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 is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the Bank is able to cover cash outflows through cash inflows, liquid assets and its ability to obtain credit. With regard to the liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the bank's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).
The Guidelines for Liquidity Risk Management adopted by the Intesa Sanpaolo Group outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.
The key principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:
- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- a prudential approach to the estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
- assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
- maintenance of an adequate level of unencumbered, high liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's own liquidity or system liquidity.

Intesa Sanpaolo directly manages its own liquidity, coordinates its management at Group level in all currencies, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to the Operational Committees (Group Risk Governance Committee and Group Financial Risks Committee) and the Statutory Bodies.
The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are the Treasury Department, responsible for liquidity management, and the Risk Management Department, responsible for monitoring indicators and verifying the observation of limits.
These Guidelines are broken down into three macro areas – short-term, structural and the contingency liquidity plan – and provide for the application of analyses conducted using stress scenarios (market related and firm specific).
The short term Liquidity Policy includes the set of metrics, limits and observation thresholds that enable the measurement, both under normal market conditions and under conditions of stress, of the liquidity risk exposure over the short term, setting the maximum amount of risk that can be assumed and ensuring the utmost prudence in its management.
The structural Liquidity Policy of the Intesa Sanpaolo Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.
Together with the short term and structural Liquidity Policy, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash commitments 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 early-warning indicators, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.
The liquidity position of the Parent Company and the Group Companies is regularly presented by the Risk Management Department and discussed during the Group Financial Risks Committee meetings.

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	**49,758**	**17,521**	**6,030**	**22,023**	**30,386**	**25,301**	**29,219**	**125,354**	**114,294**	**3,556**
A.1 Government bonds	108	6	358	2,656	6,308	8,368	5,572	6,870	6,316	-
A.2 Other debt securities	657	10	12	128	937	1,404	1,304	11,689	12,575	5
A.3 Quotas of UCI	1,711	-	-	-	-	-	-	-	-	-
A.4 Loans	47,282	17,505	5,660	19,239	23,141	15,529	22,343	106,795	95,403	3,551
- Banks	*4,252*	*7,608*	*808*	*2,762*	*2,244*	*696*	*1,105*	*797*	*106*	*3,347*
- Customers	*43,030*	*9,897*	*4,852*	*16,477*	*20,897*	*14,833*	*21,238*	*105,998*	*95,297*	*204*
Cash liabilities	**163,430**	**22,577**	**9,491**	**15,762**	**26,725**	**24,021**	**13,164**	**74,390**	**40,404**	**4,080**
B.1 Deposits and current accounts	162,595	7,814	2,219	3,359	5,935	3,018	3,223	3,812	2,632	2
- Banks	*5,394*	*914*	*384*	*918*	*781*	*218*	*345*	*1,561*	*826*	*-*
- Customers	*157,201*	*6,900*	*1,835*	*2,441*	*5,154*	*2,800*	*2,878*	*2,251*	*1,806*	*2*
B.2 Debt securities	357	2,544	2,827	5,514	16,756	18,093	8,261	64,674	32,076	4,078
B.3 Other liabilities	478	12,219	4,445	6,889	4,034	2,910	1,680	5,904	5,696	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*114*	*8,345*	*3,108*	*6,717*	*9,464*	*3,817*	*5,969*	*4,224*	*7,066*	*-*
- Short positions	*312*	*12,840*	*3,532*	*7,448*	*11,394*	*4,212*	*7,049*	*5,856*	*6,407*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*37,090*	*5*	*2*	*161*	*78*	*54*	*140*	*1,248*	*1,319*	*-*
- Short positions	*37,709*	*7*	*2*	*18*	*89*	*84*	*228*	*1,370*	*721*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*3,556*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*3,355*	*-*	*101*	*100*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*282*	*3,523*	*51*	*152*	*763*	*1,492*	*2,748*	*34,071*	*4,735*	*-*
- Short positions	*8,485*	*540*	*2*	*155*	*1,133*	*1,461*	*2,693*	*34,212*	*3,285*	*1*
C.5 Financial guarantees given	91	-	-	2	16	14	48	51	7	3

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	**2,554**	**1,800**	**1,128**	**2,405**	**3,872**	**3,054**	**2,193**	**7,493**	**3,844**	**4**
A.1 Government bonds	4	-	-	-	15	13	81	447	290	-
A.2 Other debt securities	14	213	3	221	60	101	212	1,674	1,570	3
A.3 Quotas of UCI	651	-	-	-	-	-	-	-	-	-
A.4 Loans	1,885	1,587	1,125	2,184	3,797	2,940	1,900	5,372	1,984	1
- Banks	*748*	*685*	*319*	*762*	*2,188*	*2,027*	*1,321*	*621*	*27*	*-*
- Customers	*1,137*	*902*	*806*	*1,422*	*1,609*	*913*	*579*	*4,751*	*1,957*	*1*
Cash liabilities	**4,570**	**13,364**	**2,274**	**5,958**	**7,403**	**3,173**	**969**	**2,955**	**72**	**-**
B.1 Deposits and current accounts	4,380	7,758	665	1,515	1,035	304	169	62	7	-
- Banks	*1,046*	*3,768*	*254*	*859*	*381*	*33*	*7*	*8*	*-*	*-*
- Customers	*3,334*	*3,990*	*411*	*656*	*654*	*271*	*162*	*54*	*7*	*-*
B.2 Debt securities	5	4,275	1,169	2,929	4,737	2,216	783	2,551	15	-
B.3 Other liabilities	185	1,331	440	1,514	1,631	653	17	342	50	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*179*	*10,821*	*2,857*	*7,593*	*9,994*	*3,613*	*5,056*	*4,400*	*3,090*	*-*
- Short positions	*75*	*8,139*	*2,051*	*5,260*	*7,263*	*2,362*	*5,413*	*3,004*	*3,538*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*970*	*-*	*7*	*1*	*1*	*19*	*100*	*17*	*68*	*-*
- Short positions	*1,098*	*-*	*5*	*2*	*-*	*18*	*97*	*17*	*68*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*201*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*157*	*7*	*17*	*1*	*19*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*5*	*1*	*9*	*155*	*230*	*709*	*13,239*	*1,227*	*-*
- Short positions	*622*	*33*	*-*	*5*	*147*	*216*	*706*	*14,518*	*1,440*	*2*
C.5 Financial guarantees given	-	-	-	-	10	-	1	1	3	2

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	**88**	**51**	**13**	**96**	**113**	**296**	**63**	**866**	**549**	**-**
A.1 Government bonds	1	-	-	-	-	58	-	289	41	-
A.2 Other debt securities	3	-	-	-	13	-	8	21	305	-
A.3 Quotas of UCI	1	-	-	-	-	-	-	-	-	-
A.4 Loans	83	51	13	96	100	238	55	556	203	-
- Banks	*35*	*23*	*6*	*28*	*32*	*5*	*3*	*-*	*-*	*-*
- Customers	*48*	*28*	*7*	*68*	*68*	*233*	*52*	*556*	*203*	*-*
Cash liabilities	**398**	**1,546**	**802**	**386**	**786**	**231**	**315**	**170**	**2,076**	**-**
B.1 Deposits and current accounts	398	1,367	39	32	73	7	15	1	-	-
- Banks	*121*	*383*	*29*	*7*	*32*	*-*	*2*	*-*	*-*	*-*
- Customers	*277*	*984*	*10*	*25*	*41*	*7*	*13*	*1*	*-*	*-*
B.2 Debt securities	-	179	637	261	696	221	300	168	2,076	-
B.3 Other liabilities	-	-	126	93	17	3	-	1	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*3*	*1,086*	*429*	*345*	*1,005*	*450*	*1,697*	*891*	*2,065*	*-*
- Short positions	*2*	*555*	*85*	*461*	*430*	*263*	*333*	*616*	*1,688*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*127*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*127*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*14*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*14*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*7*	*-*	*-*	*-*
- Short positions	*7*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Yen

(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	**213**	**46**	**254**	**258**	**615**	**528**	**76**	**312**	**342**	**-**
A.1 Government bonds	1	-	28	-	305	471	-	80	101	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	73	-
A.3 Quotas of UCI	-	-	-	-	-	-	-	-	-	-
A.4 Loans	212	46	226	258	310	57	76	232	168	-
- Banks	*112*	*32*	*209*	*109*	*106*	*19*	*36*	*38*	-	-
- Customers	*100*	*14*	*17*	*149*	*204*	*38*	*40*	*194*	*168*	-
Cash liabilities	**148**	**285**	**285**	**83**	**47**	**20**	**47**	**454**	**186**	**-**
B.1 Deposits and current accounts	148	-	1	37	1	1	47	74	-	-
- Banks	*82*	-	-	-	-	-	-	-	-	-
- Customers	*66*	-	*1*	*37*	*1*	*1*	*47*	*74*	-	-
B.2 Debt securities	-	-	-	46	46	19	-	380	186	-
B.3 Other liabilities	-	285	284	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*697*	*461*	*168*	*323*	*172*	*94*	*486*	*184*	-
- Short positions	*1*	*1,009*	*625*	*668*	*771*	*258*	*45*	*45*	*139*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*123*	-	-	-	*1*	-	-	-	-	-
- Short positions	*201*	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	*211*	-	-	-	-	-	-	-	-	-
- Short positions	-	*211*	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*12*	-	*4*	*1*	-	-	-	-	-
- Short positions	*17*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	1	-	-	-	-

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	**131**	**228**	**21**	**114**	**219**	**172**	**394**	**1,384**	**2,643**	**-**
A.1 Government bonds	1	-	-	-	-	-	89	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	7	247	-
A.3 Quotas of UCI	1	-	-	-	-	-	-	-	-	-
A.4 Loans	129	228	21	114	219	172	305	1,377	2,396	-
- Banks	*58*	*43*	*2*	*34*	*36*	*17*	-	*37*	*31*	-
- Customers	*71*	*185*	*19*	*80*	*183*	*155*	*305*	*1,340*	*2,365*	-
Cash liabilities	**262**	**26**	**26**	**197**	**92**	**38**	**15**	**117**	**200**	**-**
B.1 Deposits and current accounts	262	26	13	67	17	38	15	115	200	-
- Banks	*125*	*7*	*11*	*17*	*2*	-	*1*	*111*	*199*	-
- Customers	*137*	*19*	*2*	*50*	*15*	*38*	*14*	*4*	*1*	-
B.2 Debt securities	-	-	13	130	75	-	-	2	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*136*	*124*	*69*	*407*	*124*	*67*	*88*	-	-
- Short positions	*1*	*716*	*983*	*963*	*1,321*	*313*	*587*	*403*	*7*	-
C.2 Financial derivatives without exchange of capital										
- Long positions	*21*	-	-	*2*	*120*	*108*	*783*	*1*	-	-
- Short positions	*20*	-	*20*	*2*	*20*	*124*	*783*	*1*	-	-
C.3 Deposits and loans to be settled										
- Long positions	*4*	-	-	-	-	-	-	-	-	-
- Short positions	-	-	*4*	-	-	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	*3*	*2*	*3*	-	-	-	-	-	-
- Short positions	*8*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	1	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	**1,887**	**1,617**	**1,289**	**703**	**1,276**	**1,538**	**2,564**	**3,952**	**1,240**	**10**
A.1 Government bonds	85	13	-	56	234	470	680	490	95	-
A.2 Other debt securities	17	68	164	16	77	199	453	240	76	-
A.3 Quotas of UCI	87	-	-	-	-	-	-	-	-	-
A.4 Loans	1,698	1,536	1,125	631	965	869	1,431	3,222	1,069	10
- Banks	*668*	*952*	*1,038*	*37*	*212*	*4*	*7*	*112*	*-*	*10*
- Customers	*1,030*	*584*	*87*	*594*	*753*	*865*	*1,424*	*3,110*	*1,069*	*-*
Cash liabilities	**5,147**	**1,447**	**872**	**849**	**1,633**	**696**	**658**	**1,253**	**720**	**-**
B.1 Deposits and current accounts	5,141	1,275	445	694	1,529	671	524	334	415	-
- Banks	*232*	*428*	*83*	*106*	*118*	*24*	*53*	*48*	*55*	*-*
- Customers	*4,909*	*847*	*362*	*588*	*1,411*	*647*	*471*	*286*	*360*	*-*
B.2 Debt securities	6	1	2	16	104	25	134	919	305	-
B.3 Other liabilities	-	171	425	139	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*2*	*1,964*	*547*	*1,311*	*1,105*	*782*	*1,372*	*451*	*187*	*-*
- Short positions	*2*	*1,965*	*298*	*1,579*	*825*	*625*	*1,144*	*770*	*38*	*-*
C.2 Financial derivatives without exchange of capital										
- Long positions	*134*	*157*	*59*	*153*	*342*	*146*	*399*	*1,046*	*92*	*-*
- Short positions	*133*	*11*	*96*	*117*	*411*	*140*	*468*	*1,045*	*92*	*-*
C.3 Deposits and loans to be settled										
- Long positions	*220*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*220*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.4 Irrevocable commitments to lend funds										
- Long positions	*-*	*96*	*12*	*1*	*32*	*74*	*92*	*61*	*-*	*-*
- Short positions	*203*	*94*	*-*	*1*	*31*	*76*	*52*	*53*	*7*	*2*
C.5 Financial guarantees given	-	-	-	1	16	6	12	4	-	-

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.
A brief description of the existing transactions as at 31 December 2010 is provided below.

Adriano Finance

These involved securitisations carried out with the aid of two special purpose vehicles, Adriano Finance S.r.l. and Adriano Finance 2 S.r.l..
The first vehicle was used to carry out three tranches of securitisations:

– the first, in 2008, involving a portfolio of performing mortgages for an amount of around 8 billion euro, sold to the SPV, which issued RMBS notes for the same amount;
– the second, carried out again in 2008, involving a portfolio of performing residential mortgages from the former Intesa network for an amount of around 6 billion euro, sold to the SPV, which issued RMBS notes for the same amount;
– the third, in 2009, involving a portfolio of performing residential mortgages for an amount of around 6 billion euro, sold to the SPV, which issued RMBS notes for the same amount.

As for the second vehicle, one securitisation was carried out in 2008 involving a portfolio of performing residential mortgages from the former Sanpaolo network for an amount of around 13 billion euro, sold to the SPV, which issued RMBS notes for the same amount.
The RMBS notes deriving from the senior tranche of the first Adriano Finance S.r.l. securitisation were used to guarantee covered bond issues by Intesa Sanpaolo during 2010.

SPQR II

These involved two self-securitisations carried out by Banca Infrastrutture Innovazione e Sviluppo (BIIS). A similar transaction carried out by Banca IMI, reported in the 2009 financial statements, closed in July 2010 with the extinction of the notes issued by the vehicle and the repurchase of the underlyings by Banca IMI.
The first, carried out in 2007, regards a portfolio of unquoted performing bonds issued by Italian public entities, mainly fixed rate and hedged by derivatives, in the original amount of about 2 billion euro. For the sale of the above portfolio to the vehicle, notes were issued for the same amount.
The second, carried out in 2008, regards a portfolio of bonds issued by Italian local authorities (municipal, provincial and regional) for an amount of around 1.3 billion euro, sold to the SPV, which issued securities for the same amount.
The purpose of the two transactions is to render the securitised portfolios eligible with the Central European Bank.

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 31.12.2010
Adriano Finance S.r.l.				**11,979**
- of which first mortgage portfolio securitised (4 August 2008) (*)	Senior	Performing mortgages	AAA	-
	Junior	Performing mortgages	no rating	440
- of which second mortgage portfolio securitised (Adriano bis Securitisation) (18 December 2008)	Senior	Performing residential long-term mortgages	AAA	5,281
	Junior	Performing residential long-term mortgages	no rating	398
- of which third mortgage portfolio securitised (Adriano ter Securitisation) (20 July 2009)	Senior	Performing residential mortgages	AAA	5,297
	Junior	Performing residential mortgages	no rating	563
Adriano Finance 2 S.r.l.				**13,050**
	Senior	Performing residential mortgages	AAA	12,174
	Junior	Performing residential mortgages	no rating	876
SPQR II S.r.l.				**2,914**
- of which first BIIS securitisation (November/December 2007) - CBO 1	Senior	Performing L&R issued by public entities (**)	A	1,637
	Junior	Performing L&R issued by public entities (**)	no rating	67
- of which second BIIS securitisation (December 2008) - CBO 2	Senior	Performing L&R issued by public entities	A	1,118
	Junior	Performing L&R issued by public entities	no rating	92
TOTAL				**27,943**

(*) The amount, totalling 7,558 million euro and used in covered bond issues, is shown in Section C.3. of Part E of these Notes to the financial statements.

(**) With regard to the CBO1 transaction, securities sold by BIIS to the vehicle were originally classified in the AFS category. In 2008, as required by the amendment to IAS 39, such securities were reclassified in the L&R category.

STRUCTURED CREDIT PRODUCTS

The business model: objectives, strategies and relevance

In 2010 structured credit products contributed about 100 million euro to the income statement, benefiting from the positive trend which continues in the secondary market.
The primary market is also showing renewed interest from investors. In this favourable context, it was possible to take investment opportunities in European ABS, with high credit rating and collateral mainly concentrated on assets originated in Italy.
The strategy of gradually reducing exposure of the portion of the portfolio exposed to assets originated in the United States, which continues to benefit from the positive trend in spreads on the secondary market and the prepayment deriving from the good performance of collateral, remains unchanged.

Highlights

The risk exposure of structured credit products amounts to 3,715 million euro as at 31 December 2010 with respect to funded and unfunded ABSs/CDOs and to 87 million euro with respect to packages.
Only 4% of the outstanding positions was affected by a reduction in creditworthiness as at 31 December 2010, a significant decrease compared to the 27% recorded as at 31 December 2009. The situation of the structured credit products portfolio at the end of 2010 is described by the following indicators:
– 80% of the exposure was Investment Grade, compared to 73% as at 31 December 2009;
– 44% had an AAA rating. The percentage of Super senior was reduced to zero as at 31 December 2010;
– 20% had a BBB rating or less, compared to 27% as at 31 December 2009;
– 24% of the exposure had a pre-2005 vintage[1];
– 34% has a 2005 vintage;
– only 8% of exposure refers to the US Residential segment, and 23% to the US non-residential segment;
– the remaining exposure (69% of the total) is 65% European.

In terms of underlying contract types, slightly less than half the exposure consisted of CLOs (28%) and CDOs (20%); the rest was almost entirely made up of ABSs (22%) and RMBSs (25%), with CMBSs representing 5% of the total.
As concerns valuation methods, 53% of "long" positions are measured using the mark-to-model (100% of unfunded positions, 37% of funded positions, 100% of the monoline risk and the non-monoline "packages"), 37% with the comparable approach (50% of funded positions) and 10% are measured using effective market quotes (13% of funded positions). 53% of "short" positions are measured using the mark-to-model (100% of unfunded positions and 100% of positions of funds) and 47% are measured using effective market quotes (100% of CMBX-CDS hedges).
In the summary tables provided below, table (a) sets out risk exposure as at 31 December 2010 and income statement captions (sum of realised charges and profits, write-downs and write-backs) of 2010, compared with the corresponding values recorded as at 31 December 2009.
Table (b) sets out figures related to structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged.
Values expressed in USD as at 31 December 2009 were translated to euro at an exchange rate of 1.4406 euro per dollar, and as at 31 December 2010 at an exchange rate of 1.3362 euro per dollar.

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

Structured credit products: summary tables

a) Exposure in funded and unfunded ABS/CDOs

(millions of euro)

Financial assets held for trading	**31.12.2010**		**31.12.2009**	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading
US subprime exposure	**24**	**1**	**28**	**19**
Contagion area	**140**	**19**	**164**	**-68**
- Multisector CDOs	61	-4	88	-71
- Alt-A	-	-	-	-
- TruPS	79	23	76	3
- Prime CMOs	-	-	-	-
Other structured credit products	**1,298**	**40**	**1,235**	**-27**
- European/US ABS/CDOs	607	3	479	36
- Unfunded super senior CDOs	672	26	834	-51
- Other unfunded positions	19	11	-78	-12
Total	**1,462**	**60**	**1,427**	**-76**
in addition to:				
Positions of funds	-	16	-	15
Total Financial assets held for trading	**1,462**	**76**	**1,427**	**-61**

Loans	**31.12.2010**		**31.12.2009**	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**3**	**-**	**7**	**-1**
Contagion area	**89**	**-**	**107**	**-**
- Multisector CDOs	15	-	15	-
- Alt-A	49	-	59	-
- TruPS	-	-	-	-
- Prime CMOs	25	-	33	-
Other structured credit products	**2,161**	**7**	**2,321**	**4**
- Funded European/US ABS/CDOs	1,253	3	1,476	-11
- Funded super senior CDOs	777	8	714	15
- Other Romulus funded securities	131	-4	131	-
Total	**2,253**	**7**	**2,435**	**3**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**2,253**	**7**	**2,435**	**3**
TOTAL	**3,715**	**83**	**3,862**	**-58**

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

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

b) Exposure in packages

(millions of euro)

	31.12.2010		31.12.2009	
	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	17	19	10	31
Non monoline packages	70	1	98	4
TOTAL	**87**	**20**	**108**	**35**

The overall risk exposure of structured credit products rose from 3,862 million euro as at 31 December 2009 to 3,715 million euro as at 31 December 2010, in addition to an exposure of 87 million euro in connection with structured packages (108 million euro as at 31 December 2009). In the last three months of 2010, taking advantage of market opportunities, the subsidiary Banca IMI purchased ABS for 117 million euro in terms of risk exposure. Net of the increase due to the aforementioned purchase of securities, risk exposure of structured credit products as at 31 December 2010 decreased compared to 31 December 2009, as a result of the depreciation of the euro against the US dollar.
From an income statement perspective, structured credit products improved, reaching +103 million euro as at 31 December 2010 compared to a loss of -23 million euro as at 31 December 2009.
The exposure in funded and unfunded ABSs/CDOs had an effect on “Profits (Losses) on trading – Caption 80” of +76 million euro. The result on this segment was a result of the effects of:
– unfunded positions included in the area “Other structured credit products” (+37 million euro as at 31 December 2010, of which +26 million euro in unfunded super senior CDOs and +11 million in Other unfunded positions);
– funded and unfunded positions associated with the "Contagion Area" (+19 million euro); this result is further improved if the positions in funds attributable to the segment are also considered (+16 million euro);
– European and U.S. funded ABSs/CDOs (+3 million euro), also included in the area "Other structured credit products";
– the US Subprime exposure (+1 million euro).

The securities reclassified to the loans portfolio showed an overall positive impact on the income statement of 7 million euro as at 31 December 2010. This figure includes 4 million euro in losses, deriving from the impairment of a security included in the portfolio of the Romulus vehicle, and 11 million euro in profits on market disposal of securities included in this segment.
The “Monoline risk” and “Non-monoline packages” made a positive contribution of 20 million euro as at 31 December 2010, compared to +35 million euro recorded at the end of 2009. This decrease was mainly due to the changes in the monoline credit spread that the Bank is exposed to.
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 2010, the aggregate included bonds classified 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 31.12.2010**	**Benefit from the reclassification as at 31.12.2010** (***)	**Effect on Shareholders' Equity**
Reclassified securities:					
- from financial assets available for sale to loans	185	161	80		81
- from financial assets held for trading to loans	2,037	1,900	1,711	189	
Total Securities reclassified to loans	**2,222**	**2,061**	**1,791**	**189**	**81**
Securities classified under loans from inception	199	192			
Total securities classified under loans from inception	**199**	**192**			
TOTAL LOANS	**2,421**	**2,253**	**1,791**	**189**	**81**

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

(millions of euro)

Negative economic effect without reclassification for 2008	-299
Negative economic effect without reclassification for 2009	-7
Negative economic effect without reclassification for 2010	117
BENEFIT FROM THE RECLASSIFICATION AS AT 31.12.2010 (***)	**-189**

US subprime exposure

Although there is no universally agreed-upon definition of subprime mortgages, this expression generally refers to mortgaged lending with a higher level of risk because it has been granted to borrowers who have previously defaulted or the debt-to-income or loan-to-value ratio is high.

As at 31 December 2010, the Intesa Sanpaolo Group:

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

That said, Intesa Sanpaolo uses the term US Subprime exposure to mean the products - cash investments (securities and funded CDOs) and derivative positions (unfunded CDOs) - with collateral mainly made up of US residential mortgages not in the "prime" sector (i.e. Home Equity Loans, residential mortgages with B&C ratings and similar) granted in the years 2005/06/07, irrespective of the FICO score[2] and the Loan-to-Value[3] (LTV), and products with collateral made up of US residential mortgages granted before 2005, with FICO score under 629 and a Loan-to-Value exceeding 90% (as was the case in 2009, the weight of this second class of products in the Intesa Sanpaolo Group's portfolio as at 31 December 2010 was not significant).

During 2010 the total exposure to US Subprime decreased, due to the change in the allocation of the collateral of an unfunded CDO included partly within this segment and partly in the "Contagion Area".

US subprime exposure

(millions of euro)

Financial assets held for trading	**Position as at 31.12.2010**		**2010 Income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Funded ABS	13	1	-	-	-	-
Funded CDOs	28	1	-	-1	-1	-
Unfunded super senior CDOs [(1)]	192	22	-	4	4	*4*
Position on ABX indexes	-	-	-2	-	-2	*-1*
"Long" positions	**233**	**24**	**-2**	**3**	**1**	***3***
Net position	**"long" 233**	**"long" 24**	**-2**	**3**	**1**	***3***

[2] Indicator of the borrower's credit quality (usually between 300 and 850) used in the United States to classify credit, based on the statistical analysis of credit archives referred to individuals.

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

(millions of euro)

Loans	Position as at 31.12.2010		2010 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded ABS	-	-	-	-	-	-
Funded CDOs	-	-	-	-	-	-
Romulus-funded ABS/CDOs	3	3	-	-	-	-
"Long" positions	**3**	**3**	**-**	**-**	**-**	**-**
TOTAL	**236**	**27**	**-2**	**3**	**1**	***3***

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

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

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

The net nominal "long" position of 236 million euro as at 31 December 2010 is equal to the exposure recorded as at 31 December 2009. In terms of risk exposure, a "long" position of 27 million euro (35 million euro as at 31 December 2009) which also included securities reclassified under the loans portfolio for 3 million euro, in terms of nominal value as well as risk exposure, existed as at 31 December 2010. As at 31 December 2010, the fair value of reclassified securities, all relating to the Romulus vehicle, was 2 million euro. The positive impact on the Valuation reserve under Shareholders' Equity of the reclassification, therefore, amounted to 1 million euro.
During the year, the overall impact of these positions on the income statement totalled 1 million euro (+18 million euro as at 31 December 2009), of which +3 million euro in the fourth quarter.
With regard to the Funded ABS component, 58% had an AAA, 15% an AA, 3% a BB and the remaining 24% a CCC/C rating. The original LTV was 87%, while average delinquency[4] at 30, 60 and 90 days amounted to 5%, 2% and 7% respectively. Cumulated loss equalled 25%.
These positions were not quoted on active markets and were measured using the Comparable Approach (Level 2) for the funded ABS component and the Mark-to-Model Approach (Level 3) for the funded and unfunded CDOs.

"Contagion" area

The segment results subject to "contagion effect", i.e. affected by the subprime mortgage crisis, can be summarised as follows:

i. ***Multisector CDOs***: products almost entirely represented by unfunded super senior CDOs, with collateral consisting of US RMBSs (73%), CMBSs (5%), CDOs (5%), HY CBOs (11%) Consumer ABSs (3%), and CLOs (3%).
Over 67% of the US RMBS component had a vintage prior to 2005 and an immaterial exposure to subprime risk (on average 0.1%). These were transactions with a CC+ average rating and an average protection (attachment point[5]) of 3%.

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

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

"Contagion" area: Multisector CDOs

(millions of euro)

Financial assets held for trading	Position as at 31.12.2010		2010 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	-	-	6	-	6	-
Unfunded super senior CDOs	337	121	-	-4	-4	*5*
"Long" positions	**337**	**121**	**6**	**-4**	**2**	**5**
CMBX hedges and derivatives	56	60	-4	-2	-6	*-3*
Positions of funds	**-**	**64**	**-**	**16**	**16**	**4**
Net position [(1)]	**"long" 281**	**"long" 61**	**2**	**10**	**12**	**6**

Loans	Position as at 31.12.2010		2010 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	5	6	-	-	-	-
Romulus-funded ABS/CDOs	11	9	-	-	-	-
"Long" positions	**16**	**15**	**-**	**-**	**-**	**-**
TOTAL	**297**	**76**	**2**	**10**	**12**	**6**

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

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

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

Taking into account write-downs, write-backs, CMBX and LCDX index hedges and a number of single-name credit default swap positions on associated names[6], the net risk exposure as at 31 December 2010 was 76 million euro, down compared to the 103 million euro as at 31 December 2009. The exposure also included securities of 15 million euro (16 million euro in nominal value), partly in the Romulus vehicle portfolio and partly in the Parent Company portfolio, which were reclassified to the Loans category.
As at 31 December 2010, the latter had a fair value of 11 million euro[7], with a positive impact of the reclassification on the Valuation reserve under Shareholders' Equity of 4 million euro.
During the year, the overall impact on the income statement ascribable to these positions (including those on CMBX and LCDX indexes and other derivatives) was -4 million euro. Considering, for the sake of completeness, the Group's investment in funds, which had a positive impact on the income statement of 16 million euro, the impact on the income statement in 2010 amounted to +12 million euro. This figure compares with the 56 million euro loss recorded as at 31 December 2009.
With the exception of the funded positions relating to the Romulus vehicle and the "short" hedging positions, this area included the unfunded instruments that were measured using the Mark-to-Model Approach (Level 3). The positions in funds were measured entirely using the Mark-to-Model Approach (Level 3).

ii. *Alt-A - Alternative A Loans*: ABS with underlying US residential mortgages normally of high quality, but characterised by penalising factors, mostly relating to incomplete documentation that do not permit their classification under standard prime contracts.
The positions in the Group's portfolio had a 2005 vintage and ratings of AAA (46%), A (11%), BBB (19%), BB/B (2%) and CCC (22%).

[6] But not the positions of Funds.

[7] Of which 9 million euro refers to securities in the portfolio of the Romulus vehicle.

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

(millions of euro)

Financial assets held for trading	Position as at 31.12.2010		2010 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Other securities available for sale[1]	9	-	-	-	-	-
"Long" positions	**9**	**-**	**-**	**-**	**-**	**-**

Loans	Position as at 31.12.2010		2010 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Alt-A Agency	23	23	-	-	-	-
Alt-A No Agency	31	26	-	-	-	-
"Long" positions	**54**	**49**	**-**	**-**	**-**	**-**
TOTAL	**63**	**49**	**-**	**-**	**-**	**-**

(*) 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, viceversa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

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

(1) Risk position classified among securities available for sale, attributed to the Parent Company.

The risk exposure as at 31 December 2010 amounted to 49 million euro, compared to 59 million euro as at 31 December 2009. The bonds included in this category were reclassified to the Loans caption. The nominal value of the securities reclassified was 54 million euro and the risk exposure amounted to 49 million euro. The securities had a fair value of 44 million euro and the positive impact of the reclassification as at 31 December 2010 was therefore 5 million euro.
The economic result for the segment as at 31 December 2010 was zero (the same as 31 December 2009).
The Alt-A No Agency component had an original average LTV of 69% and average delinquency at 30, 60 and 90 days of 4%, 2% and 9% respectively. Cumulated loss equalled 3%.
They were measured on the basis of the Comparable Approach (Level 2).

iii. ***TruPS – Trust Preferred Securities of REITs (Real Estate Investment Trust):*** financial instruments similar to preferred shares issued by US real estate trustees to finance residential or commercial initiatives.
The positions in the Group's portfolio had a CCC rating (unfunded CDOs) and a CCC/DDD rating (funded CDOs) and an average attachment point of 53%.

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

(millions of euro)

Financial assets held for trading	Position as at 31.12.2010		2010 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	100	28	-	2	2	*6*
Unfunded super senior CDOs	112	51	-	21	21	*6*
"Long" positions	**212**	**79**	**-**	**23**	**23**	***12***

Loans	Position as at 31.12.2010		2010 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**212**	**79**	**-**	**23**	**23**	***12***

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

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

Taking into account the write-downs and write-backs, the risk exposure as at 31 December 2010 was 79 million euro, compared to 76 million euro as at 31 December 2009.
In the year, the overall impact on the income statement ascribable to these positions was 23 million euro, of which 12 million euro in the fourth quarter. These figures compared to a positive effect of 3 million euro recognised as at 31 December 2009.
No financial instruments included within this category were reclassified.
The products in this segment were partly made up of unfunded super senior CDOs and partly of funded CDOs, written down by 63% of their nominal value on the basis of the Mark-to-Model Approach (Level 3).

iv. ***Prime CMOs***: securities issued with guarantee mostly represented by loans assisted by mortgages on US residential buildings. They had a 2005 vintage and an AA (14%), A (61%) and BBB (25%) rating.

"Contagion" area: Prime CMOs

(millions of euro)

Financial assets held for trading	Position as at 31.12.2010		2010 Income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (*) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Prime CMOs	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**

Loans	Position as at 31.12.2010		2010 Income statement			
	Nominal value	Risk exposure (**) (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Prime CMOs	27	25	-	-	-	-
"Long" positions	**27**	**25**	**-**	**-**	**-**	**-**
TOTAL	**27**	**25**	**-**	**-**	**-**	**-**

(*) 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, viceversa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

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

The risk exposure as at 31 December 2010 amounted to 25 million euro, lower than as at 31 December 2009 (33 million euro).
The bonds included in this aggregate were fully reclassified to the Loans category. As at 31 December 2010, their fair value was 20 million euro, with a positive impact from the reclassification of 5 million euro.
The economic result for the segment as at 31 December 2010 was zero (the same as 31 December 2009).
The Prime CMOs component had an original average LTV of 65% and average delinquency at 30, 60 and 90 days of 1%, 1% and 4% respectively. Cumulated loss equalled 0.5%.
They were measured on the basis of the Comparable Approach (Level 2).

Monoline risk

Intesa Sanpaolo does not have any direct exposure to monoline insurers (insurance companies specialised in hedging the default risk of bonds issued by both public entities and the corporate sector) and only has indirect positions connected to hedging derivatives purchased from monoline insurers to buy protection on the default risk of assets held by the Group, which therefore only generate counterparty risk. Such hedging derivatives are part of two types of activities performed by Intesa Sanpaolo: packages and fully hedged credit derivatives transactions.
Intesa Sanpaolo's activities in packages are made up of the purchase of assets (typically bonds), whose credit risk is entirely hedged by a specific credit default swap (CDS). Therefore, these products only present counterparty risk referred to the entity which provided the hedge and their rationale lies in the possible existence of asymmetries between the cash and derivatives market of the same underlying asset, which it is possible to use without direct exposure to market risks.
Both the security and the connected derivative have been measured using the Mark-to-Model approaches (level 3) also taking into account any available prices, if lower. These measurements did not have any impact on Profits (Losses) on trading – Caption 80, with the exception of those referred to the counterparty risk component, mostly due to transactions in which the hedge was stipulated with monoline insurers for which a credit risk adjustment has been calculated, determined on the basis of the cost of a protection CDS on the default of the monoline insurer, with nominal value equal to the current and potential future exposure (so-called add-on) and expiry equal to the average residual life of the underlying assets.
In 2010 the overall nominal value of the assets underlying these transactions decreased from 96 million euro to 91 million euro. Although the packages, as already mentioned above, do not entail a market risk associated with the nature of the underlying asset, for the sake of completeness please note that the assets making up the packages as at 31 December 2010 consisted of a security with US RMBS collateral with a significant subprime content[8].
As at 31 December 2010, the credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 37 million euro, compared to 40 million euro as at 31 December 2009. This exposure had an effect on the income statement of 15 million euro in 2010, compared to 28 million euro as at 31 December 2009.
Intesa Sanpaolo's activities in fully hedged derivatives are made up of the simultaneous purchase and sale of protection on the same reference entity (underlying asset) with two different counterparties. Also in this case, market risk generated by the underlying asset does not affect the bank which solely bears counterparty risk generated by the "short" position in the protection purchase. The rationale for these transactions lies in the possibility of exploiting certain segmentations in the international market,

[8] The percentage in US subprime was 26.3%.

without incurring in directional risks.
As at 31 December 2010, credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 21 million euro, similar to the figure as at 31 December 2009. The positive impact on the income statement was 4 million euro, compared to a positive impact of 3 million euro in the previous year.
In conclusion, as at 31 December 2010, the credit risk exposure with monoline insurers due to counterparty risk amounted to 58 million euro, compared to 64 million euro as at 31 December 2009. The impact on the income statement for the year was +19 million euro, compared to the positive balance of 31 million euro as at 31 December 2009.
Please note that protection single name CDSs amounting to approximately 19 million euro (17 million euro as at 31 December 2009) have also been purchased and that 99.5% of the exposure to monoline insurers referred to MBIA, while the remaining 0.5% referred to other monoline insurers with an AA- rating.

Monoline risk

(millions of euro)

Product	Position as at 31.12.2010				2010 Income statement Profits (Losses) on trading	
	Nominal value of the underlying asset	Fair value of the underlying asset (net of accruals)	Credit risk exposure to monoline insurers (fair value of the CDS pre write-down for CRA)	Credit risk exposure to monoline insurers (fair value of the CDS post write-down for CRA)	Fair value of the hedge with monoline insurers	
					whole year	*of which 4Q*
Positions in packages:						
Subprime	91	54	37	17	15	*8*
Sub-total	**91**	**54**	**37**	**17**	**15**	***8***
Positions in other derivatives:						
Other underlying assets	85	64	21	-	4	*1*
TOTAL	**176**	**118**	**58**	**17**	**19**	***9***

Lastly, for the sake of completeness, please note that there is another form of exposure to monoline insurers, which, however, does not generate particular risk situations. It stems from the investment in securities for which the monoline insurer provides a credit enhancement[9] to the issuing vehicle, for the purpose of making the issue "eligible" for certain types of investors through the achievement of a certain rating (normally AAA). The securities in question[10], with a nominal value as at 31 December 2010 of 516 million euro (534 million euro as at 31 December 2009), consisted of ABSs with underlying Italian health receivables, also supported by delegated regional payments, and financings of infrastructures. They were all recorded in the banking book, almost entirely in the Loans & Receivables (L&R) portfolio. Despite the downgrading of many of the monolines, there were no deteriorations in the creditworthiness of single issuers/borrowers sufficient to warrant the application of particular measures such as prudential provisions. This was because the positions were granted primarily on the basis of the creditworthiness of the underlying borrower. In this regard, please note that all of these issues have maintained an investment grade rating.

Non-monoline packages

This category includes packages with assets covered by specific hedges entered into with leading international banks with AA, A, BBB, BB and B ratings, the majority of which are the subject of specific collateral agreements. The underlying assets are mostly made up of CLOs and ABS CDOs with a limited portion of US Subprime (equal to approximately 13%).

[9] Techniques or instruments used by an issuer to improve the rating of its issues (establishment of deposits for guarantee, granting of liquidity lines, etc.).
[10] Held entirely by Banca Infrastrutture Innovazione e Sviluppo.

Non-monoline packages

(millions of euro)

Product	Position as at 31.12.2010				2010 Income statement Profits (Losses) on trading	
	Nominal value of the underlying asset	**Fair value of the underlying asset** (net of accruals)	**Credit risk exposure to monoline insurers** (fair value of the CDS pre write-down for CRA)	**Credit risk exposure to monoline insurers** (fair value of the CDS post write-down for CRA	**Fair value write-down of the hedge**	
					whole year	*of which 4Q*
Positions in packages:						
Subprime	349	278	71	70	1	-
TOTAL	**349**	**278**	**71**	**70**	**1**	**-**

As at 31 December 2010, these positions amounted to 349 million euro in terms of nominal value, compared to 460 million euro as at 31 December 2009. At the same date, the credit risk exposure to counterparties of the transactions included in the aggregate amounted to 71 million euro (100 million euro as at 31 December 2009) and was written down by 1 million euro (2 million euro as at 31 December 2009) in application of systematic adjustments made on the entire universe of derivatives to incorporate the credit risk adjustment in fair value which, in this particular case, reflects a minimum counterparty risk[11]. The positive impact on the income statement for the period was 1 million euro (compared to an impact of 4 million as at 31 December 2009).
These positions were measured using the Mark-to-Model Approach (Level 3).

Other structured credit products

Starting from the end of 2008, the structured credit products segment with underlying instruments not originating in the USA, have been subject to the heaviest write-downs due to the spread of the crisis.
The various types of product attributable to this last segment are described below. In 2010, they had a positive impact on the income statement of 47 million euro, with a 3 million euro contribution in the fourth quarter, compared to a 23 million euro loss recorded as at 31 December 2009.

i. ***Funded/Unfunded ABSs/CDOs:*** The European ABS/CDOs portfolio consists of 21% of ABSs of receivables (Credit Card, Leasing, Personal Loans, etc.), 46% RMBSs (of which 49% Italian), 11% CMBSs, 7% CDOs and 15% CLOs (mainly of small and medium enterprises). This portfolio was characterised by high credit quality (AAA 49%, AA/A 39%, BBB/BB/B 12%). The collateral of the CMBS portfolio is mostly made up of Offices (51%), Retail/Shopping Centres (21%), Mixed Use (14%), Health Care (9%), Hospitality/Multifamily (4%) and Industrial (1%). The measurement of the European ABS/CDOs portfolio was based on Effective Market Quotes (Level 1) in 20% of cases, the Comparable Approach (Level 2) in 73% of cases, and the Mark-to-Model (Level 3) for the remaining 7%. As regards the US ABS/CDO portfolio, on the other hand, these were securities with US underlying, with collateral represented by Credit Cards (1%) and CLOs (99%). It is made up of 100% of AAA positions. The measurement of the US ABS/CDOs portfolio is based on the Comparable Approach (Level 2) in 1% of cases, and on Mark-to-Model (Level 3) for the remaining 99%.
   - European ABSs/CDOs classified in the trading book.
     As at 31 December 2010 this portfolio had a total nominal value of 671 million euro[12] (575 million euro as at 31 December 2009), with risk exposure of 607 million euro[13] (479 million euro as at 31 December 2009). At the same date, the related impact on the income statement was a positive 3 million. This figure compares with the 24 million euro as at 31 December 2009. The positive effect is attributable to the sale of securities by subsidiary Banca IMI, taking advantage of market opportunities.
   - European ABSs/CDOs classified under loans.
     The nominal value of the portfolio as at 31 December 2010 was 1,342 million euro[14] (1,583 million euro as at 31 December 2009), with a risk exposure of 1,245 million euro[15] (1,468 million euro as at 31 December 2009). As at

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

[12] Of which 606 million euro pertaining to Banca IMI, 1 million euro to Carifirenze (classified under assets available for sale), 6 million euro to Sud Polo Vita (classified under assets available for sale) and 42 million euro to Eurizon Vita (classified under assets available for sale).

[13] Of which 575 million euro pertaining to Banca IMI, 2 million euro to Sud Polo Vita (classified under assets available for sale) and 23 million to Eurizon Vita (classified under assets available for sale).

[14] Of which 194 million euro pertaining to Banca Imi (80 million euro relating to securities purchased by the Parent Company after reclassification, accounted for under the Loan portfolio from the start), 8 million euro pertaining to Carifirenze (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 3 million euro), 72 million euro attributable to Banca Fideuram and Eurotresorerie (65 million euro in nominal value relating to securities purchased by the Parent Company after reclassification, accounted for under the Loan portfolio from the start, with a total benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 2 million euro) and 1 million euro attributable to Eurizon Vita (1 million euro in nominal value relating to securities purchased by the Parent Company after reclassification, accounted for under the Loan portfolio from the start, with no benefit from the reclassification to the Valuation reserve under Shareholders' Equity).

[15] Of which 1,104 million euro resulting from reclassification and 141 million euro classified under the loan portfolio since initial recognition.

31 December 2010, the securities in this portfolio had a fair value of 927 million euro. The positive effect of reclassification in the loans portfolio was 177 million euro as at 31 December 2010[16]. During the year 2010, part of the portfolio was disposed of. These transactions generated profits of approximately 8 million euro recognised under "Profits (Losses) on disposal or repurchase of loans – caption 100a". Moreover, impairment losses were recognised on certain securities included in the segment. The negative impact on the income statement (5 million euro as at 31 December 2010) was recognised under "Net losses/write-backs on impairment – caption 130a".

The overall impact of this aggregate on the income statement was positive by 3 million euro as at 31 December 2010. However, it did not affect "Profits (Losses) on trading – caption 80". The figure should be compared the -6 million euro recognised at the end of 2009.

- US ABSs/CDOs classified under loans.
  This aggregate included securities with a nominal value of 8 million euro (the same amount recorded as at 31 December 2009) and a risk exposure for the same amount. At the end of 2010 the fair value of these securities was 8 million euro. The impact of their classification to the loans portfolio on the income statement was zero as at 31 December 2010.
- Funded super senior corporate risk CDOs.
  These are funded positions classified to the loans portfolio that derive from the restructuring of unfunded positions. The total nominal value of the securities as at 31 December 2010 was 820 million euro[17], with a risk exposure of 777 million euro[18]. The overall impact on the income statement was nil with respect to "Profits (Losses) on trading – caption 80". However, the disposal of securities following the restructuring of unfunded positions, generated a profit of 8 million euro recognised under "Profits (Losses) on disposal or repurchase of loans – caption 100a".
  As at the same date, the securities in portfolio had a fair value of 719 million euro. The positive impact of their classification in the loan portfolio was 7 million euro.

ii. Funded ABS/CDOs ascribable to the Romulus vehicle

These securities were classified as loans. The underlying is mainly US: Credit Card, Leveraged Loan, Student Loan and Corporate Risk. As at 31 December 2010, they had a nominal value of 151 million euro (158 million euro as at 31 December 2009). The securities included in this aggregate had a fair value of 60 million euro as at 31 December 2010 and the positive impact on Shareholders' Equity solely associated with the change in fair value was 71 million euro. In 2010 write-downs were made related to impairment losses involving a security included in the Romulus vehicle portfolio. The related impact on the income statement for the year was -4 million euro. The portfolio consisted of exposures with AAA (9%), AA (4%), BBB (5%), B (32%), CCC (33%), and D (17%) rating.

The securities were measured on the basis of the Comparable Approach (Level 2) in 9% of cases and the Mark-to-Model (Level 3) for the remaining 91%.

iii. Unfunded super senior Corporate Risk CDOs

Super senior in this residual category were mostly characterised by collateral subject to corporate risk and amounted to 736 million euro of nominal value as at 31 December 2010 (924 million euro as at 31 December 2009). More specifically, the US collateral component was 28% (mainly represented by CDOs, 59%), the European component was 72% (of which 76% referred to Italian consumer credit and 24% to CDOs). These structures had an average attachment point of 67%. During the year, the related impact on the income statement amounted to 26 million euro (+1 million euro from realised income and +25 million euro from revaluations). This result compares with the negative figure recorded as at 31 December 2009, equal to -17 million euro.

These positions were measured on a Mark-to-Model (Level 3) basis.

iv. Other unfunded positions

This is a portfolio of unfunded CDOs, almost entirely in mezzanine tranches with mainly European underlying, with a total nominal value of 24 million euro as at 31 December 2010. The exposure in the financial statement has changed compared to 31 December 2009, as the positioning in the segment transformed from "short" (-64 million euro) to "long" (24 million euro). In 2010, the relative impact on the income statement was +11 million euro (+4 million euro from net realised income, +7 million euro from valuations), with a 1 million euro positive contribution in the fourth quarter. This figure compared with a 12 million euro loss as at 31 December 2009.

These positions were measured on a Mark-to-Model (Level 3) basis.

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[16] Including a benefit of 5 million euro for the Valuation reserve under Shareholders' equity as a result of the reclassification of the financial assets available for sale to the loan portfolio.

[17] Including 134 million euro relating to a security transferred from the Parent Company's portfolio to Banca IMI's portfolio with no effects on the consolidated income statement. This amount also includes 53 million euro relating to securities purchased by the Parent Company after reclassification and originally recognised in the Loans portfolio.

[18] Including 115 million euro relating to a security transferred from the Parent Company's portfolio to Banca IMI's portfolio with no effects on the consolidated income statement. This amount also includes 51 million euro relating to securities purchased by the Parent Company after reclassification and originally recognised in the Loans portfolio.

Other structured credit products

(millions of euro)

Financial assets held for trading	**Position as at 31.12.2010**		**2010 Income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
European ABS/CDOs	671	607	3	-	3	*1*
Funded US ABS/CDOs	-	-	-	-	-	-
Unfunded super senior multisector CDOs	-	-	-	-	-	-
Unfunded super senior corporate risk CDOs	736	672	1	25	26	-
Other unfunded "short" positions	24	19	4	7	11	*1*
"Long" positions	**1,431**	**1,298**	**8**	**32**	**40**	**2**

Loans	**Position as at 31.12.2010**		**2010 Income statement**			
	Nominal value	**Risk exposure** (**) (including write-downs and write-backs)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Funded European ABS/CDOs	1,342	1,245	8	-5	3	*1*
Funded US ABS/CDOs	8	8	-	-	-	-
Funded Romulus vehicle ABS/CDOs	151	131	-	-4	-4	*-4*
Funded super senior corporate risk CDOs	820	777	8	-	8	*4*
"Long" positions	**2,321**	**2,161**	**16**	**-9**	**7**	**1**
TOTAL	**3,752**	**3,459**	**24**	**23**	**47**	**3**

(*) 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, viceversa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

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

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

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

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

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

Funding SPEs

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.
These SPEs, which are controlled by Intesa Sanpaolo and are therefore part of the Group's scope of consolidation as per IAS 27, are: Intesa Funding LLC and IntesaBCI Preferred Capital Company LLC III. Both of these are based in the USA.
With respect to the SPEs included in this category, Sanpaolo IMI US Financial Co. ceased to exist in February 2010, and Sanpaolo IMI Capital Company LLC 1 ceased to exist at the begin of November 2010.
The table below shows the information and figures for these vehicles as at 31 December 2010.

(millions of euro)

FUNDING SPEs		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA FUNDING LLC	Funding	9,401	-	-	-	(1)	9,401	9,401			
INTESABCI PREFERRED CAPITAL CO. LLC	Funding	529	-	-	-	(1)	500	500			

(1) Subordinated guarantee given by Intesa Sanpaolo.

The total assets of these vehicles were almost entirely made up of loans to Intesa Sanpaolo. In particular, Intesa Funding LLC's assets increased from 6,158 million euro as at 31 December 2009 to 9,401 million euro as at 31 December 2010. This significant change is due to the rise in the issue of commercial papers, which is the main purpose of the vehicle, in order to meet the increase in the demand from the US market.
Total funding of SPEs above had a 2.3% incidence on total direct customer deposits in consolidated financial statements.

SPEs for insurance products

These are entities (UCITS) established for the purpose of investing internal funds of unit-linked and index-linked products of the Group's insurance companies, which retain the majority of the risks and rewards; SPEs for insurance products are consolidated pursuant to IAS 27 / SIC 12.
In the Group there are 63 entities of this type with total net assets of approximately 16 billion euro (of which 8 billion euro relative to funds that report to Fideuram Gestions).
As at 31 December 2010, the assets of the funds in which Eurizon Vita/Eurizon Life hold the majority of the quotas in circulation are invested in bonds and liquidity for around 64% (except for the SPLux Sicav 2 Equity 100 fund, which has invested around 87% of the portfolio in equity funds and shares) and, for the remainder, in equity and bond mutual funds (around 21%), in corporate bonds (around 12%), and in shares (around 3%). 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 2.4% of the Group's total consolidated assets.

Securitisation SPEs

These are funding SPEs that enable an entity to raise funds through the securitisation of part of its assets. 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 or through a private placement. 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.
SPEs of this type that were part of the scope of consolidation as at 31 December 2010 pursuant to IAS 27 or SIC 12, were: Intesa SEC S.p.A., Intesa SEC 2 S.r.l., Intesa SEC 3 S.r.l., Intesa SEC NPL S.p.A., Intesa Lease SEC S.r.l., Split 2 S.r.l., ISP CB Ipotecario S.r.l., ISP CB Pubblico S.r.l., Adriano Finance S.r.l. (Series 1, 2 and 3) and Adriano Finance 2 S.r.l.. This category also included ISP SEC 4 S.r.l., which was not operational as at 31 December 2010. As at 31 December 2010 the stake held in the vehicle Adriano Finance 3 S.r.l. had been sold.
These companies, incorporated under Italian law, were used to securitise the performing assets (mortgage loans, leasing contracts) or non-performing assets (mortgage loans) of Intesa Sanpaolo or Group companies. In the case of ISP CB Pubblico S.r.l. and ISP CB Ipotecario S.r.l., the sale of the assets to the vehicle was aimed at implementing a covered bond issue programme. Additional details on the operations of these vehicles are provided in Section C of Part E of the Notes to the consolidated financial statements.

Augusto, Colombo and Diocleziano are securitisation vehicles for assets, primarily funding land financing and public works, of a company subject to joint control and later sold.
The securities held by Intesa Sanpaolo or by Group companies have been measured according to the provisions for the specific IAS category for each security, as indicated in the table below, which shows the information and figures for these vehicles as at 31 December 2010.

(millions of euro)

SECURITISATION SPEs	Type of asset	Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	book value	amount	IAS classification	Valuation
INTESA SEC SPA (1)	performing mortgages	4	-	-	-		-	3	1	AFS	Fair value
INTESA SEC 2 SRL (2) (14)	performing mortgages	285	1	-	-		-	237	33	HFT - Loans	Fair value/ amortised cost
INTESA SEC 3 SRL (3) (14)	performing mortgages	1,720	6	-	-		-	1,642	121	HFT - Loans	Fair value/ amortised cost
INTESA SEC NPL SPA (4)	non-performing loans	58	68	-	-		-	155	35	AFS - Loans	Fair value/ amortised cost
INTESA LEASE SEC SRL (5)	performing leasing contracts	62	4	-	-		-	44	-		
SPLIT 2 SRL	performing leasing contracts	261	-	-	-		-	247	32	Loans - HFT - HTM	Fair value/ amortised cost
ISP CB IPOTECARIO SRL (6)	residential mortgages	5,431	-	-	-		-	1,000	-		
ISP CB PUBBLICO SRL (6)	public sector loans	8,200	-	-	-		-	5,000	3,000	Loans	Amortised cost
ISP SEC 4 SRL		(11)	-	-	-		-	-	-		
ADRIANO FINANCE SRL - Series 1 (7) (14)	performing mortgages	6,064	27	-	-		-	5,809	-		
ADRIANO FINANCE SRL - Series 2 (8) (14)	performing mortgages	4,623	57	-	-		-	4,396	-		
ADRIANO FINANCE SRL - Series 3 (9) (14)	performing mortgages	6,052	26	-	-		-	5,860	-		
ADRIANO FINANCE 2 SRL (10) (14)	performing mortgages	10,853	32	-	-		-	10,212	-		
CR Firenze Mutui S.r.l.	performing mortgages	123	-	-	-		-	113	5	Loans	Amortised cost
AUGUSTO SRL (12)	land financing (100%)	26	10	-	-		-	36	7	AFS	Fair value
COLOMBO SRL (13)	public works financing	93	9	-	-		5	82	3	HFT - Loans	Fair value/ amortised cost
DIOCLEZIANO SRL (15)	land financing (82%) Public works (12%) Indus. (6%)	78	38	-	-		-	114	14	AFS	Fair value

(1) ISP is 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 other than the securities and operating costs deriving from the securitisation.

(2) ISP is committed to support the vehicle through limited recourse subordinated loan, in relation to any higher charge of a fiscal, legal, regulatory or supervisory nature other than the securities and operating costs deriving from the securitisation. ISP also granted a subordinated loan of 19 million euro used by the vehicle to set up the cash reserve which makes up the credit enhancement of the operation required by the rating agencies. The residual of the deferred fixed price amounts to 2 million euro at 31 December 2010. Swap contracts exist as interest rate risk hedge.

(3) ISP granted a limited recourse subordinated loan of 24 million euro used by the vehicle to set up the cash reserve which makes up the credit enhancement of the operation required by the rating agencies. Swap contracts signed with ISP exist as interest rate risk hedge.

(4) ISP granted a guarantee and indemnity contract currently used for approximately 1 million euro, in case of declarations or guarantees which lead to a reduction in loan value. The bank is also committed to support the vehicle through limited recourse subordinated loan, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. Subordinated loan was granted for approximately 3 million euro. The indemnity does not cover security-related costs and securitisation operating costs. Cumulated losses shall be absorbed by tranches E (equity) and D held by ISP whose value was adjusted both in the current and in previous years. An Interest Rate Cap contract and Interest Rate Floor contract exist as interest rate risk hedge.

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

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

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

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

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

(10) ISP granted a limited recourse subordinated loan of 150 million euro used by the vehicle to set up the cash reserve which makes up the credit enhancement of the operation required by the rating agencies; credit enhancement is instead made up of Class B securities (876 million euro), fully subscribed by ISP. A swap contract exists as interest rate risk hedge.

(11) Established company not yet operative as at 31 December 2010.

(12) The company issued two series of bonds with different portfolios as underlying assets. The figures indicated represent the sum of the issues. The figures under total assets refer to 31 December 2009.

(13) ISP granted the vehicle a subordinated financing of 1 million euro. The figures under total assets refer to 30 June 2010.

(14) During the year, ISP granted two subordinated loans for each of the following vehicles: Intesa Sec. 2 S.r.l., Intesa Sec. 3 S.r.l., Adriano Finance S.r.l. (Series 1, 2 and 3) and Adriano Finance 2 S.r.l. The transaction totalled 22 million euro.

(15) The figures under total assets refer to 31 December 2009.

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 consisted of the following:
- Intesa SEC S.p.A. - performing mortgages;
- Intesa SEC 2 S.r.l., Intesa SEC 3 S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l. - performing residential mortgages;
- Intesa SEC NPL S.p.A. - non-performing mortgages;
- Intesa Lease SEC S.r.l. and Split 2 S.r.l. - performing loans arising from leasing contracts.

The vehicle's remaining cash commitments were in addition to the above assets.
The total assets of Augusto, Colombo and Diocleziano were instead almost entirely made up of land financing or receivables for public works.
The total assets of the consolidated SPEs not derecognised (Intesa SEC 3 S.r.l., Split 2 S.r.l., Adriano Finance S.r.l. and Adriano Finance 2 S.r.l., ISP CB Pubblico S.r.l. and ISP CB Ipotecario S.r.l.) made up 6.5% of the total consolidated assets.
For the sake of completeness, C.R. Firenze Mutui S.r.l., a securitisation vehicle with its own underlying assets (performing mortgages), from the Carifirenze sub-group, should also be mentioned. This vehicle, consolidated at equity, had total securitised assets as at 31 December 2010 of 113 million euro.

Furthermore, pursuant to SIC 12, Intesa Sanpaolo controlled:

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

The table below shows the information and figures for the above two vehicles as at 31 December 2010.

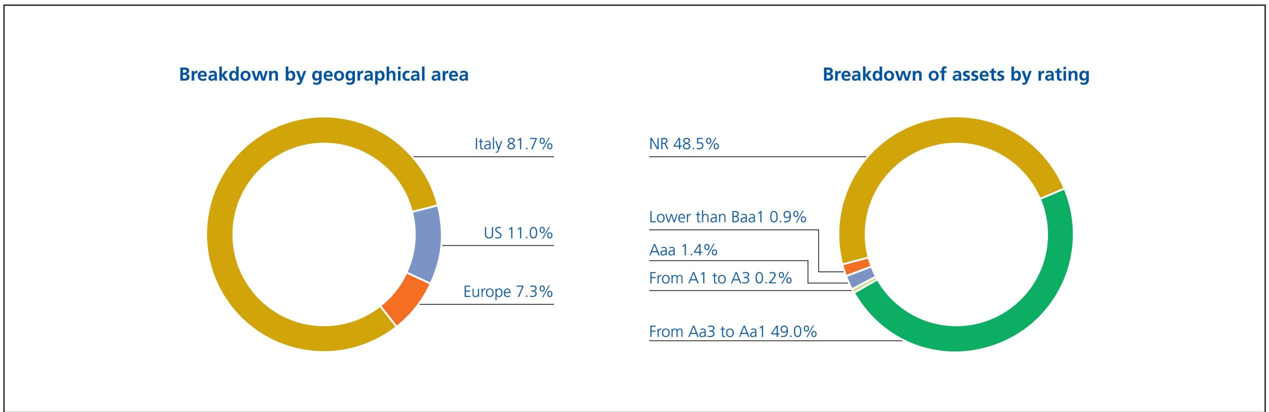
(millions of euro)

ROMULUS AND DUOMO		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	asset back commercial paper conduit	1,486 [1]		294	130	Letter of credit	78	1,367			
DUOMO FUNDING CORP.	purchase of assets and Romulus financing	1,225	-	2,165	-		-	-			

[1] of which 1,220 million euro for loans disbursed to Duomo, for transactions reported in the latter's financial statement.

The total assets of the vehicle Romulus included loans to Duomo of 1,220 million euro. The vehicle’s securities portfolio is fully classified under the loan portfolio, and a portion of this is included among structured credit products. As at 31 December 2010, this portion of securities had a nominal value of 165 million euro, measured at amortised cost. Their carrying amount as at the same date was 143 million euro. A security included in the portfolio was written down due to impairment in 2010, for 4 million euro. The vehicle’s assets also include liquidity and other assets amounting to 1 million euro.
The total assets of Duomo were made up of 464 million euro of loans to Intesa Sanpaolo, as collateral for an intragroup protection sale on the risk of a leading insurance company, 96 million euro of loans to the banking subsidiary Intesa Sanpaolo Bank Ireland, 662 million euro of loans to customers, and 3 million euro of liquidity and other assets.
The total assets of the above SPEs made up 0.4% of the total consolidated assets.

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



Please note that, although part of the uses (approximately 49%) in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were not supported by an external rating, they were nevertheless of sufficient quality for the commercial papers issued by Romulus to maintain the A-1/P-1 ratings. More specifically, the percentage of assets with rating between Aaa and Aa increased slightly from 48% as at 31 December 2009 to 51% as at 31 December 2010. The securities classified in the loan portfolio of the vehicles under discussion are made up as follows: 51% of 2002 vintage, 11% of 2003 vintage, 1% of 2004 vintage and the remaining 37% of 2007 vintage.

Intesa Sanpaolo did not hold any stake in SPQR II S.r.l., a company that was consolidated because the Group had retained the majority of costs and benefits (SIC 12).
The table below shows the information and figures for these vehicles as at 31 December 2010.

(millions of euro)

SPQR II S.r.l.		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
SPQR II SRL (CBO 1)	Performing Loans & Receivables	1,752	-	50	-	-	-	1,704			
SPQR II SRL (CBO 2)	Performing Loans & Receivables	1,231	-	100	-	-	-	1,210			

The separate assets of the vehicle are almost entirely made up of a portfolio of debentures issued by Italian public entities, with a total nominal value of around 3 billion euro, sold to the vehicle by Banca Infrastrutture Innovazione e Sviluppo. The vehicle, in turn, issued senior and junior securities; both security types were repurchased by BIIS, which allocated the senior classes as

collateral to its funding with the European Central Bank, via transactions closed through Intesa Sanpaolo. Compared to 31 December 2009, the tranche of the securitisation carried out through Banca IMI was closed.
The total assets of securitisation SPEs made up around 0.4% of the total consolidated assets.
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 2010 the Group's exposure to the vehicle Da Vinci was 5 million euro, consisting entirely of securities.

Financial Engineering SPEs

These SPEs carry out investment and funding transactions that achieve better risk/return combinations than those generated by standard transactions, through special structures aimed at optimising accounting, tax and/or regulatory aspects. These structures have been set up to respond to the needs of primary customers and provide solutions that offer financing at competitive interest rates and investments with higher returns.
Intesa Sanpaolo controls and consolidates Intesa Investimenti S.p.A., a company established to invest in quotas of Italian and international UCITS, in quotas and shares of other Italian and international entities and in Government securities of G8 countries, with the simultaneous subscription of a commitment to resell at a future date and at a predetermined price. This company is currently on stand-by.
The shareholders' equity of the company is entirely deposited with Intesa Sanpaolo.

(millions of euro)

FINANCIAL ENGINEERING		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA INVESTIMENTI SPA	Financial Engineering	1,033	-	-	-		-	-	-		

The assets of the vehicle are almost entirely made up of term deposits with the Parent Company Intesa Sanpaolo.
The SPEs of this type also included Lunar Funding Plc., a vehicle, set up in Ireland and added to the scope of consolidation, used for repackaging operations by a leading bank.

Project Financing SPEs

These are financing instruments for capital intensive projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the entrepreneurial idea. The financing of the initiative is based on the project's capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital.
Such vehicles are established by sponsor "entrepreneurs", mostly abroad to benefit from operating and legal/bureaucratic efficiency.
Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, as the Bank does not hold any stake or interest in the share capital of these companies and does not have any control over them. Where there are guarantees represented by pledges of shares of the SPE, contractual terms exclude the possibility of exercise of voting rights by the Bank.

Asset Backed SPEs

These are transactions aimed at acquisition/construction/management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend upon the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate disposal plan). Generally the assets are also the real guarantee for the financing obtained from the vehicle.
Intesa Sanpaolo has financed entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk accepted is always a normal credit risk and the benefits are represented by the return on the financing granted.
The Group consolidates only those entities in which it holds the majority of voting rights. The SPEs of this type are held solely by an international subsidiary (the volume of this type of assets amounted to approximately 76 million euro as at 31 December 2010).

Leveraged & Acquisition Finance SPEs

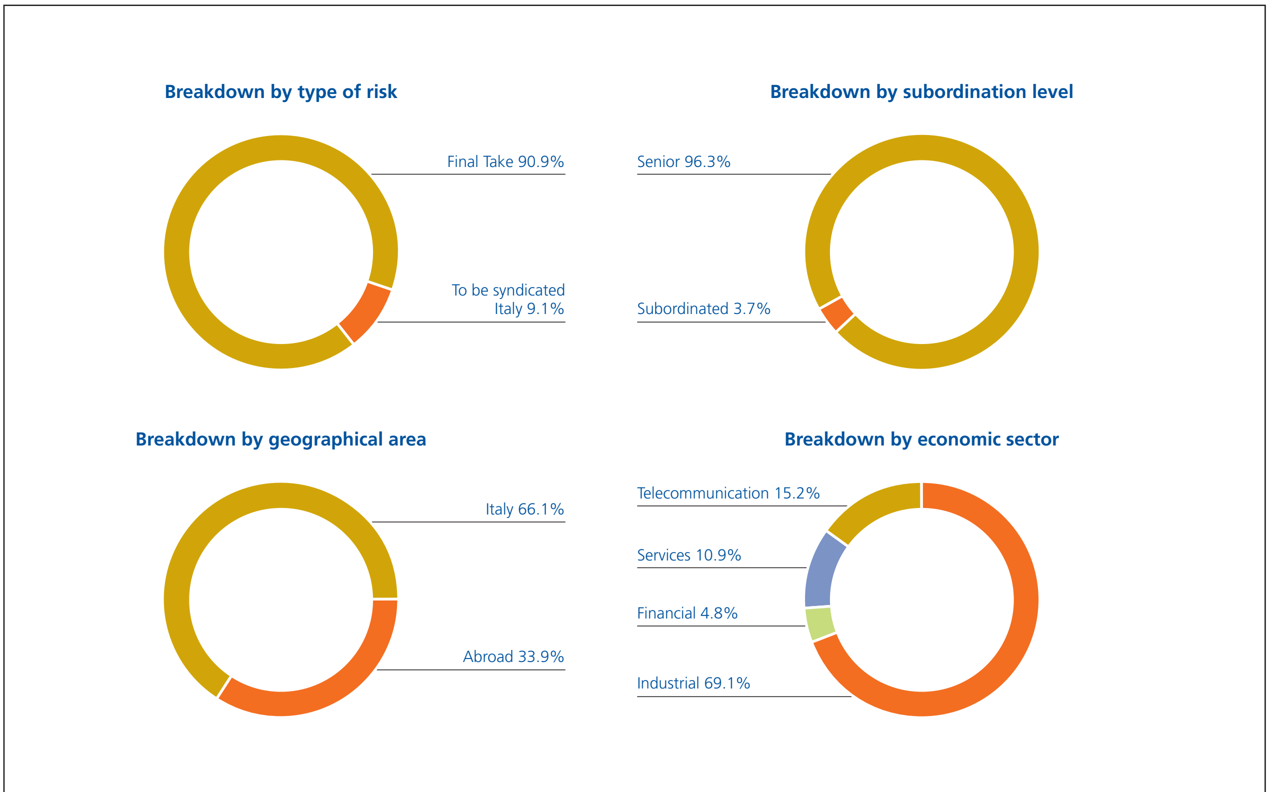
For the description of the transactions which involve these vehicles see the specific section dedicated to Leveraged Finance transactions.

Credit Derivatives SPEs

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 never 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 benefits deriving from the activities of the vehicle.

LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or part acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's securities package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 31 December 2010, just over 110 transactions, for a total amount granted of 4,670 million euro, met the above definition.
These exposures are classified under the loans portfolio. They also include the portions of syndicated loans underwritten or under syndication. In line with disclosure requirements, breakdown of exposures by geographical area, economic sector and by level of subordination is set out below.



DISCLOSURE ON INVESTMENTS IN HEDGE FUNDS

The hedge funds portfolio as at 31 December 2010 totalled 814 million euro, compared to the 740 million euro recorded at year-end 2009.
As at the same date, the contribution to "Profits (Losses) on trading – caption 80" of these investments continued to be positive at 84 million (including 16 million euro in the structured credit products disclosure). Of these net profits:

– 1 million euro is represented by net profits realised during the year from fund trading;
– 80 million euro related to net valuations of positions outstanding at the year-end (including 16 million euro in the structured credit products disclosure);
– 3 million euro from other net income.

Taking into account the net capital gains on the final residual amount (80 million euro), these were spread across 43 positions, 9 of which recording capital losses (5 million euro) and 34 capital gains (85 million euro).

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 three 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. Derivatives sold by the network are hedged back to back with Banca IMI;
– Public Finance Business Unit, for the sale of derivative products to public entities, through Banca Infrastrutture Innovazione e Sviluppo. Derivatives sold are hedged back to back with Banca IMI.

Customer financial needs that the Intesa Sanpaolo Group aims to satisfy through derivative instruments are diverse and depend on customer segment. In short, the following picture emerges:

1) retail and business customers served by Banca dei Territori acquire derivative instruments for investment or the hedging of financial risks, with a few typical differences:
   i) companies enter into derivative contracts to hedge risks, mostly interest rate and foreign exchange risk;
   ii) individuals normally do not stipulate derivatives explicitly with the Intesa Sanpaolo Group as counterparty, with the exception of contracts aimed at hedging interest rate risk on retail mortgages;
2) customers of the Corporate Division (mostly large businesses, mainly qualified operators) sign derivative contracts for hedging/managing risks, mostly interest rate and foreign exchange risk;
3) entities of the Public Administration, served by Banca Infrastrutture Innovazione e Sviluppo, sign derivative contracts to manage their liquidity and modify/hedge their debt positions.

The centres of responsibility which sign contracts with customers (essentially, Intesa Sanpaolo, Network Banks, as well as Banca Infrastrutture Innovazione e Sviluppo) do not take market risks, since these are systematically hedged back to back, in most cases with the Group's securities house, Banca IMI. The latter hedges the risks transferred to it dynamically and collectively, in respect of assigned limits, for the purpose of maximising financial effectiveness. Counterparty risk is not transferred.

Considering only relations with customers, as at 31 December 2010, the Intesa Sanpaolo Group presented, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), a positive fair value, not having applied netting agreements, of 3,268 million euro (3,008 million euro as at 31 December 2009). The notional value of such derivatives totalled 45,875 million euro (47,107 million euro as at 31 December 2009). Of these, notional value of plain vanilla contracts was 35,054 million euro (32,925 million euro as at 31 December 2009), and of structured contracts was 10,821 million euro (14,182 million euro as at 31 December 2009).
The positive fair value of the structured contracts in existence with the 10 customers with the highest exposures was 309 million euro (253 million euro as at 31 December 2009). The same indicator, referred to the total contracts with a positive fair value, was 1,472 million euro.
Conversely, negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 552 million euro at 31 December 2010 (327 million at 31 December 2009). The notional value of such derivatives totalled 13,157 million euro (8,321 million euro as at 31 December 2009). Of these, notional value of plain vanilla contracts was 11,576 million euro (7,057 million euro as at 31 December 2009), and of structured contracts was 1,581 million euro (1,263 million euro as at 31 December 2009).

The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Credit Risk Adjustment"). On contracts outstanding as at 31 December 2010, this implied the registration in the income statement, under profits from trading, of adjustments of 87 million euro, compared to the 104 million euro as at 31 December 2009, with a positive impact, during the year, of 17 million euro. Adjustments are recorded, for every single contract, at 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.