1.1. CREDIT RISK

The Group's strategies, powers and rules for the granting and management 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 that show irregularities with the aim of detecting any symptoms of performance deterioration 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 Financial Officer;
– the Chief Lending Officer;
– the Chief Risk Officer;
– the Chief Operating Officer.
They ensure that risk control activities are managed and implemented, with an appropriate level of segregation.
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 Chief Lending Officer assesses the creditworthiness of the loan applications received and, where competent, approves them or issues a compliance opinion, manages and monitors non-performing loans and the recovery of doubtful loans and sets the Credit Granting and Management Rules.
The Chief Risk Officer is responsible for measuring and controlling the Group's risk exposures, defines the metrics used to measure credit risk, provides risk-adjusted pricing models and guidelines for expected loss, economic capital (ECAP) and acceptance thresholds, formulates proposals for assigning Credit Granting and Managing Powers and constantly monitors risk and credit quality performance.
The Chief Operating Officer provides specialised support in defining credit processes while ensuring cost and performance synergies in the service offered.
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 Strategies, 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 loans which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
– the "Compliance Opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

The exchange of basic information flows between different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each client/economic group both towards the Group as a whole and towards individual Group companies.
The activities within the Chief Risk Officer's purview are carried out directly by the Risk Management Department and the Credit Quality Monitoring Unit, for the Parent Company and the main subsidiaries, on the basis of a service contract, whereas the other control structures operating within the individual companies report regularly to the aforementioned functions of the Parent Company.

Management, measurement and control systems

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.
Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.
A number of rating models are used for the Corporate segment:
– models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
– specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for LBO/acquisition finance and asset-finance transactions.

In general terms, the structure of these models requires the integration of multiple modules:
– a quantitative module that processes financial and behavioural data;
– a qualitative module that requires the manager to fill in a questionnaire;
– an independent assessment by the manager, organised as a structured process, which triggers the override procedure if there is a discrepancy with respect to the integrated rating.

The assignment of the rating is generally decentralised to the branches, except for certain types of counterparty (mainly large groups and complex conglomerates), which are centralised in specialist units of the Parent Company Head Office Department and require expert assessments.
The models applied to the Retail portfolio are as follows:
– for the Small Business segment a Group counterparty rating model has been adopted, based on similar criteria to the Corporate model, namely highly decentralised and where the quantitative-objective elements are supplemented by qualitative-subjective elements;
– for the Mortgage segment, 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 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 situation is completed by the sovereign model for sovereign counterparties and the country risk with which a system aimed at limiting the assumption of such risk is associated; models for local entities, which are currently being refined; the bank model, which is being implemented and is divided into emerging and developed countries; experiential models for the non-bank financial institutions class.

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

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

As mentioned briefly above, ratings and mitigating credit factors (guarantees, technical forms and covenants) play a fundamental role in loan granting and monitoring process: they are used to set Credit Strategies and Loan granting and monitoring rules as well as to determine decision-making powers.

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

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

In 2011 plans call for the information set available to be expanded through the creation of new dashboards for controlling and monitoring specific phenomena/processes.

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.).
Counterparty risk is bilateral in nature inasmuch as the mark-to-market of the transaction may be either positive or negative depending on the performance of the market factors that underlie the financial instrument.
The Group employs counterparty risk mitigation techniques that are recognised for regulatory purposes. These techniques are discussed in the paragraph concerning techniques for the mitigation of credit risk.
From a regulatory standpoint, banks must meet strict capital requirements for counterparty risk, regardless of the portfolio to which the positions are allocated (for regulatory purposes, both the banking book and trading book are subject to capital requirements for counterparty risk).
In particular, the Intesa Sanpaolo Group applies the mark-to-market approach (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.
This approach estimates the loan equivalent as the sum of the positive mark-to-market and potential future exposure, where the latter is calculated by applying certain percent rates to the notional amounts of the transactions.

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

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

In 2011 a project aimed at extending the use of the measurement to the Parent Company will be launched. The application for approval of the use of the model for regulatory purposes will be sent to the Supervisory Authority at a later date, upon the completion of the calculation project and the incorporation of the measurement into the Parent Company's credit monitoring systems and internal validation by the responsible company functions (Internal Validation; Internal Auditing 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.
Concentration risk is defined as the 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. Such risk is monitored constantly and managed through specific measures:
– aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to “large risks”, to loans 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.
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 – differentiated according to pledged and mortgage collateral. 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.
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.
The value of the property is appraised periodically, also with the aid of statistical 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.
The monitoring process also involves identifying properties that, where the property value decreases significantly and/or the exposure is significant in amount, require an appraisal by an independent expert based on a value not exceeding the market value.
For all other guarantees, processes and procedures are in place to allow a frequent review of compliance with Basel 2 regulations, performance in terms of the amounts and/or absolute numbers of adequate guarantees is reviewed and monitored on a monthly basis in order to be able to benefit from their recognition when computing regulatory capital.
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 Master Repurchase Agreement).

Non-performing financial assets

Non-performing financial assets include those loans which, due to events that occur after initial recognition, show objective evidence of possible impairment.
For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due, in decreasing order of severity), the Group applies regulations issued by the Bank of Italy, consistent with the New Basel Accord and IAS/IFRS, supplemented by internal provisions that establish criteria and rules for the transfer of loans to the various risk categories, including via automatic mechanisms.
These assets are measured in accordance with the criteria and methods illustrated in Part A – Accounting Policies, Loans and Other information sections, to which specific reference should be made.
With reference to loans expired and/or past due, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within peripheral organisational units that perform specialist activities and within the Head Office units, which also have specialist skills and are responsible for the overall management and coordination of these matters.
In the first half of 2010, doubtful loans continued to be managed in essentially the same way as in 2009, as reported in the 2009 Financial statements.
In the second half of 2010, the Group's new organisational model for loan recovery began to be applied on the basis of new agreements entered into with Italfondiario S.p.A., previously the external servicer for the performance of part of such activities on behalf of Intesa Sanpaolo S.p.A. and several banks within the Banca dei Territori Division.
Without prejudice to the management authority over the doubtful loans outstanding at 30 June 2010, the new model charges the Loan Recovery Department with coordinating all loan recovery activities and direct management (for Intesa Sanpaolo S.p.A. and almost all banks within the Banca dei Territori Division) of customers classified as doubtful effective the beginning of July 2010 showing exposures in excess of a pre-determined threshold amount.
Without prejudice to the above-mentioned management authority over the doubtful loans outstanding at 30 June 2010, the new model assigns Italfondiario S.p.A. (for Intesa Sanpaolo S.p.A. and almost all of the banks in the Banca dei Territori Division) direct management - under a specific mandate and with pre-determined limits - of customers classified as doubtful effective the beginning of July 2010 that show an exposure below the above-mentioned threshold amount.
There are some exceptions to the foregoing that in special circumstances allow management of some types of loans not to be entrusted to Italfondiario S.p.A.
In completion of the foregoing information, on the subject of the Group's new organisational model, it should also be noted that doubtful positions of limited amounts, excluding some specific cases, are routinely factored without recourse to third-party companies on a monthly basis when they are classified as doubtful. In 2010 such operations were extended to almost all banks within the Banca dei Territori Division.
The Loan Recovery Department draws on its own specialist units throughout the country to manage recovery activity for loans entrusted to it. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.
The assessment of the loans has been reviewed whenever events capable of significantly changing recovery prospects became known to the Bank. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.
The activity of Italfondiario S.p.A. in managing the loans entrusted to it under management mandate was constantly monitored by the responsible internal units of the Bank.
In particular, it should be noted that the assessment of loans has been conducted using similar procedures to those established for

the internal management of positions, and the other management activities are progressively being brought into line with the guidelines established for the internally managed positions. On this subject, the Loan Recovery Department also supervises the management of positions assigned to Italfondiario S.p.A.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery.
Assets are also classified as non-performing for financial reporting purposes through automatic mechanisms when given objective default thresholds are exceeded. Such mechanisms apply to expired and/or past-due loans as well as positions that have met the objective requirements for non-standard status established by the Bank of Italy.
The return to performing of exposures classified as substandard, restructured and doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.
Exposures classified amongst "expired and/or past-due loans" are restored to performing status automatically when payment is received. The same mechanism is applied to exposures of moderate amounts previously classified as substandard in accordance with internal instructions when automatic mechanisms detect that the conditions that triggered reclassification no longer apply.
The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI, whereas "exposures" includes these items.

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	3	59	7	9	68,475	-	1,480	70,033
2. Financial assets available for sale	3	1	-	-	18,660	-	37,531	56,195
3. Investments held to maturity	-	-	-	-	3,839	-	-	3,839
4. Due from banks	24	48	-	-	41,996	-	669	42,737
5. Loans to customers	7,348	9,006	3,334	1,514	356,989	6	1,038	379,235
6. Financial assets designated at fair value through profit and loss	-	-	-	-	804	-	21,343	22,147
7. Financial assets under disposal	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	7,377	-	-	7,377
Total 31.12.2010	**7,378**	**9,114**	**3,341**	**1,523**	**498,140**	**6**	**62,061**	**581,563**
Total 31.12.2009	**5,394**	**10,431**	**2,295**	**2,442**	**494,504**	**4**	**30,516**	**545,586**

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	109	-31	78	X	X	68,475	68,553
2. Financial assets available for sale	4	-	4	18,660	-	18,660	18,664
3. Investments held to maturity	-	-	-	3,839	-	3,839	3,839
4. Due from banks	159	-87	72	42,024	-28	41,996	42,068
5. Loans to customers	37,245	-16,043	21,202	359,486	-2,497	356,989	378,191
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	804	804
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	7,377	7,377
Total A	**37,517**	**-16,161**	**21,356**	**424,009**	**-2,525**	**498,140**	**519,496**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	1,480	1,480
2. Financial assets available for sale	-	-	-	37,531	-	37,531	37,531
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	669	-	669	669
5. Loans to customers	8	-2	6	1,038	-	1,038	1,044
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	21,343	21,343
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**8**	**-2**	**6**	**39,238**	**-**	**62,061**	**62,067**
Total 31.12.2010	**37,525**	**-16,163**	**21,362**	**463,247**	**-2,525**	**560,201**	**581,563**
Total 31.12.2009	**34,609**	**-14,043**	**20,566**	**441,051**	**-2,511**	**525,020**	**545,586**

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 31 million euro (46 million euro as at 31 December 2009).

Within performing exposures, as at 31 December 2010, exposures renegotiated under collective agreements amounted to 6,215 million euro in gross terms and 6,164 million euro in net terms. Other performing exposures thus came to 457,032 million euro in gross terms and 554,037 million euro in net terms.
Other performing exposures include 581 million euro in assets past due by up to three months, 89 million euro in assets past due by more than three months but less than six months and 32 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 3,938 million euro, 1,127 million euro and 13,510 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	104	-78	X	26
b) Substandard loans	58	-9	X	49
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	49,217	X	-28	49,189
TOTAL A	**49,379**	**-87**	**-28**	**49,264**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	4	-	X	4
b) Other	53,758	X	-19	53,739
TOTAL B	**53,762**	**-**	**-19**	**53,743**
TOTAL (A + B)	**103,141**	**-87**	**-47**	**103,007**

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.).

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

(millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures
A. Initial gross exposure	**104**	**4**	**-**	**4**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**8**	**54**	**-**	**4**
B.1 inflows from performing exposures	2	50	-	4
B.2 transfers from other non-performing exposure categories	2	-	-	-
B.3 other increases	4	4	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-8**	**-**	**-**	**-8**
C.1 outflows to performing exposures	-	-	-	-3
C.2 write-offs	-3	-	-	-
C.3 repayments	-3	-	-	-3
C.4 credit disposals	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-2
C.6 other decreases	-2	-	-	-
C.7 business combinations	-	-	-	-
D. Final gross exposure	**104**	**58**	**-**	**-**
- 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	**77**	**2**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-
B. Increases	**5**	**7**	**-**	**-**
B.1 impairment losses	4	7	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-
B.3 other increases	1	-	-	-
B.4 business combinations	-	-	-	-
C. Decreases	**-4**	**-**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-	-
C.2 recoveries on repayments	-	-	-	-
C.3 write-offs	-3	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-
C.5 other decreases	-1	-	-	-
C.6 business combinations	-	-	-	-
D. Final total adjustments	**78**	**9**	**-**	**-**
- 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	20,569	-13,221	X	7,348
b) Substandard loans	11,378	-2,372	X	9,006
c) Restructured exposures	3,631	-297	X	3,334
d) Past due exposures	1,667	-153	X	1,514
e) Other assets	406,786	X	-2,497	404,289
TOTAL A	**444,031**	**-16,043**	**-2,497**	**425,491**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	1,386	-188	X	1,198
b) Other	130,209	X	-273	129,936
TOTAL B	**131,595**	**-188**	**-273**	**131,134**
TOTAL (A + B)	**575,626**	**-16,231**	**-2,770**	**556,625**

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.).
Non-performing loans include 304 million euro in exposures (including 54 million euro in doubtful loans, 11 million euro in substandard loans and 239 million euro in restructured loans) associated with pool transactions (IBLOR structures) undertaken by the Group in the capacity of fronting bank, associated with cash collateral among deposits on the liabilities side.
Performing on-balance sheet exposures to customers include 1,573 million euro in dealings between the banking group and other companies within the scope of consolidation.
For performing off-balance sheet exposures, this amount comes to 2,568 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	**16,457**	**12,973**	**2,402**	**2,589**
- of which exposures sold not derecognised	*21*	*33*	*1*	*12*
B. Increases	**7,195**	**11,145**	**2,030**	**5,859**
B.1 inflows from performing exposures	806	6,116	314	4,958
B.2 transfers from other non-performing exposure categories	5,376	3,288	1,554	63
B.3 other increases	1,013	1,741	162	838
B.4 business combinations	-	-	-	-
C. Decreases	**-3,083**	**-12,740**	**-801**	**-6,781**
C.1 outflows to performing exposures	-190	-2,899	-330	-2,782
C.2 write-offs	-893	-87	-17	-3
C.3 repayments	-1,249	-2,559	-220	-906
C.4 credit disposals	-98	-113	-	-
C.5 transfers to other non-performing exposure categories	-314	-6,729	-229	-3,009
C.6 other decreases	-339	-353	-5	-81
C.7 business combinations	-	-	-	-
D. Final gross exposure	**20,569**	**11,378**	**3,631**	**1,667**
- of which exposures sold not derecognised	*11*	*5*	-	-

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	**11,094**	**2,600**	**109**	**160**
- of which exposures sold not derecognised	*10*	*8*	-	*5*
B. Increases	**4,429**	**2,235**	**269**	**290**
B.1 impairment losses	2,477	1,638	57	248
B.2 transfers from other non-performing exposure categories	1,313	323	186	13
B.3 other increases	639	274	26	29
B.4 business combinations	-	-	-	-
C. Decreases	**-2,302**	**-2,463**	**-81**	**-297**
C.1 recoveries on impairment losses	-525	-574	-33	-39
C.2 recoveries on repayments	-383	-163	-2	-10
C.3 write-offs	-893	-87	-17	-3
C.4 transfers to other non-performing exposure categories	-106	-1,473	-29	-227
C.5 other decreases	-395	-166	-	-18
C.6 business combinations	-	-	-	-
D. Final total adjustments	**13,221**	**2,372**	**297**	**153**
- of which exposures sold not derecognised	*1*	-	-	-

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

Conversion of loans into equity instruments

During the year, loans were converted into equity instruments as part of restructuring agreements for non-performing positions. Gross converted loans came to 13 million euro and were adjusted for 11 million euro. The equity instruments obtained were recognised at their fair value of approximately 2 million euro at the execution date and classified among assets available for sale.

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	**50,082**	**46,610**	**14,748**	**12,571**	**4,200**	**23,001**	**323,543**	**474,755**
B. Derivatives	**2,424**	**2,672**	**135**	**24**	**18**	**75**	**3,797**	**9,145**
B.1. Financial derivatives	2,405	2,520	135	24	18	75	3,519	8,696
B.2. Credit derivatives	19	152	-	-	-	-	278	449
C. Guarantees given	**4,953**	**4,992**	**2,408**	**144**	**76**	**510**	**38,191**	**51,274**
D. Commitments to lend funds	**35,561**	**29,886**	**7,882**	**1,172**	**559**	**759**	**48,639**	**124,458**
Total	**93,020**	**84,160**	**25,173**	**13,911**	**4,853**	**24,345**	**414,170**	**659,632**

The following tables show the mapping of risk classes and the rating agencies employed.

Mapping of long-term ratings issued by external rating agencies

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

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
5	from B1to B3	from B+ to B-	from B+ to B-
6	Caa1 and lower	CCC+ and lower	CCC+ and lower

Short-term ratings for exposures to supervised issuers and enterprises

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

Ratings for exposures to UCI

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA m/f to AA - m/f
2	from A1 to A3	from A+ to A-	from A + m/f to A - m/f
3 and 4	from Baa1to Ba3	from BBB+ to BB-	from BBB m/f to BB - m/f
5 and 6	B1and lower	B+ and lower	B + m/f and lower

Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	Fitch	Standard & Poor's
Credit quality step			
1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
2	from A1 to A3	from A+ to A-	from A+ to A-
3	from Baa1 to BAa3	from BBB+ to BBB-	from BBB+ to BBB-
4	from Ba1to Ba3	from BB+ to BB-	from BB+ to BB-
5	B1 and lower	B+ and lower	B+ and lower

Short-term ratings for exposures to securitisation

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

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

As specified above in the section concerning qualitative information, the Intesa Sanpaolo Group has obtained authorisation for the use of the AIRB approach to determine the Regulatory Corporate portfolio's capital requirements effective the report as at 31 December 2010 for a scope of application that includes the Parent Company, network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano. At the same date, the foreign bank VUB Banka obtained authorisation to the use of the FIRB approach.

Effective 30 June 2010, recognition was obtained for the use of the IRB approach for the retail mortgage segment (home and private mortgages) for a scope of application that includes the Parent Company and network banks, to the exclusion of the Casse del Centro banks.

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

Unrated exposures account for 20% of all exposures and refer to customer segments for which a rating model is not yet available (loans to private parties), 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, rating classes at investment grade account for the majority, 67% of the total, whilst 23% fall within the BB+/BB- range 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	**55,100**	**58,103**	**103,648**	**98,183**	**35,773**	**5,358**	**21,277**	**97,313**	**474,755**
B. Derivatives	**2,597**	**2,027**	**1,298**	**678**	**301**	**138**	**75**	**2,031**	**9,145**
B.1. Financial derivatives	2,576	1,880	1,291	678	301	138	75	1,757	8,696
B.2. Credit derivatives	21	147	7	-	-	-	-	274	449
C. Guarantees given	**8,177**	**10,299**	**15,193**	**8,429**	**2,479**	**361**	**479**	**5,857**	**51,274**
D. Commitments to lend funds	**33,244**	**28,086**	**23,971**	**8,933**	**3,575**	**312**	**648**	**25,689**	**124,458**
Total	**99,118**	**98,515**	**144,110**	**116,223**	**42,128**	**6,169**	**22,479**	**130,890**	**659,632**

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	**12,200**	**-**	**880**	**45**	**2,777**	**-**	**5**	**-**	**15,862**
COLLATERAL [(1)]									
Real estate assets	-	-	-	-	-	-	-	-	-
Securities	11,712	-	366	-	-	-	-	-	12,078
Other	30	-	-	-	2,591	-	-	-	2,621
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	*18*	-	*23*	-	*145*	-	-	-	*186*
Other public entities	*7*	-	-	-	-	-	-	-	*7*
Banks	*375*	-	*227*	-	*41*	-	-	-	*643*
Other counterparties	*79*	-	*90*	-	-	-	*1*	-	*170*
TOTAL	**12,221**	**-**	**706**	**-**	**2,777**	**-**	**1**	**-**	**15,705**

(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	**203,190**	**12,188**	**17,021**	**2,301**	**19,405**	**414**	**3,072**	**146**	**242,688**
COLLATERAL [(1)]									
Real estate assets	264,657	18,290	1,213	128	15,475	734	219	10	281,564
Securities	14,197	188	2,499	912	948	19	139	6	17,783
Other	13,900	1,002	1,642	239	1,146	5	123	28	16,811
GUARANTEES [(1)]									
Credit derivatives									
Credit-linked notes	-	-	-	-	-	-	-	-	-
Other derivatives									
- Governments and Central Banks	-	-	-	-	-	-	-	-	-
- Other public entities	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-
- Other counterparties	-	-	*15*	-	-	-	-	-	*15*
Guarantees given									
Governments and Central Banks	*6,487*	-	*204*	*7*	*1,202*	-	*79*	-	*7,972*
Other public entities	*525*	*21*	*174*	*10*	*25*	-	*28*	-	*752*
Banks	*967*	*14*	*956*	*5*	*411*	-	*41*	*6*	*2,375*
Other counterparties	*39,927*	*3,455*	*5,428*	*435*	*9,327*	*141*	*623*	*39*	*55,305*
TOTAL	**340,660**	**22,970**	**12,131**	**1,736**	**28,534**	**899**	**1,252**	**89**	**382,577**

(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 31.12.2010	TOTAL 31.12.2009
	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	-	-	-	53,604	53,605	-	-	-	4,542	4,542	58,147	42,615
Individual adjustments	-9	-	-	-	X	-9	-	-	-	X	-	-9	-6
Collective adjustments	X	X	X	X	-14	-14	X	X	X	-	-	-14	-4
OTHER PUBLIC ENTITIES													
Net exposure	181	30	-	5	19,176	19,392	-	-	8	1,815	1,823	21,215	26,495
Individual adjustments	-32	-7	-	-	X	-39	-	-	-	X	-	-39	-42
Collective adjustments	X	X	X	X	-59	-59	X	X	X	-10	-10	-69	-39
FINANCIAL INSTITUTIONS													
Net exposure	94	278	35	128	36,131	36,666	-	21	23	27,106	27,150	63,816	72,551
Individual adjustments	-359	-47	-4	-3	X	-413	-	-2	-	X	-2	-415	-532
Collective adjustments	X	X	X	X	-88	-88	X	X	X	-9	-9	-97	-124
INSURANCE COMPANIES													
Net exposure	-	-	-	-	3,169	3,169	-	-	-	2,002	2,002	5,171	5,108
Individual adjustments	-	-	-	-	X	-	-	-	-	X	-	-	-26
Collective adjustments	X	X	X	X	-78	-78	X	X	X	-18	-18	-96	-6
NON-FINANCIAL COMPANIES													
Net exposure	5,604	6,770	3,238	1,109	210,035	226,756	152	516	458	89,187	90,313	317,069	317,479
Individual adjustments	-10,478	-1,666	-253	-85	X	-12,482	-64	-80	-20	X	-164	-12,646	-11,275
Collective adjustments	X	X	X	X	-1,839	-1,839	X	X	X	-222	-222	-2,061	-2,236
OTHER COUNTERPARTIES													
Net exposure	1,468	1,928	61	272	82,174	85,903	8	11	1	5,284	5,304	91,207	87,591
Individual adjustments	-2,343	-652	-40	-65	X	-3,100	-1	-21	-	X	-22	-3,122	-2,226
Collective adjustments	X	X	X	X	-419	-419	X	X	X	-14	-14	-433	-303

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	6,666	-11,349	648	-1,576	11	-52	3	-32	20	-212
A.2. Substandard loans	7,309	-1,986	1,674	-382	5	-1	2	-	16	-3
A.3. Restructured exposures	3,089	-247	216	-40	26	-10	3	-	-	-
A.4. Past due exposures	1,080	-114	287	-24	6	-	136	-15	5	-
A.5. Other exposures	327,598	-1,864	59,932	-516	7,720	-35	4,461	-24	4,578	-58
Total A	**345,742**	**-15,560**	**62,757**	**-2,538**	**7,768**	**-98**	**4,605**	**-71**	**4,619**	**-273**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	146	-62	7	-1	-	-	-	-1	7	-1
B.2. Substandard loans	413	-56	129	-26	-	-	-	-	6	-21
B.3. Other non-performing assets	420	-19	12	-1	49	-	9	-	-	-
B.4. Other exposures	62,223	-186	47,843	-71	17,358	-7	1,380	-4	1,132	-5
Total B	**63,202**	**-323**	**47,991**	**-99**	**17,407**	**-7**	**1,389**	**-5**	**1,145**	**-27**
TOTAL (A+B) 31.12.2010	**408,944**	**-15,883**	**110,748**	**-2,637**	**25,175**	**-105**	**5,994**	**-76**	**5,764**	**-300**
TOTAL 31.12.2009	**402,131**	**-13,929**	**116,208**	**-2,339**	**24,223**	**-168**	**4,816**	**-74**	**4,461**	**-309**

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

(millions of euro)

	NORTH-WEST		NORTH-EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. ON-BALANCE SHEET EXPOSURES								
A.1. Doubtful loans	2,375	-3,661	1,312	-2,470	1,372	-2,075	1,607	-3,143
A.2. Substandard loans	2,607	-682	1,445	-367	1,577	-375	1,680	-562
A.3. Restructured exposures	2,350	-125	508	-63	132	-35	99	-24
A.4. Past due exposures	398	-30	160	-19	305	-26	217	-39
A.5. Other exposures	116,984	-691	58,469	-347	105,763	-412	46,382	-414
Total A	**124,714**	**-5,189**	**61,894**	**-3,266**	**109,149**	**-2,923**	**49,985**	**-4,182**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	36	-7	36	-13	63	-21	11	-21
B.2. Substandard loans	191	-22	76	-6	95	-13	51	-15
B.3. Other non-performing assets	273	-11	63	-2	34	-2	50	-4
B.4. Other exposures	24,607	-82	9,532	-38	23,502	-47	4,582	-19
Total B	**25,107**	**-122**	**9,707**	**-59**	**23,694**	**-83**	**4,694**	**-59**
TOTAL (A+B) 31.12.2010	**149,821**	**-5,311**	**71,601**	**-3,325**	**132,843**	**-3,006**	**54,679**	**-4,241**
TOTALE 31.12.2009	**162,556**	**-4,646**	**73,154**	**-2,940**	**114,307**	**-2,578**	**52,114**	**-3,765**

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	-	-	23	-73	-	-	3	-5	-	-
A.2. Substandard loans	47	-7	1	-1	1	-1	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	17,245	-4	22,812	-7	2,843	-4	4,281	-12	2,008	-1
Total A	**17,292**	**-11**	**22,836**	**-81**	**2,844**	**-5**	**4,284**	**-17**	**2,008**	**-1**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	4	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4. Other exposures	4,715	-1	40,243	-6	6,257	-1	2,074	-10	450	-1
Total B	**4,715**	**-1**	**40,243**	**-6**	**6,257**	**-1**	**2,078**	**-10**	**450**	**-1**
TOTAL (A+B) 31.12.2010	**22,007**	**-12**	**63,079**	**-87**	**9,101**	**-6**	**6,362**	**-27**	**2,458**	**-2**
TOTAL 31.12.2009	**40,668**	**-4**	**72,814**	**-107**	**8,058**	**-14**	**4,823**	**-24**	**1,865**	**-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	-	-	-	-	-	-	-	-
A.2. Substandard loans	47	-7	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-
A.5. Other exposures	7,248	-3	3,549	-	6,339	-1	109	-
Total A	**7,295**	**-10**	**3,549**	**-**	**6,339**	**-1**	**109**	**-**
B. OFF-BALANCE SHEET EXPOSURES								
B.1. Doubtful loans	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-
B.3. Other non-performing assets	-	-	-	-	-	-	-	-
B.4. Other exposures	1,162	-	633	-1	2,854	-	66	-
Total B	**1,162**	**-**	**633**	**-1**	**2,854**	**-**	**66**	**-**
TOTAL (A+B) 31.12.2010	**8,457**	**-10**	**4,182**	**-1**	**9,193**	**-1**	**175**	**-**
TOTALE 31.12.2009	**12,766**	**-2**	**2,702**	**-**	**25,021**	**-2**	**179**	**-**

B.6. Large risks

Large risks	
a) Book value (millions of euro)	102,947
b) Weighted value (millions of euro)	12,509
b) Number	5

On the basis of the updates to Bank of Italy Circular 263 of 27 December 2006 and the subsequent regulatory clarification provided by the Supervisory Authority effective for financial statements ending 31 December 2010, the number of large risks presented in the table was determined at 31 December 2010 by reference to unweighted "exposures" in excess of 10% of regulatory capital (determined without considering the differences between expected losses and overall value adjustments), 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.
Accordingly, the new presentation criteria set out above 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.
As at 31 December 2009, in accordance with the regulations in force at the time, the number of large risks was determined by considering only those positions with an exposure that - after applying the weighting factors specified by the regulations - were in excess of 10% of regulatory capital valid for the purposes of large risks.

C. SECURITISATIONS AND ASSET SALE

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 2010, the Intesa Sanpaolo Group did not carry out any new securitisations.

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 exposure		Mezzanine exposure		Junior exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	**14**	**14**	**116**	**116**	**107**	**105**
a) Non-performing	-	-	7	7	28	29
b) Other	14	14	109	109	79	76
B. Third party underlying assets	**5,207**	**5,206**	**455**	**446**	**40**	**39**
a) Non-performing	-	-	-	-	-	-
b) Other	5,207	5,206	455	446	40	39
Total	**5,221**	**5,220**	**571**	**562**	**147**	**144**

Part of the exposures shown in the table above has been included within the structured credit products: 3,341 million euro of gross exposures and 3,335 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 exposure		Mezzanine exposure		Junior exposure		Senior exposure		Mezzanine exposure		Junior exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	-	-	-	-	-	-	-	-	-	-
B. Third party underlying assets (*)	**73**	**42**	**-**	**-**	**-**	**-**	**2,329**	**2,329**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	73	42	-	-	-	-	2,329	2,329	-	-	-	-
TOTAL	**73**	**42**	**-**	**-**	**-**	**-**	**2,329**	**2,329**	**-**	**-**	**-**	**-**

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

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**	**-**	**16**	**-8**	**59**	**-6**
A.1 Intesa Lease Sec						
- performing leasing contracts	-	-	-	-	-	-
A.2 Intesa Sec 2						
- performing residential mortgages	-	-	*9*	-	*24*	-
A.3 Intesa Sec						
- performing mortgages	-	-	-	-	*1*	*-1*
A.4 Intesa Sec Npl						
- doubtful mortgages	-	-	*7*	*-8*	*29*	*-5*
A.5 Cr Firenze Mutui						
- performing mortgages	*1*	-	-	-	*5*	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**13**	**2**	**100**	**1**	**46**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	-	-	*94*	-	*28*	-
C.2 Da Vinci						
- loans to the aircraft sector	*4*	*2*	*1*	*1*	-	-
C.3 Split 2 (*)						
- performing leasing contracts	*9*	-	*5*	-	*18*	-
TOTAL	**14**	**2**	**116**	**-7**	**105**	**-6**

(*) A securitisation vehicle not recorded under the Banking Group, but whose securitised assets are not derecognised by the Group 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. As a consequence of 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

This type of exposure did not exist as at 31 December 2010.

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 TCW GLOBAL PROJECT FUND III						
- project finance loans	*662*	-	-	-	-	-
A.2 Tevere Finance						
- loans to Italian local authorities	*473*	*-2*	-	-	-	*-2*
A.3 Euterpe (*)						
- amounts due from tax authorities	*293*	*-2*	-	-	-	-
A.4 Fondo Immobili Pubblici						
- loans deriving from rental of properties to the public sector	*277*	*5*	-	-	-	-
A.5 AYT Cedulas						
- residential mortgages	*264*	-	-	-	-	-
A.6 Nepri Finance S.r.l.						
- residential mortgages	*239*	*-1*	-	-	-	-
A.7 Soc. Cart. Crediti INPS						
- social security benefits	*234*	-	-	-	-	-
A.8 Posillipo Finance						
- receivables from Italian health sector	*185*	-	-	-	-	-
A.9 Duchess (**)						
- CLOs	*155*	*-4*	-	-	-	-
A.10 D'Annunzio						
- receivables from Italian health sector	*152*	*-1*	-	-	-	-
A.11 Romulus Funding Corp.						
- Romulus portfolio	*130*	-	-	-	-	-
A.12 GSC Partners CDO Fund. Ltd.						
- corporate loans	*115*	-	-	-	-	-
A.13 Siena Mortgage						
- residential mortgages	*102*	-	-	-	-	-
A.14 Cordusio RMBS Securitisation						
- residential mortgages	*78*	-	*22*	-	-	-
A.15 Geldilux						
- corporate loans	*99*	-	-	-	-	-
A.16 Sunrise S.r.l.						
- consumer credit	*93*	-	*4*	-	-	-
A.17 Cartesio						
- receivables from Italian health sector	*83*	-	-	-	-	-
A.18 Vintage Finance						
- electric companies receivables from public sector	*79*	-	-	-	-	-
A.19 Summer Street 2004-1 LTD (**)						
- structured finance CDOs	*55*	*2*	-	-	-	-
A.20 Granite Master Issuer Plc.						
- residential mortgages	*22*	-	*30*	-	-	-
A.21 Residual portfolio divided in 386 securities	1,416	-5 (***)	390	11 (****)	39	-1
TOTAL	**5,206**	**-8**	**446**	**11**	**39**	**-3**

(*) Exposure to Euterpe (with 88 million euro included in the "residual portfolio") refers to single tranche securitisations, not classified as exposures to securitisations for supervisory purposes.

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

(***) Of which -1 million euro related to securities included in packages.

(****) Of which 17 million euro related to securities included in packages.

The table below shows the breakdown of the residual portfolio divided into 386 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	501	-4	155	-1	16	-1
Commercial mortgages	99	-	98	-	-	-
Other ABSs (CLO-CMO-CFO) (*)	105	-1	71	17	-	-
Financing for SMEs	145	1	23	-1	-	-
Loans deriving from leasing contracts	106	-	11	-	-	-
Car loans	106	-	8	-	1	-
CDOs	104	-	8	-4	-	-
WL Collateral CMOs	51	-	-	-	-	-
Loans to foreign public bodies	44	-	-	-	-	-
Consumer credit	36	-	-	-	-	-
Loans to energy companies	29	-	-	-	-	-
Public property	14	-	14	-	-	-
Project finance loans	-	-	-	-	22	-
Loans to foreign local authorities	15	-	-	-	-	-
Loans to research	13	-	-	-	-	-
Personal loans	8	-	2	-	-	-
Credit cards	3	-	-	-	-	-
Other assets	37	-1	-	-	-	-
TOTALE	**1,416**	**-5**	**390**	**11**	**39**	**-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

	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												
- Asset Backed Securities and Collateralised debt obligations	-	-	-	-	-	-	*2,165*	-	-	-	-	-
A.2 Romulus												
- Asset Backed Securities and Collateralised debt obligations	*42*	*-31*	-	-	-	-	*164*	-	-	-	-	-
Total	**42**	**-31**	**-**	**-**	**-**	**-**	**2,329**	**-**	**-**	**-**	**-**	**-**

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	1,917	86	6	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	65	10	33	-	-	-
Investments held to maturity	118	-	-	-	-	-
Loans (**)	3,107	366	59	2,371	-	-
Total 31.12.2010	**5,207**	**462**	**98**	**2,371**	**-**	**-**
Total 31.12.2009	**4,392**	**460**	**117**	**1,901**	**-**	**2**

(*) Excluding on-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised for a total of 159 million euro. No off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised are recorded as at 31 December 2010.

(**) 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	**919**	**-**
A.1 Fully derecognised	224	*X*
1. Doubtful loans	*47*	*X*
2. Substandard loans	*1*	*X*
3. Restructured exposures	*-*	*X*
4. Past due exposures	*2*	*X*
5. Other assets	*174*	*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	695	-
1. Doubtful loans	*11*	*-*
2. Substandard loans	*12*	*-*
3. Restructured exposures	*-*	*-*
4. Past due exposures	*-*	*-*
5. Other assets	*672*	*-*
B. Third party underlying assets	**786**	**-**
B.1. Doubtful loans	-	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	1	-
B.5. Other assets	785	-

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

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

(*) The company ISP Sec 4 was not operative as at 31 December 2010.

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

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

Servicer	**Special purpose vehicles**	**Securitised assets (period-end figure)** (millions of euro)		**Collections of loans in the year** (millions of euro)		**Percentage of reimbursed securities** (period-end figure)					
						Senior		**Mezzanine**		**Junior**	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sanpaolo	Intesa Sec	1	-	-	5	-	100%	-	100%	-	63%
Intesa Sanpaolo	Intesa Sec 2	9	214	1	115	-	100%	-	89%	-	-
Intesa Sanpaolo	Intesa Sec 3	29	1,557	3	420	-	100%	-	32%	-	-
Italfondiario	Intesa Sec NPL	42	-	24	-	100%	-	46%	-	-	-
Leasint	Intesa Lease Sec	8	35	6	67	-	100%	-	98%	-	-
Leasint	Split 2	15	197	4	157	-	93%	-	-	-	-
CR Firenze	Cr Firenze Mutui	2	111	1	33	-	86%	-	-	-	-
Total		**106**	**2,114**	**39**	**797**						

C.1.8. Banking group – Subsidiary special purpose vehicles

Intesa Sec
Securitisation of performing mortgages

(millions of euro)

A. Securitised assets			**2**
A.1 Loans		1	
- loans outstanding	*-*		
- past due loans	*1*		
A.2 Securities		-	
A.3 Other assets		1	
- accrued income on IRS	*-*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**2**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		2	
C. Securities issued			**3**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class B		-	
C.4 Class C		3	
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			**232**
A.1 Loans		223	
- loans outstanding	*210*		
- past due loans	*13*		
A.2 Securities		-	
A.3 Other assets		9	
- accrued income on IRS	*1*		
- suspended items for DPP	*1*		
- tax credits	*7*		
B. Investments of the funds collected from loan management			**53**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		53	
C. Securities issued			**237**
C.1 Class A1		-	
C.2 Class A2		135	
C.3 Class B		41	
C.4 Class C		61	
D. Financing received			**19**
E. Other liabilities			**4**
E.1 Due to Parent Company		1	
E.2 Other DPP liabilities		2	
E.3 Accrued expenses – interest on securities issued		-	
E.4 Accrued expenses on IRS		1	
F. Interest expense on securities issued			**4**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**16**
H.1 Interest expense		14	
H.2 Cost of liquidation DPP of the period		2	
I. Interest income on securitised assets			**14**
L. Other revenues			**7**
L.1 Interest income		7	
L.2 Revenues from penalties for advanced extinguishment and other		-	

Intesa Sec 3

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets			**1,591**
A.1 Loans		1,586	
A.2 Securities		-	
A.3 Other assets		5	
- accrued income on IRS	*4*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**129**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		129	
C. Securities issued			**1,642**
C.1 Class A1		-	
C.2 Class A2		549	
C.3 Class A3		947	
C.4 Class B		73	
C.5 Class C		73	
D. Financing received			**24**
E. Other liabilities			**55**
E.1 Due to Parent Company		1	
E.2 "Additional return" allowance		44	
E.3 Accrued expenses – interest on securities issued		3	
E.4 Accrued expenses on IRS		7	
F. Interest expense on securities issued			**17**
G. Commissions and fees			**2**
G.1 Servicing		2	
G.2 Securities placement commissions		-	
H. Other expenses			**72**
H.1 Interest expense		46	
H.2 Forecasted losses on loans		6	
H.3 Additional return		20	
I. Interest income on securitised assets			**59**
L. Other revenues			**26**
L.1 Interest income		25	
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			**48**
A.1 Loans		42	
- loans outstanding	*-*		
- past due loans	*41*		
- loans for overdue interest	*1*		
A.2 Securities		-	
A.3 Other assets		6	
- cap option premium paid	*5*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**10**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		10	
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			**11**
E.1 Amounts due for services rendered		2	
E.2 Accrued expenses – interest on securities issued		6	
E.3 Other accrued expenses		2	
E.4 Floor option premium received		1	
F. Interest expense on securities issued			**15**
G. Commissions and fees			**2**
G.1 Servicing		2	
G.2 Other services		-	
H. Other expenses			**18**
H.1 Interest expense		6	
H.2 Other expenses		3	
H.3 Losses on overdue interest		5	
H.4 Losses on loans		1	
H.5 Forecasted losses on loans		3	
I. Interest income on securitised assets			**6**
L. Other revenues			**9**
L.1 Interest income		-	
L.2 Recovery of legal expenses		-	
L.3 Write-backs		9	

Split 2

Securitisation of loans arising from leasing contracts

(millions of euro)

A. Securitised assets		**212**
A.1 Loans	212	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**49**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	49	
C. Securities issued		**247**
C.1 Class A	121	
C.2 Class B	63	
C.3 Class C	45	
C.4 Class D	18	
D. Financing received		**15**
E. Other liabilities		**-**
F. Interest expense on securities issued		**3**
G. Commissions and fees		**-**
G.1 Servicing	-	
G.2 Other services	-	
H. Other expenses		**-**
I. Interest income on securitised assets		**3**
L. Other revenues		**-**

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(millions of euro)

A. Securitised assets			**43**
A.1 Loans		43	
- principal	*37*		
- credits for invoiced leasing instalments	*6*		
A.2 Securities		-	
A.3 Other assets		-	
B. Investments of the funds collected from loan management			**19**
B.1 Debt securities		17	
B.2 Equities		-	
B.3 Liquidity		2	
C. Securities issued			**44**
C.1 Class A1		-	
C.2 Class A2		-	
C.3 Class A3		-	
C.4 Class B		22	
C.5 Class C		22	
D. Financing received			**-**
E. Other liabilities			**31**
E.1 Other accrued expenses and deferred income		-	
E.2 Allowance for "additional return"		31	
F. Interest expense on securities issued			**1**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**4**
H.1 Interest expense		1	
H.2 Other expenses		1	
H.3 Losses on loans		-	
H.4 Forecasted losses on loans		1	
H.5 Additional return		1	
I. Interest income on securitised assets			**3**
L. Other revenues			**2**
L.1 Interest income		-	
L.2 Write-backs		1	
L.3 Other revenues		1	

CR Firenze Mutui

Securitisation of performing residential mortgages

(millions of euro)

A. Securitised assets		**113**
A.1 Loans	113	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**10**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	10	
C. Securities issued		**113**
C.1 Class A	69	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		-
E. Other liabilities		**10**
F. Interest expense on securities issued		**2**
G. Commissions and fees		**2**
G.1 Servicing	2	
G.2 Other services	-	
H. Other expenses		**1**
I. Interest income on securitised assets		**4**
L. Other revenues		**1**

C.2. Sales

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

(millions of euro)

	Cash assets				Derivatives	31.12.2010		31.12.2009	
	Debt securities	Equities	UCI	Loans		Total	*of which non-performing assets*	Total	*of which non-performing assets*
FINANCIAL ASSETS HELD FOR TRADING	**12,258**	**-**	**-**	**-**	**-**	**12,258**	**-**	**7,957**	**-**
- Financial assets sold totally recognised (book value)	12,258	-	-	-	-	12,258	-	7,957	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**7,569**	**-**	**-**	**-**	**X**	**7,569**	**-**	**4,308**	**-**
- Financial assets sold totally recognised (book value)	7,569	-	-	-	X	7,569	-	4,308	-
- Financial assets sold partly recognised (book value)	-	-	-	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	X	-	-	-	-
INVESTMENTS HELD TO MATURITY	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**25**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	25	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
DUE FROM BANKS	**-**	**X**	**X**	**-**	**X**	**-**	**-**	**-**	**-**
- Financial assets sold totally recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
LOANS TO CUSTOMERS	**431**	**X**	**X**	**1,796**	**X**	**2,227**	**15**	**368**	**-**
- Financial assets sold totally recognised (book value)	431	X	X	1,796	X	2,227	15	368	-
- Financial assets sold partly recognised (book value)	-	X	X	-	X	-	-	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	X	-	-	-	-
Total 31.12.2009	**20,258**	**-**	**-**	**1,796**	**-**	**22,054**	**15**	**X**	**X**
Total 31.12.2008	**12,294**	**-**	**-**	**364**	**-**	**X**	**X**	**12,658**	**-**

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

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

(millions of euro)

	Due to customers		Due to banks		Securities issued		Total	Total
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised	31.12.2010	31.12.2009
Financial assets held for trading	5,120	-	7,131	-	-	-	12,251	7,051
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets available for sale	2,468	-	4,329	-	-	-	6,797	78
Investments held to maturity	-	-	-	-	-	-	-	16
Due from banks	-	-	-	-	-	-	-	255
Loans to customers	375	-	171	-	1,646	-	2,192	2,426
Total	**7,963**	**-**	**11,631**	**-**	**1,646**	**-**	**21,240**	**9,826**

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

C.3. Banking group - Covered bond transactions

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

The Intesa Sanpaolo Group has carried out two Covered Bond issue programmes.
In the first programme, amounting to a maximum of 10 billion euro, the guarantor of the Covered Bonds is the ISP CB Pubblico vehicle, to which a portfolio of performing loans and securities to the public sector, originated by Banca Infrastrutture Innovazione e Sviluppo (BIIS), was transferred. The following sales have been carried out as part of this programme:
– the first, concluded in July 2009, was realised by selling a portfolio of performing public sector loans to the vehicle, for a nominal value of around 3.6 billion euro, and issuing a subordinated loan to the vehicle of around 3.8 billion euro, for the payment of the sale consideration;
– the second tranche, concluded in April 2010, was realised by selling an additional portfolio of public sector assets (loans and securities) to said vehicle, for a nominal value of around 2.3 billion euro, and issuing a subordinated loan to the vehicle of around 2.4 billion euro, for the payment of the sale consideration.

Simultaneously, Intesa Sanpaolo:
– carried out a 3 billion euro issue at par value, expiring in October 2011. The securities are quoted on the Luxembourg Stock Exchange and rated Aaa by Moody’s. BIIS subscribed the entire issue and allocated it as security for its funding at the European Central Bank, through transactions carried out via the Parent Company;
– carried out a second issue of 2 billion euro, expiring in April 2017. These securities are also quoted on the Luxembourg Stock Exchange and rated Aaa by Moody’s. These securities were offered on the market.

In the fourth quarter of 2010, BIIS, in close coordination with Intesa Sanpaolo, participated in structuring the issue of the third series of Covered Bonds under the abovementioned covered bond programme. For completeness, please note that Intesa Sanpaolo’s Covered Bond issue was finalised in January 2011 and, like the other issues, is backed by public sector assets.

In the second programme, amounting to a maximum of 20 billion euro, the guarantor of the Covered Bonds is the ISP CB Ipotecario vehicle, to which a portfolio of triple-A-rated securitised securities (RMBS), with underlying composed of Italian residential mortgages originated by Intesa Sanpaolo, was transferred. Under this programme an issue was made in October 2010 for 1 billion euro, with maturity in November 2016. The securities are quoted on the Luxembourg Stock Exchange and rated Aaa by Moody’s. These securities were offered on the market.
For completeness, please note that Intesa Sanpaolo finalised an additional issue under this programme in February 2011.

The key figures for ISP CB Pubblico and ISP CB Ipotecario as at 31 December 2010 are shown in the table below.

(millions of euro)

COVERED BONDS		**Vehicle data**		**Subordinated loan [1]**	**Covered Bonds issued**	**of which: held by the Group**		
		Total assets	Cumulated losses	amount	nominal amount	nominal amount	IAS classification	Valuation
ISP CB PUBBLICO	Performing public sector loans and securities	8,200	-	8,011	5,000	3,000	L&R	Amortised cost
ISP CB IPOTECARIO	RMBSs (Performing residential mortgages)	5,431	-	5,370	1,000	-	-	-

[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 2010, for which no issues have yet been made.

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

As at 31 December 2010, the expected operating loss on core banks (Basel 2 validation area) amounted to 0.58% of disbursed loans, a 0.02 percentage point increase on the figure as at the end of 2009.
The increase in this risk indicator reflects the changes in the ratings models for the Corporate and Retail Mortgage segments as a result of the order validating advanced approaches for the respective portfolios and extending the core area to Casse del Centro and to VUB Banka.
The economic capital corresponded to 4.1% of disbursed loans, a reduction of 0.1% compared to the figure in 2009. This figure runs counter to the expected loss as a result of the greater diversification of the portfolio, partly due to the aforementioned extension of the area.
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. The last report, approved by the Management Board and the Supervisory Board of Intesa Sanpaolo in July 2010, confirmed the requirements of compliance.