investments and written down to zero upon conversion.

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	**7,715**	**52,253**	**61,023**	**4,566**	**11,685**	**29,215**	**320,762**	**487,219**
B. Derivatives	**603**	**2,687**	**5,324**	**247**	**416**	**173**	**4,553**	**14,003**
B.1. Financial derivatives	602	2,653	5,231	247	416	173	4,550	13,872
B.2. Credit derivatives	1	34	93	-	-	-	3	131
C. Guarantees given	**4,109**	**5,892**	**4,443**	**501**	**261**	**510**	**33,879**	**49,595**
D. Commitments to lend funds	**3,054**	**85,800**	**17,622**	**709**	**263**	**725**	**40,299**	**148,472**
E. Other	**-**	**-**	**2,232**	**-**	**-**	**-**	**-**	**2,232**
Total	**15,481**	**146,632**	**90,644**	**6,023**	**12,625**	**30,623**	**399,493**	**701,521**

It should be noted that the exposures presented in the table also include quotas of UCI of 2,485 million euro.
The following tables show the mapping of risk classes and the external ratings.

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	F2	A -2
3	P -3	F3	A -3
from 4 to 6	NP	lower than F3	lower than A -3

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

Standardised approach - 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

Standardised approach - 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

IRB approach - Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	Aaa	AAA	AAA
2	Aa	AA	AA
3	A1	A+	A+
4	A2	A	A
5	A3	A-	A-
6	Baa1	BBB+	BBB+
7	Baa2	BBB	BBB
8	Baa3	BBB-	BBB-
9	Ba1	BB+	BB+
10	Ba2	BB	BB
11	Ba3	BB-	BB-
12	Ba3 and lower	BB- and lower	BB- and lower

IRB approach – 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
All other credit quality steps	lower than P-3	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 in respect of the portfolios Corporate, Specialised Lending, Retail Mortgages (residential mortgages for private individuals) and SME Retail.

The breakdown of exposures by internal rating classes shown in the following table is based on all ratings available in the credit risk management and control system, in addition to ratings for validated models. 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 15% 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 71% of the total, whilst 19% fall within the BB+/BB- range (class 4) and 10% 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	**12,429**	**66,344**	**160,349**	**95,645**	**46,578**	**3,626**	**28,534**	**71,229**	**484,734**
B. Derivatives	**1,271**	**1,253**	**6,686**	**1,440**	**348**	**46**	**139**	**2,820**	**14,003**
B.1. Financial derivatives	1,271	1,248	6,592	1,440	348	46	139	2,788	13,872
B.2. Credit derivatives	-	5	94	-	-	-	-	32	131
C. Guarantees given	**6,989**	**11,003**	**16,263**	**6,426**	**1,789**	**84**	**497**	**6,544**	**49,595**
D. Commitments to lend funds	**4,037**	**84,100**	**28,029**	**6,850**	**2,941**	**330**	**691**	**21,494**	**148,472**
E. Other	**-**	**-**	**2,232**	**-**	**-**	**-**	**-**	**-**	**2,232**
Total	**24,726**	**162,700**	**213,559**	**110,361**	**51,656**	**4,086**	**29,861**	**102,087**	**699,036**

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	**8,765**	**-**	**278**	***21***	**4,384**	**-**	**2,695**	**-**	**16,122**
COLLATERAL(1)									
Real estate assets	4	-	-	-	54	-	-	-	58
Mortgages	*-*	-	-	-	*54*	-	-	-	*54*
Financial leases	*4*	-	-	-	*-*	-	-	-	*4*
Securities	8,395	-	243	-	1	-	61	-	8,700
Other	14	-	-	-	4,304	-	2,429	-	6,747
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	*83*	-	-	-	*162*	-	-	-	*245*
Other public entities	*35*	-	-	-	*-*	-	-	-	*35*
Banks	*1*	-	-	-	*5*	-	-	-	*6*
Other counterparties	*186*	-	*2*	*2*	*-*	-	*15*	-	*203*
TOTAL	**8,718**	**-**	**245**	***2***	**4,526**	**-**	**2,505**	**-**	**15,994**

(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	**202,258**	***18,372***	**16,877**	***2,268***	**15,328**	***596***	**2,404**	***95***	**236,867**
COLLATERAL(1)									
Real estate assets	353,803	***35,887***	2,240	***321***	7,867	***468***	261	***45***	364,171
Mortgages	*343,888*	***34,894***	*2,183*	***285***	*7,867*	***468***	*261*	***45***	*354,199*
Financial leases	*9,915*	***993***	*57*	***36***	*-*	*-*	*-*	*-*	*9,972*
Securities	19,720	*404*	1,976	*554*	765	*71*	204	*3*	22,665
Other	8,713	*671*	1,379	*318*	631	*10*	251	*8*	10,974
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	*702*	*1*	*77*	*11*	*5*	-	-	-	*784*
Other public entities	*577*	*27*	*354*	*8*	*12*	-	*10*	-	*953*
Banks	*2,506*	*111*	*254*	*2*	*388*	*2*	*91*	*34*	*3,239*
Other counterparties	*35,928*	*4,555*	*4,338*	*482*	*7,721*	*151*	*486*	*9*	*48,473*
TOTAL	**421,949**	***41,656***	**10,618**	***1,696***	**17,389**	***702***	**1,303**	***99***	**451,259**

(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 31.12.2012	TOTAL 31.12.2011
	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	5	-	5	73,764	73,775	-	-	-	5,330	5,330	79,105	52,024
Individual adjustments	-10	-2	-	-	X	-12	-	-	-	X	-	-12	-10
Collective adjustments	X	X	X	X	-12	-12	X	X	X	-1	-1	-13	-261
OTHER PUBLIC ENTITIES													
Net exposure	177	17	-	42	21,098	21,334	-	-	-	1,770	1,770	23,104	22,084
Individual adjustments	-64	-4	-	-1	X	-69	-	-	-	X	-	-69	-51
Collective adjustments	X	X	X	X	-44	-44	X	X	X	-3	-3	-47	-43
FINANCIAL INSTITUTIONS													
Net exposure	74	361	24	9	32,415	32,883	1	24	2	34,745	34,772	67,655	54,844
Individual adjustments	-301	-46	-4	-3	X	-354	-1	-	-	X	-1	-355	-422
Collective adjustments	X	X	X	X	-91	-91	X	X	X	-10	-10	-101	-127
INSURANCE COMPANIES													
Net exposure	-	-	-	-	1,478	1,478	-	-	-	1,507	1,507	2,985	4,618
Individual adjustments	-	-	-	-	X	-	-	-	-	X	-	-	-
Collective adjustments	X	X	X	X	-2	-2	X	X	X	-4	-4	-6	-3
NON-FINANCIAL COMPANIES													
Net exposure	9,082	9,518	2,805	2,333	199,933	223,671	177	586	517	74,953	76,233	299,904	313,426
Individual adjustments	-14,074	-2,308	-684	-213	X	-17,279	-88	-60	-26	X	-174	-17,453	-15,275
Collective adjustments	X	X	X	X	-2,120	-2,120	X	X	X	-246	-246	-2,366	-2,567
OTHER COUNTERPARTIES													
Net exposure	1,872	1,600	34	528	84,235	88,269	5	9	5	2,153	2,172	90,441	92,387
Individual adjustments	-2,710	-625	-35	-115	X	-3,485	-17	-2	-	X	-19	-3,504	-3,531
Collective adjustments	X	X	X	X	-323	-323	X	X	X	-8	-8	-331	-410

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	9,668	-14,669	1,505	-2,231	11	-39	2	-22	20	-198
A.2. Substandard loans	10,213	-2,568	1,127	-376	54	-1	9	-3	98	-37
A.3. Restructured exposures	2,534	-677	166	-31	4	-1	148	-11	11	-3
A.4. Past due exposures	2,724	-270	153	-54	5	-	5	-	30	-8
A.5. Other exposures	343,249	-1,985	53,410	-504	9,295	-29	2,628	-12	4,341	-62
Total A	**368,388**	**-20,169**	**56,361**	**-3,196**	**9,369**	**-70**	**2,792**	**-48**	**4,500**	**-308**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	140	-61	37	-27	-	-	-	-1	5	-16
B.2. Substandard loans	592	-56	23	-5	-	-	-	-	5	-1
B.3. Other non-performing assets	515	-26	5	-1	-	-	-	-	4	-
B.4. Other exposures	53,557	-180	51,363	-72	14,231	-15	731	-2	576	-3
Total B	**54,804**	**-323**	**51,428**	**-105**	**14,231**	**-15**	**731**	**-3**	**590**	**-20**
TOTAL (A+B) 31.12.2012	**423,192**	**-20,492**	**107,789**	**-3,301**	**23,600**	**-85**	**3,523**	**-51**	**5,090**	**-328**
TOTAL 31.12.2011	**395,465**	**-18,754**	**105,463**	**-3,437**	**28,429**	**-108**	**4,634**	**-60**	**5,392**	**-341**

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	3,112	-4,691	2,084	-3,258	2,181	-2,979	2,291	-3,741
A.2. Substandard loans	3,679	-899	2,167	-478	2,166	-497	2,201	-694
A.3. Restructured exposures	1,466	-553	823	-80	168	-38	77	-6
A.4. Past due exposures	832	-72	471	-49	898	-78	523	-71
A.5. Other exposures	109,259	-730	57,665	-399	130,715	-456	45,610	-400
Total A	**118,348**	**-6,945**	**63,210**	**-4,264**	**136,128**	**-4,048**	**50,702**	**-4,912**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	41	-19	28	-13	54	-24	17	-5
B.2. Substandard loans	196	-13	111	-10	203	-14	82	-19
B.3. Other non-performing assets	366	-20	81	-3	55	-2	13	-1
B.4. Other exposures	18,577	-93	8,348	-29	23,241	-48	3,391	-10
Total B	**19,180**	**-145**	**8,568**	**-55**	**23,553**	**-88**	**3,503**	**-35**
TOTAL (A+B) 31.12.2012	**137,528**	**-7,090**	**71,778**	**-4,319**	**159,681**	**-4,136**	**54,205**	**-4,947**
TOTALE 31.12.2011	**139,578**	**-6,414**	**71,591**	**-3,949**	**129,829**	**-3,601**	**54,467**	**-4,790**

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	18	-7	20	-73	-	-	-	-2	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	5	-	-	-	4	-	-	-
A.5. Other exposures	13,400	-3	24,919	-9	2,139	-4	1,610	-3	1,209	-
Total A	**13,418**	**-10**	**24,944**	**-82**	**2,139**	**-4**	**1,614**	**-5**	**1,209**	**-**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	1	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	4,737	-1	78,248	-11	4,931	-1	1,493	-6	876	-2
Total B	**4,737**	**-1**	**78,249**	**-11**	**4,931**	**-1**	**1,493**	**-6**	**876**	**-2**
TOTAL (A+B) 31.12.2012	**18,155**	**-11**	**103,193**	**-93**	**7,070**	**-5**	**3,107**	**-11**	**2,085**	**-2**
TOTAL 31.12.2011	**23,302**	**-13**	**77,207**	**-97**	**7,682**	**-4**	**3,978**	**-16**	**2,155**	**-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	18	-7	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-
A.5. Other exposures	2,762	-2	1,761	-	8,327	-1	550	-
Total A	**2,780**	**-9**	**1,761**	**-**	**8,327**	**-1**	**550**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	681	-	655	-1	3,384	-	17	-
Total B	**681**	**-**	**655**	**-1**	**3,384**	**-**	**17**	**-**
TOTAL (A+B) 31.12.2012	**3,461**	**-9**	**2,416**	**-1**	**11,711**	**-1**	**567**	**-**
TOTAL 31.12.2011	**7,954**	**-10**	**3,821**	**-1**	**11,223**	**-2**	**304**	**-**

B.6. Large risks

Large risks	
a) Book value (millions of euro)	99,359
b) Weighted value (millions of euro)	9,185
b) Number	5

On the basis of regulatory provisions, the number of large risks presented in the table was determined by reference to unweighted "exposures" 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.
In addition, in light of regulatory clarification provided by the Supervisory Authority, exposures for transactions undertaken with central counterparties in OTC derivatives and SFTs, which under certain conditions may be set to zero when determining counterparty risk, are also to be reduced to zero for the purposes of large risks, effective from 2012 financial statements. Accordingly, in the above table they have been excluded from both the unweighted book value and the corresponding weighted value.

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 2012 the Group implemented new securitisations with similar characteristics (Conan Securitisation and Food & Beverages Securitisation) and restructured a transaction implemented in 2011 (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 295 million euro on the new transactions, numerous tranches of unrated securities were issued. For these transactions, the Group used the vehicles Trade Investment Receivable S.a.r.l., CorpEquity Capital S.a.r.l., Hermes Trade Receivables 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	**7**	**7**	**152**	**152**	**83**	**79**
a) Non-performing	-	-	-	-	17	17
b) Other	7	7	152	152	66	62
B. Third party underlying assets	**5,004**	**4,997**	**434**	**429**	**25**	**25**
a) Non-performing	-	-	-	-	-	-
b) Other	5,004	4,997	434	429	25	25
Total	**5,011**	**5,004**	**586**	**581**	**108**	**104**

Part of the exposures shown in the table above has been included within the structured credit products: 2,198 million euro of gross exposures and 2,193 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	**-**	**-**	**-**	**-**	**-**	**-**	**1,101**	**1,101**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	1,101	1,101 (1)	-	-	-	-
B. Third party underlying assets (*)	**15**	**15**	**-**	**-**	**-**	**-**	**1,558**	**1,558**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	15	15	-	-	-	-	1,558	1,558	-	-	-	-
TOTAL	**15**	**15**	**-**	**-**	**-**	**-**	**2,659**	**2,659**	**-**	**-**	**-**	**-**

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

(1) All 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	**1**	**-**	**-**	**-2**	**22**	**-8**
A.1 Intesa Sec Npl						
- doubtful mortgages	*-*	*-*	*-*	*-2*	*17*	*-8*
A.2 Cr Firenze Mutui						
- performing mortgages	*1*	*-*	*-*	*-*	*5*	*-*
B. Partly derecognised	-	-	-	-	-	-
C. Not derecognised	**6**	**2**	**152**	**1**	**57**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	*-*	*-*	*109*	*-*	*29*	*-*
C.2 Da Vinci	-	-	-	-	-	-
- loans to the aircraft sector	*6*	*2*	*1*	*1*	*-*	*-*
C.3 Split 2 (*)	-	-	-	-	-	-
- performing leasing contracts	*-*	*-*	*11*	*-*	*18*	*-*
C.4 Facility Services Securitisations	-	-	-	-	-	-
- trade receivables	*-*	*-*	*3*	*-*	*-*	*-*
C.5 Electricity Securitisations	-	-	-	-	-	-
- trade receivables	*-*	*-*	*24*	*-*	*8*	*-*
C.6 Gas Securitisation	-	-	-	-	-	-
- trade receivables	*-*	*-*	*4*	*-*	*2*	*-*
TOTAL	**7**	**2**	**152**	**-1**	**79**	**-8**

(*) 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Duomo Funding Plc.												
- trade receivables	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**1,101**	**-**	**-**	**-**	**-**	**-**
C.1 Duomo Funding Plc.												
- trade receivables	*-*	*-*	*-*	*-*	*-*	*-*	*1,101*	*-*	*-*	*-*	*-*	*-*
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**1,101**	**-**	**-**	**-**	**-**	**-**

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 (*)						
- *Asset backed commercial papers'*	*2,039*	*-*	*-*	*-*	*-*	*-*
A.2 Tevere Finance						
- *exposures to Italian local authorities*	*307*	*13*	*-*	*-*	*-*	*-*
A.3 TCWGP						
- *Project Finance loans*	*278*	*-*	*-*	*-*	*-*	*-*
A.4 Fondo Immobili Pubblici						
- *Financial credits deriving from rental of properties to the public sector*	*242*	*-4*	*-*	*-*	*-*	*-*
A.5 Posillipo Finance						
- *Loans to the Italian health system*	*178*	*-1*	*-*	*-*	*-*	*-*
A.6 Siena Mortgage						
- *Residential mortgages*	*127*	*1*	*-*	*-*	*-*	*-*
A.7 D'Annunzio						
- *Loans to the Italian health system*	*123*	*-*	*-*	*-*	*-*	*-*
A.8 Sunrise S.r.l.						
- *Consumer credit*	*89*	*1*	*20*	*-*	*-*	*-*
A.9 Duchess (**)						
- *CLOs*	*104*	*6*	*-*	*-*	*-*	*-*
A.10 Cordusio RMBS Securitisation						
- *Residential mortgages*	*67*	*1*	*33*	*1*	*-*	*-*
A.11 Berica Residential MBS S.r.l.						
- *Residential mortgages*	*91*	*-*	*8*	*-*	*-*	*-*
A.12 Nepri Finance S.r.l.						
- *Residential mortgages*	*97*	*6*	*-*	*-*	*-*	*-*
A.13 CLARIS Finance S.r.l.						
- *Residential mortgages*	*74*	*1*	*-*	*-*	*-*	*-*
A.14 Mecenate						
- *Residential mortgages*	*58*	*-*	*-*	*-*	*-*	*-*
A.15 TBRNA						
- *Trust Preferred Securities*	*54*	*29*	*-*	*-*	*-*	*-*
A.16 Vintage Finance						
- *electric company receivables from the public sector*	*52*	*-*	*-*	*-*	*-*	*-*
A.17 Residual portfolio divided in 415 securities (***)	*1,017*	*-8* (****)	*368*	*-3* (*****)	*25*	*-1*
TOTAL	**4,997**	**45**	**429**	**-2**	**25**	**-1**

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

(**) Position included in packages, whose credit risk is entirely hedged by a specific credit default swap (CDS). The adjustment highlighted was, therefore, practically identical to the 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.

(***) Please note that 48 million euro included among "Residual portfolio divided in 415 securities" refers to single tranche securitisations, classified as Senior securities and not as exposures to securitisations for supervisory purposes.

(****) Of which -5 million euro related to securities included in packages.

(*****) Of which 2 million euro related to securities included in packages.

The table below shows the breakdown of the residual portfolio divided into 415 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 (*)	392	-6	160	2	5	-1
Commercial mortgages	70	-	89	-5	-	-
CDO Cash	136	-	1	-	-	-
Loans deriving from leasing contracts	80	2	40	2	-	-
Financing for SMEs	73	1	46	-1	-	-
Other ABS (CLO-CMO-CFO) (*)	94	-5	6	-	-	-
Loans to the Italian health system	46	-	-	-	-	-
Loans to foreign public bodies	38	-	-	-	-	-
Public property	8	-	20	-1	-	-
Project finance loans	-	-	-	-	20	-
Commercial loans	20	-	-	-	-	-
Consumer credit	13	-	-	-	-	-
WL Collateral CMO	12	-	-	-	-	-
Loans to energy companies	9	-	-	-	-	-
Car loans	2	-	4	-	-	-
Credit cards	3	-	-	-	-	-
Personal loans	1	-	-	-	-	-
Other assets	20	-	2	-	-	-
TOTAL	**1,017**	**-8**	**368**	**-3**	**25**	**-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*	-	-	-	-	-	-	*1,497*	-	-	-	-	-
A.2 Romulus - *ABCP Conduit transactions*	*15*	-	-	-	-	-	*61*	-	-	-	-	-
Total	**15**	**-**	**-**	**-**	**-**	**-**	**1,558**	**-**	**-**	**-**	**-**	**-**

(*) In addition to that shown in the table, the Group's trading portfolio as at 31 December 2012 also contains off-balance sheet transactions represented by credit default swaps with exposures to securitisations as underlyings for a nominal value of 258 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	1,250	131	2	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	12	3	16	-	-	-
Investments held to maturity	49	-	-	-	-	-
Loans (**)	3,687	295	29	1,573	-	-
Total 31.12.2012	**4,998**	**429**	**47**	**1,573**	**-**	**-**
Total 31.12.2011	**5,678**	**433**	**85**	**1,702**	**-**	**-**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 215 million euro. As at 31 December 2012, off-balance sheet exposures deriving from originated securitisations whose assets sold were not fully derecognised from balance sheet assets totalled 1,101 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	**963**	**-**
A.1 Fully derecognised	98	*X*
1. Doubtful loans	*29*	*X*
2. Substandard loans	-	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	*1*	*X*
5. Other assets	*68*	*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	865	-
1. Doubtful loans	*14*	-
2. Substandard loans	*7*	-
3. Restructured exposures	-	-
4. Past due exposures	*21*	-
5. Other assets	*823*	-
B. Third party underlying assets	**639**	**-**
B.1. Doubtful loans	-	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	-	-
B.5. Other assets	639	-

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

Name	Direct ownership	Registered office	% Stake
Adriano Lease Sec S.r.l.	Intesa Sanpaolo	Conegliano Veneto	5.00%
Intesa Sec S.p.A.	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 2 S.r.l.	Intesa Sanpaolo	Milano	100.00%
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 OBG S.r.l. (former ISP Sec 4 S.r.l.) (*)	Intesa Sanpaolo	Milano	60.00%
ISP CB Ipotecario S.r.l. (*)	Intesa Sanpaolo	Milano	60.00%
ISP CB Pubblico S.r.l. (*)	Intesa Sanpaolo	Milano	60.00%

(*) ISP CB Ipotecario, ISP CB Pubblico and ISP OBG 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	-	-	-	26	-	100%	-	100%	-	100%
Intesa Sanpaolo	Intesa Sec 3	45	977	4	286	-	100%	-	57%	-	-
Italfondiario	Intesa Sec NPL	27	-	10	-	100%	-	46%	-	-	-
Leasint	Intesa Lease Sec	-	-	1	4	-	100%	-	100%	-	100%
Leasint	Split 2	10	48	1	65	-	100%	-	44%	-	-
CR Firenze	Cr Firenze Mutui	2	69	1	21	-	94%	-	-	-	-
Total		**85**	**1,094**	**17**	**402**						

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 receivables	*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			**-**
A.1 Loans		-	
- loans outstanding	-		
- past due loans	-		
A.2 Securities		-	
A.3 Other assets		-	
- accrued income on IRS	-		
- suspended items for DPP	-		
- tax credits	-		
B. Investments of the funds collected from loan management			**-**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		-	
C. Securities issued			**-**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class B		-	
C.4 Class C		-	
D. Financing received			**-**
E. Other liabilities			**-**
E.1 Due to Parent Company		-	
E.2 Other DPP liabilities		-	
E.3 Accrued expenses – interest on securities issued		-	
E.4 Accrued expenses on IRS		-	
F. Interest expense on securities issued			**1**
G. Commissions and fees			**1**
G.1 Servicing		-	
G.2 Other services		1	
H. Other expenses			**25**
H.1 Interest expense		7	
H.2 Other expenses		17	
H.3 Cost of liquidation DPP of the period		1	
I. Interest income on securitised assets			**2**
L. Other revenues			**25**
L.1 Interest income		1	
L.2 Other income		24	

Intesa Sec 3

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**1,024**
A.1 Loans		1,022	
A.2 Securities		-	
A.3 Other assets		2	
- accrued income on IRS	*1*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**226**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		226	
C. Securities issued			**1,049**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class A3		903	
C.4 Class B		73	
C.5 Class C		73	
D. Financing received			**25**
E. Other liabilities			**181**
E.1 Due to Parent Company		127	
E.2 "Additional return" allowance		48	
E.3 Accrued expenses – interest on securities issued		1	
E.4 Accrued expenses on IRS		5	
F. Interest expense on securities issued			**11**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Securities placement commissions		-	
H. Other expenses			**44**
H.1 Interest expense		31	
H.2 Forecasted losses on loans		1	
H.3 Additional return		12	
I. Interest income on securitised assets			**40**
L. Other revenues			**16**
L.1 Interest income		15	
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			**32**
A.1 Loans		27	
- loans outstanding	*-*		
- past due loans	*27*		
- loans for overdue interest	*-*		
A.2 Securities		-	
A.3 Other assets		5	
- cap option premium paid	*4*		
- other receivables	*1*		
B. Investments of the funds collected from loan management			**5**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		5	
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			**25**
E.1 Amounts due for services rendered		2	
E.2 Accrued expenses – interest on securities issued		20	
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			**13**
H.1 Interest expense		5	
H.2 Other expenses		2	
H.3 Losses on overdue interest		2	
H.4 Losses on loans		2	
H.5 Forecasted losses on loans		2	
I. Interest income on securitised assets			**6**
L. Other revenues			**4**
L.1 Interest income		-	
L.2 Recovery of legal expenses		-	
L.3 Write-backs		4	

Split 2

Securitisation of loans arising from leasing contracts

(millions of euro)

A. Securitised assets		**59**
A.1 Loans	58	
A.2 Securities	-	
A.3 Other assets	1	
B. Investments of the funds collected from loan management		**26**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	26	
C. Securities issued		**79**
C.1 Class A	-	
C.2 Class B	16	
C.3 Class C	45	
C.4 Class D	18	
D. Financing received		**-**
E. Other liabilities		**6**
F. Interest expense on securities issued		**2**
G. Commissions and fees		**-**
G.1 Servicing	-	
G.2 Other services	-	
H. Other expenses		**-**
I. Interest income on securitised assets		**2**
L. Other revenues		**-**

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(millions of euro)

A. Securitised assets			**-**
A.1 Loans		-	
- principal	-		
- credits for invoiced leasing instalments	-		
A.2 Securities		-	
A.3 Other assets		-	
B. Investments of the funds collected from loan management			**17**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		17	
C. Securities issued			**-**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class A3		-	
C.4 Class B		-	
C.5 Class C		-	
D. Financing received			**-**
E. Other liabilities			**17**
E.1 Other accrued expenses and deferred income		-	
E.2 Allowance for "additional return"		17	
F. Interest expense on securities issued			**-**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**1**
H.1 Interest expense		-	
H.2 Other expenses		1	
H.3 Losses on loans		-	
H.4 Forecasted losses on loans		-	
H.5 Additional return		-	
I. Interest income on securitised assets			**-**
L. Other revenues			**1**
L.1 Interest income		-	
L.2 Write-backs		-	
L.3 Other revenues		1	

CR Firenze Mutui

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**71**
A.1 Loans	71	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**13**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	13	
C. Securities issued		**72**
C.1 Class A	28	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		4
E. Other liabilities		**8**
F. Interest expense on securities issued		**1**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**1**
I. Interest income on securitised assets		**3**
L. Other revenues		**-**

C.2. Sales

A. Financial assets sold not fully derecognised

Qualitative information

For a description of the operations shown in tables C.2.1 and C.2.2 below, refer to the information shown below the relevant tables.
Conversely, for operations in debt securities against medium-/long-term repurchase agreements, refer to the information in Part B of the Notes to the consolidated financial statements.

Quantitative information

C.2.1. Banking group - Financial assets sold not derecognised: book value and full value

(millions of euro)

	Cash assets				Derivatives	31.12.2012		31.12.2011	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**4,065**	**83**	**3**	**-**	**-**	**4,151**	**-**	**5,211**	**-**
- Financial assets sold totally recognised (book value)	4,065	83	3	-	-	4,151	-	5,211	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**169**	**-**	**-**	**-**	**X**	**169**	**-**	**14**	**-**
- Financial assets sold totally recognised (book value)	169	-	-	-	X	169	-	14	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**9,734**	**-**	**-**	**-**	**X**	**9,734**	**-**	**8,351**	**-**
- Financial assets sold totally recognised (book value)	9,734	-	-	-	X	9,734	-	8,351	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**219**	**X**	**X**	**-**	**X**	**219**	**-**	**257**	**-**
- Financial assets sold totally recognised (book value)	219	X	X	-	X	219	-	257	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**1,280**	**X**	**X**	**-**	**X**	**1,280**	**-**	**1,450**	**-**
- Financial assets sold totally recognised (book value)	1,280	X	X	-	X	1,280	-	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	**1,072**	**X**	**X**	**1,079**	**X**	**2,151**	**55**	**1,668**	***47***
- Financial assets sold totally recognised (book value)	1,072	X	X	1,079	X	2,151	55	1,668	47
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2012	**16,539**	**83**	**3**	**1,079**	**-**	**17,704**	**55**	**X**	***X***
Total 31.12.2011	**15,529**	**28**	**2**	**1,392**	**-**	**X**	**X**	**16,951**	***47***

Operations mainly refer to the use of securities held for short and medium-/long-term repurchase agreements and loans to customers assigned as part of the Split 2 and SEC 3 securitisations.

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

(millions of euro)

	Due to customers		Due to banks		Securities issued		Total	Total
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised	31.12.2012	31.12.2011
Financial assets held for trading	1,961	-	1,578	-	-	-	3,539	4,721
Financial assets measured at fair value	20	-	66	-	-	-	86	-
Financial assets available for sale	6,034	-	3,634	-	-	-	9,668	7,039
Investments held to maturity	-	-	-	-	-	-	-	-
Due from banks	13	-	150	-	-	-	163	782
Loans to customers	128	-	657	-	1,050	-	1,835	1,945
Total	**8,156**	**-**	**6,085**	**-**	**1,050**	**-**	**15,291**	**14,487**

The financial liabilities corresponding to financial assets sold not derecognised (shown in the columns Due to Banks and Due to Customers) mainly relate to 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 scope of consolidation) are shown under securities issued.
However, they do not include the repurchase agreements relating to securities received under reverse repurchase agreements.

C.2.3. Banking group - Sales with liabilities having recourse exclusively on the assets sold: fair value

(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 (fair value)		Due from banks (fair value)		Loans to customers (fair value)		31.12.2012 TOTAL	31.12.2011 TOTAL
	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised	Fin. Assets sold fully recognised	Fin. Assets sold partly recognised		
A. Cash assets	**4,151**	**-**	**169**	**-**	**9,734**	**-**	**213**	**-**	**1,262**	**-**	**1,938**	**-**	**17,467**	**16,951**
1. Debt securities	4,065	-	169	-	9,734	-	213	-	1,262	-	839	-	16,282	15,529
2. Equities	83	-	-	-	-	-	X	X	X	X	X	X	83	28
3. UCI	3	-	-	-	-	-	X	X	X	X	X	X	3	2
4. Loans	-	-	-	-	-	-	-	-	-	-	1,099	-	1,099	1,392
B. Derivatives	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total Assets	**4,151**	**-**	**169**	**-**	**9,734**	**-**	**213**	**-**	**1,262**	**-**	**1,938**	**-**	**17,467**	**16,951**
C. Associated liabilities	**3,539**	**-**	**87**	**-**	**9,709**	**-**	**-**	**-**	**167**	**-**	**1,751**	**-**	**X**	**X**
1. Due to customers	1,961	-	20	-	6,035	-	-	-	18	-	128	-	X	X
2. Due to banks	1,578	-	67	-	3,674	-	-	-	149	-	636	-	X	X
3. Securities issued	-	-	-	-	-	-	-	-	-	-	987	-	X	X
Total Liabilities	**3,539**	**-**	**87**	**-**	**9,709**	**-**	**-**	**-**	**167**	**-**	**1,751**	**-**	**15,253**	**14,487**
Net Value 2012	**612**	**-**	**82**	**-**	**25**	**-**	**213**	**-**	**1,095**	**-**	**187**	**-**	**2,214**	**X**
Net Value 2011	**490**	**-**	**14**	**-**	**1,727**	**-**	**257**	**-**	**666**	**-**	**-36**	**-**	**X**	**2,464**

B. Financial assets sold fully derecognised with recognition of ongoing involvement

This type of exposure did not exist as at 31 December 2012.

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 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, as provided for by Bank of Italy, 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.

Over time, the Intesa Sanpaolo Group has carried out three Covered Bond issue programmes.

The first programme, launched at the end of July 2009, had an amount of 20 billion euro (the original amount was 10 billion euro). 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 the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. In detail, performing loans and securities to the public sector with a nominal value of approximately 12.5 billion euro were sold.
Against these sales, Covered Bonds were issued for a total nominal value of 13.3 billion euro (of which 3 billion euro relating to a covered bond which matured in the fourth quarter of 2011 and 6.8 billion euro relating to issues acquired from the former BIIS and cancelled by Intesa Sanpaolo following the merger). During 2012:

– the exchange offer concerning the 2 billion euro issue in April 2010 was made. The bonds were exchanged with bonds of the same amount and equivalent characteristics, from Series 10 of the Covered Bond Programme of the vehicle ISP CB Ipotecario. Of the initial nominal amount of 2 billion euro, approximately 1.9 billion euro was exchanged, while the remaining amount was placed with investors;
– the exchange offer concerning the 1.5 billion euro issue in January 2011 was made. The characteristics of the offer are

equivalent to those described in the previous point (the bonds were exchanged for Series 11 bonds issued as part of the Covered Bond Programme of ISP CB Ipotecario). Of the initial nominal amount of 1.5 billion euro, approximately 1.4 billion euro was exchanged, while the remaining amount was placed with investors;

As at 31 December 2012 a total nominal amount of 284 million euro of issues made as part of the Covered Bond Programme of the vehicle ISP CB Pubblico was outstanding.

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 Italian residential mortgage loans originated by Intesa Sanpaolo were transferred. In detail, these are sales of Italian residential mortgages with a nominal value of 9.5 billion euro, in addition to the sale, in October 2012, of a portfolio of Italian residential mortgages originated by Intesa Sanpaolo with a nominal value of 3.2 billion euro. In May 2012, the vehicle also invested its available liquidity in an Italian government bond for a nominal amount of 900 million euro. As this bond is an eligible asset, it increased the value of the portfolio used as collateral for the Covered Bonds, and exited the cover pool at maturity in January 2013.

Over time, against the sale of these assets, Intesa Sanpaolo carried out issues of Covered Bonds with a total nominal value of approximately 12.3 billion euro. During 2012:

– following the retrocession of the Adriano Finance security to Intesa Sanpaolo, in April 2012 Series 6 and Series 7 of the Covered Bonds, with nominal values of 2.3 billion euro and 2.25 billion euro, respectively, were repaid in advance;
– also in April 2012, Intesa Sanpaolo terminated Series 8 in advance, issued for a nominal value of 1.6 billion euro;
– Series 9, issued by Intesa Sanpaolo for a nominal value of 2 billion euro, was also terminated in advance in April 2012;
– between July and September, two tranches of fixed-rate Covered Bonds maturing in 2017 and 2021, respectively, were issued, to be offered to investors in exchange, as part of the Exchange Offer described above. The issues have nominal values of approximately 1.9 billion euro and 1.4 billion euro, respectively;
– in September 2012, Intesa Sanpaolo carried out a fixed-rate issue (3.75%) maturing in 2019, with a nominal value of 1 billion euro. The security is listed on the Luxembourg Stock Exchange with an A2 rating from Moody's. Placed with institutional investors, its characteristics make it eligible for Eurosystem refinancing transactions;
– in December 2012, Intesa Sanpaolo carried out a fixed-rate issue (3.625%) maturing in 2022, with a nominal value of 1.25 billion euro. The security is listed on the Luxembourg Stock Exchange with an A2 rating from Moody's. Placed with institutional investors, its characteristics make it eligible for Eurosystem refinancing transactions.

In June 2012 the new multi-originator CB issue programme was launched, secured by mortgages totalling 30 billion euro. Aimed at retained issues, the programme provides for the issue of unrated securities which thus benefit from the rating of the issuer Intesa Sanpaolo. The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli and Cassa di Risparmio del Veneto. In particular:

– in June Intesa Sanpaolo and Banco di Napoli sold residential mortgages to the vehicle ISP OBG S.r.l., amounting to approximately 7.9 billion euro and 5 billion euro in residual debt at the time of sale;
– in July Intesa Sanpaolo sold an additional 4.2 billion euro in mortgages to the vehicle;
– in November Banco di Napoli and Cassa di Risparmio del Veneto sold to the vehicle, respectively, 650 million euro and 2.6 billion euro in mortgages.

In 2012 the Parent Company issued and fully subscribed the following securities:

– in June 2012, two floating-rate issues with 2-year maturity, with nominal values of 5.75 billion euro and 6 billion euro, respectively;
– in August 2012 an additional floating-rate issue with 2-year maturity, with nominal value of 4.1 billion euro;
– in December 2012 another floating-rate issue with 2-year maturity, with nominal value of 3.2 billion euro.

All securities issued as part of the multi-originator programme are listed on the Luxembourg Stock Exchange and, as noted above, benefit from the rating of the issuer Intesa Sanpaolo. The characteristics of the issues make them eligible for Eurosystem refinancing transactions.

The key figures for ISP CB Pubblico, ISP CB Ipotecario and ISP OBG as at 31 December 2012 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 write-downs on securitised portfolio	amount	nominal amount	nominal amount	IAS classification	Valuation
ISP CB PUBBLICO	Performing public sector loans and securities	13,530	-	13,078	284	-	L&R	Amortised cost
ISP CB IPOTECARIO	RMBSs (Performing residential mortgages)	15,014	14	13,767	9,576	-	L&R	Amortised cost
ISP OBG	Performing residential mortgages	20,561	13	20,309	19,065	19,065	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 2012, for which no issues have yet been made.

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

As at 31 December 2012, the expected loss on core banks (Basel 2 validation area) amounted to 0.53% of disbursed loans, a 0.02 percentage point increase on the figure as at the end of 2011. The economic capital corresponded to 3.5% of disbursed loans, an increase of 0.3% compared to the figure in 2011[10].

The increase in risk indicators is the result of both the deterioration of the economic scenario, which resulted in a generalised worsening of ratings, and by the refining of risk measures, specifically the updating of the LGD parameters on SME Retail following the validation of the model used for reporting purposes. The above phenomena were partly offset by the operational actions involving the recomposition of the portfolio towards better exposures and the considerable transfers of loans to the non-performing loan category, which contributes to eliminating customers with worse ratings from the performing loans portfolio.

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.

[10] Economic capital was assessed using a confidence interval of 99.93, applied for the purpose of homogeneous comparison with the 2011 figure.

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 valuations 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 model risk 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). 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:
– 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 valuation 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 elementary 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 instruments (swaps, basis swaps, cap/floor, European and Bermuda swaptions, CMS, CMS spread options), equity instruments (options on indexes and on single stocks), credit instruments (CDS) and commodity instruments (options on commodity indexes). 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 is 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 is 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 lognormal, 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 the 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, the 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, the 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/info providers (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

Effective from June 2011, the Group adopted a new approach to managing hedge funds, involving the transfer of operations to dedicated vehicles, Managed Account Funds (MAFs) residing in the platform of the same name managed by Goldman Sachs. The Managed Account platform allows access to investments in hedge funds through distinct vehicles independent of the managers of the funds, which have the particular characteristic of ensuring the full daily transparency of the assets underlying the funds. This allows the Risk Management Department to conduct daily monitoring of market risks in a manner consistent with the Group's other positions. The new fund management method suggested the application of a valuation policy involving two separate approaches, one applied to funds not managed within the Managed Account platform and the other applied to funds managed within the Managed Account platform.

The previous Fair Value Policy is used for funds not managed within the Managed Account platform, according to which 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.

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 ChiefFinancial Officer.

Effective from 1 January 2012, it is not deemed necessary to apply the two prudential adjustments envisaged for funds not in the platform to funds managed within the Managed Account platform, inasmuch as:

- the adjustment for counterparty risk is not necessary because the Managed Account platform is subject to limited recourse clauses and non-petition provisions, through which each Managed Account Fund achieves contractual separation/segregation of assets and manager. Intesa Sanpaolo effectively holds 100% of the quotas of the MAF;
- the adjustment for illiquidity risk is not necessary because there is a delivery in kind clause, according to which the fund's assets may be transferred to Intesa Sanpaolo's books and liquidated, where necessary.

If the daily full transparency analysis were to bring to light additional elements of risk, mark-to-market adjustments would be applied in accordance with Intesa Sanpaolo's Fair Value Policy.

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/specific on debt securities and on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCI 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 is included when determining capital absorption effective from 31 December 2011. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":
- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolios of Intesa Sanpaolo and Banca IMI;
- the period must allow real historical series to be used for all portfolio risk factors.

In keeping with the historical simulation approach employed to calculate VaR, the latter point is a discriminating condition in the selection of the holding period. In fact, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the document, the period relevant to the measurement of stressed VaR is considered set as 1 January to 31 December 2011 for both Banca IMI and 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 2012, 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 2012 was 82.5 million euro, up by 18% on the third quarter.
With regard to the whole of 2012, the Group's average risk profile (82.1 million euro) increased compared to the average values in 2011 (58.8 million euro).

Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and the 3rd quarter of 2012 [(a)]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	16.8	15.5	19.7	19.6	24.6	24.1
Banca IMI	65.7	51.6	80.7	49.5	55.3	72.9
Total	**82.5**	**70.1**	**99.2**	**69.1**	**79.9**	**97.0**

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

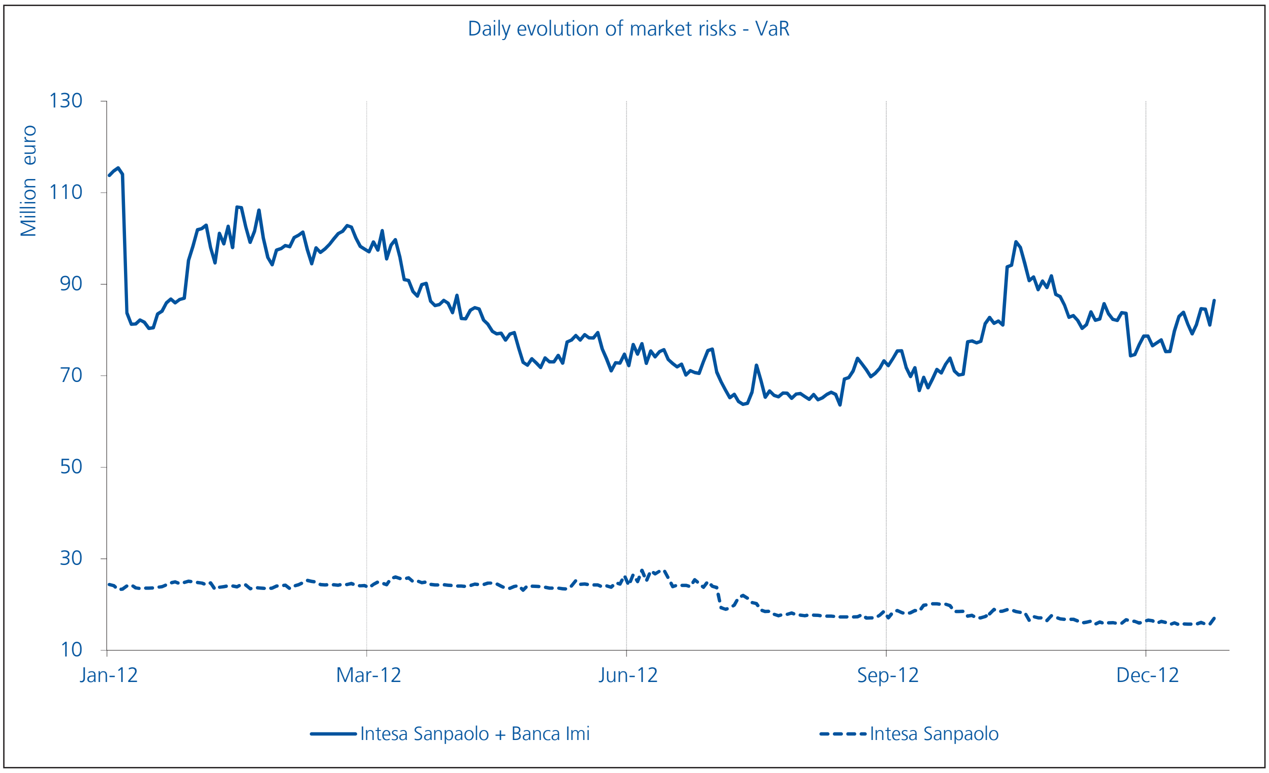
Daily VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between 2012-2011 [(a)]

(millions of euro)

	2012				2011		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	21.3	15.5	27.5	17.0	20.1	14.0	26.5
Banca IMI	60.8	41.7	92.1	69.4	38.7	13.6	92.4
Total	**82.1**	**63.5**	**115.4**	**86.4**	**58.8**	**30.7**	**118.0**

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

The trend in the Group's operational VaR, shown in the following chart, was mainly determined by Banca IMI, which at the beginning of the year recorded an increase linked to its activity on the Italian government bond market.



For Intesa Sanpaolo, the breakdown of the risk profile in the fourth quarter of 2012 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 41% of total VaR. Credit spread risk, which includes the risk associated with sovereign government bonds, was the most significant component for Banca IMI, representing 74% of the total.

Contribution of risk factors to overall VaR [(a)]

4th quarter 2012	Shares	Hedge funds	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Intesa Sanpaolo	7%	41%	4%	37%	3%	8%	-
Banca IMI	5%	-	12%	74%	-	5%	4%
Total	**5%**	**9%**	**11%**	**66%**	**1%**	**5%**	**3%**

[(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)]

	31.12.2012	31.12.2011
- Credit	68%	81%
- Directional trading	13%	4%
- Equity hedged	18%	14%
- Multi-strategy	0%	1%
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 2012 the hedge fund portfolio maintained an asset allocation with a focus on strategies relating to distressed credit (68% of the total in terms of portfolio value). There was an increase in the contribution of directional trading and equity hedge strategies.
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	13	-13	25	-29	105	-104	-6	4	5	1
of which SCP					*3*	*-3*				

In particular:
- on stock market positions, a 5% increase in stock prices with a resulting 10% decrease in volatility would have led to a loss of approximately 13 million euro;
- for exposures to interest rates, a parallel +25 basis point shift in the yield curve would have led to a 29 million euro loss, whereas a parallel -25 basis point shift would have led to a 25 million euro gain;
- for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to a 104 million euro loss, of which about 3 million euro attributable to structured credit products (SCP);
- on foreign exchange exposures, a 10% depreciation of the euro would have resulted in a loss of approximately 6 million euro;
- finally, on commodities exposures, gains would result from both a 50% decrease and increase in prices, owing to the presence of options profiles in portfolio.

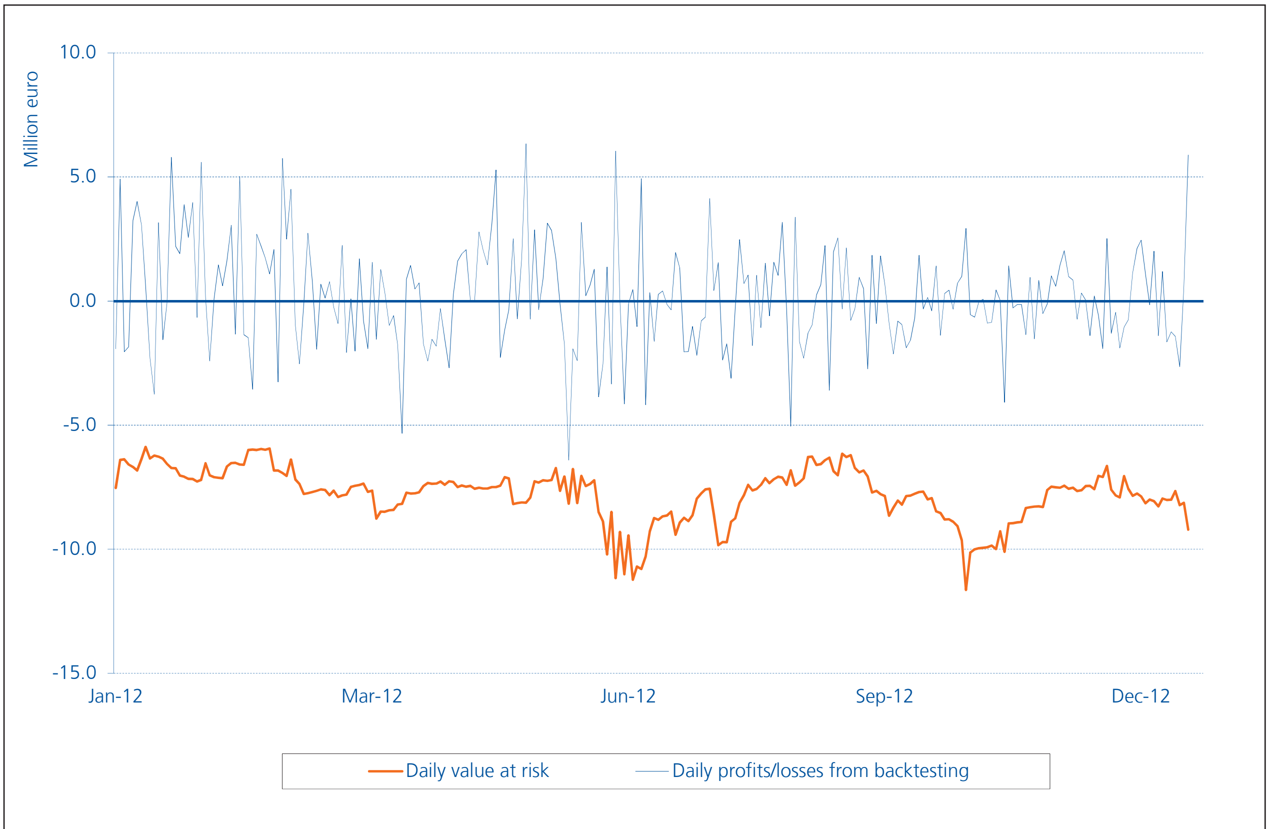
Backtesting

The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:
- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting such as commissions and intraday activities.

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

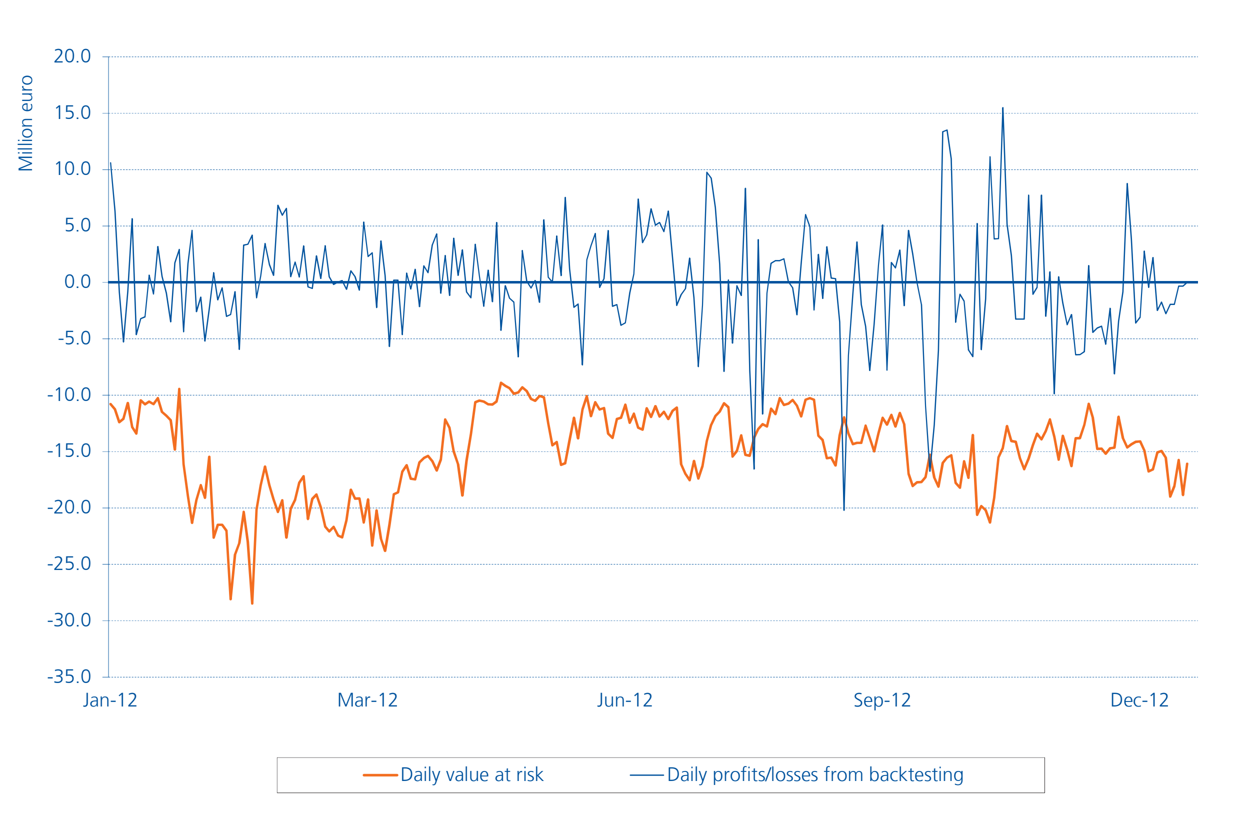
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo's regulatory backtesting, shown in the following graph, did not reveal any critical situations during the last year.



Backtesting in Banca IMI

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



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	34%	11%	14%	3%	72%	0%
Banca IMI	66%	17%	21%	3%	15%	44%
Total	**100%**	**15%**	**19%**	**3%**	**34%**	**29%**

[(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 the percentage breakdown of the contribution of exposure by issuer.

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 first quarter of 2012, the Management Board resolved a new VaR limit for the Group of 130 million euro, an increase compared to the previous 80 million euro. The increase was approved almost entirely for Banca IMI in order to allow it to seize opportunities in 2012 in relation to the performance of the Italian public debt market.

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 71% in 2012, with a maximum use of 93%. For Banca IMI, the average VaR limit came to 76%, 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.

The use of the IRC limits at year end amounted to 49% for Intesa Sanpaolo (limit of 220 million euro) and 85% 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 49%. The limit for that component was revised in the first quarter of 2012, raising it from 100 million euro to 200 million euro. The increase was approved almost entirely for the Parent Company's Treasury Department in order to allow it to seize opportunities in 2012 in relation to the performance of the Italian public debt market.

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 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. In order better to reflect customers' propensity to invest in financial products with pre-defined maturities (savings accounts and securities funding) with respect to current account balances, the model, which was constantly monitored in order to observe anomalous signs or deteriorations of the trend in a timely manner, was revised in 2012. As described above in the Report on operations, in the context of the comment on Profits (Losses) on trading, the representation was accordingly adjusted to the new level of balances and further methodological refinements were introduced.

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 both variable rate funding, to the extent that the latter finances fixed-rate investments, and on variable rate investments to cover fixed-rate funding (macro cash flow hedges). 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 change in interest rates – amounted to 270 million euro at the end of 2012, in line with the 240 million euro at the end of 2011.
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 2012, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, averaged 374 million euro with a year-end figure of 386 million euro, almost entirely concentrated on the euro currency; these figures compare with 482 million euro at the end of 2011. Interest rate risk, measured in terms of VaR, averaged 107 million euro in 2012, with a minimum value of 83 million euro and a maximum value of 130 million euro. At the end of December 2012 VaR totalled 83 million euro (139 million euro at the end of 2011).
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 2012 of 89 million euro (102 million euro at the end of 2011), with minimum and peak values of 68 million euro and 101 million euro respectively. The VaR at the end of 2012 amounted to 81 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%	-53
Price shock	10%	53

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	**21,412**	**2,069**	**3,241**	**2,863**	**3,868**	**3,457**	**984**	**6,819**
A.1 Debt securities	5,351	813	177	886	1,269	630	251	2,240
A.2 Equities	692	10	1	4	74	14	1	60
A.3 Loans to banks	4,014	56	272	316	643	1,013	84	798
A.4 Loans to customers	11,355	1,190	2,791	1,657	1,882	1,800	648	3,721
A.5 Other financial assets	-	-	-	-	-	-	-	-
B. OTHER ASSETS	**1,981**	**477**	**56**	**494**	**103**	**167**	**54**	**487**
C. FINANCIAL LIABILITIES	**16,301**	**1,304**	**835**	**3,619**	**3,313**	**1,988**	**766**	**3,529**
C.1 Due to banks	6,625	290	465	128	7	202	57	467
C.2 Due to customers	6,088	305	365	3,306	2,205	1,786	147	2,449
C.3 Debt securities	3,588	709	5	185	1,101	-	562	613
C.4 Other financial liabilities	-	-	-	-	-	-	-	-
D. OTHER LIABILITIES	**811**	**497**	**4**	**160**	**75**	**71**	**19**	**323**
E. FINANCIAL DERIVATIVES								
- Options								
long positions	*1,198*	*235*	*243*	*19*	-	-	*118*	*278*
short positions	*1,867*	*48*	*133*	*14*	-	-	*99*	*267*
- Other derivatives								
long positions	*36,015*	*7,802*	*1,474*	*1,818*	-	*97*	*3,766*	*6,143*
short positions	*41,169*	*8,745*	*4,219*	*598*	-	*81*	*4,058*	*7,752*
TOTAL ASSETS	**60,606**	**10,583**	**5,014**	**5,194**	**3,971**	**3,721**	**4,922**	**13,727**
TOTAL LIABILITIES	**60,148**	**10,594**	**5,191**	**4,391**	**3,388**	**2,140**	**4,942**	**11,871**
IMBALANCE (+/-)	**458**	**-11**	**-177**	**803**	**583**	**1,581**	**-20**	**1,856**

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 54 million euro as at 31 December 2012. 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)

	31.12.2012		31.12.2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**2,641,115**	**119,053**	**2,929,078**	**188,079**
a) Options	264,213	35,847	328,496	105,366
b) Swaps	2,376,024	-	2,599,155	-
c) Forwards	55	-	199	-
d) Futures	823	83,206	1,228	82,713
e) Others	-	-	-	-
2. Equities and stock indices	**22,432**	**19,721**	**27,431**	**18,627**
a) Options	21,492	18,474	26,817	18,059
b) Swaps	568	-	445	-
c) Forwards	372	-	169	-
d) Futures	-	1,247	-	568
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**106,769**	**270**	**114,384**	**129**
a) Options	12,982	-	12,807	-
b) Swaps	24,906	-	20,328	-
c) Forwards	68,389	2	80,645	-
d) Futures	-	268	-	129
e) Others	492	-	604	-
4. Commodities	**7,714**	**2,009**	**4,504**	**1,452**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**2,778,030**	**141,053**	**3,075,397**	**208,287**
AVERAGE VALUES	**2,942,130**	**170,625**	**2,930,368**	**215,414**

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

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 928,321 million euro as at 31 December 2012 (910,480 million euro as at 31 December 2011).

A.2. Banking book: period-end and average notional amounts

A.2.1. Hedging

(millions of euro)

	31.12.2012		31.12.2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**279,361**	**-**	**262,464**	**-**
a) Options	8,982	-	9,584	-
b) Swaps	270,379	-	252,880	-
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	**4,027**	**-**	**5,344**	**-**
a) Options	-	-	-	-
b) Swaps	4,027	-	5,344	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	-	**-**	-	**-**
5. Other underlying assets	-	**-**	-	**-**
TOTAL	**283,388**	**-**	**267,808**	**-**
AVERAGE VALUES	**257,416**	**-**	**262,677**	**-**

A.2.2. Other derivatives

(millions of euro)

	31.12.2012		31.12.2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**12,931**	**-**	**12,979**	**-**
a) Options	8,022	-	7,857	-
b) Swaps	4,909	-	5,122	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equities and stock indices	**4,174**	**-**	**6,109**	**-**
a) Options	4,174	-	6,109	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Foreign exchange rates and gold	**3,255**	**-**	**5,003**	**-**
a) Options	80	-	41	-
b) Swaps	1,388	-	2,308	-
c) Forwards	1,787	-	2,654	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
TOTAL	**20,360**	**-**	**24,091**	**-**
AVERAGE VALUES	**22,192**	**-**	**24,400**	**-**

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. In particular, the table shows the derivatives recorded separately from the combined financial instruments 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			
	31.12.2012		31.12.2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**42,092**	**451**	**37,081**	**670**
a) Options	6,175	361	5,889	574
b) Interest rate swaps	34,071	-	28,666	-
c) Cross currency swaps	825	-	1,161	-
d) Equity swaps	30	-	33	-
e) Forwards	826	-	1,113	-
f) Futures	-	90	-	58
g) Others	165	-	219	38
B. Banking book - hedging	**11,651**	**-**	**10,208**	**-**
a) Options	314	-	524	-
b) Interest rate swaps	10,732	-	8,996	-
c) Cross currency swaps	605	-	688	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**746**	**-**	**757**	**-**
a) Options	212	-	169	-
b) Interest rate swaps	519	-	485	-
c) Cross currency swaps	13	-	98	-
d) Equity swaps	-	-	-	-
e) Forwards	2	-	5	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**54,489**	**451**	**48,046**	**670**

A.4. Financial derivatives gross negative fair value – breakdown by product

(millions of euro)

	Negative fair value			
	31.12.2012		31.12.2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**45,922**	**506**	**40,868**	**795**
a) Options	8,162	433	7,145	712
b) Interest rate swaps	35,224	-	30,661	-
c) Cross currency swaps	1,593	-	1,502	-
d) Equity swaps	23	-	7	-
e) Forwards	725	-	1,371	-
f) Futures	-	73	-	42
g) Others	195	-	182	41
B. Banking book - hedging	**10,460**	**-**	**8,324**	**-**
a) Options	82	-	156	-
b) Interest rate swaps	10,145	-	7,939	-
c) Cross currency swaps	233	-	229	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**874**	**-**	**878**	**-**
a) Options	634	-	603	-
b) Interest rate swaps	184	-	187	-
c) Cross currency swaps	54	-	59	-
d) Equity swaps	-	-	-	-
e) Forwards	2	-	29	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
TOTAL	**57,256**	**506**	**50,070**	**795**

By convention, the column "Over the counter" includes transactions in OTC derivatives transferred to the Swapclear circuit (LCH group) of 768 million euro (138 million euro as at 31 December 2011).

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	-	3,041	22,483	5,259	1,920	35,780	268
- positive fair value	-	597	705	318	5	2,350	17
- negative fair value	-	-114	-906	-173	-35	-314	-
- future exposure	-	22	118	27	8	212	1
2. Equities and stock indices							
- notional amount	2	-	3,249	533	4,155	10	20
- positive fair value	-	-	2	13	-	-	-
- negative fair value	-	-	-2,853	-10	-168	-	-4
- future exposure	-	-	9	10	3	3	-
3. Foreign exchange rates and gold							
- notional amount	-	156	5,555	10,532	396	10,316	65
- positive fair value	-	-	25	55	-	223	-
- negative fair value	-	-113	-584	-132	-9	-116	-
- future exposure	-	12	62	198	4	183	-
4. Other values							
- notional amount	-	-	11	11	-	5,846	-
- positive fair value	-	-	-	-	-	143	-
- negative fair value	-	-	-60	-1	-	-137	-
- future exposure	-	-	-	1	-	630	-

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	8,225	29	1,467,262	1,094,236	988	1,624	-
- positive fair value	3,353	5	27,148	4,708	20	135	-
- negative fair value	-10	-	-33,162	-4,996	-15	-14	-
2. Equities and stock indices							
- notional amount	-	-	9,598	4,685	180	-	-
- positive fair value	-	-	304	104	2	-	-
- negative fair value	-	-	-193	-105	-8	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	67,977	7,120	518	4,134	-
- positive fair value	-	-	842	380	130	390	-
- negative fair value	-	-	-1,441	-68	-2	-90	-
4. Other values							
- notional amount	-	-	428	205	-	1,213	-
- positive fair value	-	-	99	5	-	14	-
- negative fair value	-	-	-31	-7	-	-52	-

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	-	451	38,687	9	-	50	8,248
- positive fair value	-	7	1,183	-	-	5	5
- negative fair value	-	-	-1,490	-	-	-	-360
- future exposure	-	7	24	-	-	-	8
2. Equities and stock indices							
- notional amount	-	-	2,805	294	-	344	370
- positive fair value	-	-	1	-	-	-	-
- negative fair value	-	-	-206	-	-	-93	-43
- future exposure	-	-	4	-	-	4	-
3. Foreign exchange rates and gold							
- notional amount	-	-	1,268	37	-	3	35
- positive fair value	-	-	35	-	-	-	-
- negative fair value	-	-	-49	-	-	-	-
- future exposure	-	-	8	-	-	-	-
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	-	-	235,731	9,116	-	-	-
- positive fair value	-	-	10,218	293	-	-	-
- negative fair value	-	-	-8,081	-757	-	-	-
2. Equities and stock indices							
- notional amount	-	-	335	26	-	-	-
- positive fair value	-	-	43	7	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Foreign exchange rates and gold							
- notional amount	-	-	5,772	167	-	-	-
- positive fair value	-	-	595	5	-	-	-
- negative fair value	-	-	-192	-63	-	-	-
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	**1,335,364**	**904,309**	**538,357**	**2,778,030**
A.1 Financial derivatives on debt securities and interest rates	1,245,540	867,587	527,988	2,641,115
A.2 Financial derivatives on equities and stock indices	6,829	12,996	2,607	22,432
A.3 Financial derivatives on foreign exchange rates and gold	79,362	19,645	7,762	106,769
A.4 Financial derivatives - other values	3,633	4,081	-	7,714
B. Banking book	**101,409**	**139,058**	**63,281**	**303,748**
B.1 Financial derivatives on debt securities and interest rates	97,225	134,778	60,289	292,292
B.2 Financial derivatives on equities and stock indices	680	2,935	559	4,174
B.3 Financial derivatives on foreign exchange rates and gold	3,504	1,345	2,433	7,282
B.4 Financial derivatives - other values	-	-	-	-
Total 31.12.2012	**1,436,773**	**1,043,367**	**601,638**	**3,081,778**
Total 31.12.2011	**1,496,598**	**1,201,546**	**669,152**	**3,367,296**

A.10 Over the counter financial derivatives: counterparty risk/financial risk – internal models

Since as at 31 December 2012, 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 2012, for the Parent Company and 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 95th percentile associated with the OTC derivatives in the trading and banking book. During 2013, an application will be submitted to the Supervisory Authority for the Parent Company and 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	25,335	52,159	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	410	-	-	-
- Others	-	-	-	-
Total 31.12.2012	**25,745**	**52,159**	**-**	**-**
Average values	**28,564**	**40,768**	**-**	**-**
Total 31.12.2011	**30,624**	**29,399**	**-**	**-**
2. Protection sales				
- Credit default products	24,884	52,520	-	-
- Credit spread products	-	-	-	-
- Total rate of return swap	109	-	-	-
- Others	-	-	-	-
Total 31.12.2012	**24,993**	**52,520**	**-**	**-**
Average values	**35,985**	**41,036**	**-**	**-**
Total 31.12.2011	**28,269**	**29,686**	**-**	**-**

Part of the contracts in force as at 31 December 2012, shown in the table above, has been included within the structured credit products, namely: 402 million euro of protection purchases and 357 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	
	31.12.2012	31.12.2011
A. Regulatory trading book	**1,544**	**3,342**
a) Credit default products	1,394	3,099
b) Credit spread products	-	-
c) Total rate of return swap	150	243
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**1,544**	**3,342**

Part of the positive fair values, recognised as at 31 December 2012, and shown in the table above, has been included within the structured credit products, namely: 57 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	
	31.12.2012	31.12.2011
A. Regulatory trading book	**1,879**	**3,789**
a) Credit default products	1,737	3,579
b) Credit spread products	-	-
c) Total rate of return swap	142	210
d) Others	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
TOTAL	**1,879**	**3,789**

Part of the negative fair values, recognised as at 31 December 2012, and shown in the table above, has been included within the structured credit products, namely: 138 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	-	95	473	1,039	-	-	-
- positive fair value	-	86	29	9	-	-	-
- negative fair value	-	-	-3	-5	-	-	-
- future exposure	-	5	39	76	-	-	-
2. Protection sales							
- notional amount	-	-	568	1,308	-	-	-
- positive fair value	-	-	4	15	-	-	-
- negative fair value	-	-	-33	-339	-	-	-
- future exposure	-	-	14	27	-	-	-
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	-	-	54,269	22,028	-	-	-
- positive fair value	-	-	665	306	-	-	-
- negative fair value	-	-	-483	-105	-	-	-
2. Protection sales							
- notional amount	-	-	52,675	22,962	-	-	-
- positive fair value	-	-	280	150	-	-	-
- negative fair value	-	-	-519	-392	-	-	-
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	**19,621**	**131,334**	**4,462**	**155,417**
A.1 Credit derivatives with "qualified reference obligation"	15,975	115,170	4,115	135,260
A.2 Credit derivatives with "unqualified reference obligation"	3,646	16,164	347	20,157
B. Banking book	**-**	**-**	**-**	**-**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	-	-	-
Total 31.12.2012	**19,621**	**131,334**	**4,462**	**155,417**
Total 31.12.2011	**14,376**	**96,553**	**7,049**	**117,978**

B.7. Credit derivatives: counterparty risk/financial risk – internal models

As at 31 December 2012, the Group was not authorised to use EPE-type internal models for supervisory purposes.

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	3,343	5	2,466	508	147	447	-
- negative fair value	-	-	-2,356	-826	-20	-64	-
- future exposure	111	-	860	2,482	47	148	-
- net counterparty risk	3,454	5	1,096	586	193	595	-
2. Credit derivatives - bilateral agreements							
- positive fair value	-	-	-	1	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	1	3	-	-	-
- net counterparty risk	-	-	1	4	-	-	-
3. "Cross product" agreements							
- positive fair value	-	-	1,281	525	-	-	-
- negative fair value	-	-	-5,734	-763	-	-	-
- future exposure	-	-	3,883	892	-	-	-
- net counterparty risk	-	-	3,915	1,171	-	-	-

In the above table, the net amount of counterparty risk has been decreased, in accordance with regulatory provisions governing counterparty risk, to account for the transactions in OTC derivatives transferred to the Swapclear circuit (LCH group), amounting to 2,396 million euro.

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 obtain funds on the market (funding liquidity risk) or to liquidate its assets (market liquidity risk).
The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, 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.
The "Guidelines for Group Liquidity Risk Management" approved by Intesa Sanpaolo's corporate bodies illustrate the tasks of the various corporate functions, 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 key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:
- the existence of liquidity management guidelines approved by senior management and clearly communicated throughout the institution;
- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- 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;
- the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions.

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.
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.
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.
The short-term Liquidity Policy is aimed at ensuring an adequate, balanced level of cash inflows and outflows with certain or estimated maturities included in 12 months' time horizon, in order to respond to periods of tension, including extended periods of tension, on different funding markets, also by establishing adequate liquidity reserves in the form of assets eligible for refinancing with Central Banks or liquid securities on private markets. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of two short-term indicators for holding periods of one week (cumulative projected imbalance in wholesale operations) and of one month (Short Term Gap).
The indicator of projected cumulative wholesale exposure measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. The short-term gap indicator measures, for the various short-term time brackets, the ratio between availability of liquidity reserves and expected positive cash flows to expected and potential cash outflows, with reference to both on- and off-balance sheet captions. This indicator aims to ensure that the Bank maintains an adequate level of unencumbered liquidity reserves that may be converted into cash to meet expected and potential liquidity requirements. To that end, the behavioural coefficients and assumptions underlying the valuation of expected and potential cash flows incorporate cautionary and extremely prudential assumptions (such as (i) the loss of a portion of customer demand deposits, (ii) unforeseen uses of undrawn committed credit and liquidity lines and (iii) an increase in market volatility for determining haircuts on liquidity reserves and estimating the potential future exposure associated with derivatives positions) effectively constituting an especially severe "base prudential scenario," with the adoption of run-off percentages for demand deposits more conservative than those identified by Basel 3 (LCR).
The aim of Intesa Sanpaolo Group's structural Liquidity Policy is to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities and involves the adoption of internal limits on maturities' transformations 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 estimate of the liquidity position in an acute combined stress scenario (both firm specific and market related), with the definition of a target threshold for the 3-month stressed short-term gap, aiming at establishing an overall level of reserves suitable to face greater cash outflows during a period of time (3 months) adequate to take the required operating measures to restore the Group to balanced conditions. The acute stress scenario is determined by combining:
- a "firm-specific" stress scenario, relating to a liquidity crisis specific to the Bank, reflected in an accelerated withdrawal of funds by deposit-holders, a significant reduction in the realised value of assets due to the need for immediate liquidation of assets not eligible for refinancing through repurchase agreements, the activation of downgrade triggers and the need to repurchase own debt securities or honour extra-contractual obligations in order to attenuate reputational risk;
- a "market-related" stress scenario, representing a general market crisis extending to both the financial and industrial sectors, characterised by, for example: (i) failure to repay granted facilities to corporate customers; (ii) a sudden increase in

uses of lines of credit and guarantees; and (iii) a significant increase in market volatility, with negative effects on the value of reserves or potential future exposure associated with positions in derivatives, resulting in larger haircuts and the need for additional guarantees.

The Guidelines also establish methods for management of 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 2012, the Group's liquidity position remained largely within the risk limits provided for in the Group's Liquidity Policy both in terms of short-term and structural liquidity indicators. The stress test, applied by considering total available liquidity reserves, yielded results far in excess of the target threshold, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than three months.
The regulatory indicators envisaged by Basel 3 have also already been satisfied (LCR and NSFR > 100%), prior to the regulatory revision of early January 2013, and have further improved following the definition of the new standards. 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.
As at 31 December 2012, the liquidity reserves eligible with the various Central Banks came to 115 billion euro (97 billion euro at the end of December 2011), of which 67 billion euro (37 billion euro at the end of 2011) 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	**63,836**	**18,351**	**8,488**	**15,180**	**28,728**	**24,998**	**40,717**	**129,984**	**111,663**	**5,817**
A.1 Government bonds	20	6	1,337	369	4,722	6,819	11,792	23,413	7,231	4
A.2 Other debt securities	116	20	24	315	978	839	1,697	7,107	11,093	4
A.3 Quotas of UCI	1,779	-	-	-	-	-	-	-	-	-
A.4 Loans	61,921	18,325	7,127	14,496	23,028	17,340	27,228	99,464	93,339	5,809
- Banks	*10,591*	*5,409*	*924*	*1,040*	*1,001*	*593*	*957*	*676*	*192*	*5,800*
- Customers	*51,330*	*12,916*	*6,203*	*13,456*	*22,027*	*16,747*	*26,271*	*98,788*	*93,147*	*9*
Cash liabilities	**152,502**	**16,196**	**6,047**	**12,554**	**26,169**	**19,111**	**36,241**	**131,697**	**29,364**	**2,172**
B.1 Deposits and current accounts	144,717	6,712	2,004	4,820	9,857	6,875	12,461	12,755	3,028	1
- Banks	*5,375*	*291*	*35*	*162*	*1,427*	*178*	*155*	*5,353*	*1,181*	*-*
- Customers	*139,342*	*6,421*	*1,969*	*4,658*	*8,430*	*6,697*	*12,306*	*7,402*	*1,847*	*1*
B.2 Debt securities	20	456	1,087	2,521	13,733	9,961	22,045	80,993	22,053	2,171
B.3 Other liabilities	7,765	9,028	2,956	5,213	2,579	2,275	1,735	37,949	4,283	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*8*	*6,928*	*6,268*	*11,583*	*8,026*	*5,347*	*3,434*	*51,232*	*5,255*	*5*
- Short positions	*39*	*7,486*	*2,911*	*5,185*	*7,444*	*4,553*	*3,617*	*11,707*	*5,574*	*5*
C.2 Financial derivatives without exchange of capital										
- Long positions	*47,202*	*74*	*17*	*168*	*477*	*464*	*793*	*653*	*512*	*-*
- Short positions	*46,107*	*107*	*36*	*178*	*382*	*339*	*587*	*741*	*652*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*2,962*	*73*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*10*	*3,004*	*20*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*823*	*19,409*	*366*	*61*	*945*	*2,149*	*1,073*	*10,363*	*1,492*	*32*
- Short positions	*34,377*	*1,910*	*8*	*14*	*47*	*107*	*170*	*111*	*200*	*33*
C.5 Financial guarantees given	192	11	12	8	72	77	37	219	139	2
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*50*	*3,922*	*3,717*	*4,766*	*21,184*	*3,354*	*-*
- Short positions	*-*	*-*	*-*	*50*	*3,922*	*3,717*	*4,766*	*21,184*	*3,354*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*625*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*772*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

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	**2,797**	**2,372**	**1,459**	**2,459**	**2,393**	**921**	**866**	**5,668**	**2,940**	**1**
A.1 Government bonds	-	-	3	10	19	33	60	512	101	1
A.2 Other debt securities	2	755	752	561	46	86	168	1,933	709	-
A.3 Quotas of UCI	637	-	-	-	-	-	-	-	-	-
A.4 Loans	2,158	1,617	704	1,888	2,328	802	638	3,223	2,130	-
- Banks	*1,388*	*299*	*152*	*474*	*932*	*412*	*186*	*57*	*95*	-
- Customers	*770*	*1,318*	*552*	*1,414*	*1,396*	*390*	*452*	*3,166*	*2,035*	-
Cash liabilities	**3,794**	**1,682**	**1,026**	**1,600**	**2,385**	**1,436**	**339**	**3,009**	**814**	**-**
B.1 Deposits and current accounts	3,614	1,153	842	796	437	239	235	47	19	-
- Banks	*781*	*689*	*697*	*310*	*96*	*24*	*27*	-	-	-
- Customers	*2,833*	*464*	*145*	*486*	*341*	*215*	*208*	*47*	*19*	-
B.2 Debt securities	-	32	32	36	110	58	104	2,300	795	-
B.3 Other liabilities	180	497	152	768	1,838	1,139	-	662	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*226*	*6,460*	*2,052*	*4,481*	*3,490*	*4,562*	*3,510*	*7,859*	*2,127*	*3*
- Short positions	*349*	*5,932*	*4,155*	*9,358*	*4,433*	*4,786*	*3,103*	*6,409*	*2,234*	*3*
C.2 Financial derivatives without exchange of capital										
- Long positions	*1,285*	-	*3*	*145*	*2*	*3*	*5*	*10*	*51*	-
- Short positions	*1,198*	*1*	-	*145*	*5*	*5*	*7*	*10*	*51*	-
C.3 Deposits and loans to be settled										
- Long positions	*30*	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	*30*	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*16*	*1*	*13*	*10*	*273*	*484*	*5,857*	*506*	*2*
- Short positions	*7,107*	*27*	-	-	-	-	*59*	*25*	-	*3*
C.5 Financial guarantees given	1	-	-	-	8	4	5	1	-	1
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	*8*	*320*	*249*	*610*	*3,852*	*885*	-
- Short positions	-	-	-	*8*	*320*	*249*	*610*	*3,852*	*885*	-
C.8 Credit derivatives without exchange of capital										
- Long positions	*336*	-	-	-	-	-	-	-	-	-
- Short positions	*311*	-	-	-	-	-	-	-	-	-

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	**479**	**34**	**8**	**93**	**44**	**37**	**13**	**722**	**540**	**-**
A.1 Government bonds	-	-	-	-	-	-	3	317	43	-
A.2 Other debt securities	-	-	-	-	1	1	1	50	287	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	479	34	8	93	43	36	9	355	210	-
- Banks	*31*	*22*	*2*	-	-	*1*	-	-	-	-
- Customers	*448*	*12*	*6*	*93*	*43*	*35*	*9*	*355*	*210*	-
Cash liabilities	**196**	**198**	**50**	**67**	**33**	**25**	**7**	**94**	**519**	**-**
B.1 Deposits and current accounts	181	39	13	45	22	24	7	-	-	-
- Banks	*9*	*26*	*3*	*3*	*3*	-	-	-	-	-
- Customers	*172*	*13*	*10*	*42*	*19*	*24*	*7*	-	-	-
B.2 Debt securities	-	-	-	22	11	-	-	59	519	-
B.3 Other liabilities	15	159	37	-	-	1	-	35	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*2*	*445*	*150*	*701*	*1,126*	*2,234*	*666*	*411*	*2,529*	-
- Short positions	*1*	*667*	*512*	*1,235*	*1,122*	*2,217*	*639*	*283*	*2,274*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*213*	-	-	-	-	*1*	-	-	-	-
- Short positions	*138*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	*15*	*190*	*212*	-	*1*
- Short positions	*417*	-	-	-	-	-	-	-	-	*1*
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

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	**481**	**603**	**194**	**271**	**196**	**109**	**202**	**666**	**173**	**-**
A.1 Government bonds	-	31	14	99	80	-	21	23	3	-
A.2 Other debt securities	-	445	171	-	-	-	-	-	-	-
A.3 Quotas of UCI	3	-	-	-	-	-	-	-	-	-
A.4 Loans	478	127	9	172	116	109	181	643	170	-
- Banks	*80*	*119*	*-*	*118*	*-*	*-*	*-*	*-*	*-*	*-*
- Customers	*398*	*8*	*9*	*54*	*116*	*109*	*181*	*643*	*170*	*-*
Cash liabilities	**1,113**	**291**	**112**	**251**	**716**	**250**	**284**	**300**	**301**	**-**
B.1 Deposits and current accounts	1,113	291	112	251	699	250	227	189	301	-
- Banks	*1*	*13*	*-*	*12*	*10*	*4*	*41*	*17*	*29*	*-*
- Customers	*1,112*	*278*	*112*	*239*	*689*	*246*	*186*	*172*	*272*	*-*
B.2 Debt securities	-	-	-	-	17	-	57	111	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*-*	*27*	*109*	*264*	*902*	*2*	*5*	*5*	*-*	*-*
- Short positions	*-*	*84*	*73*	*37*	*152*	*6*	*18*	*5*	*-*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*-*	*7*	*205*	*31*	*202*	*534*	*229*	*374*	*24*	*-*
- Short positions	*-*	*7*	*34*	*79*	*113*	*380*	*230*	*374*	*24*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*19*	*-*	*1*	*16*	*67*	*76*	*-*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

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	**356**	**85**	**65**	**82**	**101**	**71**	**126**	**678**	**1,717**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	1	8	169	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	356	85	65	82	101	71	125	670	1,548	-
- Banks	*150*	*46*	*56*	*10*	*-*	*5*	*4*	*-*	*-*	*-*
- Customers	*206*	*39*	*9*	*72*	*101*	*66*	*121*	*670*	*1,548*	*-*
Cash liabilities	**152**	**27**	**46**	**80**	**35**	**36**	**47**	**167**	**243**	**-**
B.1 Deposits and current accounts	146	27	46	80	35	33	45	167	243	-
- Banks	*22*	*1*	*4*	*6*	*13*	*8*	*7*	*158*	*243*	*-*
- Customers	*124*	*26*	*42*	*74*	*22*	*25*	*38*	*9*	*-*	*-*
B.2 Debt securities	-	-	-	-	-	3	2	-	-	-
B.3 Other liabilities	6	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*-*	*338*	*42*	*215*	*261*	*156*	*259*	*440*	*-*	*-*
- Short positions	*-*	*815*	*327*	*520*	*599*	*573*	*284*	*1,013*	*232*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*30*	*-*	*-*	*2*	*58*	*-*	*2*	*-*	*-*	*-*
- Short positions	*19*	*-*	*-*	*2*	*-*	*-*	*2*	*-*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*-*	*-*	*3*	*-*	*-*	*-*	*12*	*5*	*-*
- Short positions	*20*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

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	**2,017**	**1,081**	**280**	**636**	**1,447**	**2,130**	**2,661**	**3,628**	**1,243**	**776**
A.1 Government bonds	16	-	31	47	575	1,017	1,529	527	99	-
A.2 Other debt securities	51	37	6	36	76	70	105	219	103	-
A.3 Quotas of UCI	68	-	-	-	-	-	-	-	-	-
A.4 Loans	1,882	1,044	243	553	796	1,043	1,027	2,882	1,041	776
- Banks	*588*	*847*	*82*	*14*	*139*	*10*	*1*	*189*	*-*	*776*
- Customers	*1,294*	*197*	*161*	*539*	*657*	*1,033*	*1,026*	*2,693*	*1,041*	*-*
Cash liabilities	**3,972**	**739**	**583**	**370**	**1,136**	**900**	**841**	**1,563**	**276**	**-**
B.1 Deposits and current accounts	3,949	647	582	360	999	593	516	254	32	-
- Banks	*192*	*90*	*221*	*70*	*29*	*8*	*14*	*33*	*19*	*-*
- Customers	*3,757*	*557*	*361*	*290*	*970*	*585*	*502*	*221*	*13*	*-*
B.2 Debt securities	6	1	1	10	137	307	325	1,256	244	-
B.3 Other liabilities	17	91	-	-	-	-	-	53	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*65*	*1,376*	*1,219*	*1,343*	*1,682*	*1,284*	*632*	*2,281*	*266*	*12*
- Short positions	*5*	*2,231*	*1,767*	*2,157*	*1,686*	*1,059*	*983*	*1,712*	*112*	*12*
C.2 Financial derivatives without exchange of capital										
- Long positions	*227*	*36*	*19*	*6*	*2*	*28*	*2*	*77*	*-*	*-*
- Short positions	*225*	*60*	*15*	*1*	*1*	*24*	*2*	*77*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*3*	*26*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*14*	*-*	*-*	*16*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*3*	*16*	*3*	*71*	*25*	*42*	*71*	*62*	*-*
- Short positions	*463*	*79*	*1*	*5*	*74*	*117*	*428*	*174*	*270*	*1*
C.5 Financial guarantees given	-	3	-	1	6	34	23	12	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.8 Credit derivatives without exchange of capital										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

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 following should be noted in reference to the self-securitisations undertaken with the vehicles Adriano Finance S.r.l. and Adriano Finance 2 S.r.l. with respect to the situation represented in the 2011 financial statements:

– the transaction with the vehicle Adriano Finance 2 S.r.l. was redeemed in advance in June 2012;
– the Group also closed series 1 and 3 of the transactions with Adriano Finance S.r.l. in August 2012 and October 2012. Series 2 had already been closed in advance in 2011.

A brief description of the existing transactions as at 31 December 2012 is provided below.

Adriano Lease SEC S.r.l.

The transaction in question is a securitisation undertaken pursuant to Law 130/99 with the support of the vehicle Adriano Lease SEC S.r.l., which took the form of the sale by the subsidiary Leasint of a portfolio of loans selected on the basis of pre-defined criteria and arising from performing property, equipment and car lease contracts, for 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 on the Eurosystem. 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 an AA+ rating by Standard & Poor's;
– 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 were used to undertake refinancing transactions with the European Central Bank through the Parent Company, Intesa Sanpaolo.

Sanvitale 1 and 2 (Banca Monte Parma)

In 2009 Banca Monte Parma completed a self-securitisation transaction designated Sanvitale 1, aimed at obtaining ABSs to be used for refinancing transactions with the European Central Bank or on the Collateralised Interbank Market.

The securitised portfolio consists of performing mortgage loans of an initial amount of 357 million euro, divided into homogenous sub-portfolios according to the mortgage return type.

The vehicle issued two series of notes:

– senior A notes with a notional value of 289 million euro, initially with a triple-A rating and a yield equal to the 3M Euribor plus 30 bps. These notes were used for refinancing transactions with the European Central Bank;
– senior B notes with a notional value of 68 million euro and a yield equal to the 3M Euribor plus 100 bps.

Both series of notes were subscribed by Banca Monte Parma upon issue.

In order to ensure that the vehicle has the liquidity needed to pay coupons on the bonds, even in the event of delays or defaults on mortgage payments, Banca Monte Parma granted a subordinated loan of 18 million euro.

In June 2010 a second self-securitisation transaction for a portfolio of performing mortgage loans of a total of 157 million euro was structured and originated. The transaction, the technical characteristics of which were similar to those of the transaction described above, took the form of the issue of two series of notes. The senior series, with a nominal value of 100 million euro, was used to secure repurchase agreements with 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 31.12.2012
Adriano Lease SEC S.r.l.				**5,832**
	Senior	Loans deriving from leasing contracts	AA+	2,788
	Junior	Loans deriving from leasing contracts	no rating	3,044
Sanvitale 1 (Banca Monte Parma)				**357**
	Senior	Performing residential mortgages	A2	289
	Junior	Performing residential mortgages	A2	68
Sanvitale 2 (Banca Monte Parma)				**157**
	Senior	Performing residential mortgages	no rating	100
	Junior	Performing residential mortgages	no rating	57
TOTAL				**6,346**

INFORMATION ON SOVEREIGN RISK

The Intesa Sanpaolo Group has a total of 130 billion euro in exposure to sovereign debtors, of which 104 billion euro is represented by debt securities and 26 billion euro by other loans. In further detail, the exposure to the Italian government came to 114 billion euro as at 31 December 2012, of which 90 billion euro was represented by securities and 24 billion euro by other loans. For the details of exposures, refer to the Report on operations.

Exposure to Greece

The total residual exposure to Greece as at 31 December 2012 amounted to 3 million euro in terms of nominal value, with a book value of 1 million euro, all of which represented by new securities issued by the Greek government and received in implementation of the agreement of 21 February 2012. The agreement pertained not only to securities issued directly by the Greek government, but also the security issued by Hellenic Railways.
Implementation of the agreement also involved the allocation of warrants linked to the gross domestic product of the Greek Republic. As at 31 December 2012, the nominal value of these warrants was 81 million euro and they were recognised at a book value of 1 million euro.

For information regarding the provisions of the agreements entered into on 21 February 2012 with the Greek authorities, reference should be made to the contents of the Financial statements as at 31 December 2011 and the Quarterly report as at 31 March 2012.
On the basis of the legal and financial terms of the agreement, the Intesa Sanpaolo Group did not consider there to be continuity between the financial instruments recognised in the portfolios of the various Group entities prior to the fulfilment of the agreement and the package of financial instruments (bonds issued by the Greek government, bonds issued by the EFSF and warrants tied to Greek GDP) obtained from the exchange. Accordingly, in conjunction with the exchange the Group derecognised the former securities and replaced them with a package of financial instruments, recognised separately at their fair value, having different financial characteristics.
In the first half of 2012 the custodians holding the Intesa Sanpaolo Group securities to be exchanged were given instructions, differing according to the type of security, to deliver the original securities and register the deposit of the new securities obtained in implementation of the agreement.
In return for the securities that the Intesa Sanpaolo Group offered in exchange:

– the swap for those originally governed by Greek law was finalised on 12 March 2012;
– the swap for the securities originally under legislation other than Greek law was finalised on 11 April 2012.

On completion of the exchange transactions an active market of Greek securities was formed and prices expressed on that market are considered effective (level 1 in the fair value hierarchy). Accordingly, the Group recognised the new securities in the trading book at their fair value, measured on the date of exchange primarily using prices identified in accordance with the rules established in internal policies. With regard to the warrants linked to Greece's gross domestic product, since these are derivatives, they have been recognised in the trading book and, on initial recognition, they have been allocated a value of close to nil.

On 3 December 2012 the Greek Republic launched a new exchange offer intended for holders of Greek securities received in exchange in fulfilment of the agreement of 21 February 2012. The offer envisaged an exchange of the aforementioned Greek securities for securities set to mature in six months issued by the European Financial Stability Facility (EFSF). The Intesa Sanpaolo Group, and its insurance companies in particular, accepted the offer, and on 18 December 2012 they exchanged the Greek securities still in their portfolios, obtaining an EFSF security with a nominal value equal to a percent falling within a range of 32.2% to 40.1% of the nominal value of the Greek securities formerly held. The percentage depends on the maturity of the securities, with higher percentages for short-term securities and lower percentages for securities with longer maturities.

The following table summarises the effects of the first exchange undertaken, comparing the original position with the position created after the first exchange.

(millions of euro)

	Greek bonds exchanged Nominal value as at 31.12.2011	Greek bonds received 31.5% of nominal value (*)	EFSF bonds received 15% of nominal value (*)	Warrants linked to the Greek GDP 31.5% of nominal value (*)
New Greek bonds - Exchanged in 2012				
Government bonds	1,058	348	166	348

(*) The agreement envisages exchange percentages of 15% and 31.5% of the original nominal value for EFSF bonds and Greek bonds, respectively. Some securities in the portfolio as at 31 December 2011 provided for capital reimbursement index-linked to inflation, which was recognised on exchange. The effect of index-linking resulted in a higher nominal value of the EFSF bonds and Greek bonds received for 22 million euro.

In addition to the EFSF bonds with a nominal value of 29 million euro as consideration for interest accrued as at the date of exchange on the original Greek bonds.

The securities obtained were almost entirely sold by Banca IMI on the market. By contrast, the insurance companies reduced their positions in Greek securities to zero through sale on the market only to a minimal extent, but rather, above all, by participating in the December 2012 exchange offer. The Greek securities offered in exchange had a nominal value of 47 million euro and a book value of 12 million euro. Those securities were exchanged with six-month EFSF securities with a nominal value of 16 million, resulting in a realised gain of 4 million euro.
The following table presents the situation of securities issued by the Greek government as at 31 December 2012:

(millions of euro)

	Nominal value as at 31.12.2012	**Book value before valuation** (net of accruals)	**Profits (losses) on trading/Income from insurance business** (*)	**Book value as at 31.12.2012** (net of accruals)
New Greek bonds - Position as at 31 December 2012				
Government bonds				
Financial assets held for trading	3	1	4 (1)	1
Warrants linked to the Greek GDP				
Financial assets held for trading	81	-	-	1

(*) Of which -1 million euro recorded under "Profits (losses) on trading" and +5 million euro recorded under "Income from insurance business" in the reclassified income statement.

(1) Entirely comprised of gains on the exchange of securities in December 2012.

Overall, the effects on the income statement recorded in the Financial statements as at 31 December 2012 of the Greek securities are summarised in the table below:

(millions of euro)

	Profits (losses) on trading/Income from insurance business (*)	**Impairment as at 31.12.2012** (**)	**Total effect on the income statement**
Original position			
Economic effect of the exchange of securities	-3	-29	-32
Total original position	**-3**	**-29**	**-32**
Post-exchange position			
Effect of disposal of the new Greek bonds	3	-	3
Valuation effect as at 31.12.2012	1	-	1
Total post-exchange position	**4**	**-**	**4**
GRAND TOTAL	**1**	**-29**	**-28**
TOTAL (net of amounts allocated to insurance products under separate management)	**1**	**-29**	**-28**

(*) of which -1 million euro recorded under "Profits (losses) on trading" and +2 million euro recorded under "Income from insurance business" in the reclassified income statement.

(**) Economic effect of trading in L&R securities recorded among "Net impairment losses on other assets".

In addition to the exposures presented above, the Group has exposures to other public entities and private parties residing in Greece with a nominal value of 38 million euro, for which an impairment test was conducted in the 2012 Financial statements. This test showed signs of impairment in the case of an exposure to the Greek bank National Bank of Greece. ISP Bank Albania, the Group company that holds the exposure, therefore recognised an impairment loss as at 31 December 2012 of approximately 11 million euro of a nominal value of 15 million euro. Consequently, following the above impairment loss, the exposures were carried at 25 million euro (19 million euro among Loans and receivables and 6 million euro among Financial assets available for sale), with an equal fair value.
Furthermore, loans to Greek parties (banks and other customers) have been disbursed for 74 million euro, in addition to margins available on irrevocable credit lines of 33 million euro.

The overall impact recognised in the income statement on positions in relation to the Greek government and other Greek public and private parties totalled -39 million euro, of which -40 million euro under “Net adjustments to loans” and +1 million euro under “Profits (Losses) on trading” and “Income from insurance business.”

INFORMATION ON STRUCTURED CREDIT PRODUCTS

Qualitative information

During 2012 the portfolio management strategy continued to focus on gradually reducing exposure. In particular, it should be noted the Group's withdrawal both from risk positions classified as part of the trading book and from those classified as part of the loan portfolio.
The reporting year once more yielded a positive contribution to profit, up sharply compared to the previous year, of 96 million euro, of which 63 million euro derived from realised profits and 33 million euro from revaluation. This result is compared with 55 million euro as at 31 December 2011.

The risk exposure to structured credit products amounted to 2,247 million euro as at 31 December 2012 with respect to funded and unfunded ABSs/CDOs, compared to 2,772 million euro as at 31 December 2011, in addition to an exposure of 3 million euro with respect to structured packages (41 million euro as at 31 December 2011). The reduction in the exposure during 2012 was related to the termination of a funded/unfunded structure partly included within the subprime exposures and partly within the "Contagion Area", with a risk exposure of 67 million euro, and the termination of an unfunded position included within the "Other structured credit products – Super Senior CDO unfunded positions" amounting to around 40 million euro. Added to this was the strong decline both in the exposure to securities classified under the Parent Company portfolio, down by approximately 200 million euro, and in the exposure to Banca IMI trading securities which decreased by around 100 million euro.

As at 31 December 2012 the creditworthiness of around 42.4% of outstanding positions was downgraded during the year, with a strongly accentuated trend in the first quarter (+25.8% compared with the previous quarter) and a more contained trend in the second, third and fourth quarters of 2012 (respectively +3.5%, +8.9% and +4.2% compared with the previous quarter).
The situation of the structured credit product portfolio at the end of 2012 is described by the following indicators:
- 64% of exposure was Investment Grade, lower than the figure as at 31 December 2011 (70%);
- 15% had an AAA rating and 32% had an AA rating;
- 36% had a BBB rating or less, compared to 30% as at 31 December 2011;
- approximately 6% of the exposure has a pre-2005 vintage;
- 32% has a 2005 vintage;
- only 10% of exposure related to the US Residential segment, and 77% to the European segment.

In terms of underlying contract types, slightly less than half the exposure consisted of RMBSs (43%); the remainder consisted of CLOs (20%), CDOs (19%) and ABSs (12%); there were also CMBSs representing 7% of the total.
As concerns valuation methods, of "long" positions approximately 34% are measured using the mark-to-model (100% of unfunded positions, 28% of funded positions, 100% of positions in funds, 100% of the monoline risk and the non-monoline packages), 62% with the Comparable Approach (68% of funded positions) and 4% are measured using Effective Market Quotes (4% of funded positions).

In the summary tables provided below, table (a) sets out risk exposure and income statement captions (sum of realised charges and profits, write-downs and write-backs) as at 31 December 2012, compared with the corresponding values recorded as at 31 December 2011.
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 2011 were translated to euro at an exchange rate of 1.2939 euro per dollar, and as at 31 December 2012 at an exchange rate of 1.3194 euro per dollar.

Structured credit products: summary tables

a) Exposure in funded and unfunded ABSs/CDOs

(millions of euro)

Financial assets held for trading	**31.12.2012**		**31.12.2011**	
	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	**9**	**-3**	**28**	**8**
Contagion area	**33**	**65**	**162**	**24**
- Multisector CDOs [(1)]	-21	18	87	11
- Alt-A	-	-	-	-
- TruPS	54	47	75	13
- Prime CMOs	-	-	-	-
Other structured credit products	**844**	**44**	**769**	**12**
- European/US ABSs/CDOs	716	31	625	1
- Unfunded super senior CDOs	128	16	155	4
- Other unfunded positions	-	-3	-11	7
Total	**886**	**106**	**959**	**44**
in addition to:				
Positions of funds	-	11	-	-5
Total Financial assets held for trading	**886**	**117**	**959**	**39**
Loans	**31.12.2012**		**31.12.2011**	
	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	**43**	**1**	**63**	**-1**
- Multisector CDOs	8	1	9	-1
- Alt-A	23	-	36	-
- TruPS	-	-	-	-
- Prime CMOs	12	-	18	-
Other structured credit products	**1,315**	**-1**	**1,747**	**7**
- Funded European/US ABSs/CDOs	1,017	-8	1,280	-9
- Funded super senior CDOs	298	7	467	16
- Other Romulus funded securities	-	-	-	-
Total	**1,361**	**-**	**1,813**	**6**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**1,361**	**-**	**1,813**	**6**
TOTAL	**2,247**	**117**	**2,772**	**45**

[(1)] The short position of the Multisector CDO segment was generated as a result of the closing of almost all the risk positions which had been included from the beginning, and the maintenance of derivatives on indices for the operational hedging of said positions. More specifically, these comprise 14 million euro in risk exposure hedged by 35 million euro in "short" operational positions.

[(*)] 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 plus accrued interest calculated at the effective interest rate net of net value adjustments to the portfolio.

b) Exposure in packages

(millions of euro)

	31.12.2012		31.12.2011	
	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	-	-21	25	9
Non monoline packages	3	-	16	1
TOTAL	**3**	**-21**	**41**	**10**

From an income statement perspective, structured credit products generated a net income of +96 million euro as at 31 December 2012 compared to +55 million euro for 2011.
The exposure in funded and unfunded ABSs/CDOs had an effect on “Profits (Losses) on trading – Caption 80” of 96 million euro, of which 53 million euro derived from realised profits and 43 million euro from revaluation. The profit on this segment was a result of the effects of:

– unfunded Super Senior CDO positions included in “Other structured credit products” (+16 million euro as at 31 December 2012); the good performance compared to the end of 2011 (+4 million euro) is attributable to the need to adhere to the prices received from counterparties;
– European and US funded ABSs/CDOs (+31 million euro), entirely attributable to profits achieved by the subsidiary Banca IMI from partial disposal of the trading book;
– other unfunded positions (-3 million euro), also included in the area "Other structured credit products";
– the US Subprime exposure (-3 million euro), mainly attributable to funded positions included in the segment;
– instruments included in the “Contagion Area” (+65 million euro); in detail, only the Multisector CDO segment recorded a positive result of 18 million euro. This result, up by 7 million euro compared to the period ended in December 2011, was due to the improvement of counterparties’ credit risk. This contribution is in addition to that of the positions of related funds (+11 million euro), of which 7 million euro consists of realised profits due to the sale on the market of quotas of funds included within the scope. Finally, Trupss generated a positive result of 47 million euro, up by 34 million euro compared with the previous year, of which 18 million euro was realised on the closure of unfunded super-senior CDO positions and 29 million euro was due to the adjustment of the valuation of a security, in line with the sale price realised in January 2013.

The securities reclassified to the loan portfolio had an overall impact on the income statement of zero as at 31 December 2012. This result is the combination of the 10 million euro in profits realised on the sale of positions and 10 million in impairment losses, of which 5 million euro on securities issued by vehicles based in Spain.
As at 31 December 2012 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:

– 170 million euro in nominal value of securities issued by parties resident in Spain; as at 31 December 2012 these securities had a book value of 152 million euro and a fair value of 108 million euro;
– 36 million euro in nominal value of securities issued by parties resident in Portugal; as at 31 December 2012 these securities had a book value of 30 million euro and a fair value of 17 million euro;
– 8 million euro in nominal value of securities issued by parties resident in Greece; as at 31 December 2012 these securities had a book value of 5 million euro and a fair value of 2 million euro;
– 3 million euro in nominal value of securities issued by parties resident in Ireland; as at 31 December 2012 these securities had a book value of 2 million euro and a fair value of 1 million euro.

The “Monoline risk” and “Non-monoline packages” made a negative contribution of 21 million euro as at 31 December 2012, down compared to the +10 million euro recorded at the end of 2011. The segment trend reflects the spread volatility for the counterparty on which this exposure is concentrated.
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 2012, 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 31.12.2012	Benefit from the reclassification as at 31.12.2012	Effect on Shareholders' Equity
Reclassified securities:					
- from financial assets available for sale to loans	178	148	61	-	87
- from financial assets held for trading to loans	1,142	1,027	880	147	-
Total Securities reclassified to loans	**1,320**	**1,175**	**941**	**147**	**87**
Securities classified under loans from inception	189	186			
Total securities classified under loans from inception	**189**	**186**			
TOTAL LOANS	**1,509**	**1,361**	**941**	**147**	**87**

(*) For assets reclassified to loans, exposure to risk is provided by the carrying amount of the security 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
Positive economic effect without reclassification for 2012	67
BENEFIT FROM THE RECLASSIFICATION AS AT 31.12.2012	**-147**

In addition to the structured credits identified during the subprime crisis, the Group continues to invest in this type of security as part of its normal customer lending operations. In particular, securities were recorded in the loan portfolio of the conduit Duomo for a nominal value of 1,357 million euro, with underlyings originated in recent years, but not impacted by the 2007 crisis. As at 31 December 2012, 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, for the purpose of carrying out securitisations of assets and for acquiring funding through self-securitisations and issues of Covered Bonds (CB);
– 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;

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 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. For this reason, the total of this type of funding made up a marginal amount of total direct customer deposits.
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 US market.
The table below shows the information and figures for the vehicle as at 31 December 2012.

(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	48	-	-	-	(1)	48	48			

(1) Subordinated guarantee given by Intesa Sanpaolo.

The total assets of this vehicle was almost entirely made up of loans to Intesa Sanpaolo. The significant reduction in funding of the vehicle compared to the previous year (securities issued as at 31 December 2011 of approximately 300 million euro) is due to the fact that the short-term rating is unsuitable for acquiring significant funding on the US market.

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 78 entities of this type with total net assets of approximately 22 billion euro (of which 7 billion euro relative to funds that report to Fideuram Gestions).
As at 31 December 2012, the assets of the funds in which Intesa Sanpaolo Vita/Intesa Sanpaolo Life hold the majority of the units outstanding are invested in bonds and liquidity for around 45% (except for the SPLux Sicav 2 Equity 100 fund, which has invested around 99% of the portfolio in equity funds and shares) and, for the remainder, in equity and bond mutual funds (around 18%), in corporate bonds (around 10%), and in shares and equity mutual funds (around 10%). 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 2012 pursuant to IAS 27 or SIC 12, were: Intesa SEC S.p.a., 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., ISP OBG S.r.l. (former ISP SEC 4 S.r.l.), Adriano Finance S.r.l., Adriano Finance 2 S.r.l, Adriano Lease Sec S.r.l. and Trade Receivable Investment Vehicle S.a.r.l.
Compared to the information provided in the 2011 financial statements, note:

– the securitisations of performing mortgages carried out through the vehicle Intesa SEC 2 S.r.l. was settled with the exercise of the clean up call option in May 2012;
– In October 2012 the full repayment of the securities issued by the vehicle Intesa Lease SEC S.r.l. was carried out and all the activities required to settle the transaction were launched. The residual portfolio was sold to the originator (Leasint S.p.a.) in December 2012;
– In August and October 2012 the early unwinding of the self-securitisation performed through the vehicle Adriano Finance S.r.l. was completed (Series 1 and 3). Series 2 had been terminated in advance in 2011;
– in June 2012 the early unwinding of the self-securitisation performed through the vehicle Adriano Finance S.r.l. was completed.

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 Lease SEC S.r.l., Sanvitale 1 S.r.l. and Sanvitale 2 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., ISP CB Ipotecario S.r.l. and ISP OBG 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.
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 2012.

(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)	Pperforming mortgages	2	-	-	-		-	2	-		
INTESA SEC 3 SRL (2) (6)	Performing mortgages	1,250	9	-	-		-	1,049	113	AFS - HFT - Loans	Fair value - amortised cost
INTESA SEC NPL SPA (3)	Non-performing loans	37	-	-	-		-	155	17	AFS - Loans	Fair value - amortised cost
INTESA LEASE SEC SRL (4)	Performing leasing contracts	17	-	-	-		-	-	-		
Adriano Lease SEC S.r.l.	Performing leasing contracts	5,933	-	-	-		-	5,832	-		
SanVitale 1 S.r.l.	Performing retail mortgages	253	-	19	19		-	224	-		
SanVitale 2 S.r.l.	Performing retail mortgages	137	-	-	-		-	134	-		
SPLIT 2 S.r.l.	Performing leasing contracts	85	-	-	-		-	79	29	HTM-HFT-Loans	Fair value - amortised cost
ISP CB IPOTECARIO S.r.l. (5)	Residential mortgages	15,014	14	14,066	13,767		-	-	-		
ISP CB PUBBLICO S.r.l. (5)	Other loans to the public sector	13,530	-	22,900	13,062		-	-	-		
ISP OBG S.r.l. (5)	Mmultioriginator performing mortgages	20,561	13	20,309	20,309		-	-	-		
CR Firenze Mutui S.r.l.	Performing mortgages	84	-	-	-		-	72	5	HFT-Loans	Fair value - amortised cost
Trade Receivable Investment Vehicle S.a.r.l.	Trade receivables	172	-	-	-		-	172	42	HFT	Fair value

(1) ISP is committed to supporting the vehicle through a 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 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 are in place as interest rate risk hedge.

(3) ISP granted a guarantee and indemnity contract currently used for approximately 0.3 million euro, in case of representations 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. The subordinated loan was granted for approximately 2.9 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 an Interest Rate Floor contract are in place as interest rate risk hedge.

(4) In October 2012 the securities were fully reimbursed and all activities needed to close the transaction were initiated. The residual portfolio was sold to the originator Leasint S.p.A. in December 2012.

(5) 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.

(6) ISP granted two subordinated loans for the vehicle Intesa Sec 3 S.r.l.. The transaction totalled 3 million euro.

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.
Trade Receivable Investment Vehicle S.a.r.l. a vehicle set up in Luxembourg included in the scope of consolidation, which is used to securitise trade receivables originated by primary customers and purchased by the Intesa Sanpaolo Group without recourse to be subsequently securitised through the issue of unrated securities.

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 total assets of Augusto, Colombo and Diocleziano are instead almost entirely made up of land financing or receivables for public works.

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 2012 of 84 million euro.
Furthermore, pursuant to SIC 12, Intesa Sanpaolo controlled:
– Romulus Funding Corporation, a company based in the USA with the mission of purchasing financial assets, consisting of loans or securities with predefined eligibility criteria originating from Group customers, and financing 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.

Since 2011, the assets originated by customers have been placed in the vehicle Duomo, leaving Romulus 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 2012 the securities issued by Romulus had been almost 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 2012.

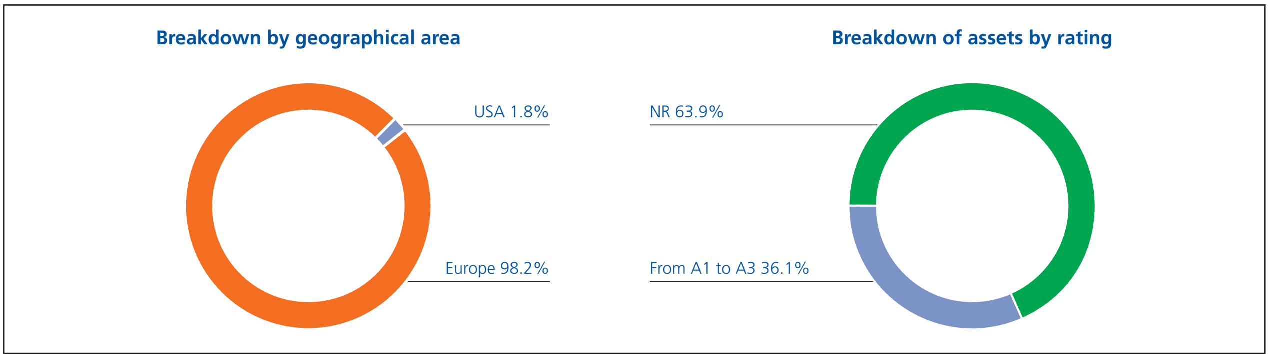
(millions of euro)

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	2,227 (1)		-	-	Letter of credit	15	2,221	2,039	Loans	Amortised cost
DUOMO FUNDING CORP.	asset-backed commercial paper conduit	2,229	-	2,598 (2)	-		-	-			

(1) of which 2,224 million euro for loans disbursed to Duomo, for transactions reported in the latter's financial statements.
(2) of which 1,101 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 receivables from Duomo for 2,224 million euro. The vehicle's assets are completed by financial derivatives hedging against foreign exchange risk with a positive fair value of 2 million euro as at 31 December 2012, in addition to cash and other assets of 1 million euro.
With regard to the portfolio of the vehicle Duomo, at the end of 2012 – in addition to receivables from Group banks for 1,005 million euro – this portfolio includes loans to customers for 1,096 million euro. Of these, 1,357 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 2012. In portfolio, the vehicle holds units of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 127 million euro as at 31 December 2012.
The total assets of the above SPEs, net of dealings between the two vehicles, made up 0.3% of the total consolidated assets.

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



The composition of the portfolio of the two vehicles changed, showing a sharp reduction in exposures to US entities (from 2.4% as at 31 December 2011 to 1.8% as at 31 December 2012). The rating of exposures was also subject to a decrease in rated entities (about 36%) and to the concentration of exposures on unrated entities. Please note that the uses in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were of sufficient quality for the commercial papers issued by Romulus to maintain the A-2/P-2 ratings.

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 2012, 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 2012 amounted to 7 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 their 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.
In June 2012 the Management Board of Intesa Sanpaolo resolved on the merger by incorporation of Intesa Investimenti S.p.A., as this vehicle has now completed its mission and is essentially inactive.
Lunar Funding, a vehicle set up in Ireland and used for repackaging operations by a leading bank, is still included in the scope of consolidation.

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.
The Intesa Sanpaolo Group has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since Group companies do not hold any stake or interest in the venture capital of these

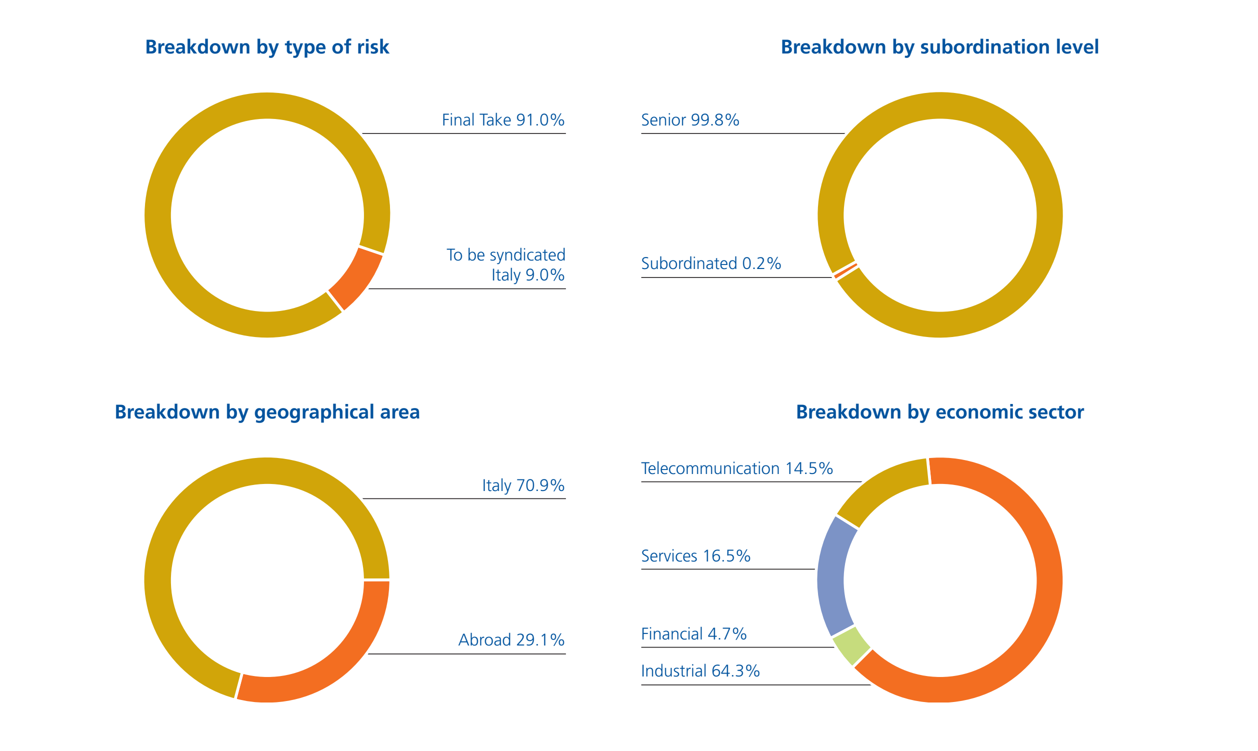
companies and no presumed control assumptions apply. Where there are guarantees represented by pledges of shares of the SPE, contractual terms exclude the possibility of exercise of voting rights by the Bank.

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 collateral for the financing obtained from the vehicle.
The Intesa Sanpaolo Group 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 63 million euro as at 31 December 2012), 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 the Bank the possibility of hedging risk on portfolios of assets.
There are no equity investments or other interests which might lead to the role of sponsor.
None of these SPEs is consolidated, since there are never any 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 rewards 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 partial 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 2012, 120 transactions for a total amount granted of 3,985 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 2012 totalled 696 million euro, compared to the 665 million euro recorded at year-end 2011. The slight increase in the value of the portfolio is attributable to the capital gains deriving from outstanding positions at the end of 2012, in addition to several increases of units, only partially offset by 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 positive at +53 million euro (including +11 million euro in the structured credit products disclosure). Of these net profits:
– 30 million euro related to trading of funds for the year (including 7 million euro in the structured credit products disclosure);
– 26 million euro consisting of net valuations of positions outstanding at the period end (including 4 million euro in the structured credit products disclosure);
– -3 million of losses on foreign exchange transactions.

Taking into account the net capital losses on the final residual amount (26 million euro), these were spread across 36 positions, 20 of which recording capital gains (44 million euro) and 16 capital losses (-18 million euro).
During 2012, the portfolio's overall strategy remained prevalently geared towards benefiting from the occurrence of specific corporate events, which are generally independent from the general trend, and thus avoid spikes in volatility. The year just ended was characterised by the extreme alternation between periods of high risk and market stress (see the second and third quarters of 2012) and periods of gradual attenuation of risk (first and fourth quarters of 2012). These uneven trends were triggered by events with contrasting outcomes: on one side, the uncertain results of the fiscal cliff in the US and the recession and sovereign debt crisis in Europe, the highly accommodating monetary policy of the Fed and the ECB, keeping spreads down on peripheral European debt and the recovery in the real estate market in the US on the other.

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 the Public Finance and Infrastructure Department. 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 the Public Finance and Infrastructure Department within the Corporate Division, 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 and Network Banks) 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 2012, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 7,314 million euro (3,818 million euro as at 31 December 2011). The notional value of such derivatives totalled 55,865 million euro (50,708 million euro as at 31 December 2011). Of these, the notional value of plain vanilla contracts was 50,168 million euro (44,113 million euro as at 31 December 2011), and of structured contracts was 5,697 million euro (6,595 million euro as at 31 December 2011).

The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 516 million euro (335 million euro as at 31 December 2011). The same indicator, referred to the total contracts with a positive fair value, was 4,563 million euro.

Conversely, the negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 1,054 million euro as at 31 December 2012 (960 million euro as at 31 December 2011). The notional value of such derivatives totalled 15,701 million euro (14,751 million euro as at 31 December 2011). Of these, the notional value of plain vanilla contracts was 13,743 million euro (13,690 million euro as at 31 December 2011), and of structured contracts was 1,958 million euro (1,061 million euro as at 31 December 2011).

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 2012, this led to a negative effect of 30 million euro being recorded under profits (losses) on trading in the income statement. 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 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. In December 2012 the full demerger of the Bank was completed in favour of the Parent Company Intesa Sanpaolo S.p.A. and Leasint S.p.A.. The above company has been eliminated from the scope of the Basel 2 roll out plan.

In December 2012, an application was submitted to the Bank of Italy for a fourth scope including several companies of the Banca Fideuram group (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland and Sanpaolo Invest) and two international subsidiaries of VUB Banka (VUB Leasing and Consumer Finance Holding). The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2013, 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 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, conducted on an annual basis, allows the Group to:

– identify, measure, monitor and mitigate operational risk through identification of the main operational problem issues and definition of the most appropriate mitigation actions;
– create significant synergies with the specialised functions of the organizational department that supervises 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.

The Self-assessment process identified a good overall level of control of operational risk and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.

The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand. The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) 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, 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 support information 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 this process.

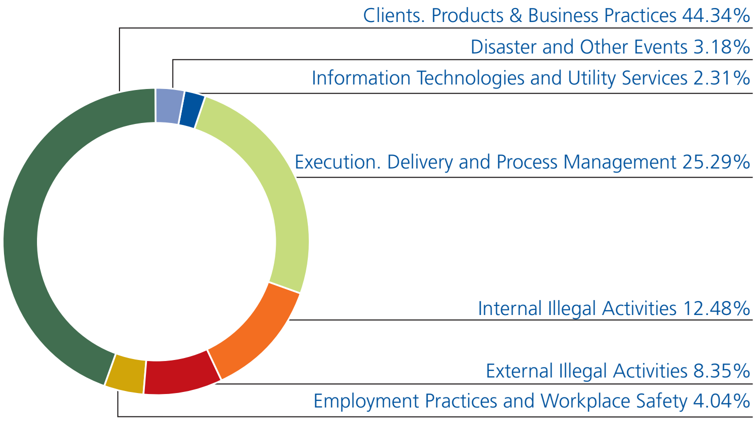
In addition, the Group has activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and third-party liability), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements. The internal model insurance mitigation component was submitted for regulatory approval through a specific application to the Bank of Italy in December 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 – AMA component - amounts to 1,629 million euro (1,573 million as at 31 December 2011).

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 Approaches - 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.
Breaking down the various types of lawsuits, there were 1,937 bankruptcy revocatory actions as at 31 December 2012, with total remedy sought of 873 million euro and allowances of 146 million euro; there were 2,467 lawsuits concerning financial services, with remedy sought totalling 588 million euro and allowances of 140 million euro; there were 4,986 lawsuits concerning terms applied to customers, with remedy sought totalling 749 million euro and allowances of 185 million euro; operational errors have resulted in 956 lawsuits, with remedy sought totalling 340 million euro and allowances of 71 million euro; lastly, there were 9,407 labour lawsuits and other lawsuits as at 31 December 2012, with remedy sought totalling 6,820 million euro and allowances of 380 million euro.
The most complex and/or potentially costly 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 no. 24418 handed down by its Joint Sections on 2 December 2010, the Court of Cassation ruled that the ten-year statute of limitations applicable to account-holders' entitlement to reimbursement of capitalised interest debited on the current account 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.
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 anatocistic interest, on the date of each individual account debit. The constitutionality of this regulation

was subsequently challenged. The Constitutional Court ruling of 2 April 2012 accepted the exception, repealing the aforementioned provision.
Based on the effective date of the prescription, the legislative principles pronounced by the Joint Sections of the Court of Cassation in 2010 are once again applicable.
These principles have not always been uniformly applied by courts in the first and second instances. However, though with varying effectiveness based on the specific cases, they have contributed to a general decrease in the claims for restitution put forward by account holders.
In addition to this aspect, it must be noted that 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 investment services - Group policy on management of complaints and lawsuits on financial instruments sold sets out a case-by-case assessment, with particular attention paid to the suitability of the investment with respect to the position of the single investor.
Disputes relating to the Parmalat and Cirio bonds have always remained at modest levels (also as a result of the customer care tools implemented by the Bank in order to reduce the negative impact on customers) and are now coming to an end.
There is a general decrease in disputes concerning Argentina bonds, due to a significant reduction in the number of disputes which have arisen over the last few years.
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 assessment of risk relating to litigation concerning bonds issued by companies belonging to the Lehman Brothers Group. 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 in relation to Intesa Sanpaolo – 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.
Disputes concerning derivatives have remained substantially stable compared to 2011, at insignificant levels. The related risks are constantly monitored and subject to appropriate provisions to Allowances for risks and charges.

Litigation regarding the Cirio Group default - In November 2002, the Cirio Group defaulted on the repayment of a loan issued on the Euromarket. This event led to a cross default on all its existing issues. In April 2007, ten 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, proposing in that venue a stay of enforcement of the judgment to pay legal fees, firstly, and said petition was accepted by the Rome Court of Appeals. The lawsuit has been postponed to 27 January 2016 for an evidentiary hearing.

Litigation regarding tax-collection companies sold - As part of the government's re-internalisation of tax collection operations, Intesa Sanpaolo sold to Equitalia S.p.A. (a company owned by Agenzia delle Entrate - Italian Revenue Agency - and INPS) the entire share capital of Gest Line and ETR/ESATRI, companies which managed tax-collection activities in the respective areas of the former Sanpaolo Imi Group (Gest Line) and the former Intesa Group (ETR/ESATRI), undertaking 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. The most significant portion of those out-of-period expenses consist in costs incurred for operations referring to events occurring prior to the sale, such as charges resulting from negative outcomes of litigation with taxpayers and tax authorities or labour law disputes, tax collection expenses not recovered due to events attributable to the former concessionaires (mainly expenses for unsuccessful administrative detentions). The above commitments were triggered not only by contractual guarantees, but also by a statute, which entered into force in 2005, that directly transfers to the seller any payment obligation concerning tax collection activities conducted by the company sold prior to the sale thereof.
In particular, the litigation with tax authorities, almost completely referring to Gest Line, originates from the rejection, in administrative and then judicial court, of the applications for discharge and reimbursement of the assessed taxes not collected. The grounds provided for the rejection were irregularities charged to the concessionaire in conducting the tax collection activities.
In a few cases, litigation regarding tax collection activities gave rise to rulings of lost tax revenue, promoted by the public prosecutors in the regional sections of the Court of Auditors with local jurisdiction. With regard to that complex litigation, although Gest Line and ETR/ESATRI availed themselves of the option afforded 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 in question (for events taking place in the early 1990's) and later the Central Sections on appeal, have found that the amnesty statute does not apply to the circumstances at issue in the case. 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. Following this, most of the pending proceedings have been declared discontinued, and the Bank is awaiting the announcement of discontinuation of the remaining proceedings affected by the regulation in question.

Intesa Sanpaolo (formerly Banca OPI, then 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 2004 by Banca OPI of 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. The Court also ordered compensation for damages in favour of the Municipality, to be calculated by separate proceedings. The Municipality and the Bank jointly agreed not to enforce the judgement.

On 20 April 2012 the Court of Appeal, without prejudice to the findings of the separate proceedings regarding the alleged damages, partially reformulated the first instance ruling by ordering that:

- BIIS reimburse the sums paid by the Municipality of Taranto, plus legal interest;
- the Municipality of Taranto reimburse BIIS for the sums disbursed in execution of the bond loan, less amounts already paid, plus legal interest and currency appreciation;
- BIIS reimburse the Municipality for first instance legal costs, compensated against those for the appeal.

Intesa Sanpaolo, which succeeded BIIS in the proceedings following the well-known corporate operations, shall file an appeal against this judgement before the Court of Cassation.

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 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 – albeit on an incidental basis – the appealed judgment was devoid of dispositional content and was thus incapable of undermining the Banks' credit claims.

The Bank and the Municipality have met repeatedly to assess the possibility of an amicable settlement to the pending litigation, however, such settlement could not be reached due to the intervention of the insolvency procedure entity, which claimed its own jurisdiction over managing the debt in question. In order to ascertain the illegitimacy of including the Bank's receivable in the insolvency procedures' list of debts and the lack of jurisdiction of the Extraordinary Liquidator, BIIS thus filed an extraordinary appeal to the President of the Republic, which is still pending.

The Bank has also initiated additional civil proceedings before the Court of Rome, for a ruling on its lack of liability for damages to the Municipality of Taranto.

These events are also connected to criminal proceedings before the Court of Taranto, against several Executives of Banca OPI and Sanpaolo IMI, among others, in which the preliminary hearing judge has ruled that the Municipality of Taranto may file an appearance as civil claimant in the criminal proceedings. The defendants are charged with indirect abuse of office, a crime which is not significant for the purposes of Legislative Decree 231/2001. In these proceedings BIIS (now Intesa Sanpaolo) has been charged with civil liability. In the unimaginable case that the Bank is sentenced to pay some type of compensation, the amount should be extremely low, given that, in the opinion of our legal counsel, the Municipality did not suffer any damages.

Intesa Sanpaolo (formerly Banca OPI, then Banca Infrastrutture Innovazione e Sviluppo) and Piemonte Regional Government litigation – In 2006 the Piemonte Regional Government issued two bond loans for a total of 1,856 million euro, of which 430 million euro subscribed by the former Banca OPI (the remainder subscribed by two leading international financial institutions). Under the terms of these issues, the Regional Government finalised two derivative financial instrument transactions subscribed by the former Banca OPI for a notional amount of 628 million euro, together with the other two lending banks.

At the beginning of 2011 the Regional Government launched verification and comparison proceedings with the banks concerned to assess the financial and legal profiles of the swap transactions. Despite the clarifications provided concerning the technical and regulatory appropriateness of the contracts, the Regional Government subsequently launched self-protection proceedings for revocation of all the administrative documents underlying the derivative contracts (finalised between the Regional Government and the banks), which ended in January 2012 with the cancellation thereof.

The banks appealed against said measure before the Piemonte Regional Administrative Court which, with judgement of 21 December 2012, ruled that it did not have jurisdiction to decide on the matter, recognising the jurisdiction, provided by the contract, of the UK civil courts and thus, in substance, denying the effectiveness of the self-protection measure.

Back in August 2011, the banks petitioned the High Court of Justice of England and Wales to ascertain the validity and correctness of the contracts entered into with the Regional Authorities. The UK Court, which had jurisdiction over the matter, accepted the requests in July 2012.

The most suitable measures to take will be assessed in relation to further developments, considering that to date the Regional Government has not complied with the netting payment of the swap contracts since May 2012, despite the fact that BIIS repeatedly demanded such payments.

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, sought 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 elected 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. Lastly, Codacons challenged this last decision by appeal brought before the Court of Cassation, which by judgement no. 9772 filed on 14 June 2012 rejected the appeal as inadmissible.

Altroconsumo class action - In 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 from 16 August 2009. The Bank appealed against this ruling before the Court of Cassation, which is expected to pronounce upon the underlying reasons for the appeal.
In parallel, the class action was re-opened before the Court which by order filed on 15 June 2012 established the advertising terms and methods for the joinder of class action participants, setting the date of the hearing for continuation of the proceedings as 14 March 2013.
As at 28 January 2013, the deadline for submission of applications for joinder, there were only 102 participants. Given the low number of participants and resulting low financial amounts, the potential risk linked to the class action may be deemed immaterial.
With respect to the merits of the dispute – which will be examined only after the aforementioned hearing – it is believed that the Bank has valid arguments in support of the legitimacy of the account overdraft charge.

Angelo Rizzoli lawsuit - 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.
In February 2012 the plaintiff filed an appeal and, in relation to his request for suspension of the enforceability of the first instance ruling, the Court of Appeal granted the suspension of solely the frivolous litigation conviction. The lawsuit has been postponed to 21 October 2014 for an evidentiary hearing.

Allegra Finanz AG litigation – On 31 January 2011, Allegra Finanz AG and other 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 raised 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).
After ruling on the various preliminary issues raised by the defendants (also declaring the proceedings against Eurizon Capital SGR to be dismissed), the judge initiated the preliminary investigation phase.
The claimants' claims are believed to be without foundation.
With order of 30 January 2013, the judge rejected all the claimants' preliminary motions and postponed the proceedings to 16 September 2014 for an evidentiary hearing.

Relations with the Giacomini Group – Starting from May 2012, certain media outlets published news of criminal investigations of members of the Giacomini family (which controls the industrial group of the same name) and other individuals in connection with possible illegal exportation of capital and other related offences.
In further detail, it was brought to light that the Public Prosecutor's Offices of Verbania and Novara have initiated investigations of possible tax offences committed by the Giacomini family and their advisors, and the Public Prosecutor's Office of Milan is investigating possible complicity in money-laundering by certain of the Giacominis' financial advisors and the CEO of the Luxembourg subsidiary, Société Européenne de Banque (SEB), as well as the latter company itself pursuant to Legislative Decree no. 231/2001.
In regard to this matter, the Bank has conducted internal inspection reviews to reconstruct the facts, including in reference to a loan disbursed by SEB in December 2008 in the amount of 129 million euro to Alberto Giacomini's family in the context of a family buy-out transaction. No significant irregularities have emerged so far in relation to this.
To date, the records of the investigating authorities of which Group companies have been made aware do not permit an evaluation of the existence of liability, and thus of risks and charges.

Situation relating to the acquisition of Bank of Alexandria - In 2006 Sanpaolo IMI acquired from the Egyptian government an 80% investment in Bank of Alexandria, as part of the government privatisation programme launched in the 1990's. In 2011, two

proceedings were initiated before the Administrative Court of Cairo, by two private entities against several members of the previous government, aimed at the cancellation of the administrative measure for privatisation and the resulting deed of purchase and sale, based on alleged irregularities in the administrative process and the alleged unfairness of the share transfer price.
Bank of Alexandria has intervened in both proceedings to fight the lawsuits, claiming the lack of jurisdiction of the administrative judge in the pre-trial proceedings and the groundlessness of the opponents' claims on the merits. Concerning the latter aspect, it has been inferred, with the support of suitable documentation, that the privatisation procedure was conducted correctly and - contrary to the opponents' allegations - in the form of public auction, with the participation of numerous international banks, as a result of which Intesa Sanpaolo was judged as the best bidder. The two proceedings, which are going forward at the same time and have been subject to numerous postponements and slowdowns, are currently in the preliminary investigation phase.
As things stand, and in consideration of the current phase of the proceedings, there are no critical issues in view with regard to the problems which are the focus of the disputes.
The lawsuits are constantly monitored by the Parent Company, also in terms of possible developments of the reference scenario.

Judicial and administrative proceedings involving the New York branch - The criminal investigation 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 of payments in dollars to/from countries embargoed by the US government in the years from 2001 to 2008, an update on which has been provided each year in the Notes to the consolidated financial statements, was concluded in the Bank's favour in 2012.
Last April, our US attorneys notified the Bank that the Department of Justice had dropped the proceedings, having found no sufficient evidence to justify the infliction of any criminal sanctions. Subsequently, for the same reasons, the New York District Attorney's Office also decided to close the investigation.
As regards the transactions in question (the handling of bank transfers in dollars through the SWIFT interbank payments service, cleared through US banks), the Bank remains subject to assessments still in progress by the OFAC (Office of Foreign Assets Control), the authority of the United States Department of the Treasury responsible for foreign exchange control, which could impose a relatively small fine, which is already covered by suitable provisions.

Labour litigation
There were no significant cases of labour litigation from either a qualitative or quantitative standpoint as at 31 December 2012. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

TAX LITIGATION
Overall tax litigation risks of the Group are covered by adequate provisions to allowances for risks and charges.
The Parent Company is a party to 174 litigation proceedings, in which a total of 790 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 60 million euro at 31 December 2012.
The Group's other Italian companies within the scope of consolidation are parties to tax litigation proceedings in which a total of 378 million euro is at stake at that date, reflected by specific allowances of 36 million euro.
Pending international charges, totalling 4 million euro, are not material in amount when compared to the size of the company involved and the Group. Specific provisions of adequate amount have been recognised to account for the risks associated with such charges.

In general, the checks conducted by the financial authorities in 2012 related to issues previously raised against other Italian banks, i.e. to charges which have now become ordinary in certain operating segments and, lastly, to the continuation of investigations launched in previous years concerning other tax years.
For the year 2007, Agenzia delle Entrate (Italian Revenue Agency) – Direzione Regionale del Piemonte served a notice of assessment to Intesa Sanpaolo in December 2012, relating to a series of transactions implemented for the purpose of capital strengthening by issuing preference shares through international subsidiaries (in the form of LLC) domiciled in Delaware (USA). Agenzia delle Entrate alleges that the subordinated deposits in place between the international subsidiaries and the Parent Company can be reclassified as loans, subject to 12.50% final withholding tax pursuant to the last paragraph of art. 26 of Italian Presidential Decree no. 600/1973. The claim related to this case amounts to 23 million euro in unpaid withholding taxes, in addition to 34 million euro in penalties and 4 million euro in interest. The claim of the financial authorities should be deemed unfounded.

With regard to the other Group companies, the following disputes arose in 2012:
- in the last quarter of 2012, two new Leasint tax audits, which objected to specific transactions previously censured at the related counterparties (reports of findings) were closed, and seven deeds of assessment deriving from said tax audits were notified. The subject of the disputes, common to the above cases, can substantially be attributed to issues concerning subjectively and/or objectively inexistent transactions, so-called nautical lease and the reclassification of contracts as loans, based on a different reading of the contractual clauses agreed and the re-weighting of the market values of leased assets. These disputes amount to a total of 77 million euro in greater taxes, penalties and interest;
- at the end of December 2012, the general tax audit of Intesa Sanpaolo Group Service for 2009 was closed, with the prospective of recovery of higher taxes, amounting to 11 million euro, plus penalties and interest, mainly based on breaches of the accruals principle, in relation to the division over time of several costs connected to contributions by the Parent Company to said subsidiary and pertinence, regarding assets included in the business lines contributed to it.

In terms of the main outcomes of proceedings during the reporting period, the following is worth mentioning:
- for the Parent Company:
  (i) the favourable ruling received on the appeal on the matter of stamp duty in relation to the compulsory accounting figures for the years 2005 and 2006, which recognised the legitimacy of the preparation of a hard copy of the journal

ledger for the daily totals of individual general ledger accounts and considered the computerised records to be absolutely irrelevant;

(ii) the favourable ruling received on the appeal on the matter of recognition of the tax relevance of loans deriving from repurchase agreements to the effect of calculation of the ceiling of deductibility of the write-down of loans in relation to 2003 and 2004;

(iii) the first instance rulings, all positive, issued in relation to the reclassifications by Agenzia delle Entrate of various contributions of branches and business lines and the subsequent sale of shares as a single case which gradually took shape, equivalent to the transfer of a business line;

(iv) the negative first instance ruling (against both the Parent Company and Mediocredito Italiano) regarding the IRES tax recovery claimed by Agenzia delle Entrate in relation to the sale without recourse of loans to the company Castello Finance in 2005. An appeal was naturally filed against this ruling;

– for Intesa Sanpaolo Private Banking, the negative first instance ruling regarding the tax assessment of year 2005, which reclassified the costs incurred as remuneration for the provision of presentation services to customers as goodwill, based on the assumption that this is equivalent to a case of transfer of a business line;
– for Banca IMI, the negative ruling on appeal of the tax assessment for year 2003 concerning both the presumed loan on the quota of dividends distributed by an international subsidiary and not collected and the withholding tax obligation on the manufactured dividend paid to foreign banking counterparties.

Through recourse to dispute settlement mechanisms, in November 2012 the Parent Company settled the dispute concerning "misuse of a right" involving structured finance transactions conducted in 2006 and 2007, with content fully equivalent to those conducted in 2005, which were equally settled in December 2011. Also in relation to this position, the decision to settle the litigation was taken, though fully convinced of the groundlessness of the claims, in consideration of the inappropriateness of nurturing litigations that are time-consuming and costly, with a sharp degree of randomness in the specific matter. In the case in point, the tax claim, amounting to 385 million euro (for taxes, withholding taxes and penalties) was settled with a payment of 44 million euro (plus interest).

* * *

Out of the total cases of tax litigation pending as at 31 December 2012, at Group level 188 million euro is posted to the balance sheet among assets, 163 million euro of which refers to the Parent Company, representing the total amount paid by way of provisional tax collection.

For said cases of litigation, provisions for risks and charges amount to 41 million euro at Group level, of which 26 million euro for the Parent Company.

In this regard, it is important to note that the provisional payments were made in compliance with specific legal provisions, which mandate such payments based on an automatic mechanism completely unrelated to whether the related tax claims are actually founded and, thus, irrespective of the higher or lower level of risk of a negative outcome in the related proceedings. Thus, these payments were made solely based on the administrative deeds that set forth the related tax claim, which does not lose its effectiveness even when appealed, has no suspensive effect and does not add to the assessments of the actual risk of a negative outcome, which must be measured using the criteria set forth in IAS 37 for liabilities.

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 2012 are shown.

(millions of euro)

Breakdown of mathematical reserves of life branch: maturity	Mathematical reserve	%
up to 1 year	2,213	4.09
1 to 5 years	5,537	10.24
6 to 10 years	3,253	6.01
11 to 20 years	1,704	3.15
over 20 years	41,396	76.51
TOTAL	**54,103**	**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%	7,128	13.13
from 1% to 3%	35,315	65.04
from 3% to 5%	4,779	8.80
Insurance products	**6,881**	**12.67**
Shadow reserve	**196**	**0.36**
TOTAL	**54,299**	**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 31.12.2012	Total as at 31.12.2011
Unit linked	77	25,445	25,522	20,559
Index linked	564	1,136	1,700	1,564
Subordinated liabilities	63	225	288	257
Total	**704**	**26,806**	**27,510**	**22,380**

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 2012. The total claims reserves associated with Intesa Sanpaolo Assicura and Intesa Sanpaolo Vita come to 128 million euro.

(millions of euro)

Development of Claims Reserves	Year of generation/event					
	2008	2009	2010	2011	2012	TOTAL
Reserve amount:						
as at 31/12 generation year N	424	60	66	69	92	
as at 31/12 year N+1	41	61	60	79		
as at 31/12 year N+2	41	53	54			
as at 31/12 year N+3	37	47				
as at 31/12 year N+4	35					
Total claims paid	**32**	**42**	**44**	**46**	**23**	**187**
Claims reserve booked as at 31.12.2012	**3**	**5**	**10**	**33**	**69**	**120**
Final claims reserve for previous years						**5**
Total claims reserve booked as at 31.12.2012						**125**

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. Setting the risk profile for the insurance company and the associated levels of economic capital, monitoring the risk profile on the basis of reporting by the responsible services, as well as identifying any corrective strategies are discussed during Risk Committee meetings, usually on a quarterly basis.
In order to measure and manage all the underwriting and financial risks together, a simulation tool is 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 gaps between projected outflows and cash at 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 2012, the investment portfolios of Group companies, recorded at book value, amounted to 81,928 million euro, before consolidation entries and intercompany netting. Of these, the part regarding traditional revaluable life policies, the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined, non-life policies and free capital amounted to 48,983 million euro. The other component, whose risk is borne solely by the policyholders, mainly consists of investments related to Index-Linked policies, Unit-Linked policies and pension funds and amounted to 32,945 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the financial assets used to cover traditional revaluable life policies, non-life policies and free capital.

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 (-354 million euro at book value) detailed below, approximately 94% of the assets (46,576 million euro) consisted of bonds, whereas assets subject to equity price risk represented approximately 1% of the total and amounted to 623 million euro. The remainder 2,138 million euro (approximately 4%,) 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 2,507 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 101 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	**40,950**	**83.00**	**5.48**
up to 1 year	2,966	6.01	
1 to 5 years	14,660	29.71	
over 5 years	23,324	47.28	
Floating rate/indexed bonds	**5,626**	**11.41**	**1.54**
up to 1 year	249	0.51	
1 to 5 years	2,686	5.44	
over 5 years	2,691	5.46	
TOTAL	**46,576**	**94.41**	**-**
Equities or similar capital securities	**623**	**1.26**	
UCI, Private Equity, Hedge Fund	**2,138**	**4.33**	
TOTAL AS AT 31.12.2012	**49,337**	**100.00**	

The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5 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 4.2 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.

(millions of euro)

	Book value	%	Fair value changes due to interest rate fluctuations	
			+100 bps	-100 bps
Fixed-rate bonds	40,950	87.92	-2,109	2,010
Floating rate/indexed bonds	5,626	12.08	-79	63
Interest rate risk hedging effect	-	-	123	-152
TOTAL	**46,576**	**100.00**	**-2,065**	**1,921**

Credit risk exposure

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented approximately 5% of total investments and A bonds approximately 7%. Low investment grade securities (BBB) were approximately 80% of the total, while the portion of speculative grade or unrated was minimal (2.58%).

With regard to exposure to BBB rated securities, 33,027 million euro related to bonds issued by the Republic of Italy.

(millions of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**46,576**	**94.41**
AAA	1,559	3.16
AA	801	1.62
A	3,373	6.84
BBB	39,571	80.21
Speculative grade	1,059	2.15
Unrated	213	0.43
Equities or similar capital securities	**623**	**1.26**
UCI, Private Equity, Hedge Fund	**2,138**	**4.33**
TOTAL	**49,337**	**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 70% of the total investments, whereas the securities of corporate issuers contributed around 24%.

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 2012, 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	34,810	74.74	-1,887	1,813
Corporate bonds	11,766	25.26	-488	419
TOTAL	**46,576**	**100.00**	**-2,375**	**2,232**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to 62 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	211	33.87	-21
Equities - Non-financial companies and other counterparties	412	66.13	-41
TOTAL	**623**	**100.00**	**-62**

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 credit default swaps) 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 2012.

(millions of euro)

Type of underlying	Interest rates		Equities, equity indices, commodities, exchange rates		TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	-315	-	-	-	-315
Effective management derivatives	-	-24	-19	4	-19	-20
TOTAL	**-**	**-339**	**-19**	**4**	**-19**	**-335**

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. The assets originated by customers are concentrated in Duomo, leaving Romulus 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 2012 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 2012, the investment portfolio of vehicle Romulus included 2,224 million euro of financial instruments classified under loans to customers, all of which consisted of loans to the vehicle Duomo. The vehicle's assets are completed by financial derivatives hedging against foreign exchange risk with a positive fair value of 2 million euro as at 31 December 2012, in addition to cash and other assets of 1 million euro.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a nominal value of 2.2 billion euro, which, as mentioned above, were almost fully subscribed by the Parent Company Intesa Sanpaolo.
With regard to the portfolio of the vehicle Duomo, at the end of 2012 – in addition to receivables from Group banks for 1,005 million euro – this portfolio includes loans to customers for 1,096 million euro. Of these, 1,357 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 2012. In portfolio, the vehicle holds quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 127 million euro as at 31 December 2012.

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, considering this to be an instrument for strategic leverage, as well as a way to ensure consistency of the operating plans of the business units.
Once the Group's strategic profitability, capital soundness and liquidity objectives have been defined, the capital and financial resources are allocated to the business units through a process that evaluates their growth potential, capacity to generate value and financial autonomy.
The capital at risk considered is twofold:
– 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 operational measurements.
Hence, capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory Pillar 1 constraints (Basel 2 and, in perspective, Basel 3) and operational Pillar 2 constraints. Projections are also produced under stress conditions in order to ensure that the resources available are adequate to cover all risks, even in adverse conditions.
As part of the process of defining budget targets, a compatibility analysis is conducted annually at Group level and at the level of individual entities in the Group. Depending on the expected performance of balance sheet and income statement aggregates, the appropriate capital management measures to ensure the required financial resources for the individual business units are already identified in this phase, if necessary.
Compliance with the target levels of capitalisation is monitored on a quarterly basis, taking appropriate action when necessary.
Compliance with capital adequacy is sought via various levers, such as the dividend distribution policy, the definition of strategic finance operations (capital increases, issue of convertible loans and subordinated bonds, disposal of non-core assets, etc.) and the management of investments, particularly loans, on the basis of counterparty risk.
Further analyses for preliminary assessment of capital adequacy are performed during 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	**8,863**	**-**	**131**	**-131**	**8,863**	***317***
Ordinary shares	8,375	-	131	-131	8,375	*314*
Savings shares	488	-	-	-	488	*3*
Share premium reserve	**30,989**	**-**	**-**	**-**	**30,989**	***55***
Reserves	**10,109**	**182**	**-77**	**-105**	**10,109**	***168***
Legal reserve	1,709	-	-	-	1,709	-
Extraordinary reserve	1,326	-	-	-	1,326	-
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	6,184	182	-77	-105	6,184	*168*
Other reserves	356	-	-	-	356	-
Equity instruments (Treasury shares)	**-12**	**-2**	**-**	**-**	**-14**	**-**
Valuation reserves	**-1,402**	**219**	**-4**	**-215**	**-1,402**	***-3***
Financial assets available for sale	-275	221	-	-	-54	*4*
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Hedges of foreign investments	-	-	-	-	-	-
Cash flow hedges	-1,293	-	-	-	-1,293	*-2*
Foreign exchange differences	-425	-	-4	4	-425	*-7*
Non current assets held for sale	-	-	-	-	-	-
Actuarial gains (losses) on defined benefit plans	-	-	-	-	-	-
Share of valuation reserves connected with investments carried at equity	239	-2	-	-219	18	*1*
Legally-required revaluations	352	-	-	-	352	*1*
Parent Company's net income (loss) and minority interest	**1,654**	**397**	**-90**	**-307**	**1,654**	***49***
Shareholders' equity	**50,201**	**796**	**-40**	**-758**	**50,199**	***586***

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 31.12.2012	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	754	-1,125	328	-145	-	-	-328	145	754	-1,125
2. Equities	353	-63	21	-6	-	-	-21	6	353	-63
3. Quotas of UCI	62	-29	25	-1	-	-	-25	1	62	-29
4. Loans	13	-19	-	-	-	-	-	-	13	-19
Total as at 31.12.2012	**1,182**	**-1,236**	**374**	**-152**	**-**	**-**	**-374**	**152**	**1,182**	**-1,236**
Total as at 31.12.2011	**536**	**-2,889**	**79**	**-1,054**	**2**	**-**	**-81**	**1,054**	**536**	**-2,889**

Approximately 15% of the negative reserve on equities is attributable to quoted securities classified as level 1, while the remaining 85% 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	**-2,600**	**267**	**-20**	**-**
2. Positive fair value differences	**2,900**	**311**	**92**	**1**
2.1 Fair value increases	2,780	264	76	-
2.2 Reversal to the income statement of negative reserves	78	27	10	-
- impairment	*5*	*12*	*3*	-
- disposal	*73*	*15*	*7*	-
2.3 Other changes	42	20	6	1
3. Negative fair value differences	**-671**	**-288**	**-39**	**-7**
3.1 Fair value decreases	-459	-78	-30	-
3.2 Impairment losses	-	-	-	-
3.3 Reversal to the income statement of positive reserves: disposal	*-88*	*-186*	-	-
3.4 Other changes	-124	-24	-9	-7
4. Closing amount	**-371**	**290**	**33**	**-6**

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.	2,826,676
Purchased	no.	22,878,020
Sold	no.	-11,867,052
End-of-year number	no.	13,837,644

Non-convertible savings shares:

Initial number	no.	162,000
Purchased	no.	2,388,618
Sold	no.	-2,357,357
End-of-year number	no.	193,261

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 (13th 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.

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 and non-innovative instruments which, together with share capital and reserves, are included in the calculation of Tier 1 and Tier 2 capital, are summarised below. Prior to this summary, however, we highlight that the Group carried out three purchases of subordinated securities during 2012. In these transactions, announced respectively on 6 February, 27 July and 25 October 2012, Intesa Sanpaolo made specific offers to purchase its own subordinated securities.

The first offer regarded the purchase of Tier 1 subordinated notes issued by the Parent Company and included in Tier 1 Capital but excluded from Core Tier 1 Capital. It should 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.

Descrizione dei Titoli	Purchase Price (% of nominal value)	Nominal value issued	Nominal value accepted for purchase	Nominal value after settlement date (a)
9.5% Fixed Rate Resettable Perpetual Subordinated Notes	90.00%	€ 1,000,000,000	€ 277,900,000	€ 722,100,000
8.375% Fixed to Floating Rate Perpetual Subordinated Notes	91.00%	€ 1,500,000,000	€ 493,750,000	€ 1,006,250,000
8.047% Fixed to Floating Rate Perpetual Subordinated Notes	88.00%	€ 1,250,000,000	€ 454,200,000	€ 795,800,000

(a) For each security, this represents the nominal value as at the issue date, net of the aggregate nominal value of the securities accepted for purchase pursuant to the purchase solicitation. Any securities already held by the purchaser and its subsidiaries have not been excluded.

The second offer included both Tier 1 notes and other types of subordinated notes, as well as 507 million in senior notes (at a purchase price of approximately 500 million, not included in the following table inasmuch as they are not included in regulatory capital).

	Purchase Price (% of nominal value)	Nominal value issued	Nominal value accepted for purchase	Nominal value after settlement date (a)
Tier 1				
9.5% Fixed Rate Resettable Perpetual Subordinated Notes	90.00%	€ 722,100,000	€ 243,950,000	€ 478,150,000
8.375% Fixed to Floating Rate Perpetual Subordinated Notes	84.00%	€ 1,006,250,000	€ 264,400,000	€ 741,850,000
8.047% Fixed to Floating Rate Perpetual Subordinated Notes	82.00%	€ 795,800,000	€ 215,800,000	€ 580,000,000
Upper Tier 2				
6.625% Subordinated Notes 2018	98.50%	€ 1,250,000,000	€ 122,900,000	€ 1,127,100,000
Lower Tier 2				
Fixed/Floating Rate Callable Subordinated Notes 2020	80.00%	€ 497,750,000	€ 22,000,000	€ 475,750,000
Fixed Floater Callable Subordinated Notes 2024	84.00%	£165,000,000	£140,099,000	£24,901,000
5.00% Subordinated Notes 2019	93.00%	€ 1,500,000,000	€ 52,900,000	€ 1,447,100,000
5.15% Subordinated Notes 2020	92.50%	€ 1,250,000,000	€ 46,850,000	€ 1,203,150,000

(a) For each security, this represents the nominal value as at the issue date, net of the aggregate nominal value of the securities accepted for purchase pursuant to the purchase solicitation. Any securities already held by the purchaser and its subsidiaries have not been excluded.

The third offer regarded the exchange of circulating subordinated Lower Tier 2 notes with newly issued senior notes.

	Exhange price (% of value)	Pro-ration factor (%)	Nominal value issued	Nominal value accepted in exchange (a)	Nominal value of newly issued security
Lower Tier 2					
Fixed to Floating Rate Subordinated Notes due 2017	98.50%	n.a	£250,000,000	£244,650,000	€ 300,625,000
Floating Subordinated Notes due 2018	93.75%	82.56%	€ 750,000,000	€ 529,800,000	€ 496,710,000
Fixed to Floating Rate Subordinated Notes due 2018	94.50%	82.40%	€ 1,000,000,000	€ 637,950,000	€ 602,875,000
Fixed/Floating Rate Callable Subordinated Notes 2018	93.50%	82.40%	€ 500,000,000	€ 332,250,000	€ 310,696,000

(a) After the application of the Pro-ration factor.

Following these transactions, the breakdown of innovative and non-innovative instruments that contribute to Tier 1, Tier 2 and Tier 3 capital was as follows.

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	478
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	580
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	741
Total preference shares and innovative and non-innovative equity instruments (Tier I)								**2,049**

(*) 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	1,095
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 + 0.95%	NO	05-Dec-2003	05-Dec-2013	NO	Eur	200,000,000	148
Centro Leasing Banca	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Eur	30,000,000	26
Total hybrid instruments (Upper Tier II)								**1,389**
Banca CR Firenze	6-month Euribor + 0.15%	NO	22-May-2006	22-May-2013	NO	Eur	85,000,000	17
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	36
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	15
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	84
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	87
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	39
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	30
Intesa Sanpaolo	6.375% fixed rate; as of 12/11/2012 3-month GBP Libor	YES	12-Oct-2007	12-Nov-2017	NO	Gpb	250,000,000	7
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	NO	Eur	750,000,000	206
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	30
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	472
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	NO	Eur	500,000,000	162

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	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Eur	415,000,000	242
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Eur	544,546,000	320
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Eur	382,401,000	222
Intesa Sanpaolo	4.80% fixed rate	NO	28-Mar-2008	28-Mar-2015	NO	Eur	800,000,000	477
Intesa Sanpaolo	4.00% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Eur	1,096,979	640
Intesa Sanpaolo	5.75% fixed rate; as of 28/5/2013 3-month Euribor + 1.98%	YES	28-May-2008	28-May-2018	NO	Eur	1,000,000,000	351
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	24-Feb-2009	24-Feb-2016	NO	Eur	635,350,000	499
Intesa Sanpaolo	(3-month Euribor +4%)/4	NO	12-Mar-2009	12-Mar-2016	NO	Eur	165,050,000	123
Intesa Sanpaolo	5% fixed rate	NO	23-Sep-2009	23-Sep-2019	NO	Eur	1,500,000,000	1,411
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	776
Intesa Sanpaolo	5.15% fixed rate	NO	16-Jul-2010	16-Jul-2020	NO	Eur	1,250,000,000	1,200
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	466
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	364
Pravex Bank	6,032% (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	7
Banca Monte Parma	3.80% fixed rate	NO	20-Feb-2008	20-Feb-2013	NO	Eur	10,000,000	2
Banca Monte Parma	4.30% fixed rate	NO	27-May-2008	27-May-2013	NO	Eur	9,905,000	2
Banca Monte Parma	4.60% fixed rate	NO	25-Jun-2008	25-Jun-2013	NO	Eur	10,000,000	2
Banca Monte Parma	4.60% fixed rate	NO	26-Aug-2008	26-Aug-2013	NO	Eur	20,000,000	4
Banca Monte Parma	3.25% fixed rate	NO	04-Feb-2009	04-Feb-2014	NO	Eur	11,500,000	5
Banca Monte Parma	4.50% fixed rate	NO	05-Feb-2009	05-Feb-2014	NO	Eur	5,000,000	2
Banca Monte Parma	2.80% fixed rate	NO	22-Apr-2009	22-Apr-2014	NO	Eur	10,000,000	4
Banca Monte Parma	3.10% fixed rate	NO	09-Jul-2009	09-Jul-2014	NO	Eur	9,000,000	4
Banca Monte Parma	3.50% fixed rate	NO	11-Aug-2009	11-Aug-2016	NO	Eur	5,000,000	4
Banca Monte Parma	3.20% fixed rate	NO	25-Sep-2009	25-Sep-2016	NO	Eur	5,000,000	4
Banca Monte Parma	3.00% fixed rate	NO	30-Jul-2010	30-Oct-2015	NO	Eur	20,000,000	12
Total eligible subordinated liabilities (Lower Tier II)								**8,328**
TOTAL								**9,717**

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)

	31.12.2012	31.12.2011
A. Tier 1 capital before the application of prudential filters	**38,342**	**39,442**
B. Tier 1 capital prudential filters	**-387**	**-669**
B.1 Positive IAS/IFRS prudential filters (+)	*-*	*-*
B.2 Negative IAS/IFRS prudential filters (-)	*-387*	*-669*
C. Tier 1 before items to be deducted (A+B)	**37,955**	**38,773**
D. Items to be deducted from Tier 1	**1,942**	**1,478**
E. Total Tier 1 capital (C-D)	**36,013**	**37,295**
F. Tier 2 capital before the application of prudential filters	**10,175**	**13,737**
G. Tier 2 capital prudential filters	**-92**	**-58**
G.1 Positive IAS/IFRS prudential filters (+)	*-*	*-*
G.2 Negative IAS/IFRS prudential filters (-)	*-92*	*-58*
H. Tier 2 before items to be deducted (F+G)	**10,083**	**13,679**
I. Items to be deducted from Tier 2	**1,942**	**1,478**
L. Total Tier 2 capital (H-I)	**8,141**	**12,201**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**3,410**	**3,144**
N. Regulatory capital (E+L-M)	**40,744**	**46,352**
O. Tier 3 capital	**-**	**-**
P. Regulatory capital including Tier 3 (N+O)	**40,744**	**46,352**

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 and counterparty risk, calculated based on the Basel 1 rules. This penalty was prudently introduced by the Bank of Italy on authorising the use of Internal Methods for the calculation of requirements for credit risk in relation to several aspects deemed worthy of implementing. Taking account of the measures implemented by the Intesa Sanpaolo Group in relation to the problems detected, the Bank of Italy authorised the reduction of said floor from 90% to 85% starting from 30 June 2011.

In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital soundness: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preferred shares and, effective 31 December 2010, preferred savings and ordinary shares) and risk-weighted assets.

For the calculation of credit and counterparty risk capital requirements, the Intesa Sanpaolo Group, having received authorisation from the Supervisory Authority, uses the Advanced IRB approach (AIRB) and the foundation IRB approach for the Corporate segment and the IRB approach[11] for the Retail Mortgage segment (Residential mortgages for private individuals) and SME retail segment (retail exposures). In particular:

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

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

The table below shows the scope of companies for which the Group, as at 31 December 2012, uses the IRB approaches in calculating the capital requirements for credit and counterparty risk for the "Corporate" (Foundation and Advanced IRB), "Residential mortgages to private individuals" (IRB) and "SME retail" (IRB) regulatory segments.

Scope of companies for application of the IRB approaches

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

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 plan presented to the Supervisory Authority.

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

With respect to Operational Risks, the Group has adopted the Advanced Measurement Approaches (AMA – internal model) to determine the associated capital requirements for regulatory purposes:
- effective from 31 December 2009, for an initial set including the Organisational Units, Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka;
- effective from 31 December 2010, for a second set of companies within the Corporate and Investment Banking Division, in addition to Setefi, the remaining banks of the Cassa di Risparmio di Firenze Group and PBZ Banka;

– effective from 31 December 2011, a third set including Banca Infrastrutture Innovazione e Sviluppo (incorporated into the Parent Company at the end of 2012).

In December 2012, an application was submitted to the Bank of Italy for a fourth scope including several companies of the Banca Fideuram group (Banca Fideuram, Fideuram Investimenti, Fideuram Gestions, Fideuram Asset Management Ireland and Sanpaolo Invest) and two international subsidiaries of VUB Banka (VUB Leasing and Consumer Finance Holding). The remaining companies, currently using the Standardised approach (TSA), will migrate progressively to the Advanced approaches starting from the end of 2013, based on the roll-out plan presented to the Management and Supervisory Authorities.

B. Quantitative information

(millions of euro)

	Unweighted amounts		Weighted amounts/ requirements	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
A. RISK ASSETS				
A.1 Credit and counterparty risk	**569,162**	**563,946**	**253,309**	**277,498**
1. Standard methodology	256,202	274,917	105,908	132,167
2. Methodology based on internal ratings	309,425	284,785	141,156	139,272
2.1 Base	*4,254*	*29,885*	*4,308*	*22,907*
2.2 Advanced	*305,171*	*254,900*	*136,848*	*116,365*
3. Securitisations	3,535	4,244	6,245	6,059
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risks			**20,265**	**22,200**
B.2 Market risk			**1,474**	**1,399**
1. Standard methodology			504	979
2. Internal models			954	420
3. Concentration risk			16	-
B.3 Operational risk			**2,059**	**1,986**
1. Base methodology			83	87
2. Standard methodology			347	326
3. Advanced methodology			1,629	1,573
B.4 Other capital requirements			**-**	**-**
B.5 Other calculation elements			**91**	**432**
B.6 Total capital requirements			**23,889**	**26,017**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**298,619**	**325,206**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			**12.1%**	**11.5%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)			**13.6%**	**14.3%**

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;
- Bentos Assicurazioni;
- Fideuram Vita.

As insurance parent company, Intesa Sanpaolo Vita calculates the aggregate solvency situation for insurance companies. Under ISVAP (now IVASS) Regulation 18 of 12 March 2008 (the insurers' code), Intesa Sanpaolo Vita is required to prepare a "consolidated aggregate". Intesa Sanpaolo Assicura, Intesa Sanpaolo Life and Bentos Assicurazioni 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 (now IVASS) 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 2012, Intesa Sanpaolo Vita showed a solvency ratio in terms of adjusted solvency, defined as the ratio of available margin to required margin, of approximately 189%. Following the performance recorded during the year and the improvement in Intesa Sanpaolo Vita's capital base, on 28 February 2013 the Company's Board of Directors examined a proposal to return part of the payments amounting to 200 million euro towards a future capital increase by Parent Company Intesa Sanpaolo, for a total of 275 million euro. Intesa Sanpaolo Vita's adjusted solvency exposure took into account this reduction in the elements comprising the available solvency margin.
The Group has an equity investment of a marginal amount in an insurance company located in Slovakia, subject to joint control and held through subsidiary Vseobecna Uverova Banka (VUB).

SECTION 4 – THE CAPITAL ADEQUACY OF THE FINANCIAL CONGLOMERATE

(millions of euro)

	Amounts
A. Financial conglomerate amount	46,822
B. Capital requirements for banking elements	23,889
C. Solvency margins for insurance elements	2,440
D. Total capital requirements of the financial conglomerate (B+C)	**26,329**
E. Financial conglomerate surplus (definicit) (A-D)	**20,493**

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 2012 the capital of the Intesa Sanpaolo financial conglomerate exceeded its capital requirements, defined as the conglomerate's capital needs, by approximately 20,493 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. New 16 (f)	17 Dec 2012	17	100.00	n.a.	n.a.	-
2. Bentos Assicurazioni	17 Dec 2012	13	100.00	n.a.	-3	-

[a] Date of acquisition of control.

[b] Percentage of voting rights at the Ordinary Shareholders' Meeting plus possible options on minorities' stakes.

[c] Net interest and other banking income (Caption 120 of the income statement) referred to full year 2012.

[d] Net income / loss recorded by the subsidiary for full year 2012.

[e] Net income / loss recorded by the subsidiary after acquisition date and included in the consolidated result of the Intesa Sanpaolo Group.

[f] The company was merged into Intesa Sanpaolo Provis (the acquirer) concurrently with acquisition.

In addition to business combinations governed by IFRS 3 and summarised in the previous 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:

- the partial demerger of Societè Europeenne de Banque, with assignment to ISP Holding International of 100% of the investment in ISP Private Bank (Suisse);
- the transfer of Sudameris SA from ISP Holding International to Intesa Sanpaolo;
- the contribution of a business line (18 branches) from Intesa Sanpaolo to CR di Pistoia e della Lucchesia (formerly CR di Pistoia e Pescia);
- the contribution of a business line (25 branches) from CR di Firenze to CR di Pistoia e della Lucchesia;
- the transfer of a business line (12 branches) from CR di Pistoia e della Lucchesia to CR di Bologna;
- the transfer of a business line (10 branches) from CR di Pistoia e della Lucchesia to CR di Firenze;
- the transfer of a business line (2 branches) from CR di Firenze to CR di Forlì e della Romagna;
- the transfer of a business line (1 branch) from CR di Firenze to CR di Ascoli Piceno;
- the transfer of a business line (8 branches) from CR di Foligno to CR di Ascoli Piceno;
- the transfer of a business line (2 branches) from CR di Spoleto to CR di Ascoli Piceno;
- the transfer of a business line (1 branch) from CR di Rieti to CR di Ascoli Piceno;
- the contribution of a business line (78 branches) from Intesa Sanpaolo to CR di Firenze;
- the contribution of a business line from Intesa Sanpaolo to ISP Group Services;
- the merger by incorporation of CR Firenze Romania into Intesa Sanpaolo Romania;
- the merger by incorporation of CR di Terni e Narni, CR di Città di Castello and CR di Foligno into CR dell'Umbria (formerly CR di Spoleto);
- the transfer of a business line (1 branch) from CR di Terni e Narni to Intesa Sanpaolo;
- transfer of a business line (1 branch) from CR di Città di Castello to CR di Firenze;
- the partial, non-proportional demerger of CR di Firenze to Intesa Sanpaolo (23 branches and the entire investment in CR di Ascoli Piceno), CR del Veneto (1 branch) and CR di Bologna (32 branches);
- the merger by incorporation of Banco Emiliano Romagnolo into Intesa Sanpaolo and contribution of a business line from Intesa Sanpaolo to CR di Bologna;
- the full demerger of Banca Infrastrutture Innovazione e Sviluppo to Intesa Sanpaolo and Leasint (leasing segment);
- the merger by incorporation of Finanziaria BTB into Intesa Sanpaolo;
- the merger by incorporation of Medimurska Banka into Privredna Banka Zagreb (PBZ);
- the partial non-proportional demerger of CR di Firenze (17 branches) to CR dell'Umbria;
- the contribution of a business line (10 branches) from Intesa Sanpaolo to CR dell'Umbria;
- the transfer of Intesa Lease Sec from Intesa Sanpaolo to Leasint;

- the merger by incorporation of SEP – Servizi e Progetti into Intesa Sanpaolo;
- the merger by incorporation of Intesa Investimenti into Intesa Sanpaolo;
- the merger by incorporation of New 16 into Intesa Sanpaolo Provis (formerly Intesa Real Estate).

Annual changes in goodwill

(millions of euro)

	31.12.2012
Initial goodwill	**8,689**
Increases	**4**
- Goodwill recorded in the year	4
- Positive foreign exchange differences and other changes	-
Decreases	**-12**
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences and other changes	-12
Final Goodwill	**8,681**

Goodwill

(millions of euro)

CGUs/Goodwill	31.12.2012	31.12.2011
Banca dei Territori	5,043	5,039
Corporate e Investment Banking	867	867
Eurizon Capital	1,038	1,038
Banca Fideuram	1,002	1,002
Banche Estere	731	743
Bank of Alexandria (Egitto)	-	-
Pravex Bank (Ucraina)	-	-
Total	**8,681**	**8,689**

1.2 Other information

Acquisition of New 16 and Bentos Assicurazioni

The offer submitted by Intesa Sanpaolo to the Receivers of the Delta Group, under extraordinary administration, included the December 2012 purchase of the following companies:

- New 16;
- Bentos Assicurazioni.

New 16, which was the beneficiary of a partial demerger by SediciBanca of lending operations and a property, was acquired by Intesa Sanpaolo Provis on 17 December 2012 for agreed consideration of 17 million euro. The purchasing company (formerly Intesa Real Estate) is 100%-owned by Intesa Sanpaolo and was registered in advance in the Register of Financial Companies pursuant to Art. 106. A comparison of the price paid and equity of New 16 as at the execution date, 13 million euro, yields a difference of 4 million euro, allocated to goodwill. The balance sheet position of New 16 as at the execution date also included loans to customers for 185 million euro, a property for 19 million euro, deferred tax assets for 9 million euro and amounts due to banks for 230 million euro. Lastly, it should be noted that upon acquisition, all legal transactions classified as "loans to customer" (except for doubtful positions) and "amounts due to customers" were transferred to Intesa Sanpaolo, through sale of the entire portfolio, pursuant to Art. 58 of the Consolidated Law on Banking. The residual portion not transferred to Intesa Sanpaolo, including doubtful loans, the property and deferred tax assets, was incorporated into Intesa Sanpaolo Provis.

Intesa Sanpaolo Vita, in which Intesa Sanpaolo holds a 99.99% interest, acquired 100% of the shares representing the share capital of Bentos Assicurazioni on 17 December 2012 for agreed consideration of 13 million euro. For the purposes of the application of IFRS 3, the price paid was in line with the company's equity. As at 31 December 2012, the company had total assets of 27 million euro and technical reserves of 8 million euro.

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 2012.

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", which establish for the entire Group and with respect to transactions with related parties of Intesa Sanpaolo:

- the criteria used to identify related parties,
- the categories of related party transactions,
- cases of exemption from application of the regulations,
- the analysis, proposal and decision-making procedures for the transactions,
- the subsequent requirements for reporting to the Parent Company's corporate Bodies,
- the necessary controls to ensure market disclosure.

The above Regulations were applied until 30 December 2012. Effective 31 December 2012, the Group is required to apply the new Regulations on the management of transactions with related parties of Intesa Sanpaolo and associated entities of the Group, revised in light of the Bank of Italy's supervisory regulations.

Pursuant to the Regulations applied throughout 2012, 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 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: in that case, 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.

On 12 December 2011, the Bank of Italy published the new supervisory regulations on activities involving risk and conflicts of interest by banks and banking groups with respect to "associated entities", in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008.
The new provisions aim to monitor the objectivity and impartiality of decisions regarding bank transactions with parties closely linked to the decision-making centres and are added to and only partially overlap the other regulations already in force on this matter (Article 2391 of the Italian Civil Code, Article 136 of the Consolidated Law on Banking, Consob Regulation on related parties, IAS 24).
In June 2012, after obtaining the Control Committee's favourable opinion, the Management Board and Supervisory Board then approved the new "Intesa Sanpaolo Group Regulations on the management of transactions with the related parties of Intesa Sanpaolo S.p.A. and associated entities of the Group," which takes account of both the rules issued by Consob and the supervisory provisions introduced by the Bank of Italy. Those Regulations were applied, as required, effective 31 December 2012, and have been published on the Bank's website.
The safeguards applicable to transactions with related parties and associated entities pertain to the following aspects:
– the process of analysis, decision-making and information for corporate bodies in connection with transactions with related parties and associated entities;
– market disclosure for transactions with related parties;
– the prudential limits and obligations for periodic reporting to the Bank of Italy for activities at risk in relation to associated entities.

The new Regulations apply to the entire Intesa Sanpaolo Group and govern the dealings with related parties of Intesa Sanpaolo and associated entities of the Intesa Sanpaolo Group with respect to the following aspects:
– the criteria for identifying related parties and associated entities;
– the cases of exemption from the application of rules for analysis, decision-making and information for corporate bodies and market disclosure rules;
– the analysis, proposal and decision-making procedures for transactions with related parties and associated entities;
– subsequent information obligations towards the corporate bodies of the Parent Company concerning transactions with related parties and associated entities;
– the safeguards to be applied to transactions with related parties and associated entities that give rise to losses, reclassification in the doubtful category or settlements in or out of court;
– the safeguards necessary to ensure disclosure to the market of transactions with related parties and periodic financial information;
– the limits on activities at risk in relation to associated entities;
– obligations for periodic reporting to the Bank of Italy with respect to activities at risk in relation to associated entities;
– the rules governing organisational controls and safeguards.

Finally, general rules are provided for disclosure and abstention for the management of the personal interests of officers, employees and company staff, including other than associated entities.

For the sake of completeness, it is noted that Intesa Sanpaolo is required to apply Article 136 of the Consolidated Law on Banking. This rule, as recently amended by Law 221/2012, requires that a special decision-making procedure be used (unanimous decision by the management body and favourable vote of members of the control body) to allow bank officers to contract obligations, directly or indirectly, with the bank of which they act as officers.
In Intesa Sanpaolo, the special decision-making procedure set forth in Article 136 of the aforementioned law – even regarding related parties or associated entities – requires a prior resolution adopted unanimously by the Management Board, with the unanimous approval of the members of the Supervisory Board. Without the approval of all the members of the control body, it is strictly prohibited for the transaction in question to go ahead.

Furthermore, the requirements envisaged by the Italian Civil Code regarding the personal interests of Directors are confirmed, insofar as Article 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may 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 2012 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 Key Managers of the Parent Company who fall within the notion of "related party". This also includes the maximum amounts of the variable portion of remuneration which shall be paid in cash and/or shares of the Parent Company, based on the Group's remuneration and incentive policy, subject to the verification of achievement of the assigned targets and the decisions of the competent bodies of the Parent Company.

(millions of euro)

	Supervisory Board/ Statutory Auditors [1]		Management Board/ [2]		Other managers [3]		TOTAL as at 31.12.2012	
	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]	13	11	23	20	42	33	78	64
Post-employement benefits [5]	-	-	-	-	3	3	3	3
Other long-term benefits [6]	-	-	-	-	6	-	6	-
Termination benefits [7]	-	-	-	-	6	6	6	6
Share-based payments [8]	-	-	-	-	8	-	8	-
Total	**13**	**11**	**23**	**20**	**65**	**42**	**101**	**73**

[1] Figures referring to 242 positions.

[2] Figures referring to 421 positions. The table does not include approximately 2 million euro relating to 96 positions on the Boards of Directors (or similar bodies), as this was fully reversed to other Group Companies.

[3] Figures referring to 78 positions. The table does not include approximately 7.5 million euro relating to 18 General Manager positions (or similar positions), as this was fully reversed to other Group Companies.

[4] Includes fixed and variable remuneration 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 an 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 22 April 2013.

For detailed information on remuneration policies, pursuant 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 2012 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 the "related parties" considered for the purposes of the tables in this section has been extended, effective 1 January 2011, in accordance with IAS 24.

	31.12.2012	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	5,704	0.9
Total other assets	11	0.1
Total financial liabilities	1,669	0.5
Total other liabilities	40	0.0

	31.12.2012	
	Amount (millions of euro)	**Impact** (%)
Total interest income	253	1.3
Total interest expense	-39	0.5
Total fee and commission income	99	1.5
Total fee and commission expense	-48	3.2
Total operating costs	-208	2.3

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 or debt instruments due from related parties, with the exception of 21 million euro related to associates and companies subject to joint control (including the adjustment of 20 million euro to the Risanamento convertible loan).
In the 2012 consolidated financial statements, the investment in Telco was written down by 116 million euro and the investment in Risanamento by 12 million euro. Other write-downs were recorded on R.C.S., Alitalia, Nuovo Trasporto Viaggiatori and Manucor. Adjustments for 18 million euro were also made to other investments in associates (Iren, NH Italia, Aeroporti Holding and other minority interests). The main revaluations included Bank of Qingdao, Allfunds Bank and Penghua. Please refer to Part C – Income Statement – Section 16 of the Consolidated Financial Statements for more information on the income (loss) of associates.

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	2	-	38	-	3	1
Companies subject to joint control	16	-	7	-	-	109	-	-	27	-	1	51
Associates	369	-	497	-	1	3,830	4	10	521	382	34	4,289
Key Managers and control bodies	-	-	-	-	-	3	-	-	3	-	-	7
Other related parties	3	-	-	-	-	49	3	-	200	-	1	12
Total	**388**	**-**	**504**	**-**	**1**	**3,992**	**9**	**10**	**789**	**382**	**39**	**4,360**
Shareholders (*)	128	-	456	-	107	128	2	214	272	2	1	1,254

(*) 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 - as envisaged by the new version of IAS 24 in force from 1 January 2011, are A4 Holding, Bank of Qingdao, Autostrade Lombarde, the NH Hoteles Group, Telco, Telecom,

Penghua Fund Management, SIA, Alitalia - Compagnia Aerea Italiana, Autostrada Pedemontana Lombarda, Cassa di Risparmio di Fermo, Risanamento, LKS 2, the Pirelli Group, Nuovo Trasporto Viaggiatori, A.I.2, Termomeccanica, Iren and Prelios Sgr.
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 2012 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 2012 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 companies controlled by them during the period, loans were granted to the Pirelli Group, the NH Hoteles Group, the Iren Group, the Autostrade Lombarde Group (and its subsidiary Società di Progetto Autostrada diretta Brescia-Milano), the A4 Holding Group (and its subsidiaries Serenissima Partecipazioni, Serenissima Costruzioni, Infracom Italia, Network Impresa and Autostrada Pedemontana Lombarda), the Euromilano Group, the Telco Group, Telecom Italia, Alitalia Compagnia Aerea Italiana, the Prelios Group, RCS Mediagroup (ad its subsidiary Register.it), Bank of Qingdao, the BEE TEAM Group, Cargoitalia (now under arrangement with creditors), Novamont, Italfondiario, Risanamento, the GCL Holdings Group, RCN Finanziaria (and its subsidiaries ISM Investimenti, Rodriguez Cantieri Navali and Intermarine), the Termomeccanica Group (TM.E. Termomeccanica Ecologica), Nuovo Trasporto Viaggiatori, Infragruppo and other minor associates and in favour of several joint ventures. All transactions were carried out at market interest rates.
With regard to Alitalia, the Management Board Meeting of 19 February 2013 authorised the subscription of a 150 million euro convertible bond loan issued by Alitalia on 22 February for a maximum amount of 25 million euro. On 25 February, the subsidiary of the Parent Company, Ottobre 2008, which holds 1.15% of the capital of Alitalia paid in 1.7 million euro, while Intesa Sanpaolo paid in 17 million euro.
Share capital increases were subscribed with respect to Autostrade Lombarde, Telco, Noverca Italia and other minor associates.
It should also be noted that in 2011, as part of the company's debt restructuring plan, Intesa Sanpaolo had subscribed for part of Risanamento's capital increase and Convertible Loan 2011-2014, in part through offsetting against the Bank's pre-existing loans. In 2012, the exposure to Risanamento was adjusted for a total of approximately 32 million euro, of which 20 million euro attributable to the convertible loan (also to take into consideration the option of reimbursement in shares at maturity) and approximately 12 million euro as the loss on valuation of the investment in the associate.
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), it should be recalled that in the first half of 2011, in addition to ordinary lending transactions, Intesa Sanpaolo and the Crédit Agricole Group finalised 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 for total consideration of approximately 740 million euro, subject to a purchase price adjustment mechanism that resulted in a cash outlay of 121 million euro.
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 a small number of 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 (of which 23,051,000 still outstanding as at 31 December 2011), exercisable during preset windows, after approval of the 2008 financial statements and not later than 30 April 2012 at a strike price of 3.9511 euro.
The above deadline for exercise has passed without any rights being exercised by the beneficiaries, making said stock option plan fully null and void. As a result, the Shareholders' Meeting of 29 October 2012 cancelled the provision in the Articles of Association concerning the related share capital increase.

1.2. Incentive Plan based on financial instruments

The Shareholders' Meeting of 28 May 2012 authorised, among other items, the purchase, also in several tranches, of Intesa Sanpaolo ordinary shares for the incentive system based on financial instruments, intended for a part of the Management staff and the so-called "risk-takers" for 2011 which, implementing the latest regulatory provisions on the matter, provides for the payment of part of the incentive through the assignment for free of Intesa Sanpaolo ordinary shares.
On 26 June 2012 the Intesa Sanpaolo Group totally purchased - through Banca IMI, in charge of the programme execution - 12,894,692 Intesa Sanpaolo ordinary shares (representing approximately 0.08% of the ordinary share capital) at an average purchase price of 0.97969 euro per share, for a total value of 12,632,743 euro.
The above shares shall be assigned to the beneficiaries in 2014, 2015 and 2016 in compliance with the implementing regulations set forth in the above incentive system. Generally, according to these regulations, the beneficiaries must remain in service up to the time the shares are actually delivered to them, and the deferred portion (either in cash or in financial instruments) of the incentive referring to the results achieved in 2011 is subject to an ex-post correction mechanism – the "malus condition" – according to which the relative amount paid and the number of shares assigned, if any, may be reduced by the level of achievement, in the year to which the deferred portion refers, of specific income statement-balance sheet targets which measure the sustainability over time of the results achieved.

B. QUANTITATIVE INFORMATION

Incentive plans based on financial instruments in 2012

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2011	-	-	-
Financial instruments granted during the year	12,894,692	-	March 2014 / June 2016
Financial instruments no longer assignable [(a)]	490,603	-	March 2014 / June 2016
Financial instruments vested during the year and assigned	-	-	-
Financial instruments outstanding as at 31 December 2012	12,404,089	-	March 2014 / June 2016
of which: vested and assigned as at 31 December 2012	-	-	-

[(a)] Shares no longer deliverable to beneficiaries due to severance.

Breakdown by residual life

Residual life	Number of shares
March-June 2014	4,928,992
March-June 2015	5,881,232
March-June 2016	1,593,865

Part L – Segment reporting

Breakdown by business area: income statement 2012 [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	5,863	2,272	1,642	2	140	-489	9,430
Dividends and profits (losses) on investments carried at equity	1	-34	25	12	-	35	39
Net fee and commission income	3,376	999	547	277	574	-322	5,451
Profits (Losses) on trading	90	996	61	2	14	1,019	2,182
Income from insurance business	713	-	-	-	110	5	828
Other operating income (expenses)	26	10	-87	1	-2	3	-49
Operating income	**10,069**	**4,243**	**2,188**	**294**	**836**	**251**	**17,881**
Personnel expenses	-3,278	-408	-591	-52	-141	-868	-5,338
Other administrative expenses	-2,333	-576	-434	-61	-192	675	-2,921
Adjustments to property, equipment and intangible assets	-8	-5	-131	-1	-15	-494	-654
Operating costs	**-5,619**	**-989**	**-1,156**	**-114**	**-348**	**-687**	**-8,913**
Operating margin	**4,450**	**3,254**	**1,032**	**180**	**488**	**-436**	**8,968**
Net provisions for risks and charges	-58	-32	-4	-5	-90	-56	-245
Net adjustments to loans	-2,660	-1,165	-908	-	-3	22	-4,714
Net impairment losses on other assets	-3	-87	-117	-	-12	-63	-282
Profits (Losses) on investments held to maturity and on other investments	-	-122	2	-	-15	18	-117
Income (Loss) before tax from continuing operations	**1,729**	**1,848**	**5**	**175**	**368**	**-515**	**3,610**
Taxes on income from continuing operations	-622	-590	-193	-35	-119	36	-1,523
Charges (net of tax) for integration and exit incentives	-104	-5	-2	-	-1	-22	-134
Effect of purchase price allocation (net of tax)	-173	-	-	-38	-88	-	-299
Goodwill impairment (net of tax)	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-
Minority interests	-	-	-	-3	-	-46	-49
Net income (loss)	**830**	**1,253**	**-190**	**99**	**160**	**-547**	**1,605**

Breakdown by business area: balance sheet as at 31 December 2012[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	182,077	143,134	29,312	226	3,985	17,891	376,625
Direct deposits from banking business	201,540	109,700	31,163	7	6,672	31,271	380,353

[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 2012 [a]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	7,121	1,908	401	9,430
Dividends and profits (losses) on investments carried at equity	-3	8	34	39
Net fee and commission income	4,358	1,018	75	5,451
Profits (Losses) on trading	2,111	25	46	2,182
Income from insurance business	773	55	-	828
Other operating income (expenses)	-16	-34	1	-49
Operating income	**14,344**	**2,980**	**557**	**17,881**
Personnel expenses	-4,630	-568	-140	-5,338
Other administrative expenses	-2,355	-512	-54	-2,921
Adjustments to property, equipment and intangible assets	-516	-126	-12	-654
Operating costs	**-7,501**	**-1,206**	**-206**	**-8,913**
Operating margin	**6,843**	**1,774**	**351**	**8,968**
Net provisions for risks and charges	-238	-1	-6	-245
Net adjustments to loans	-3,776	-892	-46	-4,714
Net impairment losses on other assets	-134	-149	1	-282
Profits (Losses) on investments held to maturity and on other investments	-119	1	1	-117
Income (Loss) before tax from continuing operations	**2,576**	**733**	**301**	**3,610**
Taxes on income from continuing operations	-1,153	-336	-34	-1,523
Charges (net of tax) for integration and exit incentives	-132	-2	-	-134
Effect of purchase price allocation (net of tax)	-278	-21	-	-299
Goodwill impairment (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	9	-44	-14	-49
Net income (loss)	**1,022**	**330**	**253**	**1,605**

Distribution by geographical area: balance sheet as at 31 December 2012 [a]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers	329,845	37,795	8,985	376,625
Direct deposits from banking business	325,971	50,545	3,837	380,353

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 2012.

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 2012 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[12].

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2012:
   – 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.

12 March 2013

Enrico Tommaso Cucchiani
Managing Director and CEO

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

[12] 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

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

1 We have audited the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2012, comprising the consolidated balance sheet, consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated shareholders' equity, consolidated statement of cash flows and notes thereto. The parent's management board is responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management board. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report of other auditors dated 23 April 2012 for their opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Intesa Sanpaolo Group as at 31 December 2012, the results of its operations and its cash flows for the year then ended.

4 The management board of Intesa Sanpaolo S.p.A. is responsible for the preparation of a report on operations on the financial statements and a 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 of the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structures with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on corporate governance and ownership structures are consistent with the consolidated financial statements of the Intesa Sanpaolo Group as at and for the year ended 31 December 2012.

Milan, 20 March 2013

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli
Director

Attachments to the Consolidated Financial Statements

Consolidated reconciliation statements

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2011 and the restated consolidated balance sheet as at 31 December 2011

Reconciliation between the published consolidated income statement for 2011 and the restated consolidated income statement for 2011

Reconciliation between the consolidated income statement for 2012 and the restated consolidated income statement for 2012

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Other Attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2012

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the published consolidated balance sheet as at 31 December 2011 and the restated consolidated balance sheet as at 31 December 2011

(millions of euro)

Assets		31.12.2011 Published (*)	Changes in the scope of consolidation Acquisition of New16 (a)	31.12.2011 Restated
10.	Cash and cash equivalents	4,061	-	4,061
20.	Financial assets held for trading	59,963	-	59,963
30.	Financial assets designated at fair value through profit and loss	34,253	-	34,253
40.	Financial assets available for sale	68,777	-	68,777
50.	Investments held to maturity	2,621	-	2,621
60.	Due from banks	35,865	-	35,865
70.	Loans to customers	376,744	230	376,974
80.	Hedging derivatives	10,248	-	10,248
90.	Fair value change of financial assets in hedged portfolios (+/-)	137	-	137
100.	Investments in associates and companies subject to joint control	2,630	-	2,630
110.	Technical insurance reserves reassured with third parties	15	-	15
120.	Property and equipment	5,536	19	5,555
130.	Intangible assets	15,041	-	15,041
	of which			
	- goodwill	*8,689*	-	*8,689*
140.	Tax assets	14,702	10	14,712
	a) current	*2,379*	-	*2,379*
	b) deferred	*12,323*	*10*	*12,333*
	- of which convertible into tax credit (Law no. 214/2011)	*6,511*	-	*6,511*
150.	Non-current assets held for sale and discontinued operations	26	-	26
160.	Other assets	8,602	3	8,605
Total Assets		**639,221**	**262**	**639,483**

(*) Historic data originally published in the 2011 Annual Report.

(a) Acquisition by subsidiary Intesa Sanpaolo Provis Srl of New16 S.p.A, a Delta Group company, in December 2012.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2011 Published (*)	Changes in the scope of consolidation	31.12.2011 Restated
			Acquisiton of New16 (a)	
10.	Due to banks	78,644	214	78,858
20.	Due to customers	197,165	28	197,193
30.	Securities issued	160,245	-	160,245
40.	Financial liabilities held for trading	48,740	-	48,740
50.	Financial liabilities designated at fair value through profit and loss	22,653	-	22,653
60.	Hedging derivatives	8,576	-	8,576
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,686	-	1,686
80.	Tax liabilities	4,064	5	4,069
	a) current	*689*	-	*689*
	b) deferred	*3,375*	*5*	*3,380*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100.	Other liabilities	13,963	1	13,964
110.	Employee termination indemnities	1,338	-	1,338
120.	Allowances for risks and charges	3,628	-	3,628
	a) post employment benefits	*402*	-	*402*
	b) other allowances	*3,226*	-	*3,226*
130.	Technical reserves	50,761	-	50,761
140.	Valuation reserves	-3,298	-	-3,298
150.	Redeemable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	13,843	-	13,843
180.	Share premium reserve	36,143	-	36,143
190.	Share capital	8,546	-	8,546
200.	Treasury shares (-)	-4	-	-4
210.	Minority interests (+/-)	718	14	732
220.	Net income (loss)	-8,190	-	-8,190
Total Liabilities and Shareholders' Equity		**639,221**	**262**	**639,483**

(*) Historic data originally published in the 2011 Annual Report.

(a) Acquisition by subsidiary Intesa Sanpaolo Provis Srl of New16 S.p.A, a Delta Group company, in December 2012.

Reconciliation between the published consolidated income statement for 2011 and the restated consolidated income statement for 2011

(millions of euro)

	2011 Published (*)	Changes in the scope of consolidation					2011 Restated
		Contributions to Crédit Agricole (a)	Disposal of Fideuram Bank Suisse (c)	Acquisition of Banca Sara (c)	Acquisition of Banca Monte Parma (d)	**Total change in the scope of consolida-tion**	
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	-1	14	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**	**-1**	**5**	**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**	**-1**	**8**	**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**	**-1**	**8**	**-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**	**-1**	**8**	**-15**	**-37**	**11,466**
180. Administrative expenses	-9,839	28	1	-8	-32	-11	-9,850
a) personnel expenses	*-6,223*	*18*	*1*	*-4*	*-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**	**1**	**-8**	**-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**

(*) Historic data originally published in the 2011 Annual Report. The Consolidated Income Statement as at 31 December 2011 remains unchanged in compliance with IFRS 3 and IFRS 5 since there were neither adjustments to the purchase price allocation relating to business combinations nor newly classified discontinued operations in the caption "Income (Loss) after tax from discontinued operations".

(a) 2011 income statement figures of the 96 branches sold to Crédit Agricole in the first half of 2011, relating to the period prior to disposal by the Intesa Sanpaolo Group.

(b) 2011 income statement figures of Fideuram Bank Suisse, sold in June 2011, relating to the period prior to disposal by the Intesa Sanpaolo Group.

(c) 2011 income statement figures of Banca Sara, acquired by Banca Fideuram in June 2011 and subsequently the subject of total demerger in favour of Banca Fideuram and Sanpaolo Invest SIM, relating to the period prior to acquisition by the Intesa Sanpaolo Group.

(d) 2011 income statement figures of Banca Monte Parma, acquired in July 2011, relating to the period prior to acquisition by the Intesa Sanpaolo Group.

Reconciliation between the consolidated income statement for 2012 and the restated consolidated income statement for 2012

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

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		31.12.2012	31.12.2011 restated	Changes amount	Changes %
10.	Cash and cash equivalents	5,301	4,061	1,240	30.5
20.	Financial assets held for trading	63,546	59,963	3,583	6.0
30.	Financial assets designated at fair value through profit and loss	36,887	34,253	2,634	7.7
40.	Financial assets available for sale	97,209	68,777	28,432	41.3
50.	Investments held to maturity	2,148	2,621	-473	-18.0
60.	Due from banks	36,533	35,865	668	1.9
70.	Loans to customers	376,625	376,974	-349	-0.1
80.	Hedging derivatives	11,651	10,248	1,403	13.7
90.	Fair value change of financial assets in hedged portfolios (+/-)	73	137	-64	-46.7
100.	Investments in associates and companies subject to joint control	2,706	2,630	76	2.9
110.	Technical insurance reserves reassured with third parties	13	15	-2	-13.3
120.	Property and equipment	5,530	5,555	-25	-0.5
130.	Intangible assets	14,719	15,041	-322	-2.1
	of which				
	- goodwill	*8,681*	*8,689*	*-8*	*-0.1*
140.	Tax assets	12,563	14,712	-2,149	-14.6
	a) current	*2,730*	*2,379*	*351*	*14.8*
	b) deferred	*9,833*	*12,333*	*-2,500*	*-20.3*
	- of which convertible into tax credit (Law no. 214/2011)	*5,984*	*6,511*	*-527*	*-8.1*
150.	Non-current assets held for sale and discontinued operations	25	26	-1	-3.8
160.	Other assets	7,943	8,605	-662	-7.7
Total Assets		**673,472**	**639,483**	**33,989**	**5.3**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2012	31.12.2011 restated	Changes amount	Changes %
10.	Due to banks	73,352	78,858	-5,506	-7.0
20.	Due to customers	218,051	197,193	20,858	10.6
30.	Securities issued	159,307	160,245	-938	-0.6
40.	Financial liabilities held for trading	52,195	48,740	3,455	7.1
50.	Financial liabilities designated at fair value through profit and loss	27,047	22,653	4,394	19.4
60.	Hedging derivatives	10,776	8,576	2,200	25.7
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,802	1,686	116	6.9
80.	Tax liabilities	3,494	4,069	-575	-14.1
	a) current	*1,617*	*689*	*928*	
	b) deferred	*1,877*	*3,380*	*-1,503*	*-44.5*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	18,039	13,964	4,075	29.2
110.	Employee termination indemnities	1,207	1,338	-131	-9.8
120.	Allowances for risks and charges	3,343	3,628	-285	-7.9
	a) post employment benefits	*416*	*402*	*14*	*3.5*
	b) other allowances	*2,927*	*3,226*	*-299*	*-9.3*
130.	Technical reserves	54,660	50,761	3,899	7.7
140.	Valuation reserves	-1,399	-3,298	-1,899	-57.6
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	9,941	13,843	-3,902	-28.2
180.	Share premium reserve	30,934	36,143	-5,209	-14.4
190.	Share capital	8,546	8,546	-	-
200.	Treasury shares (-)	-14	-4	10	
210.	Minority interests (+/-)	586	732	-146	-19.9
220.	Net income (loss)	1,605	-8,190	9,795	
Total Liabilities and Shareholders' Equity		**673,472**	**639,483**	**33,989**	**5.3**

Restated consolidated income statement

(millions of euro)

	2012	2011 restated	Changes amount	Changes %
10. Interest and similar income	19,700	19,173	527	2.7
20. Interest and similar expense	-8,418	-7,782	636	8.2
30. Interest margin	**11,282**	**11,391**	**-109**	**-1.0**
40. Fee and commission income	6,641	6,316	325	5.1
50. Fee and commission expense	-1,511	-1,288	223	17.3
60. Net fee and commission income	**5,130**	**5,028**	**102**	**2.0**
70. Dividend and similar income	507	542	-35	-6.5
80. Profits (Losses) on trading	549	-204	753	
90. Fair value adjustments in hedge accounting	-8	-8	-	-
100. Profits (Losses) on disposal or repurchase of	1,348	753	595	79.0
a) loans	*-3*	*-16*	*-13*	*-81.3*
b) financial assets available for sale	*270*	*590*	*-320*	*-54.2*
c) investments held to maturity	*-14*	*-1*	*13*	
d) financial liabilities	*1,095*	*180*	*915*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	1,294	-210	1,504	
120. Net interest and other banking income	**20,102**	**17,292**	**2,810**	**16.3**
130. Net losses / recoveries on impairment	-4,521	-5,070	-549	-10.8
a) loans	*-4,308*	*-4,279*	*29*	*0.7*
b) financial assets available for sale	*-161*	*-776*	*-615*	*-79.3*
c) investments held to maturity	*1*	*-2*	*3*	
d) other financial activities	*-53*	*-13*	*40*	
140. Net income from banking activities	**15,581**	**12,222**	**3,359**	**27.5**
150. Net insurance premiums	5,660	9,260	-3,600	-38.9
160. Other net insurance income (expense)	-8,145	-10,016	-1,871	-18.7
170. Net income from banking and insurance activities	**13,096**	**11,466**	**1,630**	**14.2**
180. Administrative expenses	-9,085	-9,850	-765	-7.8
a) personnel expenses	*-5,570*	*-6,227*	*-657*	*-10.6*
b) other administrative expenses	*-3,515*	*-3,623*	*-108*	*-3.0*
190. Net provisions for risks and charges	-258	-238	20	8.4
200. Net adjustments to / recoveries on property and equipment	-469	-382	87	22.8
210. Net adjustments to / recoveries on intangible assets	-710	-723	-13	-1.8
220. Other operating expenses (income)	486	495	-9	-1.8
230. Operating expenses	**-10,036**	**-10,698**	**-662**	**-6.2**
240. Profits (Losses) on investments in associates and companies subject to joint control	-123	-207	-84	-40.6
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	30	171	-141	-82.5
280. Income (Loss) before tax from continuing operations	**2,967**	**-9,606**	**12,573**	
290. Taxes on income from continuing operations	-1,313	1,429	-2,742	
300. Income (Loss) after tax from continuing operations	**1,654**	**-8,177**	**9,831**	
310. Income (Loss) after tax from discontinued operations	-	-	-	
320. Net income (loss)	**1,654**	**-8,177**	**9,831**	
330. Minority interests	-49	-13	36	
340. Parent Company's net income (loss)	**1,605**	**-8,190**	**9,795**	

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 consolidated balance sheet - Assets	31.12.2012	31.12.2011
Financial assets held for trading		63,546	59,963
	Caption 20 - Financial assets held for trading	*63,546*	*59,963*
Financial assets designated at fair value through profit and loss		36,887	34,253
	Caption 30 - Financial assets designated at fair value through profit and loss	*36,887*	*34,253*
Financial assets available for sale		97,209	68,777
	Caption 40 - Financial assets available for sale	*97,209*	*68,777*
Investments held to maturity		2,148	2,621
	Caption 50 - Investments held to maturity	*2,148*	*2,621*
Due from banks		36,533	35,865
	Caption 60 - Due from banks	*36,533*	*35,865*
Loans to customers		376,625	376,974
	Caption 70 - Loans to customers	*376,625*	*376,974*
Investments in associates and companies subject to joint control		2,706	2,630
	Caption 100 - Investments in associates and companies subject to joint control	*2,706*	*2,630*
Property, equipment and intangible assets		20,249	20,596
	Caption 120 - Property and equipment	*5,530*	*5,555*
	+ Caption 130 - Intangible assets	*14,719*	*15,041*
Tax assets		12,563	14,712
	Caption 140 - Tax assets	*12,563*	*14,712*
Non-current assets held for sale and discontinued operations		25	26
	Caption 150 - Non-current assets held for sale and discontinued operations	*25*	*26*
Other assets		24,981	23,066
	Caption 10 - Cash and cash equivalents	*5,301*	*4,061*
	+ Caption 160 - Other assets	*7,943*	*8,605*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*13*	*15*
	+ Caption 80 - Hedging derivatives	*11,651*	*10,248*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*73*	*137*
Total Assets	**Total Assets**	**673,472**	**639,483**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	31.12.2012	31.12.2011
Due to banks		73,352	78,858
	Caption 10 - Due to banks	*73,352*	*78,858*
Due to customers and securities issued		377,358	357,438
	Caption 20 - Due to customers	*218,051*	*197,193*
	+ Caption 30 - Securities issued	*159,307*	*160,245*
Financial liabilities held for trading		52,195	48,740
	Caption 40 - Financial liabilities held for trading	*52,195*	*48,740*
Financial liabilities designated at fair value through profit and loss		27,047	22,653
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*27,047*	*22,653*
Tax liabilities		3,494	4,069
	Caption 80 - Tax liabilities	*3,494*	*4,069*
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		30,617	24,226
	Caption 100 - Other liabilities	*18,039*	*13,964*
	+ Caption 60 - Hedging derivatives	*10,776*	*8,576*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,802*	*1,686*
Technical reserves		54,660	50,761
	Caption 130 - Technical reserves	*54,660*	*50,761*
Allowances for specific purpose		4,550	4,966
	Caption 110 - Employee termination indemnities	*1,207*	*1,338*
	Caption 120 - Allowances for risks and charges	*3,343*	*3,628*
Share capital		8,546	8,546
	Caption 190 - Share capital	*8,546*	*8,546*
Reserves (net of treasury shares)		40,861	49,982
	Caption 170 - Reserves	*9,941*	*13,843*
	Caption 180 - Share premium reserve	*30,934*	*36,143*
	– Caption 200 - Treasury shares	*-14*	*-4*
Valuation reserves		-1,399	-3,298
	Caption 140 - Valuation reserves	*-1,399*	*-3,298*
Minority interests		586	732
	Caption 210 - Minority interests	*586*	*732*
Net income (loss)		1,605	-8,190
	Caption 220 - Net income (loss)	*1,605*	*-8,190*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**673,472**	**639,483**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2012	2011 restated
Net interest income		9,430	9,780
	Caption 30 - Interest margin	*11,282*	*11,391*
	- Caption 30 (partial) - Contribution of insurance business	*-2,253*	*-2,012*
	- Caption 30 (partial) - Interest margin (Effect of purchase price allocation)	*33*	*50*
	- Caption 30 (partial) - Interest margin (Fiscal settlement)	*10*	*35*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*80*	*71*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*379*	*354*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and otl + Caption 18	*-88*	*-91*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and cha + Caption 19	*-13*	*-18*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		39	72
	Caption 70 - Dividend and similar income	*507*	*542*
	- Caption 70 (partial) - Contribution of insurance business	*-94*	*-87*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-384*	*-428*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*10*	*45*
Net fee and commission income		5,451	5,466
	Caption 60 - Net fee and commission income	*5,130*	*5,028*
	- Caption 60 (partial) - Contribution of insurance business	*336*	*455*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*-15*	*-17*
Profits (Losses) on trading		2,182	920
	Caption 80 - Profits (Losses) on trading	*549*	*-204*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-8*	*-8*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*270*	*590*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*1,095*	*180*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*1,294*	*-210*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*384*	*428*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-80*	*-71*
	- Caption 80 (partial) - Contribution of insurance business	*-1,322*	*217*
	- Caption 100 d) (partial) - Financial liabilities (Effect of purchase price allocation)	*-*	*-2*
Income from insurance business		828	540
	Caption 150 - Net insurance premiums	*5,660*	*9,260*
	+ Caption 160 - Other net insurance income (expense)	*-8,145*	*-10,016*
	+ Caption 30 (partial) - Contribution of insurance business	*2,253*	*2,012*
	+ Caption 60 (partial) - Contribution of insurance business	*-336*	*-455*
	+ Caption 70 (partial) - Contribution of insurance business	*94*	*87*
	+ Caption 80 (partial) - Contribution of insurance business	*1,322*	*-217*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-20*	*-131*
Other operating income (expenses)		-49	7
	Caption 220 - Other operating income (expenses)	*486*	*495*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-10*	*-9*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*-531*	*-488*
	- Caption 220 (partial) - Other operating income (expenses) (Fiscal settlement)	*6*	*9*
Operating income		**17,881**	**16,785**
Personnel expenses		-5,338	-5,419
	Caption 180 a) - Personnel expenses	*-5,570*	*-6,227*
	- Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*144*	*717*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other)	*88*	*91*
Other administrative expenses		-2,921	-3,080
	Caption 180 b) - Other administrative expenses	*-3,515*	*-3,623*
	- Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*38*	*29*
	- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*15*	*17*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of indirect taxes)	*531*	*488*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*10*	*9*
Adjustments to property, equipment and intangible assets		-654	-638
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-469*	*-382*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-710*	*-723*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Charges for integration)	*4*	*5*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*2*	*11*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*120*	*8*
	- 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)	*-21*	*-22*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	*420*	*464*
Operating costs		**-8,913**	**-9,137**
Operating margin		**8,968**	**7,648**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2012	2011 restated
Operating margin		**8,968**	**7,648**
Net provisions for risks and		-245	-218
	Caption 190 - Net provisions for risks and charges	*-258*	*-238*
	- 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)	*13*	*18*
Net adjustments to loans		-4,714	-4,243
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-3*	*-16*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-4,308*	*-4,279*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-379*	*-354*
	- Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	*27*	*414*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*-53*	*-13*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)	*2*	*5*
Net impairment losses on other assets		-282	-1,069
	+ Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	-27	-414
	+ Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-161*	*-776*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*1*	*-2*
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*20*	*131*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment) integration)	*-120*	*-8*
		-	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)	*5*	*-*
	+ 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*
	+ 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		-117	-99
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-14*	*-1*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*-123*	*-207*
	(carried at equity)	*-10*	*-45*
	+ Caption 270 - Profits (Losses) on disposal of investments	*30*	*171*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase price allocation)	*-*	*-17*
Income (Loss) before tax from continuing operations		**3,610**	**2,019**
Taxes on income from continuing operations		-1,523	910
	Caption 290 - Taxes on income from continuing operations	*-1,313*	*1,429*
	+ Caption 30 (partial) - Interest margin (Fiscal settlement)	*-10*	*-35*
	+ Caption 220 (partial) - Other operating income/expenses (Fiscal settlement)	*-6*	*-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)	*-54*	*-213*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase price allocation)	*-140*	*-157*
Charges (net of tax) for integration and exit incentives		-134	-552
	+ Caption 180 a) (partial) - Personnel expenses (Charges for integration and exit incentives)	*-144*	*-717*
	+ Caption 180 b) (partial) - Other administrative expenses (Charges for integration)	*-38*	*-29*
	+ Caption 190 (partiale - 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)	*-4*	*-5*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Charges for integration)	*-2*	*-11*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - Charges for integration)	*-*	*-1*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Charges for integration)	*54*	*213*

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2012	2011 restated
Effect of purchase price allocation (net of tax)		-299	-321
	+ *Caption 30 (partial) - Interest margin (Effect of purchase price allocation)*	*-33*	*-50*
	+ *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)*	*21*	*22*
	+ *Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - Effect of purchase price allocation)*	*-5*	*-*
	+ *Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)*	*-420*	*-464*
	+ *Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase price allocation)*	*-2*	*-5*
	+ *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)*	*140*	*157*
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		-	-
	Caption 310 - Income (Loss) after tax from discontinued operations	*-*	*-*
Minority interests		-49	-13
	Caption 330 - Minority interests	*-49*	*-13*
Net income (loss)	**Caption 340 - Parent Company's net income (loss)**	**1,605**	**-8,190**

Other consolidated attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2012

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 - 475/2012(*) - 1254/2012 (**) - 1255/2012 (***)
IFRS 2	Share-based Payment	1126/2008 mod. 1261/2008 - 495/2009 - 243/2010 - 244/2010 - 1254/2012 (**) - 1255/2012 (***)
IFRS 3	Business Combinations	1126/2008 mod. 495/2009 - 149/2011 - 1254/2012 (**) - 1255/2012 (***)
IFRS 4	Insurance Contracts	1126/2008 mod. 1274/2008 - 494/2009 - 1165/2009 - 1255/2012 (***)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 1142/2009 - 243/2010 - 475/2012 (*) - 1254/2012 (**) - 1255/2012 (***)
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 - 475/2012 (*) - 1254/2012 (**) - 1255/2012 (***) - 1256/2012 (****)
IFRS 8	Operating Segments	1126/2008 mod. 1274/2008 - 243/2010 - 632/2010
IFRS 10	Consolidated Financial Statements	1254/2012 (**)
IFRS 11	Joint Arrangements	1254/2012 (**)
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 (**)
IFRS 13	Fair Value Measurement	1255/2012 (***)
IAS 1	Presentation of Financial Statements	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 - 149/2011 - 475/2012 (*) - 1254/2012 (**) - 1255/2012 (***)
IAS 2	Inventories	1126/2008 - 70/2009 - 1255/2012 (***)
IAS 7	Statement of Cash Flows	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 494/2009 - 243/2010 - 1254/2012 (**)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 (***)
IAS 10	Events after the Reporting Period	1126/2008 mod. 1274/2008 - 70/2009 - 1142/2009 - 1255/2012 (***)
IAS 11	Construction Contracts	1126/2008 mod. 1260/2008 - 1274/2008
IAS 12	Income Taxes	1126/2008 mod. 1274/2008 - 495/2009 - 475/2012 (*) - 1254/2012 (**) - 1255/2012 (***)
IAS 16	Property, Plant and Equipment	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 1255/2012 (***)
IAS 17	Leases	1126/2008 mod. 243/2010 - 1255/2012 (***)
IAS 18	Revenue	1126/2008 mod. 69/2009 - 1254/2012 (**) - 1255/2012 (***)
IAS 19	Employee Benefits	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 (*) - 1255/2012 (***)
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 (*) - 1255/2012 (***)
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 mod. 1274/2008 - 69/2009 - 494/2009 - 475/2012 (*) - 1254/2012 (**) - 1255/2012 (***)
IAS 23	Borrowing costs	1126/2008 mod. 1260/2008 - 70/2009
IAS 24	Related Party Disclosures	1126/2008 mod. 1274/2008 - 632/2010 - 475/2012 (*) - 1254/2012 (**)
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 - 1254/2012 (**)
IAS 28	Investments in Associates	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 495/2009 - 1254/2012 (**) - 1255/2012 (***)
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008 - 70/2009
IAS 31	Interests in Joint Ventures (deleted by Regulation n. 1254/2012)	1126/2008 mod. 70/2009 - 494/2009 - 1254/2012 (**) - 1255/2012 (***)
IAS 32	Financial Instruments: Presentation	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 1293/2009 - 475/2012 (*) - 1254/2012 (**) - 1255/2012 (***) - 1256/2012 (****)
IAS 33	Earnings per Share	1126/2008 mod. 1274/2008 - 494/2009 - 495/2009 - 475/2012 (*) - 1254/2012 (**) - 1255/2012 (***)
IAS 34	Interim Financial Reporting	1126/2008 mod. 1274/2008 - 70/2009 - 495/2009 - 149/2011 - 475/2012 (*) - 1255/2012 (***)
IAS 36	Impairment of Assets	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 (**)
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 - 1254/2012 (**) - 1255/2012 (***)
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 - 1254/2012 (**) - 1255/2012 (***)
IAS 40	Investment Property	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 (***)
IAS 41	Agriculture	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 (***)

(*) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2013.

(**) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2014.

(***) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2013.

(****) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2013 (changes to IFRS 7) or after 1 January 2014 (changes to IAS 32).

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 - 1255/2012 (**)
IFRIC 4	Determining whether an Arrangement contains a Lease	1126/2008 mod. 254/2009 - 1255/2012 (**)
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 mod. 1254/2012 (*)
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 - 1254/2012 (*)
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 - 1255/2012 (**)
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 - 1254/2012 (*)
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009 mod. 1255/2012 (**)
IFRIC 18	Transfers of Assets from Customers	1164/2009 mod. 1255/2012 (**)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012 (**)
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 *(deleted by Regulation n. 1254/2012)*	1126/2008 - 1254/2012 (*)
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers *(deleted by Regulation n. 1254/2012)*	1126/2008 mod. 1274/2008 - 1254/2012 (*)
SIC 15	Operating Leases - Incentives	1126/2008 mod. 1274/2008
SIC 21	Income Taxes - Recovery of Revalued non-Depreciable Assets *(deleted by Regulation n. 1255/2012)*	1126/2008 - 1255/2012 (**)
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

(*) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2014.

(**) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2013.