Half-yearly report as at 30 June 2011

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

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NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,679	Intesa Sanpaolo Private Banking	60
	Banca Fideuram	39
	Banca Prossima	21
	Banca CR Firenze	7
	BIIS	5
	Mediocredito Italiano	2
	Banca IMI	1
	CR del Veneto	1

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
17	CR del Veneto	450
	CR in Bologna	207
	CR del Friuli Venezia Giulia	142
	CR Venezia	119
	CR di Forlì e della Romagna	115
	Banca di Trento e Bolzano	85
	Banca CR Firenze	47
	Intesa Sanpaolo Private Banking	38
	Banca Fideuram	22
	Banca Prossima	12
	BIIS	3
	Mediocredito Italiano	2

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
371	Banca CR Firenze	712
	Banca dell'Adriatico	82
	Banca Fideuram	21
	Intesa Sanpaolo Private Banking	21
	Banca Prossima	10
	BIIS	4
	Banco di Napoli	3
	Mediocredito Italiano	2

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
5	Banco di Napoli	756
	Banca dell'Adriatico	117
	Intesa Sanpaolo Private Banking	20
	Banca Prossima	17
	Banca CR Firenze	12
	Banca Fideuram	11
	BIIS	4
	Mediocredito Italiano	2

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
189	Banca di Credito Sardo	94
	Banca Prossima	7
	Banca Fideuram	5
	Intesa Sanpaolo Private Banking	5
	BIIS	2
	Mediocredito Italiano	1

Figures as at 30 June 2011

Product Companies

CENTROVITA | EurizonVita | INTESA SANPAOLO VITA | SUD POLO VITA

Bancassurance

INTESA SANPAOLO PREVIDENZA

Pension Funds

EurizonCapital

Asset Management

SIREFID

Fiduciary Services

MONETA | NEOS FINANCE

Consumer Credit

SETEFI

Electronic Payments

LEASINT

Leasing

MEDIOFACTORING

Factoring

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

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

AMERICA

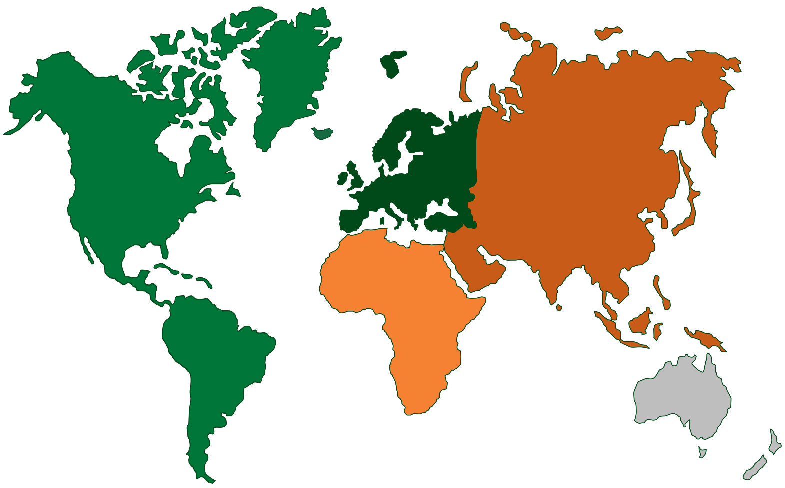
Direct Branches	Representative Offices
George Town	Santiago
New York	São Paulo

ASIA

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

EUROPE

Direct Branches	Representative Offices
Amsterdam	Athens(2)
Dornbirn(1)	Brussels(3)
Frankfurt	Istanbul(4)
Innsbruck(1)	London(5)
London	Moscow
Madrid	Paris(5)
Paris	Stockholm
	Warsaw



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	30
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	55
Croatia	Privredna Banka Zagreb	220
Czech Republic	VUB Banka	1
Greece	Intesa Sanpaolo Bank Albania	1
Hungary	CIB Bank	138
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
Romania	Intesa Sanpaolo Bank Romania	77
	Banca CR Firenze Romania	15
Russian Federation	Banca Intesa	79
Serbia	Banca Intesa Beograd	207
Slovakia	VUB Banka	244
Slovenia	Banka Koper	55
Switzerland	Intesa Sanpaolo Private Bank (Suisse)	1
Ukraine	Pravex-Bank	402
United Kingdom	Banca IMI	1

AFRICA

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

Figures as at 30 June 2011
(1) Branches of Italian subsidiary Banca di Trento e Bolzano
(2) Representative offices of Intesa Sanpaolo and Banca IMI
(3) International Regulatory and Antitrust Affairs and Intesa Sanpaolo Eurodesk
(4) Representative offices of Intesa Sanpaolo and BIIS
(5) Representative office of BIIS

Product Companies

CONSUMER FINANCE HOLDING
INTESA SANPAOLO CARD

Consumer Credit, E-money and Payment Systems

CIB LÍZING
INTESA LEASING BEOGRAD
PBZ LEASING
VÚB LEASING

Leasing

CIB
Eurizon Capital s.a.
FIDEURAM Asset Management
PBZ INVEST
VÚB ASSET MANAGEMENT

Asset Managment

INTESA SANPAOLO LIFE

Insurance

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

Supervisory Board

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

Management Board

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

General Managers	Corrado PASSERA Gaetano MICCICHÈ Marco MORELLI (*)
Manager responsible for preparing the Company's financial reports	Ernesto RIVA
Independent Auditors	RECONTA ERNST & YOUNG S.p.A.

(*) Deputy to the CEO

HALF-YEARLY REPORT ON OPERATIONS

Introduction

The “Half-yearly Report as at 30 June 2011” is made up of the Half-yearly report on operations and the Half-yearly condensed consolidated financial statements including the financial statements and related explanatory notes.

The “Half-yearly condensed consolidated financial statements as at 30 June 2011” have been prepared in compliance with art. 154-ter of Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission in EC Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements, subject to limited review, have been drawn up in compliance with IAS 34 requirements, which regulate interim reports.

To support the comments on results for the period, the Explanatory notes to the Half-yearly condensed consolidated financial statements also present and illustrate reclassified income statement and balance sheet schedules. The reconciliation with the financial statements, envisaged by Consob in its communication 6064293 of 28 July 2006, is included in the Attachments. The Half-yearly report on operations and the Half-yearly condensed consolidated financial statements contain financial information – for example, figures on quarterly development, and other alternative performance measures – not directly attributable to the financial statements.

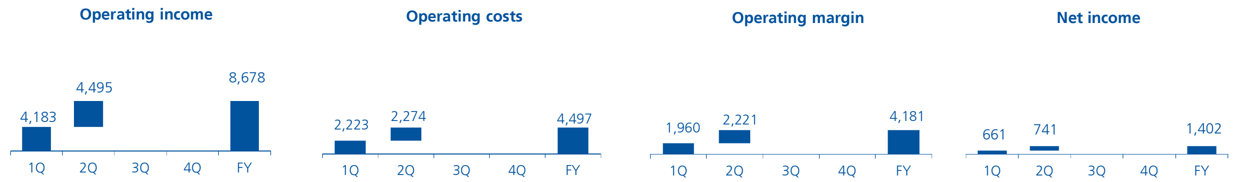
The website of Intesa Sanpaolo, at www.group.intesasanpaolo.com, contains the press releases issued during the year together with other financial documents.

OVERVIEW OF THE FIRST HALF 2011

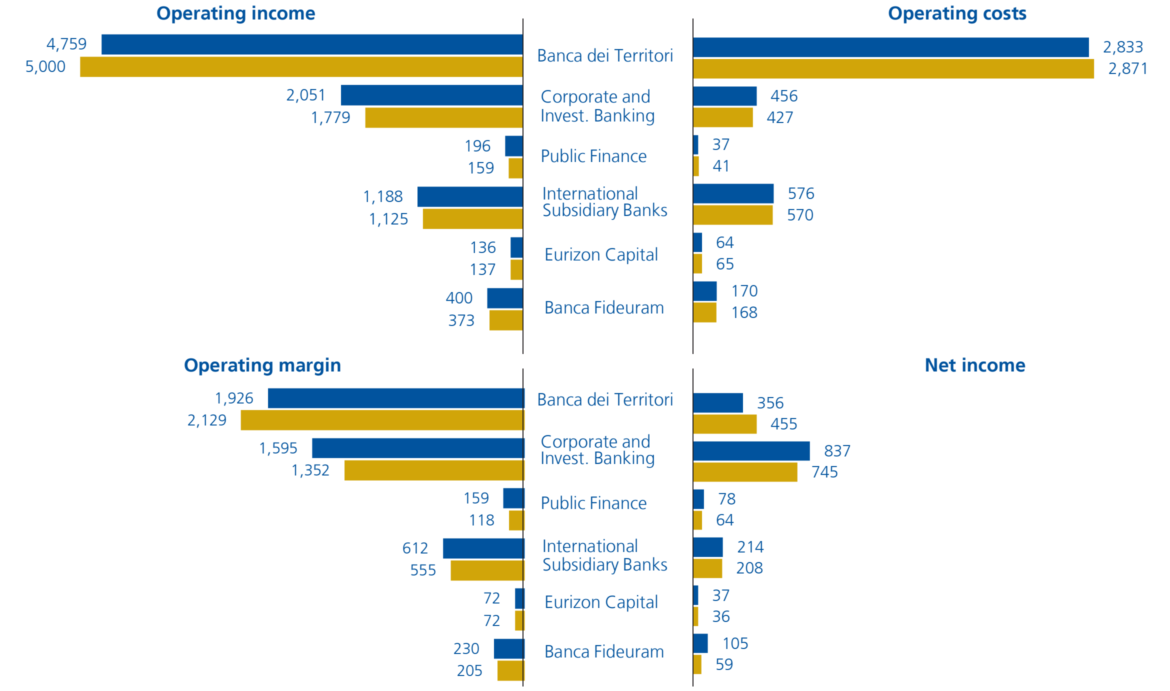
Income statement figures and alternative performance measures (°)

Consolidated income statement figures (millions of euro)	30.06.2011	30.06.2010	Changes amount	Changes %
Net interest income	4,739	4,816	-77	-1.6
Net fee and commission income	2,784	2,788	-4	-0.1
Profits (losses) on trading	821	215	606	
Income from insurance business	285	355	-70	-19.7
Operating income	8,678	8,220	458	5.6
Operating costs	-4,497	-4,507	-10	-0.2
Operating margin	4,181	3,713	468	12.6
Net adjustments to loans	-1,457	-1,544	-87	-5.6
Income after tax from discontinued operations	-	691	-691	
Net income	1,402	1,690	-288	-17.0

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



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



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

(°)
30.06.2011
30.06.2010

Balance sheet figures and alternative performance measures (°)

Consolidated balance sheet figures (millions of euro)	30.06.2011	31.12.2010	**Changes** amount	**Changes** %
Loans to customers	372,361	376,087	-3,726	-1.0
Direct customer deposits	414,450	425,019	-10,569	-2.5
Indirect customer deposits:	424,941	424,680	261	0.1
of which: Assets under management	*232,476*	*233,553*	*-1,077*	*-0.5*
Total assets	644,673	654,020	-9,347	-1.4
Shareholders' equity	58,935	53,533	5,402	10.1

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

	Loans to customers 30.06.2011	**Loans to customers** 31.12.2010	**Direct customer deposits** 30.06.2011	**Direct customer deposits** 31.12.2010
Banca dei Territori	184,473	180,490	214,320	218,319
Corporate and Invest.Banking	107,900	110,779	86,824	97,026
Public Finance	40,044	40,508	5,278	5,757
International Subsidiary Banks	31,341	30,926	30,231	30,259
Eurizon Capital	109	153	12	12
Banca Fideuram	3,059	2,851	12,275	12,503

Operating structure	**30.06.2011**	**31.12.2010**	**Changes amount**
Number of employees	**101,169**	**101,092**	**77**
Italy	69,754	69,715	39
Abroad	31,415	31,377	38
Number of financial advisors	**4,779**	**4,349**	**430**
Number of branches [(a)]	**7,290**	**7,391**	**-101**
Italy	5,547	5,629	-82
Abroad	1,743	1,762	-19

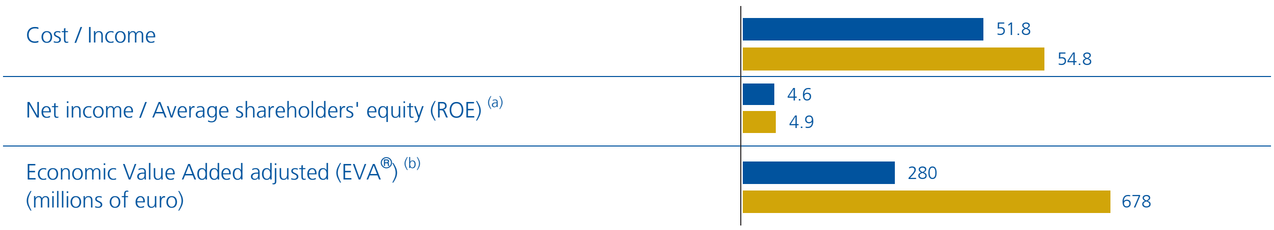
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

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

(°)
30.06.2011 (blue bars)
31.12.2010 (yellow bars)

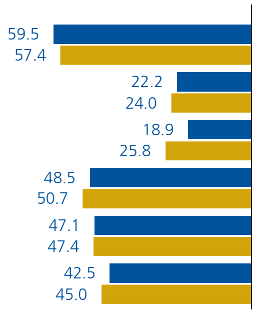
Other alternative performance measures (°)

Consolidated profitability ratios (%)

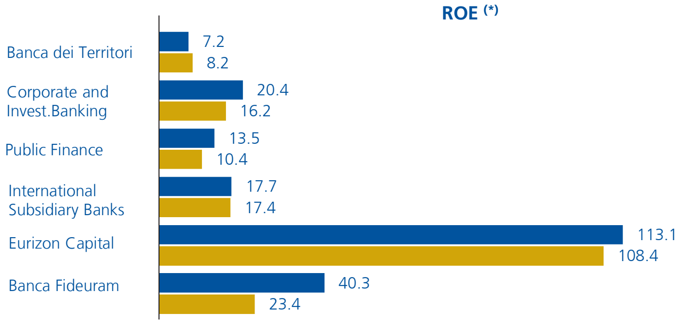


Profitability ratios by business area (%)

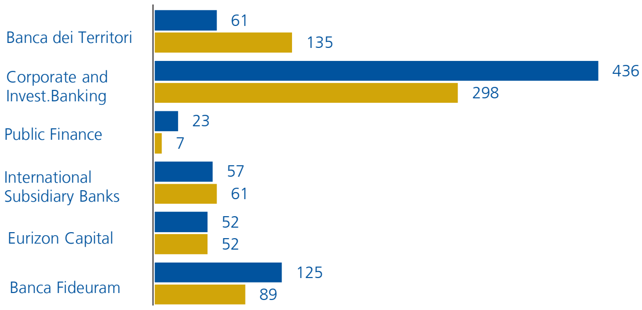
Cost / Income



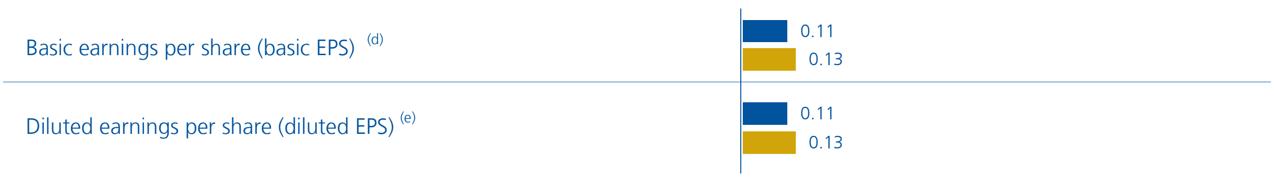
ROE (*)



Economic Value Added adjusted (EVA®) (b)
(millions of euro)



Earnings per share (euro)



(°)
30.06.2011
30.06.2010

Consolidated risk ratios (%)

	30.06.2011	31.12.2010
Net doubtful loans / Loans to customers	2.1	2.0
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	64.3	64.3

Consolidated capital ratios (%)[f]

	30.06.2011	31.12.2010
Tier 1 capital [g] net of ineligible instruments / Risk-weighted assets (Core Tier 1)	10.2	7.9
Tier 1 capital [g] / Risk-weighted assets	11.8	9.4
Total capital [h] / Risk-weighted assets	15.1	13.2
Risk-weighted assets (millions of euro)	320,795	332,158

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

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

[b] The indicator, calculated excluding merger and restructuring-related charges and effect of purchase price allocation as per IFRS 3, represents the economic value generated in the period in favour of shareholders, since it is the portion of net income for the period which remains after having remunerated shareholders' equity via the cost of capital. The latter represents the opportunity cost and is determined using the Capital Asset Pricing Model.

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

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

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

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

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

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

(°)
30.06.2011
31.12.2010

Executive summary

The macroeconomic context

The economy and the financial and currency markets

The rising trend in oil prices since the last quarter of 2010, and the earthquake that hit Japan in March contributed to slowing down the global economy. However, cycle-forecasting indicators still indicate an expansion in production, albeit at a slower pace than the average for 2010.
As to Japan, provisional indications for the second quarter show a clear trend towards recovery, after the steep fall in April; the rebound, associated with the overcoming of the supply squeezes caused by the earthquake, should extend to the second half of the year.
In the USA, on the other hand, economic activity continued to slow down in June, with worsening performance in both employment growth and aggregate demand indicators. The situation is made more uncertain by the disagreements on the legal limit on federal debt, still unresolved as at mid July, and the fiscal difficulties experienced by the States. Against an economic situation considered to be still very uncertain, albeit stronger than in 2010, the Federal Reserve completed its second quantitative stimulus programme; official rates have been confirmed at 0-0.25%.
The Eurozone too underwent a slowdown in the pace of economic activity growth, after the strong expansion recorded at year start (+0.8% quarter on quarter and +2.5% year on year). The severely restrictive fiscal policies and the worsening financial conditions have negatively affected the growth of peripheral countries. Due to the increases in commodity prices, inflation rose to a peak of 2.8%, well above the ECB's mid-term objective.
However, the economic environment was negatively affected, more than by cyclic developments, by the sovereign debt crisis. After Greece and Ireland, a third country, Portugal, was forced by the excessive increase in its funding costs to seek the financial support of the International Monetary Fund and the European Union. The fourth review of Greece's' economic adjustment programme revealed growing misalignment with the objectives, as well as serious problems in covering the country's financial requirements starting from 2012. After the approval of the mid-term fiscal plan by the Greek parliament at the end of June, it was only on 21 July last that the Eurogroup reached an agreement on a new three-year aid package of 109 billion euro (one third of which from the IMF), plus the participation of private investors, via forms of securities exchange and a repurchase plan, for a total estimated amount of 50 billion euro. The plan is associated, together with renegotiation of the lending conditions to the countries assisted by the current programmes (not only Greece but also Ireland and Portugal), with the granting of broader powers to the State-rescue fund EFSF, including the possibility of granting "preventive" credit lines also to Member States other than those assisted by the current programmes (in particular to finance the recapitalisation of the financial institutions) and most importantly to intervene on the secondary government bond market, albeit only in "exceptional" market conditions and on the basis of the ECB's analyses.
At the start of July, as political tensions rose, a rapid expansion of risk premia also occurred in respect of Italian public debt. On the ten-year maturity, as at 30 June the BTP's yield was 192 basis points higher than the Bund's, with a hike of 46 basis points from 31 March; thereafter, the situation continued to deteriorate, bringing the differential to over 300 basis points. The rise in risk premia also concerned, to a lesser extent other peripheral issuers, such as Spain, and also affected a high-rated country such as France. The expansion of the crisis reveals the shortcomings in the crisis management mechanisms adopted in 2010.

The Italian economy's growth continued to be modest, lower than the Eurozone average. Nevertheless, after two quarters of decline, industrial production picked up in March and April, followed by a new decrease in May. Growth in the quarter was significant, above one percent. As a consequence, GDP growth seems to have been more robust than the +0.1% of the last quarter of 2010 and the first quarter of 2011. The slight growth in employment made possible by GDP expansion has to be seen against the increase in labour market drop-outs. The unemployment rate declined slightly, to 8%. The trend in consumption was positive, with domestic demand contributing to the recovery of economic activity. In April, the government announced the objective of balancing the budget by 2014. Moreover, the objective for 2012 is to decrease the debt-to-GDP ratio. To support this programme, in July a corrective manoeuvre was announced, which marginally strengthens the measures already planned for the two-year period 2011-12 and, most importantly, defines the actions for the following two years.

Despite the public debt tensions, in April the ECB adopted a first increase in official rates from 1.00 to 1.25%, stating its dissatisfaction with the negative level of real rates; in June it announced a new rise to the markets, which was then implemented in early July and amounted to 25 basis points. The procedure for full allocation to the main refinancing transactions was postponed to October. The banks of Greece, Portugal and Ireland remain heavily reliant on the liquidity provided by the Eurosystem compared with the system's assets and the total liquidity raised via open market transactions.
The performance of Euribor rates reflects the shift in the monetary policy. The monthly rate has risen from 0.81% at the end of 2010 to 1.28% in June 2011. Increases of about 50 basis points have been recorded on the six-monthly and annual maturities. A rising trend has also marked IRS rates on short and medium-term maturities, whereas the long-term rate declined during the second quarter.
With regard to the currency markets, strengthening of the euro against the dollar marked the whole first quarter and extended to the month of May, when the euro peaked at 1.49 dollars. The subsequent month followed a fluctuating path, with the euro to dollar exchange rate closing at 1.45 at the end of June. The sovereign debt crisis was reflected on the quotation of the Swiss

franc, which benefited from its status as a safe haven currency. The Swiss franc repeatedly bettered its highest levels against the euro, reaching a peak of 1.16 CHF for one euro.

The emerging economies and markets

In the first half of 2011, various emerging economies, while remaining on a sustained growth path, slowed down from 2010. For the main emerging countries, GDP growth declined slightly from 7.6% in the fourth quarter of 2010 to 7.4% in the first quarter of 2011. This slowdown reflects the impact on consumption and investment of the erosion of disposable income caused by the rising inflation, the increase in interest rates and fiscal stabilisation measures. It also reflects the impact on exports of the slowdown in orders from certain advanced economies.
The slowdown was relatively contained in Asia, where demand remains strong with China and India recording GDP growth rates (of 9.7% and 7.8% respectively) only a few tenths of a point lower than those of end 2010. In Latin America, on the other hand, the marked slowdown of Brazil, where GDP trend growth rate reverted to being more aligned with the potential rate, coming down to 4.2% in the first quarter of 2011 from 9.3% in the same period of 2010, was counterbalanced by the acceleration of Chile (GDP at 9.8%) and of Venezuela (4.5%).
In Eastern Europe, the strength of the German economy supported the export and economic activity of CEE countries (in particular Slovakia) whereas the ongoing adjustment process of public accounts and private budgets has continued to weigh on the internal demand of SEE countries. On their part, CIS countries (in particular Russia and Ukraine) are benefiting from the favourable commodity cycle.
In the Middle East and North Africa, political unrest has determined a temporary slump in the economy of some countries, such as Egypt and Tunisia. Thanks to the positive trend in the demand for energy spurred by the measures in support of the economy, income and employment adopted during the year, the oil-producing countries of the Gulf are expected to report in 2011 a higher GDP growth than initially predicted.
The price increases of food and energy and the demand pressures on production capacity have driven a general acceleration of inflation. For the average of the main emerging economies, the trend rate rose to 7% last June, from 5.8% the previous year. Inflationary pressures are especially strong in Latin America (in Brazil the trend rate rose to 6.7%) and in Asia (in China the trend rate reached 6.4% in June 2011, from 2.9% the previous year).
In Eastern Europe, inflation slowed down in Hungary (to 3.9% in June from 5.1% one year before), thanks to the favourable base effect, whereas it gained momentum both in Russia (9.4% in June from 5.8%) and in Ukraine (11.9% in June) mainly as a consequence of the increases in food and energy prices. In Egypt, the increases in the prices of energy products and food and the distortions of the distribution systems brought the trend rate to 11.8% from 9.2% in June 2010.

As to monetary policy, in the first half of 2011, the central banks of a number of Latin American countries, including Brazil, Chile and Peru, acted with decision on the monetary lever to combat inflationary pressures. In Eastern Europe, the situation is patchy. Last February, and after two and a half years, Russia started a bull cycle, raising rates from 7.75% to 8.25%. Serbia, after having raised its rates several times between the end of 2010 and the early months of this year, in June cut them by 50 basis points (to 12%) as it considered that inflation (13.4% in May), while being above the target range of 3% - 6%, has by now passed its peak. Hungary, after hiking up its rates once again as a preventive measure at the beginning of the year (+25 basis points, to 6%) then stayed put. In Asia, the authorities of China, India, Korea and Vietnam and more recently the Philippines, Malaysia and Taiwan, continued on the credit squeeze path through higher rates or by increasing the required reserve rate. In Egypt, the Monetary Authority stressed that the weakness of the economy limits the risk of persisting price increase pressures and considered the current rate level to be adequate.
On the currency markets, the OITP index (Other Important Trading Partners) which is the weighted index of the US dollar against the currencies of emerging countries fell by 3.1% in the first half of 2011. The dollar weakened especially against the currencies of Central and South-Eastern European countries, which followed the appreciation of the euro, and against various Latin American currencies, mainly the Brazilian real (+6%) and the Colombian peso (+7.7%).
Eastern Europe showed appreciation against the euro of the currencies of Serbia and Hungary, as these countries benefited from the progress in stabilisation of the macroeconomic environment. The high oil prices supported the rouble, whose value rose by almost 8% against the US dollar, while it remained almost unchanged against the euro. In the MENA area (Middle East and North Africa), political turbulence led to a decline in the Egyptian pound's value against the dollar of 2.8% (and a loss of more than 11% against the euro, as a consequence of the dollar's depreciation against the euro). In Asia, the Chinese authorities' strategy showed little or no change, as they continued to support their currency's appreciation by small steps (1.9% in the half year against the US dollar).

On the financial markets, the fears of a slowdown of the economy and the widespread interest rate rises have led in the second quarter of 2011 to a modest pullback of stock indexes, after the gains of the first months of the year. In the first six months of 2011, the MSCI (Morgan Stanley Capital International) emerging countries index declined by 3.3%, whereas S&P USA and Eurostoxx rose by 5.3% and 1.8% respectively . The most substantial losses were recorded on some Middle Eastern markets (Egypt -24%, Morocco and Lebanon -10%, Israel -11%), penalised by political unrest, and in Latin America (Brazil -10%, Peru -19%). Conversely, certain Eastern European markets (Croatia, Bulgaria, Romania and Russia) showed a positive trend, with significant gains.
In the first half of 2011, Latin America led the list of upgradings, with Colombia (which rose to investment grade), Chile, Brazil and Bolivia, followed by Asia (the Philippines and Indonesia) and Eastern Europe (Serbia and Latvia). On the other hand, concerns over the impact of the current political strife led to the downgrading of some MENA, countries, including Bahrain, Egypt, Jordan and Tunisia. In parallel, spreads on government debt narrowed significantly in Brazil, Colombia and Uruguay (between 40 and 50 basis points in the six months) while they rose in Egypt (+70 basis points), Tunisia (+110 basis points), Lebanon (+50 basis points) and the Middle East in general (+50 basis points). In Eastern European countries, stabilisation of the macroeconomic picture led to narrowing of the spreads for Hungary (77 basis points) whereas the favourable economic oil cycle led to a decrease in Russia's country risk (-23 basis points).

The banking system

Rates and spreads

Bank rates continued their gradually rising trend, reflecting the pick-up in monetary rates and the rise in official ECB rates.
The rises in rates on loans have been modest. Compared to the end of 2010, the average rate on new business loans has risen by about 30 basis points; in the second quarter of 2011, in particular, the rises were more substantial for small-size loans, compared to the resistance to rises shown in the previous months, when the strongest rate rises had been recorded on larger loans. The rates charged on new loans to businesses remained lower than the European average, especially for lower-value transactions. The rates on new mortgage loans to households also increased slightly in the first half of 2011, especially on fixed rate mortgages and, to a lesser degree, on floating rate mortgages. On average, in the spring months the rate on new residential mortgage loans showed only minor changes compared to the first quarter of 2011, with an increase from the start of the year of about 30 basis points from the second half of 2010. Despite the increases, the rates on new loans to businesses and households remained at record lows.
The average rate on outstanding loans to households and non-financial companies changed little, moving slightly upwards as a consequence of the increase in rates on short-term loans to non-financial companies.
The average rate on total deposits from customers also continued its upward trend, with modest hikes which brought it back to summer 2009 levels. Rates on current accounts showed marginal increases, whereas rates on repurchase agreements and on outstanding bonds increased more markedly.
Margins on lending and deposit collecting activities remained at low levels. The spread between average current lending and funding rates dropped to new lows (at an average of 2.09% from January to May 2011, compared to the average of 2.14% in the second half of 2010). The spread on funding, measured on short-term interest rates, improved, confirming its upward trend in the second quarter of 2011 and reaching its highest values since the beginning of 2009 (the mark-down[1] on the 1-month Euribor rate rose by 20 basis points as January-May average from the 0.39% average recorded in the last six months of 2010). In the second quarter of 2011, the mark-up[2] on the 1-month Euribor, followed a declining trend, after the temporary rise recorded in the first months of the year (with an average of 3.18% in the first five months of 2011 from 3.26% in the second half of 2010). Given these trends, the short-term spread rose gradually, while remaining at record lows (an average of 3.77% for the first five months of 2011, from 3.65% in the last six months of 2010).

Loans

In the first half of 2011 bank loans grew at a sustained pace, driven by the continuing upward trend in loans to non-financial companies and the sustained good performance in loans to households. After the fast acceleration at the beginning of 2011, loans to non-financial companies maintained their positive trend driven by the pick-up in short-term loans. Their performance is largely driven by the businesses' demand for working capital loans. Medium/long-term loans to non-financial companies also performed better than in 2010, although their improvement was more modest compared with the more markedly positive trend of the short-term loan component. In terms of borrower size, the improvement in loans to businesses mainly reflected the increase in lending to medium-large companies that, in average terms, had shown a decrease in 2010, whereas loans to smaller enterprises showed a modest acceleration compared to the already positive performance recorded last year.
In the six months under examination, the good performance of loans to households continued, mainly driven by home purchase mortgage loans. Overall, in the first half of 2011 loans to households and businesses recorded constant growth, leaving behind the weakness of the previous two years.
In comparison with the rest of Europe, the growth of the Italian banks' lending activity was stronger than the Eurozone average, both for loans to households and for loans to non-financial companies.

Direct deposits

Customer funding improved, thanks to the marked recovery in bonds, whereas the trend in deposits remained weak, with a contraction in current accounts. Starting from March bank bonds returned to positive territory, after nine consecutive months of negative changes, showing marked recovery. In particular, in March the pre-tax issues of bank securities reached record highs, and after-tax issues amounted to 21 billion euro, a value that had not been reached during the previous two years. Issues exceeding maturities continued in the subsequent months, and, for the largest intermediaries, already issued securities match the entire amount to be reimbursed over the year. In comparison with the rest of Europe, the performance of Italian banks' bonds has been markedly better than the Eurozone average, which has been on a negative trend for more than one year.
As to deposits, household deposits continued to grow, albeit at a very modest pace, while business deposits declined slightly. The weakness of household deposits is linked to the shift of portfolios towards more profitable instruments.

Indirect deposits and asset management

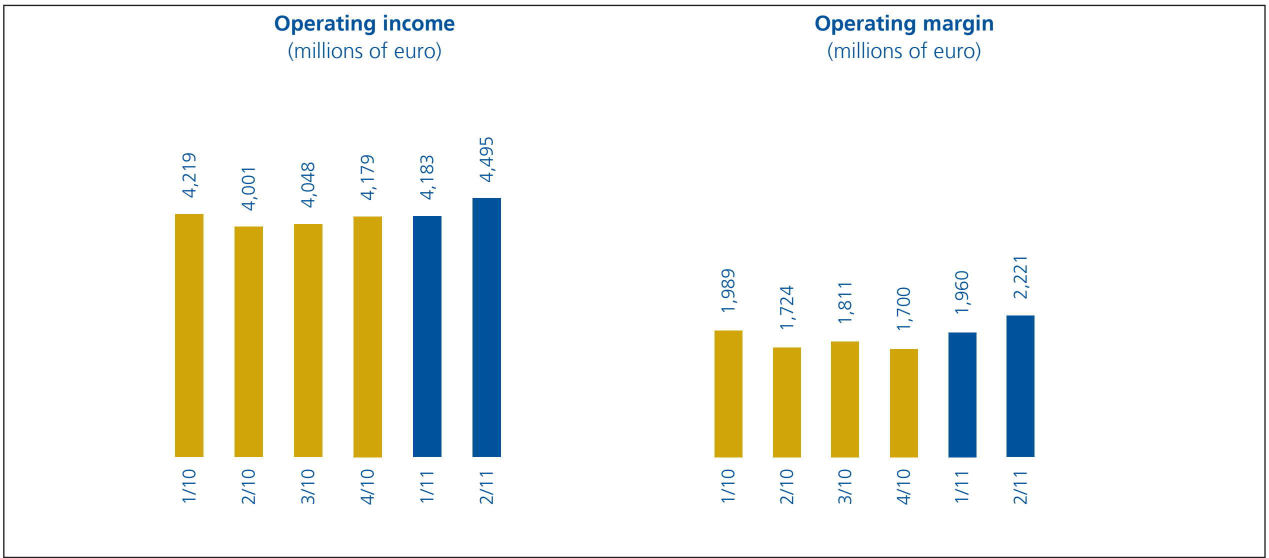
As regards bank indirect deposits, customers' securities deposits continued on their already observed recovery path. Securities in custody on behalf of households (debt securities at nominal value, inclusive of bank bonds), continued to improve, consolidating their recovery after the negative changes recorded for most of 2010. This performance seems to be driven by the gradual return

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

of investors to investing in securities, as a consequence of the higher yields offered. Also for non-financial companies and family businesses, growth in securities deposits picked up momentum on the previous months.
With regard to assets under management, in the first half of 2011 the Italian market for open-ended mutual funds confirmed the negative performance in net inflows already noted in the previous year. Italian mutual funds again reported a negative balance between subscriptions and redemptions. Foreign funds promoted by Italian groups obtained positive net inflow balance, albeit lower year on year. During the first half of 2011, the categories most hit by outflows were those having a lower risk/yield ratio, such as liquidity funds and bond funds; on the other hand, the aggregate inflows from balanced and equity funds remained positive, but only just. At the end of the six months, the assets managed by the industry amounted to 441.3 billion euro, unchanged from June 2010, but slightly down on the 452.5 billion euro recorded at the end of 2010. As to the insurance sector, production in the life insurance business continued on the downward path in inflows that had started in the second half of 2010, with 21.3 billion euro in new insurance policies sold in the first five months of the year, 32.4% less than in the same period of 2010. The decrease in inflows affected to the same extent both traditional products and those with a higher financial component. As to distribution channels, the worst affected were bank and post office branches.

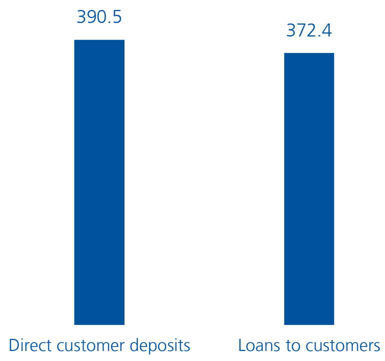
Intesa Sanpaolo in the first six months of 2011

As illustrated in greater detail above, the business environment in the first half of 2011 reflected the difficult recovery from the recession, with a slowdown in global economic activity in the second quarter. The slowdown also affected the Eurozone, where restrictive fiscal policies and worsening financial conditions have negatively affected the peripheral countries. In Italy, growth remained modest, below the Eurozone average. The volatility of financial markets, which marked the whole first half of the year, became more pronounced in the second quarter, as a consequence of the government debt crisis experienced by some European countries.
Against this background, the first six months of 2011 of the Intesa Sanpaolo Group ended with a net income of 1,402 million euro, down 17% on the 1,690 million euro of the same period of 2010. This performance is once again influenced by the presence, in both periods, of income and charges whose nature or amount are non-recurring. Indeed, the net income of the first six months of 2010 had benefited from a marked capital gain coming from disposal of securities service activities (648 million) and from lower income tax (86 million) thanks to the redemption of goodwill of some Group banks. In the first half of 2011 a positive influence on net income and interim margins came from gains on the sale of the remaining 25% stake in Findomestic to BNP Paribas and of the 4% of the equity participation in Prada (respectively 128 million and 253 million net income) and from gains on the sale of the equity stake in the Cassa di Risparmio della Spezia and of 96 branches to Crédit Agricole (with total net income of 145 million euro). However, these gains were partly offset by the impairment loss on the equity participation held in Telco (with -127 million on net income).
As a consequence of the above-mentioned situation, operating income grew 5.6% from the first half of 2010, mainly as a consequence of trading activities, whose amount was influenced by the mentioned gains on the disposal of Findomestic and of the 4% stake in Prada's capital in the framework of the global offer linked to the latter company's listing on the Hong Kong stock exchange. However, even where the above-mentioned non-recurring components are factored out, operating income still shows an increase on the first half of 2010 (+0.4%).
The annual increase was still higher in operating margin (+12.6%, or +1.1% after subtracting non-recurring components) and in income from continuing operations (+33.4%, or +12.1% net of non-recurring items), thanks to the structural work done to contain operating costs and to the lesser need for value adjustments and prudential provisions.



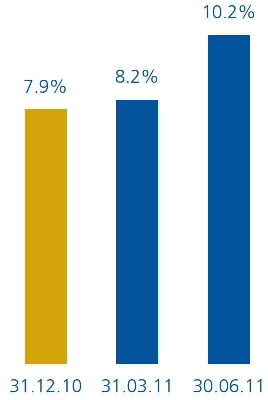
With regard to liquidity, customer deposits, amounting to 390.5 billion euro (net of the liabilities of the insurance segment classified under deposits) were considerably higher than the corresponding loans to customers (372.4 billion euro). 73% of funding comes from the retail segment and, therefore, is highly stable. Eligible assets with central banks remain at significant levels (around 47 billion euro at 30 June 2011).
With regard to capital adequacy, after the recent capital increases regulatory capital ratios have reached appropriate levels, with a Core Tier 1 ratio of 10.2% at 30 June 2011.

Direct customer deposits [(1)] **/**
Loans to customers
as at 30.06.2011 (billions of euro)



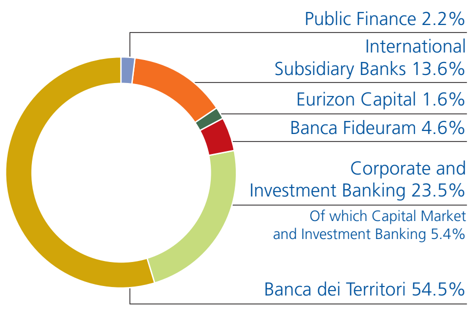
(1) Excluding financial liabilities from insurance business

Core Tier 1 ratio



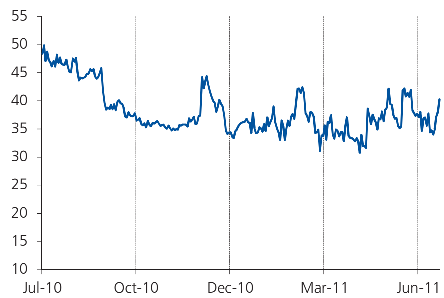
The risk profile remained at modest levels, largely in line with the values at the end of 2010 and of the first quarter of 2011, consistent with the Group's intention to continue to privilege commercial banking operations.

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



(1) Excluding Corporate Centre

Market risks trend:
VaR (millions of euro)



At the level of individual economic aggregates, the income statement for the first half of 2011 registered 4,739 million euro in net interest income, slightly down (-1.6%) from the first half of 2010 essentially as a consequence of the lower contribution from the differentials on hedging derivatives, which continued the downward trend that had started in the second quarter of 2010.
The services segment generated net fee and commission income of 2,784 million, a contribution which is largely unchanged from the first half of 2010 both in aggregate terms (-0.1%) and when broken down into its various operational sectors (+0.5% fees and commissions on banking activities, -0.8% fees and commissions on asset management and financial instruments dealing and +0.4% other fees and commissions).
Profits on trading amounted to 821 million euro, significantly increasing on the 215 million euro reported on 30 June 2010. This result was driven by the already mentioned gains on the disposal of the remaining 25% equity stake in Findomestic (154 million euro before tax, 128 million euro net of minority interest and tax) and on the disposal of the 4% stake in Prada (272 million euro before tax, 253 million euro after tax).
Income from the insurance business amounted to 285 million euro, down by 19.7% on the same period of 2010, essentially due to the different contribution of the financial component in the two periods.
Operating income amounted to 8,678 million euro as at 30 June 2011, up by 5.6% on the same period of the previous year, a result mainly driven by the above-mentioned profits from trading activity.
The Group continues to monitor operating costs carefully and implement ongoing structural cost-containment measures. Thanks to this policy, the amount of operating costs, 4,497 million euro, decreased by -0.2% on the first half of the previous year. In particular, personnel expenses were close to last year's levels (+0.6%) while administrative expenses decreased (-2.5%) and adjustments increased slightly.
As a consequence of the above trends, the operating margin totalled 4,181 million euro, up by 12.6% compared to the first half of 2010.

Adjustments and provisions for risks (1,609 million euro) were down by 162 million euro overall compared to the same period of the previous year. In particular, net provisions for risks and charges declined (about -58% to 78 million euro). The need to carry out adjustments to loans was also lower, (-5.6% to 1,457 million euro), whereas net value adjustments to other assets increased (+72% approximately, to 74 million), also influenced by the writedown on Greek government bonds held by Group companies (25 million euro).
Profits and losses on investments held to maturity and on other investments also includes the gain made on the assets sold to Crédit Agricole (145 million net profits), which was almost wholly offset by the value adjustment which had to be carried out on the equity investment in Telco (-132 million recorded under this caption).
As a consequence, income before tax from continuing operations was 2,605 million euro, up by more than 33% compared to the first half of 2010.
Taxes for the period amounted to 973 million euro; their incidence is therefore higher than in the first half of 2010 – which had also benefited from 86 million of positive effect from the detaxation of goodwill carried out by some subsidiaries. Another reason for the increase is the impact of the recently introduced change of the IRAP tax rate as part of the urgent package of measures for financial stabilization (57 million in the six month period).
The net income for the period, after deducting merger and restructuring-related charges of 16 million mostly relating to the costs of restructuring of the bankassurance business, the effects on the income statement of the purchase price allocation, of 171 million – and after deducting minority interest of 43 million – came to 1,402 million, down by 17% on the first half of 2010. The decrease in net profit is due, as stated, to the fact that the previous period had benefited from substantial income from non-current assets held for sale and discontinued operations, mainly represented (648 million) by the gains on management of the securities services business.

Comparison of second quarter with first quarter results shows an increase in net income (about +12% to 741 million), mainly reflecting the improved profits on trading, which benefited – as already stated – from the gains on the disposal of shares in Prada and of the remaining stake in Findomestic. These benefits were only partly offset by the greater impairment losses (on receivables and other assets) and allocations to provisions for risks and charges.

The performance of the balance sheet aggregates confirms the Group's sound financial position. Direct deposits remained at high levels (414.5 billion euro), though falling slightly compared to the figure at December 2010 (-2.5%), reflecting, among other things, the decline in demand deposits as a consequence of the shift in customer demand towards higher-yield investment products, such as bonds.
Loans to customers reported a balance of 372.4 billion euro, down by 3.7 billion euro (-1%) on the end of the previous year, mainly as a result of the decline in repurchase agreements.

Indirect customer deposits came to almost 425 billion euro, in line with the value recorded at 31 December 2010 (+0.1%) The increase in assets under administration (+1.3 billion euro, equal to 0.7% of the total, or 192.5 billion euro) more than offset the slight decrease in assets under management (-1.1 billion, equal to 0.5% of the total, or 232.5 billion euro).

As to the various business units, Banca dei Territori reported net income of 356 million euro, down by about 22% from the first half of 2010, due to the lower contribution of net interest income and income from insurance business, partly offset by the lesser need for adjustments to loans and provisions for risks and charges. The decrease in net income was also driven by the greater tax burden; the Corporate and Investment Banking division ended the first six months of the year with profits of 837 million euro, up by about 12% reflecting the growth in operating income as a result of the higher profits on trading and commission income; Public Finance recorded profits of 78 million euro, with about 22% increase thanks to the increase in interest income; the International Subsidiary Banks Division closed the first half of the year with net income of 214 million euro, up by about 3% mainly as a result of the growth in operating income, partly offset by the greater net adjustments to loans.
The asset management segment also recorded positive results: Eurizon Capital posted 37 million euro of net income, up by about 3%, Banca Fideuram recorded net income of 105 million euro, +78%, driven by the growth in net fee and commission income and the decrease in provisions.

Significant events

Highlights for first half-year 2011

As it is known, in June 2010 Intesa Sanpaolo and Crédit Agricole established terms and conditions for Intesa Sanpaolo's sale to the Crédit Agricole Group of the entire stake held through the subsidiary Banca CR Firenze in Cassa di Risparmio della Spezia (80% of the capital), and 96 branches of the Group in Italy.
The sale of the Cassa di Risparmio della Spezia was finalised at the start of January. An initial tranche of the branches was transferred in the last few days of March: 11 branches of Banca CR Firenze were contributed to Cassa di Risparmio di Parma e Piacenza. An additional 85 branches (belonging to Intesa Sanpaolo and Cassa di Risparmio del Veneto) were sold in May. The whole transaction produced a positive effect on the consolidated income statement of 145 million euro (net of minority interest and tax) and a positive effect of about 20 basis points on the Core Tier 1 ratio.

In February, Intesa Sanpaolo acquired the majority of shares in Banco Emiliano Romagnolo, a mono-branch bank based in Bologna, under extraordinary administration. The transaction, which was carried out with the approval of the Bank of Italy, entailed the reduction of the bank's share capital by an amount equal to the losses incurred, and a concurrent 26 million euro share capital increase, (including share premium of 14 million euro) 52% of which was reserved for Intesa Sanpaolo.
Consequently, as at 30 June 2011 Intesa Sanpaolo held a majority interest in this Bologna-based bank, whose direct and indirect customer deposits totalled approximately 235 million euro at the end of October 2010. In the Half-yearly report as at

30 June 2011 (as well as in the Interim Statement as at 31 March 2011) the investment was consolidated at equity, as it is formally still under extraordinary administration.
The remaining portion of the capital increase was offered with pre-emptive rights to the other shareholders and was subscribed for and paid in advance by Intesa Sanpaolo under a termination clause in the event the purchase option was exercised by the other shareholders. The option period ended in July and the stake held by Sanpaolo came to more than 99%.
At the end of July, the company's shareholders' meeting was held, and resolved to end the special administration period and appointed the corporate governance bodies. The special administrators have 4 months' time to prepare the final report on their management.

On 6 May 2011 the international rating agency Moody's reduced Intesa Sanpaolo's Bank Financial Strength rating to C+ (from B-) and its long-term rating to Aa3 (from Aa2). On 23 June, Moody's then placed the long-term rating under review for possible downgrade, following a similar decision for the Italian Republic. The short-term rating is unchanged.
On 24 May, the international rating agency Standard & Poor's confirmed the ratings assigned to Intesa Sanpaolo: A+ for the long term and A-1 for the short term, and shifted the outlook from stable to negative, as a consequence of the change in the outlook on the rating of the Italian Republic from stable to negative, disclosed on 20 May.

On 1 June 2011, after all the suspensive conditions set out in the contract were met and after obtaining the required authorisations, acquisition by Banca Fideuram of 100% of the shares in Banca Sara was finalised.

At the end of June, Intesa Sanpaolo finalised the sale of its remaining 25% equity investment in Findomestic – which it held via its subsidiary Banca CR Firenze – to the BNP Paribas Group against a consideration of 629 million euro. The sale generated a positive impact on the Intesa Sanpaolo Group's consolidated income statement in the second quarter of 2011 of 154 million (128 million in terms of net income) and on the Core Tier 1 capital ratio of about 11 basis points.

Intesa Sanpaolo also sold a 4% stake in Prada's capital in the framework of the global offer linked to the latter company's listing on the Hong Kong stock exchange. After the sale, Intesa Sanpaolo still holds an equity investment in Prada amounting to 1% of the company's capital. The sale generated a positive impact on the Intesa Sanpaolo Group's consolidated income statement in the second quarter of 2011 of 272 million euro (253 million in terms of net income) and on the Core Tier 1 capital ratio of about 8 basis points.
The end of June also saw the sale of Fideuram Bank Suisse, a wholly-held subsidiary of Fideuram Bank Luxembourg (which in turn is 100% owned by Banca Fideuram), specialising in private banking services, to Banca Credinvest. The consideration agreed for the sale is about 26 million euro. The sale agreement includes an amount adjustment clause, in order to take into account the developments in the volumes held by the Fideuram Group. The capital gain on the sale of this subsidiary is of about 8 million euro.

Lastly, Intesa Sanpaolo has taken part in the 2011 EU-wide stress test – carried out by the European banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB) – whose results were released in July.
The EU-wide stress test, carried out across 90 banks covering over 65% of the EU banking system total assets, sought to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under certain restrictive conditions.
The assumptions and methodology were established to assess the banks' capital adequacy against a 5% Core Tier 1 capital benchmark, plan ahead any required capitalisation actions and, by so doing, restore market confidence in the resilience of the banking system. The adverse stress test scenario was set up by the ECB and covered a two-year time horizon (2011-2012). The stress test was carried out using a static balance-sheet assumption as at December 2010, and did not take into account future business strategies and management actions. The stress test is not a forecast of Intesa Sanpaolo profits.
As a result of the assumed shock, in the adverse scenario the consolidated Core Tier 1 Ratio of Intesa Sanpaolo would go from 7.9% at end 2010 to 8.9% at end 2012. This result incorporates the effects of the capital increase, completed in the month of June, and does not take into account the effects of future capital strengthening actions planned by Intesa Sanpaolo.
the EU-wide stress test requires that the results and weaknesses identified by the exercise are acted on to improve the resilience of the financial system. The results of the stress tests have shown that Intesa Sanpaolo meets the capital benchmark required by the test. The bank will continue to ensure that its capital position remains at an appropriate level.

The 2011-2013/2015 Business Plan

At the beginning of April the Management Board and the Supervisory Board approved – each within the scope of its competences - the Group's 2011-2013/2015 Business Plan and, as part of that, decided to propose a 5 billion euro capital increase at the Extraordinary Shareholders' Meeting convened for 9-10 May 2011. The offering was completed on 22 June with the full subscription of the shares on offer by the market, with no need for the underwriting syndicate to intervene.
The choice of proposing a capital increase to the shareholders is the result of Intesa Sanpaolo's decision to fully comply with immediate effect with what is believed will become the "new normal" of Basel III in terms of both capital – with a Common Equity ratio of about 10% – and liquidity. The Group could have reached a Common Equity ratio of 10% by 2015 using its own resources, by adopting a very conservative dividend policy and very prudent growth. However, the Regulatory Authorities and the market were in favour of an accelerated schedule: therefore, Intesa Sanpaolo decided that it was better to act promptly, taking advantage of the presentation of the new Business Plan, to eliminate uncertainty and to ensure itself a position of strength in order to build its future with confidence and ensure that all stakeholders benefit from the resulting advantages. This decision has strengthened the Group from the point of view of its capital base, balance sheet and strategy, and has therefore reinforced value creation generated by strategies and action plans being carried out to face a future that is still uncertain but with many opportunities which Intesa Sanpaolo is equipped to seize when the opportunity arises.

The new Business Plan of Intesa Sanpaolo sets forth 2013 targets which are based on moderate macro-economic growth assumptions and include well-defined management actions (150 projects) and 2015 projections which only assume a development of the 2014-2015 macroeconomic scenario, with a gradual return to normality, to show the full results of the projects undertaken during the 2011-2013 period, but without including new management actions, which will be considered at a later stage. Only some effects of the capital increase are included, and extraordinary transactions (disposals, listings, acquisitions, etc.) are not considered which, if necessary, must be taken into consideration on a case-by-case basis.
The "formula" of the Plan can be summarised as: Highly sustainable revenues, growing productivity and strong costs discipline + low risk profile + high liquidity + stronger capital base = Solid value creation for all stakeholders, which results in the following targets for the key financial indicators, with a pro-forma 2011Common Equity ratio[3] of around 10%:
- Operating income: 19.6 billion euro in 2013; 21.7 billion euro in 2015;
- Operating costs: 9.2 billion euro in 2013; 9.3 billion euro in 2015;
- Cost/income ratio: 46.7% in 2013; 43.0% in 2015;
- Net income: 4.2 billion euro in 2013; 5.6 billion euro in 2015;
- Adjusted net income[4]: 4.7 billion euro in 2013; 5.9 billion euro in 2015;
- Distribution as dividends of profits exceeding 10% of the Common Equity ratio and which are not needed for organic growth greater than the Plan assumptions: cumulative 5.3 billion euro in the period 2011-2013; cumulative 13.5 billion euro in the period 2011-2015;
- Net adjustments/Loans: 61 basis points in 2013; 56 basis points in 2015;
- Net non-performing loans[5] /Loans: 4.0% in 2013; 3.8% in 2015;
- Adjusted ROTE[6]: 12.6% in 2013; 14.7% in 2015;
- Adjusted ROTA [7]: 66 basis points in 2013; 77 basis points in 2015;
- Leverage[8]: 19.0x both in 2013 and in 2015.

More specifically, the targets identified are as follows:
- sustainable revenue growth which may be exceeded taking into account that the increase in operating income is based on about 75 projects for growth, investments of approximately 1.5 billion euro, growth-related expenses of about 720 million euro and over 5,000 full time equivalent (FTE) staff added to customer-facing roles, as well as a conservative economic scenario;
- productivity growth with some reserves available, considering that the improvement in the cost/income ratio is based on around 55 productivity and HR projects, investments of about 800 million euro, interventions in at least 1,000 branches, about 8,000 FTE positions released from administrative tasks both at central structures and in local offices, of which about 5,000 reassigned to customer-facing roles, as well as cost savings of about 770 million euro, in addition to over 500 million euro in recovery through automatic mechanisms and inflation;
- a low risk profile, with some room for greater "aggressiveness" over the Plan period, considering about 20 projects for controlling/optimising risks;
- high liquidity levels, maintaining a prudent position and keeping parameters at the top market levels in terms of both short and medium/long-term, also thanks to 6 liquidity optimisation projects;
- further strengthening of the capital base enabling the Group to be fully compliant with Basel III "new normal" with immediate effect thanks to the capital increase of 5 billion euro and 8 projects for a stronger capital base. It is noted that the Intesa Sanpaolo Group is already compliant with current Basel III requirements (7% Common Equity ratio). Moving the full compliance with the "new normality" of Basel III to today – in terms of both capital and liquidity – through the recently completed capital increase gives Intesa Sanpaolo a number of highly significant advantages, such as: substantial economic and financial advantages; greater growth opportunities; greater strategic flexibility; stronger dividend flows; greater resilience to exogenous shocks of any nature.

The strategies which have aided Intesa Sanpaolo in successfully integrating the various companies and coming through the crisis are evolving in the new Plan, while respecting the Group's identity. The emphasis now shifts from managing the merger to driving growth. The strategic choices are confirmed, while continuing to evolve. Indeed, Intesa Sanpaolo remains a Bank for the real economy, with the contribution of revenues from proprietary trading of less than 1%; a Bank with sustainable profitability, in which operational performance, risk profile, liquidity and solidity/leverage are well-balanced; a Bank focused on some core countries, first of all Italy; a Bank that promotes and implements innovation at every level; a Bank with a distinctive identity and reputation, also committed to contributing to the growth and development of the economy and society. The organisational model is also confirmed, both at Group level (non-matrix divisional model) and for the Banca dei Territori. Nonetheless, the effectiveness and efficiency of the model is to be improved by sharing responsibilities among staff and businesses, refining the control system, gradually delegating powers to the local areas, simplifying the decision-making procedures, simplifying the company and rationalising the branch network.

The new Intesa Sanpaolo Business Plan is based on a highly concrete action plan, designed for minimal execution risk. In particular, the Plan includes an investment programme to promote growth and productivity – in addition to the multiple projects and the over 4 billion euro in investments made in the last four years, which are starting to deliver their full potential – amounting to approximately 4 billion euro in the three-year period 2011-2013. More specifically, the Plan includes in-depth structural measures to increase productivity, with cost savings of around 770 million euro in the 2011-2013 three-year period, in

[3] Pro-forma data consistent with the scope of the 2011-2013/2015 Business Plan (sale of Cassa di Risparmio della Spezia and 96 branches to the Crédit Agricole Group). Banca Monte di Parma not included.
[4] Before merger and restructuring-related charges and amortisation of the cost of the merger.
[5] Doubtful loans, substandard loans and past due loans (excluding restructured loans).
[6] Net income before merger and restructuring-related charges and amortisation of the cost of the merger/Tangible shareholders' equity excluding Net income and Minority interests.
[7] Net income before merger and restructuring-related charges and amortisation of the cost of the merger/Total tangible assets
[8] Total tangible assets/Tangible shareholders' equity excluding Net income and Minority interests.

addition to the recovery of inflation and automatic mechanisms for more than 500 million euro, including: efficient management of turnover and reassignment of resources, branch network rationalisation and distribution channel optimisation, completion of the centralisation of procurement activities and simplification projects ("Banca Semplice").
Regarding growth projects, the Plan indicates sustainable revenue growth across all business areas through growth in volumes, both of customer loans and deposits, with a 2010-2013 CAGR equal to 4.6% and 3.5%, respectively, for the Group, and the forecast of "dedicated" investments and costs to sustain growth, for 1.5 billion euro and an additional 720 million euro in the 2011-2013 period, respectively.
Projects are also planned for the promotion of human resources: for the implementation and success of the Plan, the quality of personnel will be essential, their ability to share and pursue company targets with conviction and perceive the Group as a common interest to be supported and developed. Talks with the trade unions will also be necessary at different levels, to oversee the reorganisation through the employee re-deployment, careful and prudent turnover management, control of personnel expenses, the effectiveness and quality of work in order to ensure adequate levels of profitability, productivity and employment. The negotiations will be focused on flexibility and a better utilisation of structures. The necessary coherence and strict correlation between Group's economic performance and the salary variability must take the form of a performance bonus - even multi-annual – using profitability and productivity indicators.
In terms of projects for risk control/optimisation, the stock of net non-performing loans (past due, substandard and doubtful loans) will be reduced from 17.9 billion euro in pro-forma 2010 to 17.1 billion euro in 2013, with a ratio to net loans decreasing from 4.8% to 4.0%. This will be achieved through actions concerning: credit strategies and granting process, non-performing loans monitoring and collections, actions for optimising management of market, operational and compliance risk, as well as initiatives covering different types of risk.
For 2011-2013, the Plan provides for a conservative liquidity management, through strategic liquidity allocation and funding diversification. In terms of operational indicators, customer deposits in 2013 are expected to outweigh customer loans, as in pro-forma 2010. The short term gap in 2013 is set to remain above 1, as in pro-forma 2010. The net interbank position in 2013 is expected to remain negative for no more than the approximately 10 billion euro recorded at the end of pro-forma 2010. The net stable funding ratio is expected to be higher than 100%, as in pro-forma 2010.
Projects are also planned for strengthening the capital base: the Plan sets a pro-forma 2010 Common Equity ratio of approximately 9.4% (of which 7.1% considering the disposals/acquisitions being finalised and the expected absorption of deferred taxes before the full phasing-in of Basel III, 1.5% generated by the 5 billion euro capital increase and approximately 0.8% contributed by actions for optimising capital sources and requirements envisaged by the Plan). The latter will rise, taking into account the business trend in the 2011-2013 period, in terms of increase in risk-weighted assets (RWA) and retained earnings, to around 10% by pro-forma 2011 and 10% by both pro-forma 2013 and pro-forma 2015.

The capital increase

As stated in the Interim Statement as at 31 March 2011, the Extraordinary Shareholders' Meeting held on 10 May 2011 resolved a share capital increase for consideration, for a total maximum amount of 5 billion euro, including share premium, to be executed within 31 December 2011, in divisible form, through the issuance of ordinary shares with a nominal value of 0.52 euro each, carrying regular rights (1 January 2011), to be offered with pre-emptive rights to the shareholders holding ordinary shares and owners/holders of the Company's savings shares, pursuant to article 2441 of the Italian Civil Code.
On 19 May, the Management Board resolved – in execution of the Shareholders' Meeting resolution – to issue 3,651,949,408 ordinary shares, with a nominal value of 0.52 euro each, having the same characteristics as those outstanding, and carrying regular rights, to be offered with pre-emptive rights to shareholders at a price of 1.369 euro per share, inclusive of 0.849 euro of share premium, in the ratio of 2 newly issued shares to 7 ordinary shares and/or savings shares held, up to a maximum total nominal value of 1,899,013,692.16 euro and to a maximum total aggregate value, inclusive of the share premium, of 4,999,518,739.55 euro. The issue price was determined by applying a discount of approximately 24% to the theoretical ex-right price (TERP) of ordinary shares, calculated on the basis of the current official Stock Exchange price.
The rights offering of new ordinary shares ended on 22 June with full subscription of the total 3,651,949,408 shares offered, for a total aggregate value of 4,999,518,739.55 euro.
In greater detail, during the subscription period - which ran from 23 May 2011 until 10 June 2011 - 12,756,471,903 rights were exercised and a total of 3,644,706,258 new shares subscribed, accounting for 99.80% of total new shares under the offering, corresponding to an aggregate amount of 4,989,602,867.20 euro, gross of directly attributable expenses.
The 25,351,025 rights that had not been exercised at the end of the subscription period were sold on 15 June 2011 – on the first day they were offered on the Stock Exchange through Banca IMI – and were subsequently exercised by 22 June through subscription of 7,243,150 shares, equal to 0.20% of the new shares on offer, for an aggregate amount of 9,915,872.35 euro.
The share capital increase is aimed at strengthening the capitalisation of the Intesa Sanpaolo Group, while providing the Group with the opportunity to achieve favourable positioning on the market and exploit the opportunities deriving from expected economic growth. By consolidating its capital profile the Intesa Sanpaolo Group will also strengthen its competitive position in the domestic and European financial markets. Moreover, due to the availability of adequate capital resources, the Intesa Sanpaolo Group will be able to further increase its penetration in its reference markets, finance internal growth and provide greater strategic flexibility and flexibility in pay out policies. The share capital increase also provides flexibility in managing existing Tier 1 and Lower Tier 2 regulatory capital instruments.
As to impact on capital ratios, the capital increase produced a positive effect on the Core Tier 1 ratio of about 150 basis points.

Information on relations with related parties

Relations with related parties continued to be monitored attentively in the first half of 2011.
In this regard, we note the transfer of assets to the Crédit Agricole Group, described above, partly finalised in the first quarter, which is classified as a transaction with a related party, as the Intesa Sanpaolo Group's rules have extended the preliminary and decision-making process for related-party transactions, on a self-regulation basis, to shareholders holding more than 2% of the

Bank's capital with voting rights. In addition to the above, and that described in the specific chapter of the Explanatory Notes, no situations emerged in the quarter other than those typical of standard bank relations with individual and corporate customers. The transactions were entered into at market conditions, and, in any event, were based on valuations of mutual convenience, in line with the internal procedures defined for this purpose.

HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(millions of euro)

Assets		30.06.2011	31.12.2010	Changes	
				amount	%
10.	Cash and cash equivalents	4,252	4,758	-506	-10.6
20.	Financial assets held for trading	60,555	71,899	-11,344	-15.8
30.	Financial assets designated at fair value through profit and loss	36,303	35,549	754	2.1
40.	Financial assets available for sale	68,991	61,612	7,379	12.0
50.	Investments held to maturity	2,856	3,839	-983	-25.6
60.	Due from banks	43,194	42,737	457	1.1
70.	Loans to customers	372,361	379,235	-6,874	-1.8
80.	Hedging derivatives	5,058	7,377	-2,319	-31.4
90.	Fair value change of financial assets in hedged portfolios (+/-)	61	92	-31	-33.7
100.	Investments in associates and companies subject to joint control	2,694	2,716	-22	-0.8
110.	Technical insurance reserves reassured with third parties	22	27	-5	-18.5
120.	Property and equipment	5,391	5,455	-64	-1.2
130.	Intangible assets	25,343	25,990	-647	-2.5
	of which				
	- goodwill	*18,891*	*19,217*	*-326*	*-1.7*
140.	Tax assets	7,826	8,733	-907	-10.4
	a) current	*1,923*	*2,759*	*-836*	*-30.3*
	b) deferred	*5,903*	*5,974*	*-71*	*-1.2*
150.	Non-current assets held for sale and discontinued operations	38	75	-37	-49.3
160.	Other assets	9,728	8,663	1,065	12.3
Total Assets		**644,673**	**658,757**	**-14,084**	**-2.1**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2011	31.12.2010	Changes	
				amount	%
10.	Due to banks	49,665	52,860	-3,195	-6.0
20.	Due to customers	211,341	221,064	-9,723	-4.4
30.	Securities issued	176,036	179,983	-3,947	-2.2
40.	Financial liabilities held for trading	38,215	45,045	-6,830	-15.2
50.	Financial liabilities designated at fair value through profit and loss	24,729	26,144	-1,415	-5.4
60.	Hedging derivatives	5,269	5,884	-615	-10.5
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	752	1,412	-660	-46.7
80.	Tax liabilities	3,284	3,269	15	0.5
	a) current	*588*	*661*	*-73*	*-11.0*
	b) deferred	*2,696*	*2,608*	*88*	*3.4*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	18,160	13,658	4,502	33.0
110.	Employee termination indemnities	1,348	1,370	-22	-1.6
120.	Allowances for risks and charges	3,014	3,280	-266	-8.1
	a) post employment benefits	*362*	*374*	*-12*	*-3.2*
	b) other allowances	*2,652*	*2,906*	*-254*	*-8.7*
130.	Technical reserves	52,887	50,188	2,699	5.4
140.	Valuation reserves	-937	-1,054	-117	-11.1
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	13,792	12,143	1,649	13.6
180.	Share premium reserve	36,143	33,102	3,041	9.2
190.	Share capital	8,546	6,647	1,899	28.6
200.	Treasury shares (-)	-11	-10	1	10.0
210.	Minority interests (+/-)	1,038	1,067	-29	-2.7
220.	Net income (loss)	1,402	2,705	-1,303	-48.2
Total Liabilities and Shareholders' Equity		**644,673**	**658,757**	**-14,084**	**-2.1**

Consolidated income statement

(millions of euro)

	1st half of 2011	1st half of 2010	Changes amount	Changes %
10. Interest and similar income	9,195	8,572	623	7.3
20. Interest and similar expense	-3,627	-3,389	238	7.0
30. Interest margin	**5,568**	**5,183**	**385**	**7.4**
40. Fee and commission income	3,176	3,212	-36	-1.1
50. Fee and commission expense	-620	-617	3	0.5
60. Net fee and commission income	**2,556**	**2,595**	**-39**	**-1.5**
70. Dividend and similar income	376	285	91	31.9
80. Profits (Losses) on trading	167	95	72	75.8
90. Fair value adjustments in hedge accounting	-29	-84	-55	-65.5
100. Profits (Losses) on disposal or repurchase of	475	152	323	
a) loans	*12*	*-2*	*14*	
b) financial assets available for sale	*457*	*153*	*304*	
c) investments held to maturity	*-1*	*-*	*1*	
d) financial liabilities	*7*	*1*	*6*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	-109	53	-162	
120. Net interest and other banking income	**9,004**	**8,279**	**725**	**8.8**
130. Net losses / recoveries on impairment	-1,395	-1,467	-72	-4.9
a) loans	*-1,343*	*-1,419*	*-76*	*-5.4*
b) financial assets available for sale	*-86*	*-47*	*39*	*83.0*
c) investments held to maturity	*-1*	*-*	*1*	
d) other financial activities	*35*	*-1*	*36*	
140. Net income from banking activities	**7,609**	**6,812**	**797**	**11.7**
150. Net insurance premiums	5,669	3,832	1,837	47.9
160. Other net insurance income (expense)	-6,089	-4,009	2,080	51.9
170. Net income from banking and insurance activities	**7,189**	**6,635**	**554**	**8.3**
180. Administrative expenses	-4,520	-4,594	-74	-1.6
a) personnel expenses	*-2,792*	*-2,802*	*-10*	*-0.4*
b) other administrative expenses	*-1,728*	*-1,792*	*-64*	*-3.6*
190. Net provisions for risks and charges	-88	-197	-109	-55.3
200. Net adjustments to / recoveries on property and equipment	-182	-194	-12	-6.2
210. Net adjustments to / recoveries on intangible assets	-348	-357	-9	-2.5
220. Other operating expenses (income)	236	252	-16	-6.3
230. Operating expenses	**-4,902**	**-5,090**	**-188**	**-3.7**
240. Profits (Losses) on investments in associates and companies subject to joint control	-128	11	-139	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	176	9	167	
280. Income (Loss) before tax from continuing operations	**2,335**	**1,565**	**770**	**49.2**
290. Taxes on income from continuing operations	-888	-533	355	66.6
300. Income (Loss) after tax from continuing operations	**1,447**	**1,032**	**415**	**40.2**
310. Income (Loss) after tax from discontinued operations	-	691	-691	
320. Net income (loss)	**1,447**	**1,723**	**-276**	**-16.0**
330. Minority interests	-45	-33	12	36.4
340. Parent Company's net income (loss)	**1,402**	**1,690**	**-288**	**-17.0**
Basic EPS - Euro	**0.11**	**0.13**		
Diluted EPS - Euro	**0.11**	**0.13**		

Statement of consolidated comprehensive income

(millions of euro)

	1st half of 2011	1st half of 2010	Changes amount	Changes %
10. NET INCOME (LOSS)	**1,447**	**1,723**	**-276**	**-16.0**
Other comprehensive income (net of tax)				
20. Financial assets available for sale	44	-529	573	
30. Property and equipment	-	-	-	
40. Intangible assets	-	-	-	
50. Hedges of foreign investments	-	-	-	
60. Cash flow hedges	153	-318	471	
70. Foreign exchange differences	-86	136	-222	
80. Non-current assets held for sale	-	-	-	
90. Actuarial gains (losses) on defined benefit plans	-	-	-	
100. Share of valuation reserves connected with investments carried at equity	-7	35	-42	
110. Total other comprehensive income (net of tax)	**104**	**-676**	**780**	
120. TOTAL COMPREHENSIVE INCOME (CAPTIONS 10 +110)	**1,551**	**1,047**	**504**	**48.1**
130. Total consolidated comprehensive income pertaining to minority interests	**32**	**47**	**-15**	
140. Total consolidated comprehensive income pertaining to the Parent Company	**1,519**	**1,000**	**519**	

Changes in consolidated shareholders' equity as at 30 June 2011

(millions of euro)

	30.06.2011											
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	*Group shareholders' equity*	*Minority interests*
	ordinary shares	savings shares		retained earnings	other							
AMOUNTS AS AT 1.1.2011	**6,600**	**488**	**33,227**	**12,465**	**99**	**-1,045**	**-**	**-10**	**2,776**	**54,600**	*53,533*	*1,067*
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR [(a)]												
Reserves				**1,699**					**-1,699**			-
Dividends and other allocations									**-1,077**	**-1,077**	*-1,043*	*-34*
CHANGES IN THE PERIOD												
Changes in reserves				**-67**						**-67**	*-13*	*-54*
Operations on shareholders' equity												
Issue of new shares	1,899		3,041							**4,940**	*4,940*	-
Purchase of treasury shares								-1		**-1**	*-1*	-
Extraordinary dividends												-
Changes in equity instruments												-
Derivatives on treasury shares												-
Stock options												-
Other	36		-9							27		*27*
Total comprehensive income for the period						**104**			**1,447**	**1,551**	*1,519*	*32*
SHAREHOLDERS' EQUITY AS AT 30.06.2011	**8,535**	**488**	**36,259**	**14,097**	**99**	**-941**	**-**	**-11**	**1,447**	**59,973**	*58,935*	*1,038*
- Group	**8,061**	**485**	**36,143**	**13,693**	**99**	**-937**	**-**	**-11**	**1,402**	**58,935**		
- minority interests	**474**	**3**	**116**	**404**	**-**	**-4**	**-**	**-**	**45**	**1,038**		

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

Changes in consolidated shareholders' equity as at 30 June 2010

(millions of euro)

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

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

Consolidated statement of cash flows

(millions of euro)

	30.06.2011	30.06.2010
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**6,740**	**4,386**
- net income (+/-)	1,447	1,723
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	818	-383
- gains/losses on hedging activities (-/+)	29	84
- net losses/recoveries on impairment (+/-)	1,882	1,905
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	530	551
- net provisions for risks and charges and other costs/revenues (+/-)	140	267
- net insurance premiums to be collected (-)	-	-96
- other insurance revenues/charges to be collected (-/+)	3,066	2,039
- taxes and duties to be settled (+)	198	-38
- net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
- other adjustments (+/-)	-1,370	-1,666
2. Cash flow from / used in financial assets	**5,127**	**-40,655**
- financial assets held for trading	11,572	-27,200
- financial assets designated at fair value through profit and loss	-1,073	-940
- financial assets available for sale	-6,696	-3,497
- due from banks: repayable on demand	-64	-931
- due from banks: other	-2,533	-4,305
- loans to customers	2,013	-1,186
- other assets	1,908	-2,596
3. Cash flow from / used in financial liabilities	**-17,690**	**32,234**
- due to banks: repayable on demand	-424	828
- due to banks: other	-2,397	520
- due to customers	-5,805	20,868
- securities issued	-3,702	-4,881
- financial liabilities held for trading	-6,892	14,253
- financial liabilities designated at fair value through profit and loss	-1,204	-1,772
- other liabilities	2,734	2,418
Net cash flow from (used in) operating activities	**-5,823**	**-4,035**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,748**	**1,888**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	26	25
- sales/reimbursements of investments held to maturity	982	254
- sales of property and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	740	1,609
2. Cash flow used in	**-285**	**-425**
- purchases of investments in associates and companies subject to joint control	-137	-38
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-20	-75
- purchases of intangible assets	-128	-108
- purchases of subsidiaries and business branches	-	-204
Net cash flow from (used in) investing activities	**1,463**	**1,463**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-1	4
- share capital increases	4,940	-
- dividend distribution and other	-1,077	-1,124
Net cash flow from (used in) financing activities	**3,862**	**-1,120**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-498**	**-3,692**
RECONCILIATION		
Cash and cash equivalents at beginning of period	4,758	8,412
Net increase (decrease) in cash and cash equivalents	-498	-3,692
Cash and cash equivalents: foreign exchange effect	-8	29
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,252**	**4,749**

LEGEND: (+) from (–) used in

EXPLANATORY NOTES

Accounting policies

General preparation principles

The Half-yearly condensed consolidated financial statements as at 30 June 2011 have been prepared in compliance with art. 154-ter, Legislative Decree 58 of 24 February 1998 and in application of the IAS/IFRS issued by the International Accounting Standards Board (IASB) and related International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Commission according to EC Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements have been prepared in compliance with IAS 34 requirements, which regulate interim financial reporting.

The following Regulations were published by the European Commission in 2010 and first half of 2011, endorsing the standards listed below and applicable from 2011:
- Regulation 574/2010 – Amendments to IFRS 1 and IFRS 7;
- Regulation 632/2010 – IAS 24: Related party disclosures;
- Regulation 633/2010 – IFRIC 14: The limit on a defined benefit asset, minimum funding requirements and their interaction;
- Regulation 662/2010 – IFRIC 19: Extinguishing financial liabilities with equity instruments;
- Regulation 149/2011 – Improvements to the IAS/IFRS.

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

The accounting policies adopted in the preparation of the Half-yearly condensed consolidated financial statements, for classification, recognition, measurement and derecognition of asset and liability captions, and the means of recognition of revenues and costs, have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group's Annual report 2010, to which, therefore, reference must be made.
Preparation of the Half-yearly condensed consolidated financial statements requires the use of estimates and assumptions in the determination of certain cost and income components and for the measurement of assets and liabilities. Again reference must be made to the Annual report 2010 for the related description. Moreover, please note that in certain valuation processes, in particular the more complex ones, such as the asset impairment tests, these are generally performed in their entirety at the time of preparation of the annual report, with the exception of the cases in which there are significant impairment indicators which require the immediate valuation of losses.

The Half-yearly condensed consolidated financial statements, prepared in euro as the functional currency, are prepared in condensed form as permitted by IAS 34, and contain the Balance sheet, the Income statement, the Statement of comprehensive income for the period, the Changes in shareholders' equity, the Statement of cash flows and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, on the main risks and uncertainties to be faced in the remaining months of the year, as well as information on significant related party transactions.
The amounts indicated in the financial statements and Explanatory notes are expressed in millions of euro, unless otherwise specified.
The Balance sheet as at 30 June 2011 solely includes certain real-estate assets due for imminent disposal under non-current assets held for sale and discontinued operations.
The Income statement as at 30 June 2011, on the other hand, does not contain any profits or losses on discontinued operations. The comparative income statement figures for the period ended 30 June 2010, therefore, did not require restatements.

As usual, condensed reclassified income statements have been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, first half 2011 and 2010 figures are restated, where necessary, to account for changes in the scope of consolidation. The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Attached to the Half-yearly condensed consolidated financial statements are the reconciliations between the financial statements and the aforementioned condensed reclassified statements.

The Half-yearly condensed consolidated financial statements as at 30 June 2011 are complemented by certification of the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance and are subject to limited review by Reconta Ernst & Young.

Scope of consolidation and consolidation methods

Scope of consolidation

The Condensed financial statements as at 30 June 2011 include Intesa Sanpaolo and the companies directly and indirectly controlled, jointly controlled or subject to significant influence, comprising – as specifically set out by IAS/IFRS – also the companies operating in sectors dissimilar to the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
Compared to the situation as at 31 December 2010, the most significant changes are represented by the inclusion of Banca Sara and the exclusion of Cassa di Risparmio della Spezia (sold to Crédit Agricole) and Fideuram Bank Suisse (sold to Banca Credinvest).
During the first half, Intesa Sanpaolo also acquired the majority of shares in Banco Emiliano Romagnolo, a mono-branch bank based in Bologna, under extraordinary administration. As at 30 June 2011 the company was consolidated at equity, as it is formally still under extraordinary administration.

Certain extraordinary intragroup transactions were carried out in the first half of 2011, which as such had no effects on the consolidated figures. These transactions consisted in the merger by incorporation of companies in the CIB Group and the partial de-merger of Moneta through assignment to Intesa Sanpaolo of 100% of the investment in Setefi. Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded line-by-line in the individual statements of the companies involved, without recognition of any economic effect.

As usual, the equity investment in the Bank of Italy, in which the Intesa Sanpaolo Group holds 42.4%, which - considering its special nature - is maintained at cost and therefore not carried at equity, together with companies for which shares have been pledged with voting rights exceeding 20%, given that the purpose of the pledge is to guarantee loans and not to exercise control and direction of financial and economic policies in order to benefit from an economic return on the shares, are not consolidated.

Consolidation methods

The methods used for line-by-line consolidation of subsidiaries and consolidation by the equity method of associates and companies subject to joint control have remained unchanged with respect to those adopted for the Intesa Sanpaolo Group Annual Report 2010 to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Report as at 30 June 2011 refer to the same date. In certain limited cases, for subsidiaries which are not material, the latest official figures are used.
Where necessary – and always in wholly marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.
The financial statements of non-eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.
The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Half-yearly condensed consolidated financial statements as at 30 June 2011.

Name		Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
A. CONSOLIDATED COMPANIES						
	Parent Company Intesa Sanpaolo S.p.A. Capital Euro 8,545,561,614.72 in shares of Euro 0.52	Torino				
A. 1 Companies subject to full consolidation						
1	Adriano Finance S.r.l. (c) Capital Euro 15.000	Roma	4	Intesa Sanpaolo	5.00	
2	Adriano Finance 2 S.r.l. (c) Capital Euro 10.000	Milano	4	Intesa Sanpaolo	5.00	
3	Arten Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	87.42	
4	B.I. Private Equity Ltd Capital Euro 100.000	Dublin	1	Private Equity International	100.00	
5	Banca C.R. Firenze Romania S.A. Capital RON 43.087.365	Bucharest	1	Cassa di Risparmio di Firenze	90.98	
6	Banca dell'Adriatico S.p.A. Capital Euro 272.652.000	Pesaro	1	Intesa Sanpaolo	100.00	
7	Banca di Credito Sardo S.p.A. Capital Euro 258.276.569,35	Cagliari	1	Intesa Sanpaolo	100.00	
8	Banca di Trento e Bolzano S.p.A. (e) Capital Euro 65.915.704,40	Trento	1	Intesa Sanpaolo Finanziaria B.T.B.	23.33 54.33 77.66	
9	Banca Fideuram S.p.A. Capital Euro 186.255.207,16	Roma	1	Intesa Sanpaolo	100.00	
10	Banca IMI S.p.A. Capital Euro 962.464.000	Milano	1	Intesa Sanpaolo	100.00	
11	Banca Imi Securities Corp Capital Usd 44.500.000	New York	1	Imi Capital Markets USA Corp.	100.00	
12	Banca Infrastrutture Innovazione e Sviluppo S.p.A. Capital Euro 346.300.000	Roma	1	Intesa Sanpaolo	100.00	
13	Banca Intesa (Closed Joint-Stock Company) (formerly KMB Bank) (o) Capital RUB 10.820.180.800	Moscow	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	39.76 46.98 86.74	
14	Banca Intesa a.d., Beograd (f) Capital RSD 18.477.400.000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
15	Banca Prossima S.p.A. Capital Euro 80.000.000	Milano	1	Intesa Sanpaolo	71.67	
16	Banca Sara S.p.A. Capital Euro 17.727.655	Milano	1	Banca Fideuram	100.00	
17	Banco di Napoli S.p.A. Capital Euro 1.000.000.000	Napoli	1	Intesa Sanpaolo	100.00	
18	Bank of Alexandria S.A.E. (g) Capital EGP 800.000.000	Cairo	1	Intesa Sanpaolo	80.00	70.25
19	Banka Koper d.d. (h) Capital Euro 22.173.218,16	Koper	1	Intesa Sanpaolo	97.48	
20	Brivon Hungary Zrt Capital HUF 10.000.000	Budapest	1	Recovery Real Estate Management	100.00	
21	Canova Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
22	Cassa dei Risparmi di Forlì e della Romagna S.p.A. Capital Euro 214.428.465	Forlì	1	Intesa Sanpaolo	82.08	
23	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital Euro 210.263.000	Gorizia	1	Intesa Sanpaolo	100.00	
24	Cassa di Risparmio del Veneto S.p.A. Capital Euro 781.169.000	Padova	1	Intesa Sanpaolo	100.00	
25	Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49.407.056,31	Viterbo	1	Cassa di Risparmio di Firenze	75.81	82.02
26	Cassa di Risparmio di Ascoli Piceno S.p.A. Capital Euro 70.755.020	Ascoli Piceno	1	Cassa di Risparmio di Firenze	66.00	
27	Cassa di Risparmio di Città di Castello S.p.A. Capital Euro 23.750.000	Città di Castello	1	Cassa di Risparmio di Firenze	82.19	
28	Cassa di Risparmio di Civitavecchia S.p.A. Capital Euro 34.505.380	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
29	Cassa di Risparmio di Firenze S.p.A. (i) Capital Euro 828.836.017	Firenze	1	Intesa Sanpaolo	89.71	

	Name	Registered office	Type of relationship (a)	Investment: direct ownership	Investment: % held	Votes available % (b)
30	Cassa di Risparmio di Foligno S.p.A. Capital Euro 17.720.820	Foligno	1	Cassa di Risparmio di Firenze	70.53	
31	Cassa di Risparmio di Pistoia e Pescia S.p.A. (j) Capital Euro 141.987.825	Pistoia	1	Cassa di Risparmio di Firenze	58.84	60.00
32	Cassa di Risparmio di Rieti S.p.A. Capital Euro 47.339.291	Rieti	1	Cassa di Risparmio di Firenze	85.00	
33	Cassa di Risparmio di Spoleto S.p.A. Capital Euro 42.489.053	Spoleto	1	Cassa di Risparmio di Firenze	60.13	
34	Cassa di Risparmio di Terni e Narni S.p.A. Capital Euro 21.000.000	Terni	1	Cassa di Risparmio di Firenze	75.00	
35	Cassa di Risparmio di Venezia S.p.A. Capital Euro 284.536.000	Venezia	1	Intesa Sanpaolo	100.00	
36	Cassa di Risparmio in Bologna S.p.A. Capital Euro 696.692.000	Bologna	1	Intesa Sanpaolo	100.00	
37	Centro Factoring S.p.A. Capital Euro 25.200.000	Firenze	1	Cassa di Risparmio di Firenze	41.77	
				Centro Leasing	14.95	
				Intesa Sanpaolo	10.81	
				Cassa di Risparmio di Pistoia e Pescia	5.73	
				Cassa dei Risparmi di Forlì e della Romagna	0.11	
					73.37	
38	Centro Leasing S.p.A. Capital Euro 155.020.051,50	Firenze	1	Cassa di Risparmio di Firenze	30.10	
				Leasint	58.09	
					88.19	
39	Centrovita Assicurazioni S.p.A. Capital Euro 52.000.000	Firenze	1	Intesa Sanpaolo	100.00	
40	Cib Bank Ltd Capital HUF 105.000.000.000	Budapest	1	Intesa Sanpaolo Holding International	93.48	
				Intesa Sanpaolo	6.52	
					100.00	
41	CIB Car Trading Ltd Capital HUF 10.000.000	Budapest	1	Recovery Real Estate Management	100.00	
42	CIB Factor Financial Service Ltd Capital HUF 103.500.000	Budapest	1	CIB Real Property Utilisation and Services	50.00	
				Cib Bank	50.00	
					100.00	
43	CIB Insurance Broker Ltd Capital HUF 10.000.000	Budapest	1	CIB Leasing	100.00	
44	CIB Investment Fund Management Ltd Capital HUF 600.000.000	Budapest	1	Cib Bank	94.98	
				CIB REAL Property Utilisation and Services	5.02	
					100.00	
45	CIB Leasing Holding Limited Liability Company Capital HUF 500.000	Budapest	1	Cib Bank	100.00	
46	CIB Leasing Ltd Capital HUF 51.000.000	Budapest	1	CIB Leasing Holding	98.16	
				CIB Real Estate	1.84	
					100.00	
47	CIB Real Estate Ltd Capital HUF 52.000.000	Budapest	1	Cib Bank	100.00	
48	CIB REAL Property Utilisation and Services Ltd Capital HUF 50.000.000	Budapest	1	Cib Bank	100.00	
49	CIB Rent Operative Leasing Ltd Capital HUF 800.000.000	Budapest	1	Cib Bank	100.00	
50	Cimabue Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
51	Compagnia Italiana Finanziaria - CIF S.r.l. Capital Euro 133.583.670,74	Milano	1	IN.FRA - Investire nelle Infrastrutture	52.40	
52	Consumer Finance Holding a.s. Capital Euro 53.110.277	Kezmarok	1	Vseobecna Uverova Banka	100.00	
53	DB Platinum II Sicav (d)	Luxembourg	4	EurizonVita	100.00	
54	Duomo Funding Plc (k)	Dublin	4	Intesa Sanpaolo	-	
55	Epsilon Associati SGR S.p.A. Capital Euro 5.200.000	Milano	1	Eurizon Capital SGR	51.00	
				Banca IMI	49.00	
					100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
56	Equiter S.p.A. Capital Euro 150.000.000	Torino	1	Intesa Sanpaolo	100.00	
57	Eurizon A.I. SGR S.p.A. Capital Euro 4.420.000	Milano	1	Eurizon Capital SGR Intesa Sanpaolo	90.00 10.00 100.00	
58	Eurizon Capital S.A. Capital Euro 7.557.200	Luxembourg	1	Eurizon Capital SGR	100.00	
59	Eurizon Capital S.G.R. S.p.A. Capital Euro 95.010.000	Milano	1	Intesa Sanpaolo	100.00	
60	Eurizon Investment Sicav	Luxembourg	4	Centrovita Assicurazioni Intesa Sanpaolo Vita SudPolo Vita Eurizon Vita Intesa Sanpaolo Life	2.10 37.88 14.66 7.59 37.01 99.24	
61	Eurizon Vita S.p.A. Capital Euro 295.322.508	Torino	1	Intesa Sanpaolo	99.96	
62	Intesa Sanpaolo Life Ltd (già EurizonLife Ltd) Capital Euro 625.000	Dublin	1	EurizonVita	100.00	
63	Intesa Sanpaolo Assicura S.p.A. (già EurizonTutela S.p.A.) Capital Euro 27.912.258	Torino	1	EurizonVita	100.00	
64	Euro-Tresorerie S.A. Capital Euro 250.038.322,20	Paris	1	Financière Fideuram	100.00	
65	Fideuram Asset Management (Ireland) Ltd Capital Euro 1.000.000	Dublin	1	Banca Fideuram	100.00	
66	Fideuram Bank Luxembourg S.A. Capital Euro 30.000.000	Luxembourg	1	Banca Fideuram	100.00	
67	Fideuram Fiduciaria S.p.A. Capital Euro 1.551.000	Roma	1	Banca Fideuram	100.00	
68	Fideuram Fund Bond Euro High Yield (d)	Luxembourg	4	Fideuram Vita EurizonVita	62.45 6.85 69.30	
69	Fideuram Fund Bond Usa (d)	Luxembourg	4	Fideuram Vita EurizonVita	76.94 0.07 77.01	
70	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita EurizonVita	65.55 1.14 66.69	
71	Fideuram Fund Bond Yen (d)	Luxembourg	4	Fideuram Vita EurizonVita	93.22 0.08 93.30	
72	Fideuram Fund Equity Europe Growth (d)	Luxembourg	4	Fideuram Vita EurizonVita	94.27 3.89 98.16	
73	Fideuram Fund Equity Europe Value (d)	Luxembourg	4	Fideuram Vita EurizonVita	92.44 5.34 97.78	
74	Fideuram Fund Equity Euro (d)	Luxembourg	4	Fideuram Vita EurizonVita	77.58 2.22 79.80	
75	Fideuram Fund Equity Euro Corporate Bond (d)	Luxembourg	4	Fideuram Vita EurizonVita	55.22 3.93 59.15	
76	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Fideuram Vita EurizonVita	77.33 2.20 79.53	
77	Fideuram Fund Equity Italy (d)	Luxembourg	4	Fideuram Vita EurizonVita	85.95 1.97 87.92	
78	Fideuram Fund Equity Japan (d)	Luxembourg	4	Fideuram Vita EurizonVita	87.20 3.62 90.82	
79	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Fideuram Vita EurizonVita	68.87 1.34 70.21	

	Name	Registered office	Type of relationship (a)	Investment: direct ownership	Investment: % held	Votes available % (b)
80	Fideuram Fund Equity Usa (d)	Luxembourg	4	Fideuram Vita	84.36	
				EurizonVita	2.04	
					86.40	
81	Fideuram Fund Equity Usa Growth (d)	Luxembourg	4	Fideuram Vita	95.80	
				EurizonVita	3.26	
					99.06	
82	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Fideuram Vita	94.19	
				EurizonVita	4.72	
					98.91	
83	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Fideuram Vita	89.42	
				EurizonVita	1.36	
					90.78	
84	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Fideuram Vita	71.73	
				EurizonVita	5.36	
					77.09	
85	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Fideuram Vita	77.68	
				EurizonVita	4.64	
					82.32	
86	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Fideuram Vita	67.78	
				EurizonVita	8.22	
					76.00	
87	Fideuram Fund Euro Short Term (d)	Luxembourg	4	Fideuram Vita	62.17	
				EurizonVita	3.30	
					65.47	
88	Fideuram Fund Zero Coupon 2011 (d)	Luxembourg	4	Fideuram Vita	99.93	
89	Fideuram Fund Zero Coupon 2012 (d)	Luxembourg	4	Fideuram Vita	100.00	
90	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Fideuram Vita	100.00	
91	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Fideuram Vita	100.00	
92	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Fideuram Vita	100.00	
93	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Fideuram Vita	100.00	
94	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Fideuram Vita	100.00	
95	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Fideuram Vita	100.00	
96	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Fideuram Vita	100.00	
97	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Fideuram Vita	100.00	
98	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Fideuram Vita	100.00	
99	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Fideuram Vita	100.00	
100	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Fideuram Vita	100.00	
101	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Fideuram Vita	100.00	
102	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Fideuram Vita	100.00	
103	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Fideuram Vita	100.00	
104	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Fideuram Vita	100.00	
105	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Fideuram Vita	100.00	
106	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Fideuram Vita	100.00	
107	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Fideuram Vita	100.00	
108	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Fideuram Vita	100.00	
109	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Fideuram Vita	100.00	
110	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Fideuram Vita	100.00	
111	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Fideuram Vita	100.00	
112	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Fideuram Vita	100.00	
113	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Fideuram Vita	100.00	
114	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Fideuram Vita	100.00	
115	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Fideuram Vita	100.00	
116	Fideuram Fund Zero Coupon 2039 (d)	Luxembourg	4	Fideuram Vita	100.00	
117	Fideuram Fund Zero Coupon 2040 (d)	Luxembourg	4	Fideuram Vita	100.00	
118	Fideuram Fund Zero Coupon 2041 (d)	Luxembourg	4	Fideuram Vita	97.49	
119	Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.94	
	Capital Euro 10.000.000			Fideuram Vita	0.06	
					100.00	

	Name	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
120	Fideuram Investimenti S.G.R. S.p.A. Capital Euro 25.850.000	Milano	1	Banca Fideuram	99.50	
121	Fideuram Vita S.p.A. Capital Euro 356.946.836	Roma	1	Intesa Sanpaolo	80.01	
				Banca Fideuram	19.99	
					100.00	
122	Financière Fideuram S.A. Capital Euro 346.761.600	Paris	1	Banca Fideuram	100.00	
123	Finanziaria B.T.B. S.p.A. Capital Euro 56.832.921,60	Trento	1	Intesa Sanpaolo	99.29	
124	Finor Leasing d.o.o. Capital Euro 2.044.700	Koper	1	Banka Koper	100.00	
125	Fondo Caravaggio Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
126	Fondo Bond Eur Long Term (d)	Luxembourg	4	Intesa Sanpaolo Life	30.89	
				Centrovita Assicurazioni	2.02	
				Sud Polo Vita	8.94	
				Intesa Sanpaolo Vita	14.28	
				EurizonVita	1.51	
					57.64	
127	Fondo Bond Eur Medium Term (d)	Luxembourg	4	Intesa Sanpaolo Life	28.95	
				Centrovita Assicurazioni	2.01	
				Sud Polo Vita	8.37	
				Intesa Sanpaolo Vita	13.90	
				EurizonVita	27.62	
					80.85	
128	Fondo Bond Eur Short Term (d)	Luxembourg	4	Intesa Sanpaolo Life	32.90	
				Centrovita Assicurazioni	1.74	
				Sud Polo Vita	9.90	
				Intesa Sanpaolo Vita	18.68	
				EurizonVita	2.65	
					65.87	
129	Fondo Bond GBP (d)	Luxembourg	4	Intesa Sanpaolo Life	31.84	
				Centrovita Assicurazioni	16.50	
				Intesa Sanpaolo Vita	17.76	
				Sud Polo Vita	11.80	
				EurizonVita	2.65	
					80.55	
130	Fondo Bond JPY (d)	Luxembourg	4	Intesa Sanpaolo Life	39.61	
				Centrovita Assicurazioni	4.41	
				Sud Polo Vita	14.28	
				Intesa Sanpaolo Vita	21.57	
				EurizonVita	0.55	
					80.42	
131	Fondo Bond USD (d)	Luxembourg	4	Intesa Sanpaolo Life	36.13	
				Centrovita Assicurazioni	3.77	
				Sud Polo Vita	12.37	
				Intesa Sanpaolo Vita	19.90	
				EurizonVita	0.45	
					72.62	
132	Fondo Flexible Strategy (d)	Luxembourg	4	EurizonVita	53.36	
				Fideuram Vita	32.48	
					85.84	
133	Fondo Total Return Alpha Strategy (d)	Luxembourg	4	EurizonVita	80.42	
134	Hayez Sicav	Luxembourg	4	Intesa Sanpaolo Life	100.00	
135	IMI Capital Markets USA Corp. Capital USD 5.000	New York	1	IMI Investments	100.00	
136	IMI Finance Luxembourg S.A. Capital Euro 100.000	Luxembourg	1	IMI Investments	100.00	
137	IMI Fondi Chiusi S.G.R. S.p.A. Capital Euro 2.000.000	Bologna	1	IMI Investimenti	100.00	
138	IMI Investimenti S.p.A. Capital Euro 579.184.200	Bologna	1	Intesa Sanpaolo	100.00	
139	IMI Investments S.A. Capital Euro 21.660.000	Luxembourg	1	Banca IMI	100.00	
140	Immobiliare Nuova Sede S.r.l. Capital Euro 51.480	Firenze	1	Cassa di Risparmio di Firenze	100.00	
141	IN.FRA - Investire nelle Infrastrutture S.p.A. (p) Capital Euro 95.936.245,36	Milano	1	Intesa Sanpaolo	88.51	

Name		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
142	Infogroup S.c.p.A. Capital Euro 4.352.000	Firenze	1	Cassa di Risparmio di Firenze	65.45	
				Intesa Sanpaolo	31.07	
				Cassa di Risparmio di Pistoia e Pescia	2.76	
				Cassa di Risparmio di Civitavecchia	0.69	
				Intesa Sanpaolo Group Services	0.01	
				minority interests	0.02	
					100.00	
143	Iniziative Logistiche S.r.l. Capital Euro 55.595.211,34	Milano	1	IN.FRA - Investire nelle Infrastrutture	54.49	
144	Intesa Funding LLC Capital USD 25.000	Wilmington	1	Intesa Sanpaolo	100.00	
145	Intesa Global Finance Company Ltd Capital Euro 100.000	Dublin	1	Intesa Sanpaolo Holding International	100.00	
146	Intesa Investimenti S.p.A. Capital Euro 1.000.000.000	Milano	1	Intesa Sanpaolo	100.00	
147	Intesa Lease Sec S.r.l. Capital Euro 60.000	Milano	1	Intesa Sanpaolo	60.00	
148	Intesa Leasing d.o.o. Beograd Capital RSD 960.374.301	Beograd	1	Banca Intesa Beograd	98.70	
				CIB Leasing	1.30	
					100.00	
149	Intesa Real Estate S.r.l. Capital Euro 4.625.000	Milano	1	Intesa Sanpaolo	100.00	
150	Intesa Sanpaolo Bank Albania Sh.A. (l) Capital ALL 5.562.517.674	Tirana	1	Intesa Sanpaolo	100.00	
151	Intesa Sanpaolo Bank Ireland Plc Capital Euro 400.500.000	Dublin	1	Intesa Sanpaolo	100.00	
152	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital BAM 44.782.000	Sarajevo	1	Intesa Sanpaolo Holding International	94.92	
153	Intesa Sanpaolo Card BH D.O.O. (formerly Centurion Financial Services Ltd) Capital BAM 1.049.126,50	Sarajevo	1	Intesa Sanpaolo Card Zagreb	100.00	
154	Intesa Sanpaolo Card d.o.o. - Ljubljana (formerly Centurion Financne Storitve) Capital Euro 5.618.761	Ljubljana	1	Intesa Sanpaolo Card Zagreb	100.00	
155	Intesa Sanpaolo Card d.o.o. - Zagreb Capital HRK 30.863.400	Zagreb	1	Banka Koper	15.34	
				Privredna Banka Zagreb	33.34	
				Intesa Sanpaolo Holding International	51.32	
					100.00	
156	Intesa Sanpaolo Group Services S.c.p.A. Capital Euro 272.057.000	Torino	1	Intesa Sanpaolo	99.87	
				Banca Fideuram	0.01	
				Cassa di Risparmio del Veneto	0.01	
				Cassa di Risparmio di Firenze	0.01	
				Banco di Napoli	0.01	
				Banca Imi	0.01	
				minority interests	0.08	
					100.00	
157	Intesa Sanpaolo Holding International S.A. Capital Euro 6.911.412.712	Luxembourg	1	Intesa Sanpaolo	100.00	
158	Intesa Sanpaolo Immobilière S.A. Capital Euro 250.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
159	Intesa Sanpaolo Previdenza - Società di Intermediazione Mobiliare S.p.A.(formerly Intesa Previdenza SIM S.p.A.) Capital Euro 15.300.000	Milano	1	Intesa Sanpaolo	78.53	
160	Intesa Sanpaolo Private Bank (Suisse) S.A. Capital CHF 20.000.000	Lugano	1	Société Européenne de Banque	100.00	
161	Intesa Sanpaolo Private Banking S.p.A. Capital Euro 105.313.200	Milano	1	Intesa Sanpaolo	100.00	
162	Intesa Sanpaolo Real Estate S.A. Capital Euro 2.940.476	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
163	Intesa Sanpaolo Romania S.A. Commercial Bank Capital Ron 491.111.110	Arad	1	Intesa Sanpaolo	99.61	
				Intesa Sanpaolo Holding International	0.39	
					100.00	
164	Intesa Sanpaolo Trust Company Fiduciaria S.p.A. Capital Euro 1.032.000	Milano	1	Intesa Sanpaolo	100.00	
165	Intesa Sec. 2 S.r.l. Capital Euro 15.000	Milano	1	Intesa Sanpaolo	60.00	
166	Intesa Sec. 3 S.r.l. Capital Euro 70.000	Milano	1	Intesa Sanpaolo	60.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
167	Intesa Sec. Npl S.p.A. Capital Euro 129.000	Milano	1	Intesa Sanpaolo	60.00	
168	Intesa Sec. S.p.A. Capital Euro 100.000	Milano	1	Intesa Sanpaolo	60.00	
169	Intesa Sanpaolo Vita S.p.A. (formerly Intesa Vita S.p.A.) Capital Euro 394.226.300	Milano	1	Intesa Sanpaolo	100.00	
170	IntesaBci Preferred Capital Company LLC III Delaware (m) Capital Euro 11.000.000	Wilmington	1	Intesa Sanpaolo	100.00	
171	IntesaBci Preferred Securities Investor Trust Capital Euro 1.000	Newark	1	IntesaBci Preferred Capital Company III	100.00	
172	Inversiones Mobiliarias S.A.- IMSA Capital PEN 7.941.112,83	Lima	1	Intesa Sanpaolo	99.40	
173	ISP CB Ipotecario S.r.l. Capital Euro 120.000	Milano	1	Intesa Sanpaolo	60.00	
174	ISP CB Pubbico S.r.l. Capital Euro 120.000	Milano	1	Intesa Sanpaolo	60.00	
175	Intesa Leasing (Closed Joint-Stock Company (formerly KMB - Leasing CJSC) Capital RUB 3.000.000	Moscow	1	Banca Intesa (Closed Joint-Stock Company)	100.00	
176	Leasint S.p.A. Capital Euro 172.043.500	Milano	1	Intesa Sanpaolo	100.00	
177	Levanna Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
178	Lima Sudameris Holding S.A. in liquidazione Capital PEN 172.384.709,03	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
179	Lunar Funding V Plc (k)	Dublin	4	Banca Infrastrutture Innovazione e Sviluppo	-	
180	Lux Gest Asset Management S.A. Capital Euro 200.000	Luxembourg	1	Société Européenne de Banque	100.00	
181	Medimurska Banka d.d. Capital HRK 127.900.000	Čakovec	1	Privredna Banka Zagreb	100.00	
182	Mediocredito Italiano S.p.A. Capital Euro 572.043.495	Milano	1	Intesa Sanpaolo	100.00	
183	Mediofactoring S.p.A. Capital Euro 220.000.000	Milano	1	Intesa Sanpaolo	100.00	
184	Moneta S.p.A. Capital Euro 109.830.000	Bologna	1	Intesa Sanpaolo	100.00	
185	Neos Finance S.p.A. Capital Euro 142.518.306	Bologna	1	Intesa Sanpaolo	100.00	
186	PBZ Card d.o.o. Capital HRK 43.422.200	Zagreb	1	Privredna Banka Zagreb	100.00	
187	PBZ Invest d.o.o. Capital HRK 5.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
188	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
189	PBZ Nekretnine d.o.o. Capital HRK 3.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
190	PBZ Stambena Stedionica d.d. Capital HRK 115.000.000	Zagreb	1	Privredna Banka Zagreb	100.00	
191	Pravex Bank Public Joint-Stock Company Commercial Bank Capital UAH 937.280.000	Kiev	1	Intesa Sanpaolo	100.00	
192	Private Equity International S.A. Capital Euro 251.125.360	Luxembourg	1	Intesa Sanpaolo IMI Investimenti	90.90 9.10 100.00	
193	Privredna Banka Zagreb d.d. Capital HRK 1.907.476.900	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
194	RE Consult Infrastrutture S.p.A. Capital Euro 101.150.000	Milano	1	Iniziative Logistiche Compagnia Italiana Finanziaria - CIF	38.00 62.00 100.00	
195	Recovery a.s. Capital Euro 33.200	Bratislava	1	Vseobecna Uverova Banka	100.00	
196	Recovery Real Estate Management Ltd Capital HUF 4.000.000	Budapest	1	Cib Bank	100.00	
197	Romulus Funding Corporation (k)	Delaware	4	Intesa Sanpaolo	-	
198	Sanpaolo International Formulas Fund (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	

	Name	Registered office	Type of relation-ship (a)	Investment direct ownership	% held	Votes available % (b)
199	Sanpaolo Invest Ireland Ltd Capital Euro 500.000	Dublin	1	Banca Fideuram	100.00	
200	Sanpaolo Invest SIM S.p.A. Capital Euro 15.264.760	Roma	1	Banca Fideuram	100.00	
201	Servitia S.A. Capital Euro 1.500.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
202	Setefi S.p.A. Capital Euro 8.450.000	Milano	1	Intesa Sanpaolo	100.00	
203	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital Euro 2.600.000	Milano	1	Intesa Sanpaolo	100.00	
204	Société Européenne de Banque S.A. Capital Euro 45.000.000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
205	SP Lux Sicav II (d)	Luxembourg	4	Intesa Sanpaolo Life	93.14	
206	Split 2 S.r.l. (n)	Conegliano	4	Leasint	-	
207	Sud Polo Vita S.p.A. Capital Euro 84.464.122,20	Torino	1	Intesa Sanpaolo EurizonVita	98.79 1.19 99.98	
208	Sudameris S.A. Capital Euro 49.671.600	Paris	1	Intesa Sanpaolo Holding International	99.87	
209	Tiepolo Sicav (d)	Luxembourg	4	Intesa Sanpaolo Life	100.00	
210	Vseobecna Uverova Banka a.s. Capital Euro 430.819.063,81	Bratislava	1	Intesa Sanpaolo Holding International	96.76	
211	VUB Asset Management Sprav. Spol a.s. Capital Euro 1.660.000	Bratislava	1	Vseobecna Uverova Banka	100.00	
212	VUB Factoring a.s. Capital Euro 2.232.334	Bratislava	1	Vseobecna Uverova Banka	100.00	
213	VUB Leasing a.s. Capital Euro 16.600.000	Bratislava	1	Vseobecna Uverova Banka	100.00	
214	VUB Poistovaci Makler s.r.o. Capital Euro 16.597	Bratislava	1	VUB Leasing	100.00	

(a) Type of relationship:
1 - majority of voting rights at Ordinary Shareholders' Meeting;
2 - dominant influence at Ordinary Shareholders' Meeting;
3 - agreements with other Shareholders;
4 - other forms of control;
5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/92";
7 - joint control.

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

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

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

(e) Please note that there is a put option sold/call option purchased from minority shareholders on 8.72% of share capital.

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

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

(h) Minority shareholders are subject to a legal commitment to purchase the remaining 2.52% of share capital.

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

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

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

(l) In relation to the equity investment in Intesa Sanpaolo Bank Albania SH.A., there is a share, equal to 1.39%, of former Banca Italo Albanese (merged into Intesa Sanpaolo Bank Albania) sold to Società Italiana per le Imprese all'Estero (Simest) in July 2006.

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

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

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

(p) Please note that there is a put option sold/call option purchased from minority shareholders on 11.49% of share capital.

Main risks and uncertainties

The current macroeconomic environment and high volatility of the financial markets makes credit risk assessment, valuation of financial instruments and the measurement of recoverable amount of other assets more complex, and require an analysis of the impact of such assessments on the solidity of the Company and on the going concern of its business operations as a whole.
Measurement criteria are described in detail in the 2010 financial statements and have remained unchanged and hereinafter are outlined the processes which led to determination of the book value of balance sheet assets as at 30 June 2011. Note that no uncertainties have been detected either in the financial structure or in the performance of operations such as to doubt on the going concern assumption.

Loan classification and measurement have been performed following the usual criteria of prudence, aimed at promptly and correctly identifying the impacts of the negative trend of the current economic conditions. As the crisis deepened at an alarmingly rapidity, it became necessary to constantly review both the loans showing signs of distress and those still free from evidence of impairment. All categories of non-performing loans were assessed using the usual criteria of prudence, as pointed out by the substantial average provisioning percentages for doubtful loans (over 64%) and substandard loans (over 20%). Performing loans as a whole are covered by provisioning of over 2.4 billion euro.

As a rule, financial instruments have been recognised at their fair value, represented, for instruments quoted on active markets, by the price of the last day of the period, as required by international accounting standards (effective market quotes).
On the other hand, financial instruments not quoted on an active market have been valued on the basis of prices or credit spreads derived from official quotations of instruments having similar risk profiles, i.e. using the comparable approach. This approach requires the identification of transactions and/or quotations on active markets pertaining to instruments that have a risk profile comparable to that of the instrument to be measured. The pricing methods used in the comparable approach reproduce prices of financial instruments quoted on active markets without including discretionary parameters that might significantly influence the final valuation (i.e. parameters whose value cannot be derived from the prices of financial instruments quoted on active markets, or be fixed at levels reproducing prices on active markets).
Lastly, only for financial instruments not quoted on an active market and which could not be valued through the comparable approach, valuation was based on various inputs, not all directly derived from observable market parameters, hence requiring estimates and assumptions on the part of the valuator (mark-to-model approach).
In particular, with this approach, the financial instrument was measured by means of a pricing model based on specific assumptions as to: (i) the development of future cash flows, which may be affected by future events to which are assigned probabilities on the basis of past experience or assumed behaviour, (ii) the level of specific input parameters not quoted on active markets, but based as much as possible on information relating to prices and spreads observed in the market. Where such information was not available, past data on the specific risk of the underlying asset or specialised reports were used (e.g. reports prepared by Rating agencies or leading market players).
Considering this background, valuation methodologies have been constantly refined and updated, improving the models used for level 3 valuation techniques for structured credit products, and carefully defining specific processes for managing "model risk" leading to adjustments to valuations, especially in case of non observable or highly illiquid market parameters.
In the financial statements as at 30 June 2011, the fair value measurement of financial assets was carried out for 66% using the effective market quotes method (level 1), for 32% using the comparable approach (level 2) and only for 2% using the mark-to-model approach (level 3). Among the financial liabilities designated at fair value through profit and loss, most of the financial instruments (85%) were measured using the comparable approach (level 2).
For further information on credit risk and financial risk, see the chapter of the Notes on risk management. The same chapter also provides detailed information on the fair value measurement methods applied to financial instruments and the various measurement levels, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged finance transactions, hedge fund investments and derivatives transactions with customers.

Equity investments, securities available for sale, intangible assets and goodwill were tested for impairment losses when preparing the half-yearly report through analyses aimed at detecting the presence of impairment indicators and the calculation of any write-downs.
In further detail, equity investments and securities available for sale were tested for impairment in order to assess whether there is objective evidence to consider that the carrying value of such assets may not be fully recoverable by adopting the same methods and criteria illustrated in the Annual report 2010, to which reference should be made. Such tests resulted in the need to recognise a total of 213 million euro in adjustments, of which 127 million euro associated with the Telco investment. Following Telecom's new 2011-2013 Business Plan and the persistent downward trend in the company's domestic segment, when preparing the interim report as at 30 April 2011 Telco shareholders considered it appropriate to assess the recoverable value of the investment with the support of an external advisor. A range of values for the Telecom share emerged from the new appraisal, resulting from the discounting of expected cash flows, of between 1.60 euro and 2.03 euro. Telco adopted an intermediate value from this range, i.e. 1.80 euro, as its valuation. Intesa Sanpaolo considered this valuation as adequate and therefore recognised in the financial statements as at 30 June 2011 the loss recorded by Telco resulting from the write-down of the investment in Telecom (Telco is consolidated with the equity method).
With specific reference to the public debt crisis now affecting the financial markets, the Intesa Sanpaolo Group has limited exposures to the European countries (Greece, Ireland and Portugal) for which the European Union and the International Monetary Fund have implemented financial support plans. For further information, see the disclosures provided under the comments on financial assets.

Intangible assets with finite useful lives, consisting of the asset-management and insurance portfolios and core deposits, the amounts of which (a total of 3,464 million euro as at 30 June 2011) have also been gradually amortised, were analysed in order to verify whether there were impairment indicators. These analyses did not identify any critical factors compared to the situation and estimate of recoverable amount prepared for the Annual Report 2010. Accordingly, there was no need to recognise adjustments to intangible assets. In addition, it should be noted that the recoverable amount determined at the end of 2010 significantly exceeded the carrying amount and that the carrying amount has in the meantime decreased by 334 million euro due to amortisation of the period and the sale of CR Spezia and several branches completed during the period.

Intangible assets with indefinite useful lives, represented by the brand name (2,384 million euro as at 30 June 2011) and goodwill (18,891 million euro as at 30 June 2011), were analysed in order to verify whether there were indicators that they had become impaired and thus whether the recoverable amounts of the CGUs needed to be re-determined. The methodological criteria for these analyses were the same as those used for the 2010 financial statements, to which reference should be made for further details. In particular:
- with reference to cash flows, projections are still in line with those identified in the 2011-2013/2015 Business Plan disclosed to the markets on 6 April this year;
- analysis of the cash flow growth rates beyond the forecasting period, for the purposes of determining the so-called terminal value, indicated a slight increase in the "g" rate as a result of the change in inflation rate forecasts for the next years;
- cash-flow discounting rates have been updated on the basis of the new information available. The new figures show:
  - an increase in the “country risk” component referred to Italy, due to widening of the 10-year BTP-Bund spread;
  - an increase in the risk-free rate for certain foreign countries as a result of the higher return on the 30-year Bund;
  - slight changes, some upwards some downwards, in the “beta” factor.

  Compared to the rates used in the 2010 impairment testing, a slight increase emerged for all CGUs.

The foregoing analyses did not yield any critical factors that would have had a material impact on the recoverable amounts of the various CGUs as determined for impairment testing in the Annual Report 2010. Moreover, in that occasion, in-depth sensitivity analyses of both discount rates and growth rates for terminal value and projected cash flows were also conducted. These analyses, to which reference should be made, indicated that there were margins for the adequacy of carrying amounts even in the event of the use of rates higher than those employed and of cash flows based on even more cautious macroeconomic scenarios.
With particular reference to discount rates, in July 2011 a considerable increase was observed in the BTP-Bund spread. In this respect, the sensitivity analysis performed during impairment testing for the 2010 financial statements showed that application of discount rates 100 bps higher than those used for the 2010 financial statements would in any event have led to values in use higher than the carrying values.
The results of the foregoing analyses thus confirm the carrying amounts. Moreover it may be remarked that market values, i.e. the market capitalisation, remain lower than the book value.
As already remarked in the Annual Report 2010, this market valuation has different characteristics from a “basic” assessment consisting of the value in use.
The price of Intesa Sanpaolo’s stock continues to be affected by capital market conditions that generally remain depressed and highly volatile. In further detail, like the rest of the banking industry, it is penalised by the sovereign debt crisis and concerns regarding the solidity and liquidity of the financial system generally, in addition to uncertainties concerning the impacts of the prospected new capital requirements. Conversely, the value in use is based on the logic that the value of an asset is a direct expression of the cash flows it is able to generate throughout the period of its use. This value is, thus, also based on the internal expectations of the company and on the specific synergies the company is able to achieve, as opposed to market valuations, which are instead based on the short-term expectations of investors and only consider the so-called universal synergies.
As usual, the impairment testing performed for the 2011 financial statements will need to take into consideration the macroeconomic environment and the position of the financial markets consolidated over the next months.

Other information

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

Consob, in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control companies incorporated and subject to the laws of non-EU member states (art. 36 Market Regulation). Pursuant to Art. 2.6.2, paragraph 12 of the Regulation of Markets managed and organised by Borsa Italiana S.p.A., Borsa Italiana has also required that at the time of approval of the Parent Company’s financial statements, the Management Board of a company controlling non-EU companies declares in its Report on operations whether or not the conditions set out in Art. 36, letters a), b) and c) of the Market Regulation are met. Intesa Sanpaolo’s declaration to this effect can be found in the Annual Report 2010.
In this respect, no acquisitions were completed in the first half of 2011 concerning companies established and registered under the laws of non-EU countries which, considered independently, are of material significance to the regulations in question.

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group’s segment reporting is based on the elements that the management uses to make its own operating decisions (the “management approach”) and is therefore consistent with the disclosure requirements of IFRS 8.
The Intesa Sanpaolo Group’s organisational model is structured into six business areas, each with specific operating responsibilities: Banca dei Territori, Corporate and Investment Banking, Public Finance, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. In addition to these operating areas there are two support structures: Group Treasury and the Head office departments concentrated in the Corporate Centre.
The attribution of economic and balance sheet results to the various sectors is based on the accounting principles used in the preparation and presentation of the Consolidated financial statements. Use of the same accounting standards allowed segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group’s results.
With regard to the measurement of revenues and costs deriving from intra-segment transactions, the application of a contribution model at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the Divisions of the Parent Company.

Specific agreements with Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product companies/service units and relationship entities/customer units. Each segment is charged direct costs and, for the part pertaining to it, the operating costs of central structures other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges are calculated on the basis of services actually rendered, while the costs of guidance and control activities have remained allocated to the Corporate Centre. Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.

Business areas are disclosed net of intragroup relations within each area and gross of intragroup relations between different business areas.

Each business area is also assigned the allocated capital, represented by the capital absorption on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the instructions issued by the Bank of Italy in compliance with the Basel 2 regulations. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk. Value creation, expressed in terms of EVA, was calculated net of merger and restructuring-related charges and of the economic effects of purchase price allocation pursuant to IFRS 3.

To complete segment reporting, the main balance sheet and income statement aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities and take into account the economic and strategic importance and the potential of the reference markets. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

Subsequent events

As stated in the first part of this report, on 15 July the results were announced for the 2011 EU-wide Stress Test – conducted by the European Banking Authority (EBA) in cooperation with the Bank of Italy, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB) – in which Intesa Sanpaolo participated.
The EU-wide stress test, carried out across 90 banks covering over 65% of the EU banking system total assets, seeks to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under certain restrictive conditions.
As a result of the assumed shock, in the adverse scenario the consolidated Core Tier 1 Ratio of Intesa Sanpaolo would go from 7.9% at end 2010 to 8.9% at end 2012. This result incorporates the effects of the 5 billion euro capital increase, completed in June and does not take into account future strengthening actions planned by Intesa Sanpaolo.

On 20 July 2011, the Intesa Sanpaolo Supervisory Board - upon proposal of the Management Board - approved the Group’s new remuneration policies. These policies adopt the regulations recently issued by the Bank of Italy on this matter. These policies include the New Incentive System intended for a part of the Management staff and the so-called “risk takers” of the Intesa Sanpaolo Group. This System replaces the long-term incentive Plan approved last year, in the light of the relevant changes that took place in national and international regulations. The previous Plan already met, to a large extent, the criteria provided for in the new regulations, among which incentives linked to actual medium-term value creation and the appropriate balancing between fixed and variable components. The most significant difference between the proposed System and the previous Plan regards the introduction of shares - explicitly required by the Bank of Italy - as part of the variable component of remuneration.
The proposed System, effective from 2011 and covering the three-year period 2011-2013 of the Business Plan, falls under the category of financial instrument-based remuneration plan pursuant to Article 114-bis, paragraph 1 of Legislative Decree 58 of 24 February 1998. Moreover, in accordance with Article 84-bis of the Issuers’ Regulation issued by Consob, the System is to be considered as being of “particular importance” since it addresses, inter alia, top and senior executives who have regular access to privileged information and have the power to make management decisions which may affect the Group’s evolution and outlook.
The Informational Document will be made public at the Company’s Registered office and at Borsa Italiana and published on the Company’s website www.group.intesasanpaolo.com in accordance with Article 84-bis of the Issuers’ Regulation.

In addition, note that with effect from 20 July 2011 Professor Eugenio Pavarani has joined the Supervisory Board in substitution of Professor Ferdinando Targetti.

Lastly, of the events subsequent to the end of the period, worth noting is the agreement signed on 29 July with the Trade Unions for implementation of the personnel cuts and re-deployment envisaged in the Business Plan.
Under the terms of the agreement at least 2,500 employees that have accrued compulsory pension rights are expected to leave by 30 June 2014. A further 2,500 employees, who will have accrued pension rights by 1 January 2018, will be given the option to subscribe to the “solidarity allowance”, on a purely voluntary basis. Over the next few months the personnel affected will be identified and all necessary requirements will be met. The effects on the 2011 income statement, and if necessary on subsequent income statements, will then be measured.
The agreement also includes the methods for professional re-deployment of 5,000 employees and the recruitment of up to 1,000 young people, giving priority to those that have gained work experience with the Group under non-permanent contracts.

Economic results

General aspects

As usual, a condensed reclassified income statement has been prepared to give a more immediate understanding of results for the period. To enable consistent comparison, first quarter 2011 and 2010 income statement figures are restated, where necessary, to account for components classified under non-current assets held for sale and discontinued operations and changes in the scope of consolidation.
The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities are not considered, as they are deemed irrelevant. Lastly, please note that no intragroup relations are netted since their amount is not significant.
Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the half-yearly report, as also required by Consob in its Communication 6064293 of 28 July 2006.
The restatements for 2010 are represented by the inclusion of the figures for Intesa Vita and the branches acquired from Banca Monte dei Paschi di Siena in the periods prior to acquisition, the deconsolidation of figures for Cassa di Risparmio di La Spezia and the branches sold to Crédit Agricole and, lastly, from the disposal of Fideuram Bank Suisse. 2011 figures are restated to exclude the contribution of branches sold to Crédit Agricole and Fideuram Bank Suisse during the half year.
Reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated to Profits (Losses) on trading;
- the portions of Net interest income, Dividend and similar income, Net fee and commission income and Profits (Losses) on trading related to the insurance business have been recorded under a specific caption. The adjustment of the technical reserve associated with the impairment of securities available for sale in the portfolio of the Group's insurance companies was also attributed to this caption;
- differentials on derivatives, classified to the trading portfolio and contracted to hedge transactions in foreign currencies, have been allocated among net interest income owing to the close correlation;
- Fair value adjustments in hedge accounting (caption 90) have been reallocated to Profits (Losses) on trading;
- Profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reallocated to Profits (Losses) on trading;
- Profits (losses) on financial assets and liabilities designated at fair value are reallocated to Profits (Losses) on trading;
- the recoveries of expenses, taxes and duties have been subtracted from administrative expenses, instead of being included among Other operating income;
- Profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- Net impairment losses on other financial activities (caption 130d), related to guarantees, commitments and credit derivatives, have been recognised under Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- net impairment losses of property, equipment and intangible assets have been reclassified from Net adjustments to property, equipment and intangible assets – which therefore solely express depreciation and amortisation – to Net impairment losses on other assets, which also includes Net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- impairment losses on Greek government bonds maturing by 2020 were recognised to Impairment losses on other assets, regardless of their balance sheet classification (Financial assets available for sale, investments held to maturity or loans);
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (Losses) on investments held to maturity and on other investments, after the deduction of net income from investments carried at equity which is posted in a specific caption in Operating income;
- Merger and restructuring-related charges are reclassified, net of the tax effect, from Personnel expenses, Administrative expenses and, to a lesser extent, from other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They represent adjustments and any impairment to financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3.

Reclassified income statement

(millions of euro)

	30.06.2011	30.06.2010	Changes	
			amount	%
Net interest income	4,739	4,816	-77	-1.6
Dividends and profits (losses) on investments carried at equity	41	23	18	78.3
Net fee and commission income	2,784	2,788	-4	-0.1
Profits (Losses) on trading	821	215	606	
Income from insurance business	285	355	-70	-19.7
Other operating income (expenses)	8	23	-15	-65.2
Operating income	**8,678**	**8,220**	**458**	**5.6**
Personnel expenses	-2,724	-2,709	15	0.6
Other administrative expenses	-1,472	-1,509	-37	-2.5
Adjustments to property, equipment and intangible assets	-301	-289	12	4.2
Operating costs	**-4,497**	**-4,507**	**-10**	**-0.2**
Operating margin	**4,181**	**3,713**	**468**	**12.6**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-78	-184	-106	-57.6
Net adjustments to loans	-1,457	-1,544	-87	-5.6
Net impairment losses on other assets	-74	-43	31	72.1
Profits (Losses) on investments held to maturity and on other investments	33	11	22	
Income (Loss) before tax from continuing operations	**2,605**	**1,953**	**652**	**33.4**
Taxes on income from continuing operations	-973	-680	293	43.1
Merger and restructuring-related charges (net of tax)	-16	-43	-27	-62.8
Effect of purchase price allocation (net of tax)	-171	-192	-21	-10.9
Income (Loss) after tax from discontinued operations	-	691	-691	
Minority interests	-43	-39	4	10.3
Net income	**1,402**	**1,690**	**-288**	**-17.0**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2011		2010			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,357	2,382	2,395	2,440	2,432	2,384
Dividends and profits (losses) on investments carried at equity	34	7	11	-5	26	-3
Net fee and commission income	1,399	1,385	1,506	1,318	1,394	1,394
Profits (Losses) on trading	543	278	121	126	-3	218
Income from insurance business	165	120	126	173	151	204
Other operating income (expenses)	-3	11	20	-4	1	22
Operating income	**4,495**	**4,183**	**4,179**	**4,048**	**4,001**	**4,219**
Personnel expenses	-1,364	-1,360	-1,423	-1,351	-1,353	-1,356
Other administrative expenses	-758	-714	-887	-744	-777	-732
Adjustments to property, equipment and intangible assets	-152	-149	-169	-142	-147	-142
Operating costs	**-2,274**	**-2,223**	**-2,479**	**-2,237**	**-2,277**	**-2,230**
Operating margin	**2,221**	**1,960**	**1,700**	**1,811**	**1,724**	**1,989**
Goodwill impairment	-	-	-	-	-	-
Net provisions for risks and charges	-65	-13	-144	-30	-98	-86
Net adjustments to loans	-777	-680	-838	-706	-794	-750
Net impairment losses on other assets	-57	-17	-47	-5	-38	-5
Profits (Losses) on investments held to maturity and on other investments	19	14	262	-	1	10
Income (Loss) before tax from continuing operations	**1,341**	**1,264**	**933**	**1,070**	**795**	**1,158**
Taxes on income from continuing operations	-478	-495	-295	-417	-320	-360
Merger and restructuring-related charges (net of tax)	-12	-4	-18	-11	-27	-16
Effect of purchase price allocation (net of tax)	-85	-86	-102	-102	-100	-92
Income (Loss) after tax from discontinued operations	-	-	3	-	663	28
Minority interests	-25	-18	-16	-30	-9	-30
Net income	**741**	**661**	**505**	**510**	**1,002**	**688**

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

In a scenario featuring limited developments in economic activity, accompanied by growing pressure on commodity prices and tension regarding the finances of several European Countries, including Italy, in the first half of 2011 the Intesa Sanpaolo Group achieved a net income of 1,402 million euro, against the 1,690 million euro recorded for the same period in the previous year. Net income in the second quarter, however, showed sustained growth compared to that achieved in the first quarter, from 661 million euro to 741 million euro.

Operating income

Operating income reported by the Group in the first six months of 2011 amounted to 8,678 million euro, up by +5.6% compared to the same period in 2010.

The trend emerging from comparison of the two reference periods is essentially determined by the profits on trading, which almost are nearly four times the figure registered in the first half of 2010, against relatively stable fee and commission income and a drop in net interest income and income from insurance business.

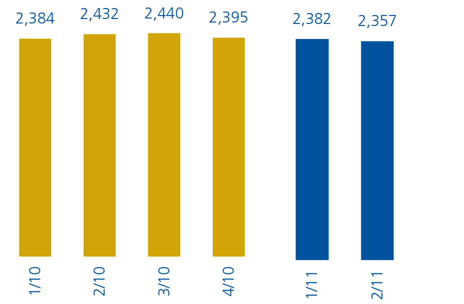
The quarterly analysis also shows an upward trend in operating income, with a 7.5% growth between the first and second quarters.

Net interest income

(millions of euro)

	30.06.2011	30.06.2010	Changes	
			amount	%
Relations with customers	5,618	5,166	452	8.7
Securities issued	-2,712	-2,583	129	5.0
Differentials on hedging derivatives	752	1,231	-479	-38.9
Customer dealing	**3,658**	**3,814**	**-156**	**-4.1**
Financial assets held for trading	310	339	-29	-8.6
Investments held to maturity	54	63	-9	-14.3
Financial assets available for sale	299	220	79	35.9
Financial assets	**663**	**622**	**41**	**6.6**
Relations with banks	**26**	**70**	**-44**	**-62.9**
Non-performing assets	**433**	**357**	**76**	**21.3**
Other net interest income	**-41**	**-47**	**-6**	**-12.8**
Net interest income	**4,739**	**4,816**	**-77**	**-1.6**

Quarterly development of net interest income



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

The downward trend in the interest margin seen from the end of the last quarter of 2010 has continued. In the first half of 2011 net interest income stood at 4,739 million, down -1.6% compared to the same period in 2010. Interbank market rates showed signs of recovery compared to the minimum levels recorded last year, resulting in important benefits in terms of mark-down and a narrowing of the margin on loans.

Net interest from operations with customers, which also includes interest on securities issued and differentials on hedging derivatives, stood at 3,658 million euro, down 4.1% compared to the first six months of 2010 in relation to higher interest expense on securities issued. The decrease in differentials on hedging derivatives concurrent with the increase in market rates, in fact, was offset by wider margins related to customer deposits. Furthermore, the differentials on hedging remain positive, confirming the effectiveness of derivative transactions completed by the Treasuries to contrast interest rate risk associated with demand deposits.

Net interest on the interbank market came to 26 million euro compared to 70 million euro in the first half of 2010, despite the fact that changes in the interbank position benefited the liquidity profile. Interest on financial assets rose by 6.6% as a result of the increase in assets available for sale.

(millions of euro)

	2011		Changes %	
	Second quarter	First quarter	amount	%
Relations with customers	2,877	2,741	136	5.0
Securities issued	-1,390	-1,322	68	5.1
Differentials on hedging derivatives	319	433	-114	-26.3
Customer dealing	**1,806**	**1,852**	**-46**	**-2.5**
Financial assets held for trading	163	147	16	10.9
Investments held to maturity	26	28	-2	-7.1
Financial assets available for sale	161	138	23	16.7
Financial assets	**350**	**313**	**37**	**11.8**
Relations with banks	**12**	**14**	**-2**	**-14.3**
Non-performing assets	**211**	**222**	**-11**	**-5.0**
Other net interest income	**-22**	**-19**	**3**	**15.8**
Net interest income	**2,357**	**2,382**	**-25**	**-1.0**

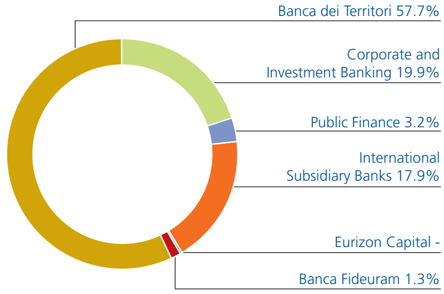
Figures restated, where necessary, considering the changes in the scope of consolidation.

The quarterly analysis also shows a downward trend (-1% compared to the first quarter). The decrease in differentials on hedging and interests on securities is partly offset by an improved mark-down following widening of the spread.

	30.06.2011	30.06.2010	Changes (millions of euro)	
			amount	%
Banca dei Territori	2,811	2,957	-146	-4.9
Corporate and Investment Banking	972	963	9	0.9
Public Finance	155	142	13	9.2
International Subsidiary Banks	872	809	63	7.8
Eurizon Capital	-	-	-	-
Banca Fideuram	63	57	6	10.5
Total business areas	**4,873**	**4,928**	**-55**	**-1.1**
Corporate Centre	-134	-112	22	19.6
Intesa Sanpaolo Group	**4,739**	**4,816**	**-77**	**-1.6**

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

Business areas



Banca dei Territori, which accounts for 57.7% of business area results, recorded a 4.9% decrease in net interest income, mainly due to the more limited benefits from hedging and the lower contribution from loans to customers following the increase in market rates. These effects were however partly offset by the wider mark-down on funding. Conversely, there was an increase in net interest income for the other Business Units. In particular, Corporate and Investment Banking recorded a 0.9% increase in the interest margin, mainly attributable to the increase in average volumes of loans, driven largely by operations of the leasing, factoring and structured finance product companies, in addition to the positive contribution of the assets relating to Banca IMI's HFT & AFS portfolio, which benefited from greater interests and active management in the finance and capital management segment. Positive contributions also came from the International Subsidiary Banks (+7.8%), Public Finance (+9.2%), following the increase in average spreads for customers and the stead rate of operations targeted to Italian and foreign customers, and Banca Fideuram (+10.5%), which benefited from the upward trend in short-term interest rates on the floating rate portfolio.

Dividends and profits on investments carried at equity

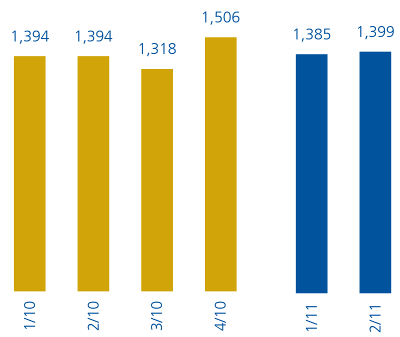
A total of 41 million euro in dividends and profits on investments carried at equity was recognised in the first half of 2011, mainly attributable to inclusion of the dividend on the Bank of Italy investment and the Bank of Quindao and Penghua Fund Management investment being carried at equity, compared to the 23 million euro recorded in the same period last year. The dividends relate to non-consolidated companies. Those on shares held for trading and securities available for sale were reclassified to Profits (Losses) on trading.

Net fee and commission income

	30.06.2011	30.06.2010	Changes (millions of euro)	
			amount	%
Guarantees given	183	166	17	10.2
Collection and payment services	165	165	-	-
Current accounts	424	442	-18	-4.1
Credit and debit cards	224	218	6	2.8
Commercial banking activities	**996**	**991**	**5**	**0.5**
Dealing and placement of securities	221	257	-36	-14.0
Currency dealing	28	27	1	3.7
Portfolio management	613	595	18	3.0
Distribution of insurance products	365	372	-7	-1.9
Other	60	47	13	27.7
Management, dealing and consultancy activities	**1,287**	**1,298**	**-11**	**-0.8**
Other net fee and commission income	**501**	**499**	**2**	**0.4**
Net fee and commission income	**2,784**	**2,788**	**-4**	**-0.1**

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

Quarterly development of net fee and commission income



Net fee and commission income, which makes up over one third of operating income, came to 2,784 million euro, almost unchanged compared to the first six months of 2010.
Fees and commissions on commercial banking activities recorded a slight increase (+0.5%) for the period. The positive performance of fee and commission income on guarantees given and on credit and debit cards is offset by a downward trend in that on current accounts.
Overall, management, dealing and consultancy activities generated net fee and commission income of 1,287 million euro, against 1,298 million euro recorded in the first half of 2010. Collective and individual portfolio management (+18 million euro) and other dealing and management commissions (+13 million euro) partly offset the decrease in fee and commission inflows from dealing and placement of financial products (-36 million euro).
Other net fee and commission income, whose key factors are represented by commissions on loans issued and on factoring services, were essentially in line with the figures for the first half of 2010, reaching 501 million euro (+2 million euro).

(millions of euro)

	2011		Changes %	
	Second quarter	First quarter	amount	%
Guarantees given	88	95	-7	-7.4
Collection and payment services	89	76	13	17.1
Current accounts	214	210	4	1.9
Credit and debit cards	117	107	10	9.3
Commercial banking activities	**508**	**488**	**20**	**4.1**
Dealing and placement of securities	114	107	7	6.5
Currency dealing	14	14	-	-
Portfolio management	301	312	-11	-3.5
Distribution of insurance products	162	203	-41	-20.2
Other	34	26	8	30.8
Management, dealing and consultancy activities	**625**	**662**	**-37**	**-5.6**
Other net fee and commission income	**266**	**235**	**31**	**13.2**
Net fee and commission income	**1,399**	**1,385**	**14**	**1.0**

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

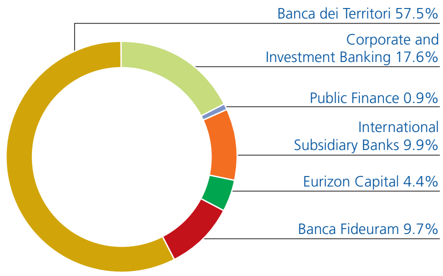
In terms of quarterly trends, the second quarter of 2011 recorded a result 14 million euro higher than the first quarter, as a result of positive growth of commission from traditional banking activities (+4.1%) and other net fee and commission income (+13.2%), in particular those on loans granted, compared to the negative trend in commissions on management, dealing and consultancy activities (-5.6%), which were also penalised by a deterioration in financial market performance.

(millions of euro)

	30.06.2011	30.06.2010	Changes	
			amount	%
Banca dei Territori	1,655	1,688	-33	-2.0
Corporate and Investment Banking	507	467	40	8.6
Public Finance	27	29	-2	-6.9
International Subsidiary Banks	285	279	6	2.2
Eurizon Capital	127	125	2	1.6
Banca Fideuram	280	255	25	9.8
Total business areas	**2,881**	**2,843**	**38**	**1.3**
Corporate Centre	-97	-55	42	76.4
Intesa Sanpaolo Group	**2,784**	**2,788**	**-4**	**-0.1**

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

Business areas



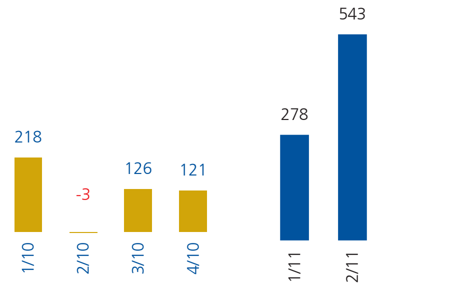
With regard to business sectors, decreases were recorded by Banca dei Territori (-33 million euro), which represents 57.5% of fee and commission income from all business units, and to a lesser extent by Public Finance (-2 million euro). Conversely, a good performance in net fee and commission income was recorded by Corporate and Investment Banking (+40 million euro), due to higher income from new investment banking operations and commercial banking services, and by Banca Fideuram (+25 million euro) mainly as a result in the increase in assets under management. More limited increases in terms of absolute value were also recorded by the International Subsidiary Banks (+6 million euro), due to the good performance of net fee and commission income in the asset management, current accounts and payment cards segments, and by Eurizon Capital (+2 million euro) from increase in assets under management.

Profits (Losses) on trading

(millions of euro)

	30.06.2011	30.06.2010	Changes	
			amount	%
Interest rates	219	-56	275	
Equity instruments	31	-39	70	
Currencies	84	178	-94	-52.8
Structured credit products	37	37	-	-
Credit derivatives	-58	36	-94	
Commodity derivatives	2	-1	3	
Trading result	**315**	**155**	**160**	
Trading on AFS securities and financial liabilities	**506**	**60**	**446**	
Profits (Losses) on trading	**821**	**215**	**606**	

Quarterly development of profits (losses) on trading



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

Trading activities, which represent the component whose contribution to the income statement is most exposed to market volatility, recorded a profit of 821 million euro in the first half of 2011, compared to the 215 million euro recognised in the corresponding period of the previous year.
This positive trend is mainly due to capital gains recorded by merchant banking activities from the sale of 4% of Prada (272 million euro) and sale of the remaining 25% in the Findomestic investment (154 million euro). Note also the increase in profitability of interest-rate transactions (+275 million euro) involving debt securities and interest-rate derivatives. A positive contribution also came from the growth in equity instruments, including dividends collected, which recorded a balance of 31 million euro, compared with 39 million euro losses recorded in the first half of 2010. Structured credit products held steady at 37 million euro. The result for transactions in currencies, on the other hand, recorded a decrease from 178 million euro to 84 million euro.
It should be noted that this caption also incorporates dividends and proceeds on the trading of securities classified as available for sale and the effects of the measurement at fair value of the component of financial liabilities issued associated with an assessment of creditworthiness related to the fair value option. In the first half of 2011 these results increased to 506 million euro due to the effect of the aforementioned capital gains.

(millions of euro)

	2011		Changes %	
	Second quarter	First quarter	amount	%
Interest rates	26	193	-167	-86.5
Equity instruments	-9	40	-49	
Currencies	59	25	34	
Structured credit products	11	26	-15	-57.7
Credit derivatives	-26	-32	-6	-18.8
Commodity derivatives	-6	8	-14	
Trading result	**55**	**260**	**-205**	**-78.8**
Trading on AFS securities and financial liabilities	**488**	**18**	**470**	
Profits (Losses) on trading	**543**	**278**	**265**	**95.3**

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

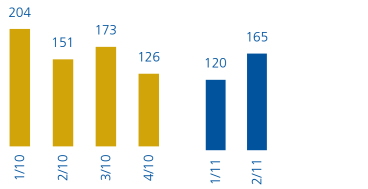
With regard to the quarterly performance, the result for the second quarter of 2011 was 265 million euro higher than that of the first half as a result of contributions from the sale of Prada and Findomestic investments.

Income from insurance business

(millions of euro)

	30.06.2011			30.06.2010			Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Premiums and payments [(a)]	-355	61	-294	-392	49	-343	-49	-14.3
net premiums	*5,585*	*83*	*5,668*	*5,577*	*79*	*5,656*	*12*	*0.2*
net charges for claims and surrendering of policies	*-3,001*	*-22*	*-3,023*	*-3,193*	*-30*	*-3,223*	*-200*	*-6.2*
net charges for changes in technical reserves	*-2,939*	*-*	*-2,939*	*-2,776*	*-*	*-2,776*	*163*	*5.9*
Net income from financial instruments designated at fair value through profit and loss (b)	24	-	24	248	-	248	-224	-90.3
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [(c)]	960	7	967	826	7	833	134	16.1
Other income/charges from insurance business[(d)]	-370	-42	-412	-344	-39	-383	29	7.6
Income from insurance business	**259**	**26**	**285**	**338**	**17**	**355**	**-70**	**-19.7**

Quarterly development of income from insurance business



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

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

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

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

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

During the first six months of 2011, income from the insurance business, which includes the revenue captions of the Group's life and non-life companies, was 285 million euro, down 19.7% on the same period of the previous year as a result of negative developments in the life segment (-79 million euro). In particular, the fall in revenues was mainly due to the unfavourable trend in financial management, which recorded during the period capital losses linked to lower rates of return on insurance products under separate management and was affected by widening credit spreads and the increase in interest rates. Conversely, the first half of 2010 benefited from capital gains from the sale of securities for which impairment losses had been recognised in previous years.
The result for non-life business increased, mainly due to the increase in premiums and to lower claim-related expenses.

(millions of euro)

	2011		Changes	
	Second quarter	First quarter	amount	%
Premiums and payments [(a)]	-250	-44	206	
net premiums	*2,237*	*3,431*	*-1,194*	*-34.8*
net charges for claims and surrendering of policies	*-1,622*	*-1,401*	*221*	*15.8*
net charges for changes in technical reserves	*-865*	*-2,074*	*-1,209*	*-58.3*
Net income from financial instruments designated at fair value through profit and loss [(b)]	50	-26	76	-
Net income from securities (including UCI) classified as Financial assets available for sale and Financial assets held for trading [(c)]	564	403	161	40.0
Other income/charges from insurance business[(d)]	-199	-213	-14	-6.6
Income from insurance business	**165**	**120**	**45**	**37.5**

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

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

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

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

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

However, income from insurance business reported in the second quarter of 2011 an upward trend (+37.5%) compared to the figure recorded in the previous quarter, due to improved financial management resulting from greater valuations of assets held in portfolio, from realised gains and from recorded dividends on shares and UCI-related income.

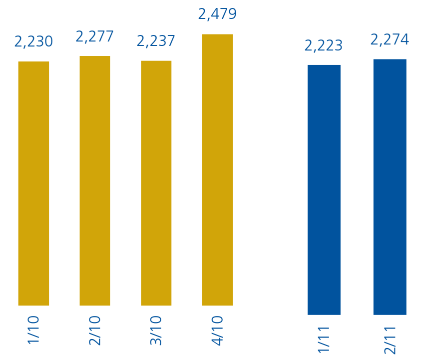
Other operating income (expenses)
Other operating income (expenses) is a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, except expense, tax and duty recoveries that have led to a reduction in the corresponding sub-captions of administrative expenses. During the first half of 2011, the balance of this caption was a positive 8 million euro, compared to 23 million euro of the first half of 2010, which had benefited from gains on the settlement of disputes.

Operating costs

(millions of euro)

	30.06.2011	30.06.2010	Changes	
			amount	%
Wages and salaries	1,933	1,935	-2	-0.1
Social security charges	498	498	-	-
Other	293	276	17	6.2
Personnel expenses	**2,724**	**2,709**	**15**	**0.6**
Information technology expenses	344	366	-22	-6.0
Management of real estate assets	356	368	-12	-3.3
General structure costs	216	229	-13	-5.7
Professional and legal expenses	243	228	15	6.6
Advertising and promotional expenses	73	73	-	-
Indirect personnel costs	68	66	2	3.0
Other costs	158	149	9	6.0
Indirect taxes and duties	309	305	4	1.3
Recovery of expenses and charges	-295	-275	20	7.3
Administrative expenses	**1,472**	**1,509**	**-37**	**-2.5**
Property and equipment	188	186	2	1.1
Intangible assets	113	103	10	9.7
Adjustments	**301**	**289**	**12**	**4.2**
Operating costs	**4,497**	**4,507**	**-10**	**-0.2**

Quarterly development of operating costs



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

Operating costs amounted to 4,497 million euro, down 0.2% on the figure recorded in the first half of 2010.
Personnel expenses increased slightly (+0.6%) to give a total of 2,724 million euro. The human resource optimisation policies resulted in a downsizing of the average staff figures (-0.6%) which stabilised the wages and salaries caption.
Administrative expenses were 1,472 million euro, down 2.5%: this result was shaped in particular by the decrease in information technology expenses (-6%), general structure costs (-5.7%) and property management costs (-3.3%). Professional and legal expenses and other costs increased as a result of higher services rendered by third parties.
Amortisation and depreciation for the first half of 2011 amounted to 301 million euro, up 4.2% on the corresponding period of the previous year, mainly due to higher investments in intangible assets, particularly in software application components.
As a result of revenue performance, the cost/income ratio for the period was 51.8%, down compared to the 54.8% recognised for the first half of 2010.

(millions of euro)

	2011		Changes	
	Second quarter	**First quarter**	amount	%
Wages and salaries	977	956	21	2.2
Social security charges	251	247	4	1.6
Other	136	157	-21	-13.4
Personnel expenses	**1,364**	**1,360**	**4**	**0.3**
Information technology expenses	169	175	-6	-3.4
Management of real estate assets	175	181	-6	-3.3
General structure costs	108	108	-	-
Professional and legal expenses	130	113	17	15.0
Advertising and promotional expenses	45	28	17	60.7
Indirect personnel costs	42	26	16	61.5
Other costs	80	78	2	2.6
Indirect taxes and duties	159	150	9	6.0
Recovery of expenses and charges	-150	-145	5	3.4
Administrative expenses	**758**	**714**	**44**	**6.2**
Property and equipment	94	94	-	-
Intangible assets	58	55	3	5.5
Adjustments	**152**	**149**	**3**	**2.0**
Operating costs	**2,274**	**2,223**	**51**	**2.3**

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

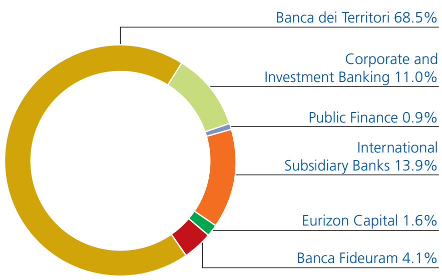
At the quarterly level, operating costs increased by 2.3% in the second quarter of 2011 compared to the previous quarter reaching 2,274 million euro. This trend, already recorded between the first and second quarters of last year, is mainly attributable to the seasonal trend in administrative expenses, and particularly in professional and legal expenses, advertising and promotional expenses and indirect personnel costs.

(millions of euro)

	30.06.2011	30.06.2010	Changes	
			amount	**%**
Banca dei Territori	2,833	2,871	-38	-1.3
Corporate and Investment Banking	456	427	29	6.8
Public Finance	37	41	-4	-9.8
International Subsidiary Banks	576	570	6	1.1
Eurizon Capital	64	65	-1	-1.5
Banca Fideuram	170	168	2	1.2
Total business areas	**4,136**	**4,142**	**-6**	**-0.1**
Corporate Centre	361	365	-4	-1.1
Intesa Sanpaolo Group	**4,497**	**4,507**	**-10**	**-0.2**

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

Business areas



The virtuous trend in Group operating costs (-0.2%) was driven by Banca dei Territori (-38 million euro), which recorded 68.5% of business area costs, Public Finance (-4 million euro) and Eurizon Capital (-1 million euro). By contrast, cost increases were reported by Corporate and Investment Banking (+29 million euro) and, to a lesser extent, International Subsidiary Banks (+6 million euro) and Banca Fideuram (+2 million euro). The Corporate Centre's costs were also down (-4 million euro).

Operating margin

The operating margin in the first half of 2011 was 4,181 million euro, up 12.6% on the corresponding period of the previous year. This trend was generated by increased revenues (+5.6%), accompanied by a slight decrease in operating costs (-0.2%). Quarterly analysis confirms this positive trend, recording a 13.3% increase on the previous quarter.

Adjustments to/write-backs on assets

Net provisions for risks and charges

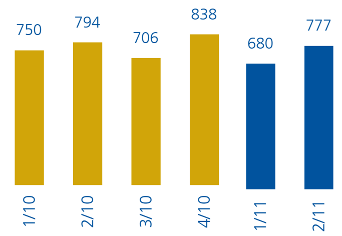
In the first half of 2011 net provisions for risks and charges amounted to 78 million euro, referring mainly to Parent Company and Banca Fideuram provisions for legal proceedings and other existing risks. This total compares with 184 million euro recorded in the first six months of 2010.

Net adjustments to loans

(millions of euro)

	30.06.2011	30.06.2010	Changes	
			amount	%
Doubtful loans	-948	-768	180	23.4
Substandard loans	-412	-602	-190	-31.6
Restructured loans	-26	-24	2	8.3
Past due loans	-102	-100	2	2.0
Performing loans	-2	-51	-49	-96.1
Net impairment losses on loans	**-1,490**	**-1,545**	**-55**	**-3.6**
Net adjustments to guarantees and commitments	**33**	**1**	**32**	
Net adjustments to loans	**-1,457**	**-1,544**	**-87**	**-5.6**

Quarterly development of net adjustments to loans



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

In the first half of 2011 net adjustments to loans came to 1,457 million, down 5.6% on the figure for the same period in 2010. Doubtful positions required total net adjustments of 948 million euro, up 23.4% compared to the first half of 2010, with an average coverage ratio of 64.3%. Net adjustments to substandard positions instead fell by 31.6% with a coverage ratio of 20.7%. This trend reflects the trend of the corresponding balance sheet captions, which in the first six months of the year recorded an increase in doubtful positions and a slight decrease in substandard positions.

A total of 33 million euro in write-backs were recognised on guarantees given, compared to 1 million euro in the first half of 2010. The coverage ratio of performing loans to customers remained higher than 0.7%, essentially unchanged compared to previous periods.

(millions of euro)

	2011		Changes	
	Second quarter	First quarter	amount	%
Doubtful loans	-554	-394	160	40.6
Substandard loans	-181	-231	-50	-21.6
Restructured loans	-18	-8	10	
Past due loans	-56	-46	10	21.7
Performing loans	2	-4	6	
Net impairment losses on loans	**-807**	**-683**	**124**	**18.2**
Net adjustments to guarantees and commitments	**30**	**3**	**27**	
Net adjustments to loans	**-777**	**-680**	**97**	**14.3**

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

Quarterly analysis shows a 14.3% increase in net adjustments to loans in the second quarter of 2011 compared to the first quarter, due to an increase in adjustments to doubtful loans only partly offset by the drop in adjustments to substandard loans.

Net impairment losses on other assets

In the first six months of 2011 net impairment losses on other assets totalled 74 million euro, 25 million euro of which attributable to the write-down of Greek government bonds maturing by 2020. The residual amount refers to impairment loss on equity instruments and other bonds available for sale. This value compares to the 43 million euro recorded in the same period last year.
As mentioned previously, and to be illustrated in greater detail later in this Report, it was deemed appropriate to reclassify the full effect of impairment losses on Greek government bonds maturing by 2020 to this caption, regardless of their classification (AFS or L&R) to avoid distortion effects on the cost of loans.
In particular: AFS securities were measured at fair value with recognition to the income statement of the entire negative reserve (36 million euro), whilst L&R securities were adjusted of only 21%, again in the income statement, for a total of 12 million euro. Note that trading securities (of a marginal amount) are systematically designated at fair value through profit and loss.
The impairment losses totalled 48 million euro with an impact on the consolidated income statement, net of amounts allocated to insurance products under separate management, of 25 million euro.

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

In the first half of 2011 profits on investments held to maturity and on other investments amounted to 33 million euro, including the capital gains on the disposal of branches and of CR La Spezia to Crédit Agricole (146 million euro) and the write-down on the investment in Telco (132 million euro). This figure is compared to the 11 million euro in profits reported in the first half of 2010.
The figure for the second quarter of this year, 19 million euro, is higher than the 14 million euro in profits recorded in the first quarter.

Income before tax from continuing operations

Income before tax from continuing operations came to 2,605 million euro in the first half of 2011, up 33.4% compared to the corresponding period of 2010. Given an increase in the operating margin, the trend also benefited from lower net adjustments to loans and a decrease in net provisions for risks and charges. The quarterly analysis shows a 6.1% increase in the result for the second quarter compared to that of the first quarter.

Other income and expense captions

Taxes on income from continuing operations

Current and deferred income taxes accrued during the first half of 2011 resulted in provisions of 973 million euro, compared to 680 million euro in the same period of 2010, which had benefited from the positive effects of the redemption of intangibles (86 million euro).
The tax rate for the first half of 2011, calculated as the simple ratio of taxes on income from continuing operations and income before tax from continuing operations, came to 37.4%, up from 34.8% of the first six months of 2010, also due to the effect of a 75 basis points increase in the IRAP rate payable by banks and 200 basis points payable by insurance companies (with an impact on the income statement for the half year estimated in 57 million euro).

Merger and restructuring-related charges (net of tax)

Merger and restructuring-related charges net of tax effects amounted to 16 million euro, mainly linked to expenses incurred to establishment of the new insurance business structure. The decrease in these charges compared to the 43 million euro recorded in the first half of 2010 confirms that the Group banks’ integration processes are nearing completion.

Effect of purchase price allocation (net of tax)

This caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition transactions. These charges amounted to 171 million euro in the first half of 2011, down from 192 million euro compared to the same period in 2010.

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

No income or loss on discontinued operations was recorded in the first half of 2011. On the other hand, in the first six months of last year, 691 million euro in income was recorded, mostly due to the results of securities services business on completion of the disposal to State Street Co.

Net income

The Group closed the first half of 2011 with a net income of 1,402 million euro, down 17% on the 1,690 million euro reported in the same period of the previous year.
The quarterly analysis shows a 12.1% growth in net income in the second quarter (741 million euro) compared to that of the first quarter (661 million euro).

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of the Group's results for the period. Where necessary, comparative figures are restated to account for non-current assets held for sale and discontinued operations and changes in the scope of consolidation. As usual, certain captions have been aggregated with respect to the model provided in Circular 262/05 of the Bank of Italy.
The restated financial statements are obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities are not considered, as they are deemed irrelevant. Lastly, please note that no intragroup relations are netted since their amount is not significant.
Breakdowns of restatements and aggregations of captions performed are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.
The restatements are represented by the deconsolidation of the figures for Cassa di Risparmio di La Spezia and branches sold to Crédit Agricole, as well as for Fideuram Bank Suisse (also sold) and by the consolidation of Banca Sara, acquired from Banca Fideuram.
Aggregations of captions referred to:

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

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

Reclassified balance sheet

(millions of euro)

Assets	30.06.2011	31.12.2010	Changes	
			amount	%
Financial assets held for trading	60,555	71,896	-11,341	-15.8
Financial assets designated at fair value through profit and loss	36,303	35,550	753	2.1
Financial assets available for sale	68,991	61,819	7,172	11.6
Investments held to maturity	2,856	3,839	-983	-25.6
Due from banks	43,194	41,476	1,718	4.1
Loans to customers	372,361	376,087	-3,726	-1.0
Investments in associates and companies subject to joint control	2,694	2,712	-18	-0.7
Property, equipment and intangible assets	30,734	31,012	-278	-0.9
Tax assets	7,826	8,723	-897	-10.3
Non-current assets held for sale and discontinued operations	38	75	-37	-49.3
Other assets	19,121	20,831	-1,710	-8.2
Total Assets	**644,673**	**654,020**	**-9,347**	**-1.4**

Liabilities and Shareholders' Equity	30.06.2011	31.12.2010	Changes	
			amount	%
Due to banks	49,665	52,486	-2,821	-5.4
Due to customers and securities issued	387,377	396,877	-9,500	-2.4
Financial liabilities held for trading	38,215	45,043	-6,828	-15.2
Financial liabilities designated at fair value through profit and loss	24,729	26,144	-1,415	-5.4
Tax liabilities	3,284	3,239	45	1.4
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
Other liabilities	24,181	20,865	3,316	15.9
Technical reserves	52,887	50,188	2,699	5.4
Allowances for specific purpose	4,362	4,625	-263	-5.7
Share capital	8,546	6,647	1,899	28.6
Reserves	49,924	45,235	4,689	10.4
Valuation reserves	-937	-1,054	-117	-11.1
Minority interests	1,038	1,020	18	1.8
Net income	1,402	2,705	-1,303	-48.2
Total Liabilities and Shareholders' Equity	**644,673**	**654,020**	**-9,347**	**-1.4**

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

Intesa Sanpaolo's consolidated assets recorded a moderate decrease of 9.3 billion euro in the first half of 2011 (1.4% of the total). On the assets side, the trading book saw a considerable reduction (-11.3 billion euro), whilst there was a more limited decrease in loans to customers (-3.7 billion euro). Conversely, increases were recorded in financial assets available for sale (+7.2 billion euro) and in amounts due from banks (+1.7 billion euro).
Whit regard to liabilities, the decrease mainly refers to amounts due to customers (-9.5 billion euro) and financial liabilities held for trading (-6.8 billion euro).

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2011		2010			
	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	60,555	61,094	71,896	90,513	98,469	83,976
Financial assets designated at fair value through profit and loss	36,303	36,349	35,550	33,253	32,974	33,432
Financial assets available for sale	68,991	64,829	61,819	60,525	55,183	55,608
Investments held to maturity	2,856	3,001	3,839	4,205	4,307	4,341
Due from banks	43,194	40,408	41,476	44,022	46,878	46,181
Loans to customers	372,361	374,519	376,087	375,438	372,167	368,204
Investments in associates and companies subject to joint control	2,694	2,817	2,712	2,360	2,348	2,328
Property, equipment and intangible assets	30,734	30,840	31,012	30,526	30,716	30,609
Tax assets	7,826	8,034	8,723	7,830	8,103	7,540
Non-current assets held for sale and discontinued operations	38	35	75	48	35	7,741
Other assets	19,121	20,650	20,831	23,796	26,232	27,494
Total Assets	**644,673**	**642,576**	**654,020**	**672,516**	**677,412**	**667,454**

Liabilities and Shareholders' Equity	2011		2010			
	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	49,665	50,474	52,486	46,939	49,311	45,103
Due to customers and securities issued	387,377	390,586	396,877	404,119	408,659	400,845
Financial liabilities held for trading	38,215	37,429	45,043	58,137	56,411	48,348
Financial liabilities designated at fair value through profit and loss	24,729	25,201	26,144	26,357	26,430	27,692
Tax liabilities	3,284	3,328	3,239	3,018	2,843	3,753
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	9,375
Other liabilities	24,181	23,653	20,865	25,916	26,421	24,601
Technical reserves	52,887	51,896	50,188	49,585	48,612	47,947
Allowances for specific purpose	4,362	4,542	4,625	4,542	4,598	4,774
Share capital	8,546	6,647	6,647	6,647	6,647	6,647
Reserves	49,924	47,920	45,235	45,265	45,317	46,358
Valuation reserves	-937	-766	-1,054	-1,134	-1,120	-339
Minority interests	1,038	1,005	1,020	925	1,593	1,662
Net income	1,402	661	2,705	2,200	1,690	688
Total Liabilities and Shareholders' Equity	**644,673**	**642,576**	**654,020**	**672,516**	**677,412**	**667,454**

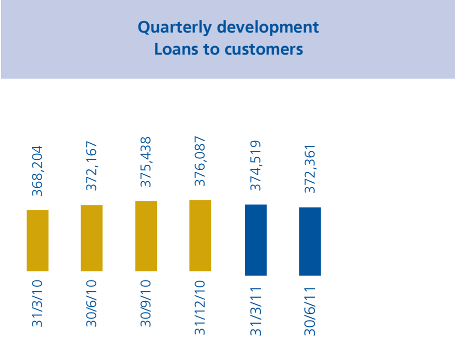
Figures restated, where necessary, considering the changes in the scope of consolidation and discontinued operations.

Loans to customers

(millions of euro)

	30.06.2011	% breakdown	31.12.2010	% breakdown	Changes amount	Changes %
Current accounts	34,620	9.2	30,273	8.1	4,347	14.4
Mortgages	163,312	43.9	164,043	43.6	-731	-0.4
Advances and other loans	129,456	34.8	131,980	35.1	-2,524	-1.9
Commercial banking loans	**327,388**	**87.9**	**326,296**	**86.8**	**1,092**	**0.3**
Repurchase agreements	**5,564**	**1.5**	**10,703**	**2.8**	**-5,139**	**-48.0**
Loans represented by securities	**18,124**	**4.9**	**18,017**	**4.8**	**107**	**0.6**
Non-performing loans	**21,285**	**5.7**	**21,071**	**5.6**	**214**	**1.0**
Loans to customers	**372,361**	**100.0**	**376,087**	**100.0**	**-3,726**	**-1.0**

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

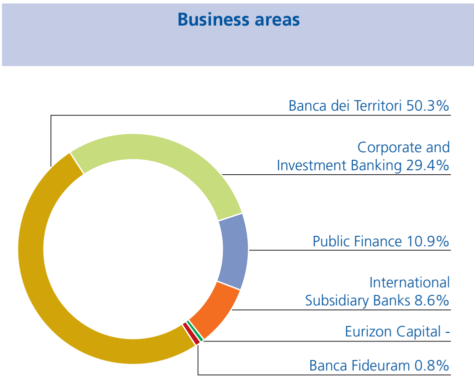


As at the end of the first half of 2011, Intesa Sanpaolo Group loans to customers amounted to over 372 billion euro, down slightly (-1%) on the figure of the end of the previous year.
The decrease in loans compared to the beginning of the year was mainly caused by the reduction in repurchase agreements, which fell considerably (-48%) against a moderate increase in trade receivables (+0.3%) The growth in this aggregate is the result of different performances in advances and other loans (-1.9%), mortgages (-0.4%) and current accounts (+14.4%). In relation to the portfolio's risk level, an increase was seen in non-performing loans (+1%) and their greater impact on total loans to customers.
In the domestic medium-/long-term loan market, in the first half of the year disbursements to households totalled 8.3 billion euro and those to businesses covered by Banca dei Territori amounted to 4.9 billion euro. In the same period, medium/long-term disbursements to Large Corporate Italia and Mid Corporate customers reached 6.3 billion euro.
As at 30 June 2011, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was an estimated 15.3% for total loans, down by four-tenths of a point compared to December 2010. This drop is mainly attributable to loans to financial institutions as a result of a lower repurchase agreements made with Cassa di Compensazione e Garanzia. Loans to households and to non-financial companies recorded a more stable performance.

(millions of euro)

	30.06.2011	31.12.2010	Changes amount	Changes %
Banca dei Territori	184,473	180,490	3,983	2.2
Corporate and Investment Banking	107,900	110,779	-2,879	-2.6
Public Finance	40,044	40,508	-464	-1.1
International Subsidiary Banks	31,341	30,926	415	1.3
Eurizon Capital	109	153	-44	-28.8
Banca Fideuram	3,059	2,851	208	7.3
Total business areas	**366,926**	**365,707**	**1,219**	**0.3**
Corporate Centre	5,435	10,380	-4,945	-47.6
Intesa Sanpaolo Group	**372,361**	**376,087**	**-3,726**	**-1.0**

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



Breaking down loans by business areas, Banca dei Territori, which accounts for approximately half the aggregate of the Group's business areas, reported that loans to customers were increasing (+2.2%) compared to the end of the previous year, mainly attributable to the business segment. Positive changes in loans were also recorded by the International Subsidiary Banks (+1.3%) and Banca Fideuram (+7.3%), largely affected by the increase in facilities granted on current accounts. The Corporate and Investment Banking sector loans showed a downward trend (-2.6%) associated with the downturn in disbursements to Large and International Corporate and Financial Institutions counterparties, and lower repurchase agreements made by Banca IMI with institutional operators. The public works and infrastructure sector, handled by BIIS, reported a slight drop in loans (-1.1%) as a result of the repayments and new disbursements trends. The decrease in Corporate Centre loans (-47.6%) was mainly driven by the unwinding of repurchase agreements with Cassa di Compensazione e Garanzia.

Loans to customers: loan portfolio quality

(millions of euro)

	30.06.2011		31.12.2010		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	7,979	2.1	7,336	2.0	643
Substandard loans	8,806	2.4	8,898	2.3	-92
Restructured loans	3,306	0.9	3,334	0.9	-28
Past due loans	1,194	0.3	1,503	0.4	-309
Non-performing loans	**21,285**	**5.7**	**21,071**	**5.6**	**214**
Performing loans	332,952	89.4	336,999	89.6	-4,047
Loans represented by performing securities	18,124	4.9	18,017	4.8	107
Loans to customers	**372,361**	**100.0**	**376,087**	**100.0**	**-3,726**

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

At the end of the first half of 2011, the Group recorded a slight increase in non-performing loans (+1%), compared to the end of the previous year. This trend led to a higher incidence of non-performing loans on total loans to customers, increasing from 5.6% to 5.7%. Coverage of non-performing loans came to approximately 45%, a level higher than that recorded at the end of 2010 (43%) and deemed adequate to account for expected losses, considering the guarantees that secure the positions.
In particular, as at 30 June 2011 doubtful loans net of adjustments totalled 7,979 million euro, with a 643 million euro rise (+8.8%) from the beginning of the year; the incidence on total loans to customers was 2.1%, with a coverage ratio of more than 64%.
Compared to the increase in doubtful loans, substandard loans recorded a figure of 8,806 million euro, down 1% on that of 31 December 2010. Substandard loans had a 2.4% impact on the total, showing a coverage ratio of 21%.
Restructured loans stood at 3,306 million euro, remaining substantially stable compared to the end of the previous year. The coverage ratio was 9%. Past due loans amounted to 1,194 million euro, down by 20.6% and showing a coverage ratio of 11%.
Cumulated collective adjustments on performing loans came to 0.7% of gross exposure relating to loans to customers, stable with respect to the figure recorded at the end of the previous period. The risk associated with the performing loan portfolio is calculated collectively on the basis of the risk configuration of the entire portfolio analysed by means of models that consider the Probability of Default (PD) and Loss Given Default (LGD) for each loan.

Customer financial assets

(millions of euro)

	30.06.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	414,450	50.9	425,019	51.6	-10,569	-2.5
Indirect customer deposits	424,941	52.1	424,680	51.6	261	0.1
Netting [(a)]	-24,650	-3.0	-26,056	-3.2	-1,406	-5.4
Customer financial assets	**814,741**	**100.0**	**823,643**	**100.0**	**-8,902**	**-1.1**

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

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

Customer financial assets totalled approximately 815 billion euro as at 30 June 2011, down by 1.1% since the beginning of the year due to the effect of direct deposits, influenced by a negative trend in current accounts and repurchase agreements and securities lending, which were only partly offset by the increase in bond funding. Indirect customer deposits remained substantially stable (+0.1%): this performance is associated with the combined effect of the increase in assets under administration (+0.7%) and the downward trend in asset management (-0.5%).
The slight drop in the performance of assets under management is attributable to the weakness in demand in the mutual funds segment, only partially offset by the recomposition of portfolio management, particularly in the private market, and of insurance products.

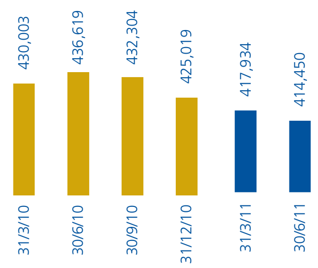
Direct customer deposits

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

(millions of euro)

	30.06.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	190,649	46.0	194,456	45.7	-3,807	-2.0
Repurchase agreements and securities lending	9,909	2.4	13,111	3.1	-3,202	-24.4
Bonds	122,894	29.7	120,647	28.4	2,247	1.9
of which designated at fair value (*)	*743*	*0.2*	*1,238*	*0.3*	*-495*	*-40.0*
Certificates of deposit	17,588	4.2	19,686	4.6	-2,098	-10.7
Subordinated liabilities	21,240	5.1	24,166	5.7	-2,926	-12.1
Financial liabilities of the insurance business designated at fair value (*)	23,969	5.8	24,906	5.9	-937	-3.8
Other deposits	28,201	6.8	28,047	6.6	154	0.5
of which designated at fair value (**)	*2,361*	*0.6*	*1,998*	*0.5*	*363*	*18.2*
Direct customer deposits	**414,450**	**100.0**	**425,019**	**100.0**	**-10,569**	**-2.5**

Quarterly development Direct deposits



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

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

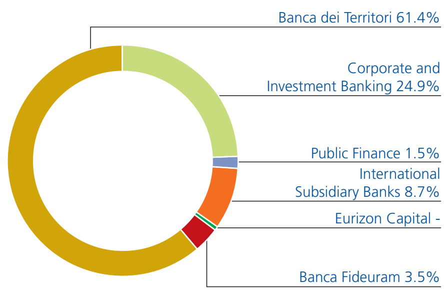
(**) Figures included in the Balance sheet under Financial liabilities designated at fair value through profit and loss and Financial liabilities held for trading.

Direct customer deposits amounted to over 414 billion euro, down (-2.5%) on the figure for the end of December 2010.
In detail, current accounts and deposits recorded a decrease of 3.8 billion euro (-2%) and repurchase agreements and securities lending fell by 3.2 billion euro (-24.4%). The drop in the demand component should be viewed in relation to customers' repositioning their demand to investment products with greater returns, such as bonds and insurance policies. Bonds reported an increase (+1.9%), confirming their importance within both investors' portfolios and in the Group's overall funding. Subordinated liabilities decreased by almost 3 billion euro (-12.1%) and certificates of deposits by over 2 billion euro (-10.7%), whilst other types recorded minor changes.
At the end of the first half of 2011, the Group's share of direct customer deposits on the domestic market (according to the ECB's harmonised definition) came to 16.2%, down by seven-tenths of a point compared to the beginning of the year, mainly due to the unwinding of repurchase agreements with Cassa di Compensazione e Garanzia and, to a lesser extent, due to the maturity concentration of bonds that had exceeded new issues, resulting in a performance lower than that recorded by the banking system.

(millions of euro)

	30.06.2011	31.12.2010	Changes	
			amount	%
Banca dei Territori	214,320	218,319	-3,999	-1.8
Corporate and Investment Banking	86,824	97,026	-10,202	-10.5
Public Finance	5,278	5,757	-479	-8.3
International Subsidiary Banks	30,231	30,259	-28	-0.1
Eurizon Capital	12	12	-	-
Banca Fideuram	12,275	12,503	-228	-1.8
Total business areas	**348,940**	**363,876**	**-14,936**	**-4.1**
Corporate Centre	65,510	61,143	4,367	7.1
Intesa Sanpaolo Group	**414,450**	**425,019**	**-10,569**	**-2.5**

Business areas



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

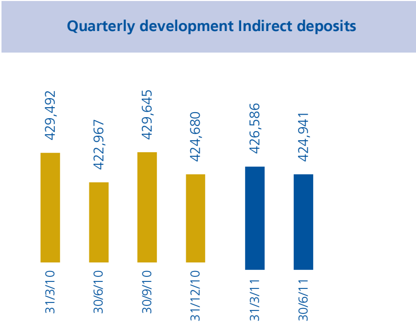
The breakdown by Group business areas shows that Banca dei Territori, which made up over half of the total aggregate attributable to the business areas, recorded a 1.8% decrease compared to the beginning of the year. This performance was mainly caused by the decrease in demand deposits and funding through securities. Corporate and Investment Banking deposits decreased (-10.5%) due to the drop in liquidity from short-term deposits of major Financial Institution customers and a reduction in Banca IMI bond placements. A downturn was recorded by both Public Finance (-8.3%), due to the reduced current account liquidity of local authorities, and Banca Fideuram (-1.8%) as a result of lower investments in liquidity by institutional customers. The International Subsidiary Banks recorded a substantially stable funding. The growth shown by the Corporate Centre (+7.1%) is attributable to the increase in securities issued and, to a lesser extent, in amounts due to customers.

Indirect customer deposits

(millions of euro)

	30.06.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	64,945	15.3	69,904	16.4	-4,959	-7.1
Open-ended pension funds and individual pension plans	2,839	0.7	3,084	0.7	-245	-7.9
Portfolio management	75,500	17.8	74,249	17.5	1,251	1.7
Life technical reserves and financial liabilities	78,836	18.5	77,136	18.2	1,700	2.2
Relations with institutional customers	10,356	2.4	9,180	2.2	1,176	12.8
Assets under management	**232,476**	**54.7**	**233,553**	**55.0**	**-1,077**	**-0.5**
Assets under administration and in custody	**192,465**	**45.3**	**191,127**	**45.0**	**1,338**	**0.7**
Indirect customer deposits	**424,941**	**100.0**	**424,680**	**100.0**	**261**	**0.1**

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



As at 30 June 2011 indirect customer deposits reached almost 425 billion euro, in line with the figures as at 31 December 2010 (+0.1%).
Assets under management, which account for more than half of the overall aggregate, came to approximately 232 billion euro, down slightly compared to the end of the previous year (-0.5%). Negative contributions to this trend came from mutual funds (-7.1%), which were only partly offset by the positive trend in life policies (+2.2%) and portfolio management (+1.7%). In the insurance segment, the new Intesa Sanpaolo Vita, EurizonVita, Sud Polo Vita, Centro Vita Assicurazioni and Fideuram Vita business came to 7.7 billion euro in the period, compared to 7.2 billion euro recognised in the first half of 2010, owing to increased placement of unit-linked policies.
The increase recorded in assets under administration (+0.7%), positively affected by the inclusion of Banca Sara in the scope of consolidation of Banca Fideuram, is attributable to the positive performance of institutional customer positions in securities.

Financial assets and liabilities

(millions of euro)

	30.06.2011	31.12.2010	Changes	
			amount	%
Financial assets held for trading	60,555	71,896	-11,341	-15.8
of which derivatives at fair value	*30,137*	*38,938*	*-8,801*	*-22.6*
Financial assets designated at fair value through profit and loss	36,303	35,550	753	2.1
Financial assets available for sale	68,991	61,819	7,172	11.6
Investments held to maturity	2,856	3,839	-983	-25.6
Total financial assets	**168,705**	**173,104**	**-4,399**	**-2.5**
Financial liabilities held for trading	**-35,871**	**-43,045**	**-7,174**	**-16.7**
of which derivatives at fair value	*-31,426*	*-40,281*	*-8,855*	*-22.0*

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

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

The table above illustrates the breakdown of financial assets and the total financial liabilities held for trading. Financial liabilities designated at fair value, referring to insurance business, certain bond issues designated at fair value and capital-protected certificates, are not represented as these are included in the direct deposits aggregate.
Total financial assets fell by 2.5%, primarily owing to the performance of financial assets held for trading, which decreased from 72 billion euro to 61 billion euro. The decrease essentially related to trading derivatives and the bond and government security component of portfolios, and is mainly attributable to the Parent Company and the companies in the insurance segment that hold the most significant share of that aggregate.
Financial assets available for sale recorded a growth of over 7 billion euro (+11.6%). Financial assets designated at fair value through profit and loss increased (+2.1%), whereas investments held to maturity decreased (-25.6%).

Financial instrument reclassification

The table below illustrates the stock of securities subject to reclassification included in the portfolio as at 30 June 2011, with related effects on the income statement and shareholders' equity reserves deriving from the transfer from designation at fair value to measurement at amortised cost.
Note that:
- the columns entitled "Income components in case of no transfer (before tax)" show the profit and losses that would have been recognised as components of comprehensive income (either through profit and loss or as changes in valuation reserves) in the first half of 2011 if the transfer had not been made;
- the columns entitled "Income components in the period (before tax)" show the profit and losses actually recognised as components of comprehensive income (either through profit and loss or as changes in valuation reserves) in the first half of 2011 following the transfer.

(millions of euro)

Type of financial instrument	Previous portfolio	New portfolio	Book value at 30.06.2011	Fair value at 30.06.2011	Income components in case of no transfer (before tax)		Annual income components (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets held for trading	Loans	2,895	2,710	48	33	1	53
Debt securities	Financial assets held for trading	Financial assets available for sale	62	62	-15	3	-15	3
Shares and funds	Financial assets held for trading	Financial assets available for sale	36	36	4	-	4	-
Debt securities	Financial assets available for sale	Loans	5,920	4,801	-25	92	-109	88
Loans	Financial assets available for sale	Loans	128	124	9	2	-3	2
TOTAL			**9,041**	**7,733**	**21**	**130**	**-122**	**146**

If the Group had not elected to reclassify the foregoing financial assets, a total of 143 million euro in greater positive mark-to-market income components would have been recognised during the half year, broken down as follows:

– write-off of the negative income components recognised during the year following the 122 million euro transfer. Of this amount, 22 million euro relates to adjustments, 91 million euro to fair value decreases following hedges and 9 million euro to the negative changes in the Valuation reserves;
– reversal of the positive income components which would have been recognised had no transfer taken place, totalling 21 million euro. Of this amount, 23 million euro refers to the revaluation of reclassified securities in the income statement, 91 million euro to fair value decreases following hedges and 89 million euro to the increase in the Valuation reserves.

Moreover, had no reclassification taken place, other positive income components amounting to 16 million euro would have not been recognised during the half year. This amount is mainly related to the amortised cost of the reclassified securities.
On the whole, the reclassified assets would have been written down by 1,320 million euro as at 30 June 2011, of which 272 million euro would have been recognised through profit and loss and 1,048 million euro through Valuation reserves for financial assets available for sale under Shareholders' equity.
No portfolio transfers were made in the first half of 2011.
The total effective interest rate attributable to the reclassified securities portfolio is equal to 3.27% (3.3% as at 31 December 2010).

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

(millions of euro)

	30.06.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	50,627	83.0	53,208	82.7	-2,581	-4.9
of which designated at fair value	*23,139*	*37.9*	*22,117*	*34.3*	*1,022*	*4.6*
Equities and quotas of UCI held for trading and designated at fair value through profit and loss	16,040	26.3	15,269	23.7	771	5.0
of which designated at fair value	*13,115*	*21.5*	*13,402*	*20.8*	*-287*	*-2.1*
Other assets designated at fair value through profit and loss	54	0.1	31	-	23	74.2
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**66,721**	**109.4**	**68,508**	**106.4**	**-1,787**	**-2.6**
Financial liabilities held for trading	**-4,445**	**-7.3**	**-2,764**	**-4.3**	**1,681**	**60.8**
Net value of financial derivatives	-1,088	-1.8	-1,181	-1.8	-93	-7.9
Net value of credit derivatives	-201	-0.3	-162	-0.3	39	24.1
Net value of trading derivatives	**-1,289**	**-2.1**	**-1,343**	**-2.1**	**-54**	**-4.0**
Financial assets / liabilities, net	**60,987**	**100.0**	**64,401**	**100.0**	**-3,414**	**-5.3**

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

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

Financial assets held for trading, net of the associated liabilities, and financial assets designated at fair value through profit and loss reached almost 67 billion euro, down 2.6% compared to the end of 2010. This trend was the result of a decrease in bonds and other debt securities, which was only partly offset by an increase in equities and quotas of UCI. Financial liabilities held for trading, including short selling, fell by 1.7 billion euro.

Financial assets available for sale

(millions of euro)

	30.06.2011		31.12.2010		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities	63,625	92.3	56,371	91.1	7,254	12.9
Equities and quotas of UCI	5,334	7.7	5,415	8.8	-81	-1.5
Securities available for sale	**68,959**	**100**	**61,786**	**99.9**	**7,173**	**11.6**
Loans available for sale	**32**	**-**	**33**	**0.1**	**-1**	**-3.0**
Financial assets available for sale	**68,991**	**100.0**	**61,819**	**100.0**	**7,172**	**11.6**

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

Financial assets available for sale amounted to nearly 69 billion euro, up by 11.6% compared to the figure as at 31 December 2010.
The caption consists primarily of bonds and other debt securities not held for trading and, to a lesser extent, of equities. Financial assets available for sale are measured at fair value with a balancing entry in the specific shareholders' equity reserve.

Net interbank position

The net interbank position was negative by almost 6.5 billion euro as at 30 June 2011, compared to 11 billion euro at the end of 2010 and 10 billion euro at the end of March. The imbalance between amounts due from/to banks is consistent with Group policy of privileging liquidity.

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

(millions of euro)

	30.06.2011	31.12.2010	Changes	
			amount	%
Investments in associates and companies subject to joint control	-	-	-	-
Property and equipment	38	75	-37	-49.3
Other	-	-	-	-
Individual assets	**38**	**75**	**-37**	**-49.3**
Discontinued operations	**-**	**-**	**-**	**-**
of which: loans to customers	-	-	-	-
Liabilities associated with non-current assets held for sale and discontinued operations	**-**	**-**	**-**	**-**
Non-current assets held for sale and discontinued operations and related liabilities	**38**	**75**	**-37**	**-49.3**

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

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of.

Sovereign risk exposure

The public debt crisis and resulting tension on the financial markets led to a series of actions by the European Union and the International Monetary Fund to provide financial support to the countries in most difficulty. Such actions involved Greece, Ireland and Portugal. However it is only in relation to Greece that the action envisaged involvement of the private sector.
Details on exposures to Greece can be found in the next chapter. With regard to exposures to Ireland and Portugal, it is considered that the crisis in these two countries is less intense than in Greece, as also confirmed by their market values and credit spreads and that, also as a result of the aforementioned public aid, at present there are no conditions to consider a write-down of the exposures as, amongst other things, there has been no breach of contracts such as a default of interest or capital payments.
The following table illustrates the book value of Intesa Sanpaolo Group exposures to sovereign risk.

(millions of euro)

	DEBT SECURITIES						LOANS
	Loans and Receivables	Financial assets available for sale	Financial assets held to maturity	Financial assets designated at fair value through profit and loss	Financial assets held for trading	Total	
EU Countries	**8,415**	**50,420**	**2,084**	**316**	**14,734**	**75,969**	**23,040**
Austria	-	80	2	-	66	148	-
Belgium	-	90	-	-	14	104	-
Bulgaria	-	-	-	-	1	1	-
Cyprus	19	-	-	-	-	19	-
Czech Republic	-	27	-	-	-	27	23
Denmark	-	-	-	-	-	-	-
Estonia	-	-	-	-	-	-	-
Finland	-	102	-	-	12	114	17
France	115	505	-	-	87	707	-
Germany	152	2,306	-	-	1,115	3,573	-
Greece	226	317	-	-	16	559	-
Hungary	300	257	23	-	165	745	168
Iceland	-	-	-	-	1	1	-
Ireland	-	186	-	-	-	186	-
Italy	6,988	43,829	939	282	12,434	64,472	22,051
Latvia	25	-	-	-	1	26	55
Liechtenstein	-	-	-	-	-	-	-
Lithuania	-	20	-	-	3	23	-
Luxembourg	-	294	-	34	245	573	-
Malta	-	-	-	-	-	-	-
Netherlands	-	469	-	-	145	614	-
Norway	-	-	-	-	55	55	-
Poland	69	29	-	-	142	240	-
Portugal	-	44	-	-	1	45	25
Romania	10	120	-	-	4	134	12
Slovakia	-	1,282	1,120	-	15	2,417	77
Slovenia	-	93	-	-	3	96	77
Spain	511	334	-	-	105	950	535
Sweden	-	35	-	-	32	67	-
United Kingdom	-	1	-	-	72	73	-
North African Countries	**19**	**114**	**12**	**0**	**950**	**1,095**	**46**
Algeria	-	-	-	-	-	-	46
Egypt	-	114	12	-	950	1,076	-
Libya	-	-	-	-	-	-	-
Morocco	19	-	-	-	-	19	-
Tunisia	-	-	-	-	-	-	-
Japan	**-**	**-**	**-**	**-**	**296**	**296**	**-**
Other Countries	**1,010**	**170**	**320**	**-**	**2,336**	**3,836**	**1,128**
TOTAL CONSOLIDATED DATA	**9,444**	**50,704**	**2,416**	**316**	**18,316**	**81,196**	**24,214**

Exposure to Greece

As at 30 June 2011 the Intesa Sanpaolo Group's total exposure to Greece amounted to 881 million euro in terms of nominal value, recognised to the balance sheet with a value of 559 million euro.

Following intensification of the Greek debt crisis and financial market expectations of an extensive and credible support plan, on 21 July the Heads of State of eurozone countries approved a structured plan of aid for Greece which envisages further involvement of the European Union and the IMF, stronger powers and intervention for the EFSF and even the involvement of private institutional investors. As part of this plan, banks and insurance companies under the direction of the Institute of International Finance (IIF) defined a number of support options for Greece.

These options involve a securities exchange/roll-over programme maturing by 2020, with new 15-year and 30-year securities issued by the Greek government. Four private sector intervention options were envisaged, governed in various ways depending on the maturity, rate and guarantees of the new securities, which are estimated, in NPV terms, to generate a 21% loss, assuming a discount rate of 9% which the Greek debt could reach, also as a result of the newly-approved aid.

The plan therefore involves huge and detailed support actions, the actual effects of which on the Greek solvency position cannot

yet be fully assessed, given the recent definition of the form of support and current lack of technical information on how the exchange/roll-over options which involve private institutional investors will actually be finalised.
In preparing the half-yearly report as at 30 June 2011 both securities covered by the agreement and those maturing beyond 2020 were measured according to the criteria specific to their classification categories. In particular, securities classified as Financial assets available for sale and Financial assets held for trading were measured at fair value based on their market prices as at 30 June 2011.
As the debt refers to a sovereign entity and given that protection mechanisms have been put into place by supranational bodies for this type of debt, in preparing this half-yearly report impairment losses were recognised only for the government securities maturing by 2020, for which the conditions for private institutional investor participation under the terms of the aforementioned agreement have been taken into account. An impairment loss of 48 million euro has therefore been recognised, measured in reference to the aforementioned NPV for securities classified under the Loans and receivables caption, and referring to market prices as at 30 June 2011 (recognising the entire negative equity reserve to the income statement) for securities classified as Assets available for sale. The impact on the consolidated income statement, net of amounts allocated to insurance products under separate management, came to 25 million euro.
These measurements will be tested again in the next quarterly and annual reports to take into account developments in the aforementioned agreements, in the market scenarios and in the general solvency position of the Greek government.
The following table illustrates the Intesa Sanpaolo Group exposures to Greek government bonds.

(millions of euro)

Government bonds maturing by 2020	Nominal value as at 30.06.2011	Fair value as at 30.06.2011	Adjustments (*)	AFS reserve as at 30.06.2011 (*)	Book value as at 30.06.2011
Loans and receivables	42	21	-12	-	33
Financial assets available for sale	88	55	-36	-	55
Financial assets held for trading	14	11	-		11
TOTAL	**144**	**87**	**-48**	-	**99**
TOTAL (net of attributions to insurance portfolios under separate management)			**-25**		

(millions of euro)

Government bonds maturing after 2020	Nominal value as at 30.06.2011	Fair value as at 30.06.2011	Adjustments (*)	AFS reserve as at 30.06.2011 (*)	Book value as at 30.06.2011
Loans and receivables	150	46	-	-12	193 (**)
Financial assets available for sale	571	262	-	-312 (***)	262
Financial assets held for trading	16	5	-		5
TOTALE	**737**	**313**	-	**-324**	**460**

(millions of euro)

TOTAL Government bonds	Nominal value as at 30.06.2011	Fair value as at 30.06.2011	Adjustments (*)	AFS reserve as at 30.06.2011 (*)	Book value as at 30.06.2011
Loans and receivables	192	67	-12	-12	226
Financial assets available for sale	659	317	-36	-312 (***)	317
Financial assets held for trading	30	16	-		16
TOTAL	**881**	**400**	**-48**	**-324**	**559**

(*) Figures gross of the tax effect.

(**) As these are securities hedged against interest rate risk, the book value takes into account a revaluation of 55 million euro in application of the fair value hedge.

(***) The reserve is shown net of the portion attributable to insurance portfolios under separate management.

In addition to the above exposures, the Group has exposures in securities of Greek companies and public entities for a nominal value of 279 million euro, recognised to the balance sheet for 282 million euro (230 million euro among Loans and receivables, 50 million euro as Financial assets available for sale and 2 million euro as Financial assets held for trading) and with a fair value of 154 million euro, for which the measurement criteria applied as at previous reporting dates remained unchanged and without impairment loss recognition. Furthermore, loans to Greek public entities have been disbursed for 225 million euro.

Shareholders’ equity

As at 30 June 2011, the Group’s shareholders' equity, including net income for the period, came to 58,935 million euro compared to the 53,533 million euro at the end of the previous year. The change in shareholders’ equity is mainly due to the effects of the capital increase completed in June.
As summarised at the beginning of this report, the Extraordinary Shareholders’ Meeting on 10 May 2011 resolved a capital increase for consideration, for a total maximum amount of 5 billion euro, including share premium and in divisible form, through the issuance of ordinary shares with a nominal value of 0.52 euro each, carrying regular rights (i.e. from 1 January 2011), to be offered with pre-emptive rights to ordinary and savings shareholders, pursuant to article 2441 of the Italian Civil Code.

In implementing the Shareholders' Meeting resolution, on 19 May the Management Board decided to issue 3,651,949,408 ordinary shares with a nominal value of 0.52 euro each, with the same characteristics as those already in issue and with regular rights, to be offered with pre-emptive rights to shareholders at the price of 1.369 euro per share, including 0.849 euro share premium, in the ratio of 2 new shares for every 7 ordinary shares and/or savings shares held, for a maximum nominal value of 1,899,013,692.16 euro and a total aggregate value including share premium of 4,999,518,739.55 euro. The issue price was determined by applying a discount of approximately 24% to the theoretical ex-right price (TERP) of ordinary shares, calculated on the basis of the current official Stock Exchange price.
The rights offering of new ordinary shares ended on 22 June with full subscription of the total 3,651,949,408 shares offered, for a total aggregate value of 4,999,518,739.55 euro.
In greater detail, during the subscription period - which ran from 23 May 2011 until 10 June 2011 - 12,756,471,903 rights were exercised and a total of 3,644,706,258 new shares subscribed, accounting for 99.80% of total new shares under the offering, corresponding to an aggregate amount of 4,989,602,867.20 euro.
The 25,351,025 rights that had not been exercised at the end of the subscription period were sold through Banca IMI on the Stock Exchange, pursuant to Article 2441, paragraph 3, of the Italian Civil Code. These were all sold on 15 June 2011 and subsequently exercised by 22 June to subscribe for a total of 7,243,150 shares, equal to 0.20% of the new shares on offer, for an aggregate amount of 9,915,872.35 euro.
In reference to the capital increase, accessory costs for approximately 100 million euro were recognised as a direct reduction in the share premium reserve.
More specifically, 90 million euro of these costs referred to commissions paid to financial intermediaries as organisation and coordination fees (20 million euro), pre-guarantee commitments (10 million euro) and guarantee commitments (60 million euro). 10 million euro of the aforementioned 90 million euro were due to Banca IMI and are therefore netted from the Group consolidated financial statements.
The resulting costs mainly concerned the fixed fees payable to Monte Titoli (3.6 million euro) and to the Independent Auditors (4 million euro) for review of the quarterly report and certification relating to disclosures.
In terms of impact on capital ratios, the aforementioned capital increase had a positive effect on Core Tier 1 of approximately 150 basis points.
The following table provides the details of changes in shareholders' equity during the half year.

(millions of euro)

Share Capital	**31.12.2010 (*)**	**Increase**	**Changes First half 2011**	**30.06.2011**
Ordinary	6,162	1,899	-	8,061
Savings	485	-	-	485
TOTAL	**6,647**	**1,899**	**-**	**8,546**
Share premium reserve	33,102	3,101	-60 (**)	36,143
Other reserves (***)	12,741	-	1,505	14,246
Shareholders' Equity	**52,490**	**5,000**	**1,445**	**58,935**

(*) Figures as at 31 December 2010 which take into account the distribution of dividends resolved by the Parent Company

(**) Accessory costs relating to the share capital increase, net of the related tax effects

(***) Including net income for the period

Valuation reserves

(millions of euro)

	Valuation reserves as at 31.12.2010	**Change in the period**	**Valuation reserves as at 30.06.2011**	
				% breakdown
Financial assets available for sale	-662	48	-614	65.5
Property and equipment	-	-	-	-
Cash flow hedges	-494	152	-342	36.5
Legally-required revaluations	343	-	343	-36.6
Other	-241	-83	-324	34.6
Valuation reserves	**-1,054**	**117**	**-937**	**100.0**

The Group's share of valuation reserves recorded a negative balance as at 30 June 2011 that was 937 million, lower than the negative balance of 1,054 million euro as at the end of 2010. The change during the period is due to the performance of the cash flow hedge reserve and, to a lesser extent, to the value of financial assets available for sale, in particular debt securities. The negative value increased for other reserves.

Regulatory capital

Regulatory capital and related capital ratios as at 30 June 2011 have been determined by applying the Bank of Italy's instructions in accordance with Basel 2 provisions.
It is noted that, following obtainment of authorisation from the Supervisory Authority, the Intesa Sanpaolo Group calculates capital requirements for credit risk and counterparty risk, respectively, according to the IRB approach for the Retail Mortgage

segment (Residential mortgages to private individuals) on a scope consisting of the Parent Company and the main network banks, effective 30 June 2010, and according to the advanced internal rating-based approach (AIRB) in regards to the regulatory trading portfolio "Exposures to corporates" for the Parent Company, network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito, effective 31 December 2010. In addition, in early 2010 the Intesa Sanpaolo Group received authorisation to use the internal AMA to determine capital requirements for operational risks on an initial scope which comprises the main Group companies, effective from reporting as at 31 December 2009.
It is noted that, effective from 31 December 2010, the new methods for determining regulatory capital, as a result of ratification of the CRD II Directive, call for the exclusion of the nominal value of preference shares issued by the Group.

(millions of euro)

Regulatory capital and capital ratios	**30.06.2011**	**31.12.2010**
Regulatory capital		
Tier 1 capital	37,879	31,175
of which: instruments not included in Core Tier 1 ratio (*)	*5,009*	*5,016*
Tier 2 capital	13,923	16,348
Minus items to be deducted (**)	-3,495	-3,721
REGULATORY CAPITAL	**48,307**	**43,802**
Tier 3 subordinated loans	-	-
TOTAL REGULATORY CAPITAL	**48,307**	**43,802**
Risk-weighted assets		
Credit and counterparty risks	277,552	289,172
Market risks	13,961	15,385
Operational risks	27,255	27,175
Other risks (***)	2,027	426
RISK-WEIGHTED ASSETS	**320,795**	**332,158**
Capital ratios %		
Core Tier 1 ratio	10.2	7.9
Tier 1 ratio	11.8	9.4
Total capital ratio	15.1	13.2

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

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

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

As at 30 June 2011, total regulatory capital came to 48,307 million euro, compared to risk-weighted assets of 320,795 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk.
With regard to the calculation method for weighted assets, as at 31 March 2011 this included an integration of approximately 8 billion euro for the floor set by the Supervisory Authority in reference to calculation of the requirements according to internal methods. As these methods reported lower riskiness of assets – reflected in the drop in credit and counterparty risk-weighted assets – the requirements were supplemented, taking as reference 90% of the same figure calculated with a view to Basel 1 (floor), as provided for by the Supervisory Authority. As the Supervisory Authority later authorised a reduction in the aforementioned floor from 90% to 85%, the calculation as at 30 June was prepared according to the new parameters.
The decrease in risk-weighted assets in the half year is mainly due to ordinary business activities, to the ongoing optimisation processes and to disposal of the assets referred to below. Regulatory capital takes into account ordinary operations and an estimate of the dividends to be paid on 2011 net income, the amount of which has been determined on a conventional basis as half the 2010 dividend, equal to 4 eurocents on ordinary shares and 4.5 eurocents on savings shares, referring to all shares in issue as at 30 June 2011 and therefore including the new shares issued (662.5 million euro of the total 1,325 million euro).
The Total capital ratio stood at 15.1%, while the Group’s Tier 1 ratio was 11.8%. The ratio of Tier 1 capital net of ineligible instruments to risk-weighted assets (Core Tier 1) was 10.2%.
In addition to ordinary operations, the increase in the Core Tier 1 and Tier 1 ratio compared to 31 December 2010 derives from the capital increase resolved and subscribed during the second quarter of 2011 (approximately +150 basis points on Core Tier 1), the sale of Cassa di Risparmio della Spezia to Crédit Agricole and of 97 branches (+20 basis points on Core Tier 1 ratio), the sale of second part of Findomestic (+ 10 basis point on Core Tier 1), the sale of part of the investment in Prada (+8 basis points on Core Tier 1) and the removal of negative filters on the effects deriving from the redemption of goodwill (+14 basis points on the Core Tier 1 ratio), based on the specific notification of the Bank of Italy as a result of the provisions of the so-called “Milleproroghe Decree” on the matter of deferred tax assets.
Lastly, the Bank of Italy, in a Regulation issued on 18 May 2010, provided new supervisory instructions concerning the prudential treatment of reserves associated with debt securities issued by the central governments of EU countries and classified among “Financial assets available for sale”. In particular, the Regulation allows the capital gains and losses recognised through such reserves associated with the foregoing securities to be completely neutralised effective 1 January 2010, as an alternative to the already established asymmetrical approach (full deduction of the net capital loss from Tier 1 capital and partial inclusion of the net capital gain in Tier 2 capital). The Intesa Sanpaolo Group had elected to apply this approach. Accordingly, the regulatory capital and capital ratios as at 30 June 2011 account for this measure (the effect on the Core Tier 1 ratio is +10 basis points).

Breakdown of consolidated results by business area and geographical area

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

(*) Includes the Group's Treasury.

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

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first half of 2011.
The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the first half of the year; it also illustrates income statement figures, the main balance sheet figures as well as the most significant profitability ratios.
It should be noted that Division figures for the comparative periods have been restated to reflect the new scopes, where necessary.

Allocated capital was determined in accordance with the instructions issued by the Bank of Italy in compliance with Basel 2 regulatory provisions.
Value creation, expressed in terms of EVA®, was calculated net of merger and restructuring-related charges and of the economic effects of purchase price allocation pursuant to IFRS 3.

(millions of euro)

	Banca dei Territori	Corporate and Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
30.06.2011	4,759	2,051	196	1,188	136	400	-52	8,678
30.06.2010	5,000	1,779	159	1,125	137	373	-353	8,220
% change [(a)]	-4.8	15.3	23.3	5.6	-0.7	7.2	-85.3	5.6
Operating costs								
30.06.2011	-2,833	-456	-37	-576	-64	-170	-361	-4,497
30.06.2010	-2,871	-427	-41	-570	-65	-168	-365	-4,507
% change [(a)]	-1.3	6.8	-9.8	1.1	-1.5	1.2	-1.1	-0.2
Operating margin								
30.06.2011	1,926	1,595	159	612	72	230	-413	4,181
30.06.2010	2,129	1,352	118	555	72	205	-718	3,713
% change [(a)]	-9.5	18.0	34.7	10.3	-	12.2	-42.5	12.6
Net income								
30.06.2011	356	837	78	214	37	105	-225	1,402
30.06.2010	455	745	64	208	36	59	123	1,690
% change [(a)]	-21.8	12.3	21.9	2.9	2.8	78.0		-17.0
Loans to customers								
30.06.2011	184,473	107,900	40,044	31,341	109	3,059	5,435	372,361
31.12.2010	180,490	110,779	40,508	30,926	153	2,851	10,380	376,087
% change [(b)]	2.2	-2.6	-1.1	1.3	-28.8	7.3	-47.6	-1.0
Direct customer deposits								
30.06.2011	214,320	86,824	5,278	30,231	12	12,275	65,510	414,450
31.12.2010	218,319	97,026	5,757	30,259	12	12,503	61,143	425,019
% change [(b)]	-1.8	-10.5	-8.3	-0.1	-	-1.8	7.1	-2.5

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

[(a)] The change expresses the ratio between 30.06.2011 and 30.06.2010.

[(b)] The change expresses the ratio between 30.06.2011 and 31.12.2010.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement/Alternative performance indicators	30.06.2011	30.06.2010	Changes amount	Changes %
Net interest income	2,811	2,957	-146	-4.9
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	1,655	1,688	-33	-2.0
Profits (Losses) on trading	52	40	12	30.0
Income from insurance business	229	312	-83	-26.6
Other operating income (expenses)	12	3	9	
Operating income	**4,759**	**5,000**	**-241**	**-4.8**
Personnel expenses	-1,639	-1,645	-6	-0.4
Other administrative expenses	-1,189	-1,222	-33	-2.7
Adjustments to property, equipment and intangible assets	-5	-4	1	25.0
Operating costs	**-2,833**	**-2,871**	**-38**	**-1.3**
Operating margin	**1,926**	**2,129**	**-203**	**-9.5**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-27	-69	-42	-60.9
Net adjustments to loans	-962	-1,041	-79	-7.6
Net impairment losses on other assets	-15	-9	6	66.7
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**922**	**1,010**	**-88**	**-8.7**
Taxes on income from continuing operations	-449	-405	44	10.9
Merger and restructuring-related charges (net of tax)	-12	-28	-16	-57.1
Effect of purchase price allocation (net of tax)	-105	-122	-17	-13.9
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**356**	**455**	**-99**	**-21.8**
Allocated capital	**10,013**	**11,236**	**-1,223**	**-10.9**
Profitability ratios (%)				
Cost / Income ratio	59.5	57.4	2.1	3.7
ROE annualised	7.2	8.2	-1.0	-12.2
EVA® adjusted [(a)] (millions of euro)	61	135	-74	-54.8

(millions of euro)

	30.06.2011	31.12.2010	Changes amount	Changes %
Loans to customers	184,473	180,490	3,983	2.2
Direct customer deposits	214,320	218,319	-3,999	-1.8
of which: due to customers	*133,870*	*135,638*	*-1,768*	*-1.3*
securities issued	*62,349*	*63,722*	*-1,373*	*-2.2*
financial liabilities designated at fair value through profit and loss	*18,101*	*18,959*	*-858*	*-4.5*

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

Banca dei Territori closed the first half of 2011 with operating income of 4,759 million euro, representing 55% of the Group's consolidated revenues, down 4.8% on the same period in 2010. In further detail, there was a fall in net interest income (-4.9%) which had as one of its main causes the lower benefits deriving from hedging activities and the smaller contribution from loans to customers following an increase in market interest rates.
These effects were also partly offset by the increase in the mark-down on deposits.
Net fee and commission income was also down slightly (-2%). Among other income components, income from insurance business decreased from 312 million euro in the first half of 2010 to 229 million euro in the first six months of 2011, due to a reduction in financial margins. Operating costs, amounting to 2,833 million euro, fell slightly (-1.3%) compared to the same period of the

previous year. The operating margin amounted to 1,926 million euro, down 9.5% on the first half of 2010. Income before tax from continuing operations amounted to 922 million euro, down by 8.7%, as a result of lower net adjustments to loans (-7.6%) and lower net provisions for risks and charges (-60.9%). Lastly, after allocation of merger and restructuring-related charges to the Division of 12 million euro and the economic effects of purchase price allocation for 105 million euro, net income was 356 million euro, down 21.8%.

On a quarterly basis, the operating margin for the second quarter decreased by 2.2% as compared to the first, due to an increase in operating costs, essentially attributable to the seasonal trend already reported between the first and second quarter of last year, in relation to substantial stability in revenues. Income before tax from continuing operations declined severely as a result of significant net adjustments to loans applied during the second quarter.

The Division absorbed 41% of Group capital, which is lower than the first six months of 2010. The capital, amounting to 10,013 million euro, fell in absolute terms (10.9%) mainly due to the containment of assets at risk mainly correlated with the retail and business segments. As a result of the trend described for allocated capital and net income, annualised ROE came to 7.2%, down on the first half of 2010. Value creation came to 61 million euro, compared to the 135 million euro created in the same period in the previous year.

The balance sheet figures at the end of June 2011 showed loans to customers of 184,473 million euro, up by 2.2% on the previous year end, mainly as a result of business customers. Direct customer deposits totalled 214,320 million euro, down (-1.8%) from the beginning of the year, mainly due to the decrease in demand deposits and funding through securities.

Business	Traditional lending and deposit collection operations in Italy and associated financial services
Mission	To serve Household, Personal, Small Business, Private Banking and Small and Medium Enterprise customers, creating value through: – widespread local coverage – a focus on the specific qualities of local markets – exploitation of the brands of banks and the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres, Banks and Branches as points of reference for the Group at local level – exploitation of the companies specialised in medium-term lending, consumer credit and pensions and insurance, reporting to the Business Unit
Organisational structure	
Retail Marketing Department	Handles the Household (individual customers with financial assets under 100,000 euro) and Personal (individual customers with financial assets of 100,000 euro - 1 million euro) segments
Small Business Marketing Department	Manages businesses with a turnover under 2.5 million euro and Group loan facilities under 1 million euro
Business Marketing Department:	Manages companies with a turnover of between 2.5 and 150 million euro
Intesa Sanpaolo Private Banking	Devoted to private customers whose financial assets exceed 1 million euro.
Product companies	Specialised in medium-term credit (Mediocredito Italiano), the consumer credit segment (Moneta and Neos Finance) and in the management of electronic payments (Setefi) and trust services
Banca Prossima	Serves non-profit organisations.
Insurance and Pension companies	Specialised in offering pension and personal and asset protection services.
Distribution structure	Over 5,300 branches, including Retail, Business and Private-Banking branches, distributed broadly throughout Italy. The territorial structure is divided into 8 Regional Governance Centres that coordinate 27 Areas/Network Banks, designed to guarantee optimum territorial coverage and standardised sizing in terms of numbers of branches and resources assigned.

Under the agreement signed on 17 February 2010 by Intesa Sanpaolo and Crédit Agricole, the sale of CR La Spezia to the Cariparma FriulAdria Group was closed on 3 January 2011. The additional 96 branches sold to said group as part of the business unit sale and in compliance with the Italian Competition Authority's orders were also excluded from the Division's scope of

consolidation: these concern 11 branches of CR Firenze sold in March and 85 branches of Intesa Sanpaolo and CR Veneto sold in May.
In order to strengthen oversight of operations and relations with the reference territory, the scope of responsibility of the Areas under the Regional Governance Centres was redefined, creating new territorial Areas, which increased to 27 from 22 at the end of December 2010.

Retail Marketing Department

Investment

During the first half of 2011, the offering of investment products has been expanded with the launch of:
- A new sub-fund of the mutual fund "Eurizon Focus Capitale Protetto", which enables modest growth of invested capital over a time span of six years, with capital protection on maturity; "Eurizon Strategia Flessibile – Obbligazioni 06/2016", a new sub-fund of the Luxembourg mutual fund Eurizon Strategia Flessibile, which aims at obtaining an expected yield to maturity (30/06/2016) higher than that of a basket of fixed-rate government bonds in the eurozone, thanks to the use of active strategies to best exploit market opportunities, and "Investment Solutions By Epsilon – Soluzione Attiva Protetta 07/2017", a third sub-fund of the Luxembourg mutual fund Investment Solution By Epsilon, with the twofold purpose of protecting capital at maturity, by investing in a basket of government bonds with high creditworthiness, and participating in the potential growth of stock markets, through a dynamic investment strategy in the Euro Stoxx 50 index, optimised through the use of a quantitative model;
- a new portfolio management line "GP Linea Strategia Valore Azioni Più" for affluent customers, whose main objective is to increase their capital in the medium/long-term and who want to delegate the management of their assets whilst still maintaining high levels of information and transparency and a close relationship with their branch advisor. The new line is designed to create value through a flexible approach in the selection of the weightings to be assigned to the various asset classes according to the market scenarios;
- four new distribution and accumulation components of the GP Linea Dedicata, "Obbligazionario Euro Tasso Variabile" and "Obbligazionario Governativo Italia".

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

Current accounts

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

Cards

By virtue of an exclusive agreement with Alitalia, starting from February, the "Intesa Sanpaolo Alitalia" card is available to customers that are members of the MilleMiglia loyalty programme, to facilitate the accumulation of miles and offer discounts and benefits on flight with the airline.

Services

As a result of an agreement with Western Union Company, the world leader in money transfer services, to offer Western Union® Money TransferSM services, starting from June, customers holding an account or a prepaid card can remit money abroad using the Group's ATMs, 24-hours a day, at advantageous prices. From autumn, 700 internet workstations will also be set up at branches, and the service will also be extended to the web and mobile banking channels.

To simplify the administrative and operational management of inheritance matters, and improve relations with heirs, the new "Inheritance Process" was launched, with the establishment of an Inheritance Competence Centre for Banca dei Territori, in charge of managing several phases of cases forwarded by the branches, and providing assistance on administrative aspects and basic legal and tax information.

Loans

During the half year, as part of the "Prestito Multiplo", the loan to finance personal and/or household expenses, the "Prestito Auto" was launched. This is a loan for purchasing a car, for amounts from 2,000 euro to 30,000 euro, with a term of from 24 to 72 months, with no preliminary investigation of application fees, with an attractive interest rate compared to standard rates and the possibility of repaying the amount in personalised instalments.

Protection	The insurance offer was enriched with the new "Polizza ProteggiSalute" policy, to cover medical expenses for illness or accidents. This new, simple and innovative product is modular, offering the possibility to select various levels of guarantees based on financial resources and propensity for insurance. The "Prestito ProteggiMutuo" range, aimed at supporting the single premium of the "ProteggiMutuo Insurance Policy" entered into to cover residential mortgages, was expanded with the introduction of the floating-rate version, so that proposals made are consistent with the type of mortgage rate selected by customers.

Small Business Marketing Department

Deposit products	For newly-acquired Small Business customers and those who contribute new financial assets, the "Soluzione Business 2,60%" has been set up. This is a time deposit on the customer's current account which meets the need to optimise corporate liquidity management, keeping temporary excess liquidity under custody and increasing its value over a defined time span, to then allocate it, at preset maturities, to the production cycle or to investment programmes, which are expected to last for several months. The new product is marked by simplicity, accessibility and flexibility. It provides a gross return of 2.60% on the amounts deposited for 13 months, without deposit opening, management or closure fees, an entrance threshold of 50,000 euro and a maximum subscription ceiling of 5 million euro, with the security of a base interest rate of 1%, in the event of early withdrawal.
Loans	The range of loan products was enriched with the introduction of "Tandem Impresa Più" and "Tandem Condominio Più", dedicated to Business and Small Business customers (short and medium-term loans) and condominiums (medium-term loans). "Tandem Impresa Più" is a loan repaid in instalments, for companies purchasing goods or services with suppliers that have an agreement with or are approved by the bank, which provides advantages for both parties: customer companies may receive a loan of up to 100% of the invoice, with zero interest, repaying only the principal in monthly instalments, as the interest portion is paid by the supplier that has an agreement or is approved by the bank. The supplier receives support for its sales and collects the entire amount of the supply in a lump sum, net of the interest paid in advance. "Tandem Condominio Più" is a fixed-rate, medium-term loan repaid in monthly instalments. The principal is borne by the condominium, which can benefit from tax deductions provided by law on building renovations, while the interest is charged to the company providing the services. The range of products was also expanded with "Finanziamento Sostenibilità Business", an ordinary medium-term loan to favour investments in sustainable development of local areas, environmental protection and improvements in safety in the workplace. The loan covers up to 100% of the investment, for a maximum amount of 750,000 euro, cumulative within the limit of expenses documented through public works, with a minimum duration of 2 years and a maximum duration of 5 years. In the area of microcredit, "Prestito della Speranza Business" was launched. This is a new type of loan with amounts of up to 25,000 euro, reserved for families which indent to launch a business or work as freelance professionals, and have been accepted for the guarantees provided by the Italian Episcopal Conference Fund. In the half year, the catalogue was updated with the issue of new loan products "with compulsory policies", in compliance with European Directive 48/EC of 2008, which came into force on 21 June. In the area of farming credit, confirming the close relationship of the Group banks with customers in the agrifood and agroenergy sectors, the "Progetto Radici" was launched, which involves the creation of "Agribusiness Points" within branches, as an element of attention and confidence for customers.
Protection products	During the half year, a new catalogue of protection products for Small Business loans was launched. With a view to rationalising and streamlining the range of products and services, previous coverage was replaced by two new policies: "BusinessSempre" and "Business5"; the former, with a duration equal to that of the loan, can be combined with all categories of loans which entail repayment in instalments and with leasing; the latter, with a fixed duration of 5 years, to cover short-term credit lines. The new range eliminates overlaps, guaranteeing the insured parties greater flexibility.

Agreements	For 2011, Intesa Sanpaolo renewed the national collaboration agreement with the Italian trade association Confcommercio, signed in 2009. The goal of this initiative is to continue guaranteeing support to enterprises that operate in the commerce, tourism and service sectors by ensuring that they have the liquidity they need to meet their cash flow needs and flexible financing, and fostering the creation of recapitalisation programmes and new projects. The agreement confirms the provision by the bank of total loans up to 3 billion euro to member companies, also introducing the possibility of customising the commercial proposal, implementing the framework agreement at local level by entering into agreements with Confcommercio local associations and, possibly, Credit Guarantee Consortia. At the end of February, Intesa Sanpaolo entered into an agreement with Rete Imprese Italia, an association which coordinates the leading Italian Business Confederations (Confcommercio, Confartigianato, CNA, Casartigiani and Confesercenti), for the purpose of ensuring the utmost support to small businesses at a time when the economic trend remains difficult.

Business Marketing Department

Loans	As regards short-term loans, the measures under the "SME Guarantee Fund", set up by law 662/96 to facilitate access to credit by small and medium enterprises through the granting of a public guarantee, were extended to facilities for the purpose of divesting portfolios and advances on invoices. The guarantee may not exceed 1.5 million euro as the pro-tempore total amount guaranteed per company, and its coverage applies at a percentage varying from 60% to 85% of the loan.
Internationalisation	In order to support export strategies of Italian SMEs, an innovative product was set up, involving the purchase of short-term export trade receivables without recourse, by hedging the risk of default of foreign debtors, while offering customer companies the opportunity to factor said receivables in order to finance working capital. During the half year, the Business Internationalisation Unit of the Corporate and Investment Banking Division developed the "Open Horizons" programme, which provides dedicated advisory and banking services to corporations and businesses that intend to expand their business to international markets. In January Banca CR Firenze and Promofirenze entered into an agreement to provide local companies interested in expanding abroad with operational, IT and financial support in the internationalisation process.
Agreements	The agreement with Compagnia delle Opere was renewed, based on which the over 34,000 profit and non-profit member companies and their employees can receive banking products and services at advantageous conditions: current accounts dedicated to private individuals, microbusinesses and SMEs and loans set up based on varying needs, from "Presto Business" to loans for liquidity and investment management, to recapitalisation products. To favour the aggregation and competitiveness of small and medium-sized enterprises, Intesa Sanpaolo, through Mediocredito Italiano, has equipped its commercial structure with a complete range of financial services and specialist advice in support of the launch of the business networks and participating businesses. Specifically, the range involves consulting during the pre-incorporation phase, the search for business partners, oversight of institutional and association relations, advisory services and traditional banking services for the management of collections and payments and company liquidity.
Policies	In January, distribution of the "Protezione Patrimonio Executive & Company" policy was launched by the insurance company Arch Insurance Europe Ltd. This policy, which is targeted to all corporations, cooperative companies, consortiums, associations and foundations, insures the company and its directors, protecting company, personal and family assets. This offers directors, statutory auditors and executives protection from losses deriving from illegal acts committed in carrying out their duties, and covers the costs of legal assistance, expenses for participating in investigations, and damage to image.

Intesa Sanpaolo Private Banking

In the first half of 2011, Intesa Sanpaolo Private Banking activities continued according to the consolidated strategies: Innovating commercial offerings, focusing commercial action on asset management, accurate management of resources, and brand promotion communications.
The customer offering was expanded with the launch of the for-pay Private Advisory service (specifically dedicated to customers with a high net worth) and Securities Lending service. The range of funds and SICAVs placed was also expanded. The Private Advisory service – which has already collected subscriptions for over 250 million euro – consists in an analysis of the customer's portfolio followed by formulation of proposals to optimise allocation of the portfolio. The service also provides customers with the opportunity to interact with the central assets management structure, through their private banker. By subscribing to Securities Lending, customers authorise the bank to borrow securities owned by the customer without any operating restrictions, as the customer may operate on their securities at any time, and retains the economic benefits related to the securities lent. On maturity of the loan, which has a term of one day and is renewed on a day-to-day basis, the customer receives a consideration as compensation for making the securities available. At about three months from the launch of operations, 1,700 customers have already subscribed to the service.
During the first six months of 2011, assets under control grew by approximately 1.5 billion, also thanks to development of lending activities (250 million euro), with an increase of 6% in assets under management (portfolio management, funds and SICAVs) since the beginning of the year. Specifically, the satisfying results in terms of net deposits managed (over 1.5 billion euro, in an Italian market which reported negative deposits in the first six months of 2011), are added to the public offering of GE Capital in June (550 million euro) and placement of Group bonds and certificates carried out in collaboration with Banca IMI. In order to provide more targeted support to the marketing process, while additionally improving each banker's awareness of the levers available to achieve their economic, commercial and service quality objectives, a dedicated platform is being implemented to monitor the key indicators and results of marketing actions.
The commitment of Intesa Sanpaolo Private Banking continued by way of the constant monitoring of service levels through a policy of promoting the value of human resources, who are part of a continuous training process. The process of Certification of Technical and Financial Skills is one of the professional development initiatives for private bankers, whose skills are certified by a commission of professors of three Italian universities (Università Cattolica of Milan, State University of Padua and State University of Turin) and the AIPB, the private banking sector association. Intesa Sanpaolo Private Banking is also investing in projects aimed at strengthening knowledge sharing processes. These initiatives include "Remote Communications" and the company "Web Community".
In the first half of 2011 brand promotion communications also continued, through intense press activity, the organisation of events in local areas and selected sponsorships. The interest of the press was specifically concentrated on the excellent results of the 2010 Financial Statements and the study by Euromoney which nominated Intesa Sanpaolo Private Banking as the Best Italian Private Bank in 2010.
In the first half of 2011 Intesa Sanpaolo Private Banking earned income before tax from continuing operations of 82 million euro, up 28.9% compared to the same period of 2010, as a result of the growth in operating income (+12%) driven by net fee and commission income (+11.3%).

Product companies

Starting from 2011, as a result of changes in the scope of operations of Mediocredito Italiano and in the service model concerning the Banca dei Territori Division, direct operations of the company expanded, with a resulting increase in disbursements which more than offset the expected drop in the outsourced analysis on behalf of Group networks. In the first half of 2011 Mediocredito Italiano disbursed new loans totalling 1.6 billion euro, an increase of more than 50% compared to the same period of the previous year. The transactions channelled through Intesa Sanpaolo networks represented 98% of the total amount disbursed. For the reasons indicated above, the outsourced analysis on behalf of network banks decreased, with approvals issued for 65 million euro compared to 543 million euro in the first half of 2010. In relation to transactions guaranteed by the SME Guarantee Fund (Law 662/96), over 330 loan applications were approved for approximately 290 million euro, continuing the growth trend underway since the previous year.
In terms of products supporting Innovation and Research, Nova+, the product dedicated to supporting companies that invest in research and innovation, received new loan applications totalling 475 million euro during the half year, with new decisions or disbursements amounting to over 137 million euro.
Two new Nova+ lines were introduced – Patents and Designs, linked to the launch of operations with the Italian National Innovation Fund, and, following the signing of an agreement with CNR, the new Nova+CNR line.
Operations of the Specialised Desks were intense during the period: loan applications for over 1.2 billion euro were received during the half year and 521 million euro was disbursed (68% of disbursements regard the Renewable Energies sector).
The new Agro-Industry Desk, which is a strategic sector for Italy, and the new Networks & Research Desk were launched, in order to provide a complete, direct offer dedicated to Business Networks.
Use of the credit lines provided by the EIB, specifically designed to support innovation, continued.
A new project dedicated to businesses with high potential for development was started, named "Vivaio Imprese": the project was presented to approximately 80 companies, with over 120 million euro in medium-term loans processed/disbursed.
In the first half of 2011, Mediocredito Italiano reported an operating margin of 86 million euro, up on the same period last year (+9.8%), mainly due to higher net interest income. Income before tax from continuing operations and net income were negative (-32 million euro and -28 million euro, respectively) due to greater net adjustments to loans (+53 million euro).

Consumer credit activities are carried out through Moneta and Neos Finance.
Moneta closed the first half of 2011 with a total amount financed of approximately 1 billion euro, 6.4% lower than the figure in the same period of 2010. Specifically, the Personal Loans segment recorded a decrease of 5.3% and the Assignment of One-Fifth of Salary segment dropped by 5.8%, a slight recovery on the first quarter figure (-6.6%). Lastly, the Credit Cards segment reported a decline of 51.2% in disbursements, attributable to the discontinuation of the product.
Moneta's operating margin amounted to 53 million euro, compared to 28 million euro in the same period of the previous year (excluding dividends received from the former subsidiary Setefi in the first half of 2010, amounting to 70 million euro).

Neos Finance closed the first six months of 2011 with a total amount financed of 998 million euro, 7.5% higher than the first half of 2010. The personal loans, special-purpose loans and assignment of one-fifth of salary segments reported increases (+28.5%, +14.9% and +49.5%, respectively). Car loans, leasing and credit cards reported decreases.
Neos Finance's operating margin came to 58 million euro, up by 19.8% on the same period of 2010.

Setefi specialises in managing electronic payment systems, and was registered in the new Payment Institutes Registry kept by the Bank of Italy. The reassumption of direct control over the company by Intesa Sanpaolo was finalised on 27 June 2011. Strategic choices result in defining the company as an independent business unit for acquiring and a hub for concentrating all activities relating to cards and POS.
In the first half of 2011 Setefi reported a significant increase in operating margin, which rose to 81 million euro from 64 million euro in the same period of 2010 (+26.2%). Below, the results in relation to the development of operations are reported. Almost all of the 10.3 million cards managed by Setefi as at 30 June 2011 are cards issued directly by the Parent Company and the Group banks, which recorded an increase of approximately 18.3% on the first half of the previous year (8.7 million cards). The number of POS as at 30 June 2011 amounted to 297,000, an increase of approximately 13% on 30 June 2010 (263,000). The number of transactions processed on Setefi's POS recorded growth of approximately 25% (from 171 million transactions as at 30 June 2010 to 214 million transactions as at 30 June 2011) also due to the taking over of the former Sanpaolo POS. The related transactions increased by approximately 22%, up from 13.6 billion to 16.6 billion as at 30 June 2011. In the first half of 2011 Setefi continued to make particular effort to increase efficiency and improve processes, with constant attention to costs. As part of the initiatives undertaken, we note that the cross-border acquiring project is being completed, and pilot projects have already been launched in Switzerland and France. The programme of activation of POS in France and Spain was also started, the French version of the monetaonline site was issued and the Spanish and English versions are being completed. A project was also launched with the ICT Systems Department for the purpose of unifying the credit and debit authorisation system within Setefi. This project will generate benefits for Setefi and the Group, which include increasing the volumes managed by Setefi by approximately 70% once the project is fully operational (bringing them to approximately 1 billion transactions per year) and positioning it among the leading international operators in the sector. A project is underway to upgrade the channel's architecture (specifically, for the merchant internet portal and the e-commerce portal) and a mobile payments project has been launched with the Retail Marketing Department. During the half-year, the development of "large customers" continued in a steady, incisive manner (in synergy with the Corporate and Investment Banking Division). With a view to increasing integration between Setefi and Banca dei Territori, periodic meetings were organised to monitor ordinary management of relations with the Marketing Departments and to solve any critical commercial issues with customers. Lastly, additional projects were launched to support marketing actions, including POS "sales" through the Contact Unit, the definition of agreements dedicated to specific categories of goods and, lastly, the creation of a section of the company intranet (ABC portal) reserved for POS, in order to provide the entire Banca dei Territori with continuously up-to-date informational materials and marketing information.

Banca Prossima

Banca Prossima operates in the non-profit sector through 67 local branches and 130 specialists distributed throughout Italy. On 23 June 2011 Intesa Sanpaolo sold a 28,33% share in the capital of Banca Prossima to Fondazione Cariplo, Fondazione Cassa di Risparmio di Padova e Rovigo and Compagnia di San Paolo, retaining ownership of 71.67% of the capital. As at 30 June 2011 financial assets amounted to 3.5 billion euro, of which over 800 million euro in direct customer deposits. At the same date, loans amounted to approoximately 500 million euro. During the period, the company doubled its revenues (over 12 million euro) compared to the first half of 2010, achieving an operating margin of 2.6 million euro and net income of 0.6 million euro.
During the first half of 2011 the Bank continued to acquire new customers for the Group within the non-profit world. In order to further reinforce its role as the bank of choice for the Non-Profit Sector, new products, services and initiatives aimed at meeting the most pressing needs of non-profit firms were created. Specifically, the "Salvastipendi" stands out, targeted to socially-oriented enterprises and cooperatives to guarantee regular payment of salaries to employees. This is a range of financial solutions (factoring receivables and/or cash credit lines) guaranteed by Cooperfidi Italia, requiring the amounts made available to be used to pay salaries. The "Terzo Valore" internet platform was also issued, which can be used by non-profit organisations to contact individuals and legal persons to raise the funds necessary to implement their projects. During the half year, the new current account "Conto Prossima Menù" was also launched, which offers non-profit organisations the opportunity to select, from a wide range of options, the account conditions that best meed their needs. The completion of the insurance range for non-profit organisations continued, with three new policies ("Prossima Sicura – Volontariato", "Prossima Sicura – Mandato di prodotto" and "Prossima Sicura - Polizza Protezione Patrimonio Executive & Company"). Moreover, new investment opportunities were offered through bonds targeted to legal persons and products aimed at optimising organisations' liquidity and equity (Fondo Liquidità Stars Cash). Lastly, two new loans, one short-term and one medium/long-term, have been set up, targeted to socially-oriented enterprises, with direct guarantees from the SME Guarantee Fund pursuant to Law 662/96 as well as the marketing of "Ricap per le ONP", a loan to support the recapitalisation of cooperatives and socially-oriented enterprises, which is disbursed in an amount linked to the capital increase effectively subscribed by the shareholders. Marketing initiatives developed during the half year include "Campagna Impieghi", to incentivise the use of short-term loans, "Campagna repricing BT", to optimise the risk/return ratio for short-term loans and "Campagna repricing Raccolta", to optimise the terms and conditions on lending rates applied.

Insurance and Pension companies

In the first half of 2011 the reorganisation of the insurance segment of the Intesa Sanpaolo Group was relaunched as a result of the recent decisions of the Italian Competition Authority, which revised the measures for the life business segment of the insurance market as a result of the merger between Banca Intesa and Sanpaolo IMI. In particular, the Competition Authority revoked the obligation to sell the insurance company Sud Polo Vita to third parties, and established that the distribution restrictions set for EurizonVita and Intesa Vita no longer apply. In the first six months of 2011 the four companies operating in the insurance segment (EurizonVita, Sud Polo Vita, Intesa Sanpaolo Vita, and Centrovita Assicurazioni) reported 146 million euro in income before tax from continuing operations, down by 37.2% on the same period of 2010, mainly due to the poor performance of financial management, which recorded capital losses during the period related to the lowering of yields of insurance products under separate management, and was affected by the widening of the credit spread and the increase in interest rates. Conversely, the first half of 2010 had benefited from capital gains deriving from the sale of securities which had become impaired in previous years. At the end of June 2011 the portfolio of policies came to 68,813 million euro, up by 3.3% from the beginning of the year. In the first six months of 2011, gross life premiums underwritten for both insurance products and policies with investment content amounted to 7,466 million euro, up slightly (+1.3%) on the same period in 2010. New life business amounted to 7,280 million euro in premiums underwritten (+1.9% on the first half of the previous year).

As at 30 June 2011 the assets managed by Intesa Sanpaolo Previdenza (formerly Intesa Previdenza) came to 1,341 million euro, of which over 80% consisted of open-ended pension funds established by the company (+0.6% compared to the end of December 2010) and the remainder of management mandates for closed-end funds (increasing by 8.8% since the beginning of the year). Net inflows for the half year were positive for both types of funds.
At the end of the half year, Intesa Previdenza had almost 246,000 pension positions under management, of which approximately 140,000 attributable to administration mandates granted by third parties.

Corporate and Investment Banking

(millions of euro)

Income statement/Alternative performance indicators	30.06.2011	30.06.2010	Changes	
			amount	%
Net interest income	972	963	9	0.9
Dividends and profits (losses) on investments carried at equity	-	-11	-11	
Net fee and commission income	507	467	40	8.6
Profits (Losses) on trading	553	347	206	59.4
Income from insurance business	-	-	-	-
Other operating income (expenses)	19	13	6	46.2
Operating income	**2,051**	**1,779**	**272**	**15.3**
Personnel expenses	-199	-189	10	5.3
Other administrative expenses	-254	-234	20	8.5
Adjustments to property, equipment and intangible assets	-3	-4	-1	-25.0
Operating costs	**-456**	**-427**	**29**	**6.8**
Operating margin	**1,595**	**1,352**	**243**	**18.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-7	-4	3	75.0
Net adjustments to loans	-205	-195	10	5.1
Net impairment losses on other assets	-13	-10	3	30.0
Profits (Losses) on investments held to maturity and on other investments	-140	-4	136	
Income (Loss) before tax from continuing operations	**1,230**	**1,139**	**91**	**8.0**
Taxes on income from continuing operations	-391	-390	1	0.3
Merger and restructuring-related charges (net of tax)	-2	-4	-2	-50.0
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**837**	**745**	**92**	**12.3**
Allocated capital	**8,259**	**9,252**	**-993**	**-10.7**
Profitability ratios (%)				
Cost / Income ratio	22.2	24.0	-1.8	-7.5
ROE annualised	20.4	16.2	4.2	25.9
EVA® adjusted [(a)] (millions of euro)	436	298	138	46.3

(millions of euro)

	30.06.2011	31.12.2010	Changes	
			amount	%
Loans to customers	107,900	110,779	-2,879	-2.6
Direct customer deposits	86,824	97,026	-10,202	-10.5
of which: due to customers	*28,584*	*33,329*	*-4,745*	*-14.2*
securities issued	*55,122*	*60,426*	*-5,304*	*-8.8*
financial liabilities designated at fair value through profit and loss (b)	*3,118*	*3,271*	*-153*	*-4.7*

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

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

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

The Corporate and Investment Banking Division began the first half of 2011 with increased competencies and a broad diversification of the related business portfolio and activities.
In the first six months of 2011, the Division recorded operating income of 2,051 million euro (representing 24% of the consolidated total for the Group), up on the first six months of 2010 (+15.3%). In detail, net interest income reached 972 million euro, up slightly (+0.9%) in a market that remains difficult and characterised by high-level competition on the reference markets. This positive dynamic is mainly attributable to the increase in average volumes of loans, driven in particular by the operations of the leasing, factoring and structured finance product companies, in addition to the positive contribution of the assets relating to Banca IMI's HFT & AFS portfolio, which benefited from greater interest and active management in the finance and capital

management segment. Net fee and commission income, amounting to 507 million euro, improved by 8.6%, attributable to higher income linked to both new investment banking transactions, specifically on the primary and structured finance markets, and to commercial banking services. The transaction banking and trade finance segments were substantially stable. Profits on trading, amounting to 553 million euro, reported an increase of 59.4% on the first six months of 2010, attributable to higher merchant banking revenues and, significantly, to the considerable capital gains generated by the securities portfolio and investments (sale of 4% of Prada), as well as dividends from trading collected. Operating costs amounted to 456 million euro, up compared to the first half of 2010 (+6.8%), mainly attributable to administrative expenses relating to greater investments. The cost/income ratio, equal to 22.2%, decreased by 1.8 percentage points, benefiting from the expansion of revenues, and is consistent overall with the mix of transactions, lending/funding and investment banking managed by the Division. As a result of the trend in revenues and costs described above, the operating margin, amounting to 1,595 million euro, recorded an 18% increase. Income before tax from continuing operations, amounting to 1,230 million, reported an increase (+8%), though in the presence of greater provisions and adjustments relating to impairment of financial assets and investments, specifically in Telco. Lastly, net income, which amounted to 837 million euro, was up 12.3% on the same period of the previous year.

At the quarterly level, the second quarter of 2011 showed a significant increase in operating income compared to the first quarter (+27.1%), owing to the uptrend in profits on trading, with a considerable increase in the merchant banking segment and in net fee and commission income, which benefited from income related to the investment banking segment. The performance of revenues and operating costs resulted in an increase in the operating margin (+33.7%). Net income rose compared to that of the previous quarter (+16.1%), despite higher provisions and adjustments, affected by the impairment of financial assets and other investments.

The Division absorbed 34% of Group’s capital, down on the level recorded in the first half of 2010. The capital, amounting to 8,259 million euro, decreased: the reduction can be attributed to the lower credit risk related to loans of Mid, Large and International Corporate counterparties, and to lower market risks related to proprietary trading activities. The sector's performance, along with lower amount of capital absorption, was reflected in an increase in annualised ROE, which rose from 16.2% to 20.4%. EVA® reached 436 million euro, up significantly on the corresponding period of the previous year.

The Division’s intermediated volumes decreased compared to the end of December 2010 (-6.3%). Loans to customers fell by 2.6%, mainly attributable to the downturn in disbursements by Large Corporate, International Corporate and Financial Institution counterparties, as well as the reduction in reverse repo transactions with institutional operators and financial intermediaries by Banca IMI. Direct customer deposits also decreased (-10.5%), affected by both the decline in liquidity in short-term deposits of leading Financial Institution customers and by the lower development of transactions in securities, with specific reference to the placement of bonds by Banca IMI.

Business	Corporate and investment banking, in Italy and abroad
Mission	To act as a global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking operations
Organisational structure	
Large & International Corporate	The Department is charged with managing relationships with large corporate Italian customers through identification, development and launch of wholesale products and services, commercial banking, cash management, corporate banking, investment banking and capital markets
Mid Corporate	The Department is responsible for handling companies with turnover in excess of 150 million euro by means of a global and integrated offer of products and services overseen by all Divisions and the Group product companies
Business Internationalisation Unit	The Department is responsible for managing relations with international customers and foreign multinationals with subsidiaries in Italy, and is in charge of international branches, representation offices and corporate firms and provides specialist assistance in support of the internationalisation of Italian firms and the development of exports, the management and development of relations with financial institution counterparties on emerging markets, the promotion and development of cash management instruments and trade services
Global Banking & Transaction (formerly Financial Institutions)	The Department is responsible for relations with Financial Institution customers, management of transactional services related to payment systems, trade and export finance products and services, custody and settlement of Italian securities (local custody)
Merchant Banking	The Department operates in the private-equity segment, including through its subsidiaries by acquiring investments in the venture capital, notably medium-long term investments (of an institutional and development nature with a business logic), of private equity companies and specialist funds (restructuring, mezzanine, venture capital)
Structured Finance	Responsible for creating structured finance products through Banca IMI
Proprietary Trading	The Service is responsible for management of the proprietary portfolio and/or risk through direct access to markets or indirect access, via relevant internal functions, in order to carry out trading, arbitrage and long/short positions on capital markets products, cash and derivatives
Investment Banking, Capital Market and Primary Markets	The scope of the Division also includes the M&A and advisory, capital markets and primary markets (equity and debt capital market) performed by Banca IMI
Factoring and Leasing	Factoring is overseen by Mediofactoring and leasing by the company Leasint and Centro Leasing
Distribution structure	It draws on 55 domestic branches. At the international level, the Corporate and Investment Banking Division operates in 29 countries in support of the cross-border operations of its customers through a specialised network of branches, representation offices and subsidiaries that engage in corporate banking activity

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

During the first half of 2011, volumes used by corporate customers increased slightly, especially with regard to short-term loans. The level of use of these credit lines was higher than the industry average, specifically for the Large Italy segment, confirming the preference for the Intesa Sanpaolo Group shown by corporate firms, the result of established relationships and a constant, pro-active focus on the customer.
For mid-corporate customers, the trend towards greater use of credit lines reported by the market was confirmed, more specifically for the international component, where the increase in the level of use was considerable, owing in part to the implementation of the Division project that fosters internalisation in terms of both operational support for the customer and greater credit capacity. The average improvement in the quality of the loans portfolio continued, as a result of a Group policy of withdrawal from higher risk positions. Constant assessment of risk, as well as a balanced policy of development in loans to customers, resulted in the Group maintaining its share of wallet at about 25% for the amounts used.

In the first half of 2011, 37 structured finance and investment banking transactions were undertaken in the Mid-Corporate Department, compared to 24 transactions undertaken in the first six months of 2010, confirming the recovery of extraordinary corporate finance activity, specifically concentrated on debt transactions.
The initiatives launched during the half year included: the realisation and dissemination to the entire Mid-Corporate Department of the programme to assess the competitive positions of firms with the aim of allowing managers to use a qualitative and quantitative analysis model to identify the marketing actions most appropriate to each company; the continuation of the "Start-Up Initiative", the platform devoted to companies that innovate, with the launch of eleven initiatives in Italy and four abroad, entitled "Italian Innovation Day" (in London, Frankfurt, San Francisco and New York) focused on various areas of technological innovation; and development of plans for growth of corporate products, aimed at rationalising and facilitating the implementation of commercial projects by defining specific product plans and involving all the relevant units and product companies. The finalisation of the Technology Opportunity Proposal (T.O.P.) and Technology Transfer Advisory (T.T.A.) projects, which were created and implemented during the previous year, also continued. Lastly, in order to confirm Intesa Sanpaolo's role as the partner of choice for companies, a project was developed which involves the logistics concentration of all internal product skills and relations for all customer segments into physical points within the 8 Regional Governance Centres, which will be supported by the branches of the Banca dei Territori and the pre-existing Mid and Large-Corporate branches. The pilot project was carried out in June in the Triveneto area, and will be followed by the roll out to all Regional Governance Centres.

Business Internationalisation Unit

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

- Société Européenne de Banque, which recorded a net income of 63 million euro in the first half of 2011, reporting significant growth (+44.8%) on the first six months of 2010, thanks to growth in revenues (+36.4%) attributable to the positive trend in profits on trading and the reduction in costs (-1%);
- Intesa Sanpaolo Bank Ireland, which closed the first half of 2011 with a net income of 47 million euro, down by 13.5% on the same period of 2010, due to the fall in operating income (-17.2%), penalised by lower net interest income, the increase in operating costs (+3.6%) and greater adjustments to loans (+3 million euro).

Global Banking & Transaction (formerly Financial Institutions)

The first half of 2011 was marked by a financial scenario full of liquidity pressure, which resulted in a decrease in interbank trade, a high cost of interbank and wholesale funding for financial institutions and, consequently, greater difficulty for banks to renew their expiring funding, especially in peripheral countries and in Italy. In this scenario, the Department's commercial focus continued to be primarily directed to "key" customers, large banks in the areas of interest and to being highly selective in new lending initiatives, while maintaining a high level of governance and attention to counterparties' risk profiles. On the marketing front, the consolidation of campaigns continued for the development of a number of capital market products, such as Market Hubs, Rates and Solutions, through the creation of new relations with target customers.
In the Trade and Structured Export Finance segment, the Department continued its insertion strategy in structured export finance, both from mature markets to emerging markets and for trade flows between emerging markets. In particular: the first loan financing Chinese exports backed by the Export Credit Agency Sinosure was completed; together with Unicredit, a refinancing agreement for UTair Aviation JSC, the leading Russian airline on the domestic market, was entered into, backed by Coface and SACE; lastly, the Department participated in a pre-export finance transaction for Metalloinvest, one of the leading Russian manufacturers of ferrous metals and steel. Participation in Italian exports was also confirmed.
In the area of Transaction Banking, in the near-banking sector, the new package of products for the insurance sector was completed, and Intesa Sanpaolo Assicura, the first pilot customer, was activated; the marketing campaign of settlement services to resident banks continued and, in terms of international banks, the Fex Converter was launched for commercial bank transfers in Euro to beneficiaries resident in Australia, and a commercial offering for customers operating on Eastern European markets is being developed.
Marketing initiatives for securities services (local custody) customers focused on renewing the mandate of Crédit Agricole Investment Bank, changing terms and conditions governing the relations with Banca dei Territori and launching new services and operations with the Group's primary customers. In addition, these initiatives focused on cross-selling activity with Banca IMI to acquire integrated execution and custody mandates. Lastly, the Bank continued to oversee the operations of agent banks that provide custody services on international securities (network management) and is investigating the possibility of concentrating flows which do not relate to the sale to State Street, to a limited number of strategic depositories with a view to reducing management costs and subsequently reprice the services provided.

Merchant Banking

As at 30 June 2011, the portfolio held by the Merchant Banking Department, directly and through subsidiaries, amounted to 2.8 billion euro, of which 2.4 billion euro was invested in companies and 0.4 billion euro in private equity funds.
During the first six months of the year, the Merchant Banking Department participated in the capital of Venice European Investment Capital, promoted by Palladio Finanziaria in September 2010 for the purpose of taking on and managing investments in companies with a view to private equity investments. The Department signed a total commitment to invest 60 million euro, depositing an amount of 11.3 million euro. Relating to the disinvestment of the equity investment portfolio, at the end of June Prada, the first Italian company to be listed in Hong Kong, concluded the process of listing on this Asian stock exchange initiated last December and, in the context of its initial public offering, the Merchant Banking Department sold about 4% of the company's share capital, which had been acquired in 2006, retaining a share of 1% of the capital.
Through the subsidiary IMI Investimenti, the Merchant Banking Department participated in the share capital increase of CISFI S.p.A. and participated in the capital of F2i Reti TLC.
During the half year, private equity fund promotion and management carried out by the subsidiary asset management company IMI Fondi Chiusi reported the launch of a new project to create a reserved fund named "Atlante Seed", dedicated to direct or indirect investments in start ups, in order to strengthen or expand the network of connection between companies and investors. The project is part of the initiatives supporting the development of Italian business innovation and involves the contribution of new capital to invest in the seed capital market, which is significantly undersized in relation to the leading European companies.

Structured Finance

During the first six months of 2011, in the acquisition finance segment, the Bank acted as Mandated Lead Arranger (MLA) in structuring credit facilities for the purpose of: refinancing SNAI's and Stroili Oro's total debt and supporting the acquisition by private equity funds of: the Vesevo/Rosso Pomodoro Group (Italy); Wall Street Systems Holding (USA), the COIN Group, Ansaldo Energia (Italy), GTS Group and Compagnie Europeenne de Prevoyance (France). Banca IMI also contributed to the origination and structuring of credit facilities for corporate acquisitions, leveraged buyouts or medium-term refinancing, which will be executed in 2011. These include: Refinancing the debt of La Gardenia Beauty and credit facilities to support the acquisition of Savio Macchine Tessili by a private equity fund.
In the project finance sector, in a market scenario that remains uncertain, Banca IMI continued to adopt a selective approach in the assessment of transactions, based on the presence of sponsors with high standing and an adequate risk profile. In particular, in the energy sector, the Bank, as MLA, finalised credit facilities supporting the acquisition of 100% of the capital of E.On Rete by a consortium of private equity funds, the refinancing a solar farm for the Campania Region and the acquisition of Metroweb by investors including F2i and IMI Investimenti. Support was also provided to ENI's sale of its investment in Transitgas and the subscription of a mandate to Genshipping Corporation (Slovenia). Outside the Italian market, a transaction was concluded in favour of OJSC Severneftegazprom, a Russian company incorporated by a consortium comprising Gazprom, Wintershall and E.ON, to refinance the bridge loan granted in 2009 to cover the costs for developing a natural gas reserve in Siberia, and credit facilities were granted to the Acciona SA Group and to the Nextera Energy Group for the construction of two thermosolar plants.
In the infrastructure sector, we note the facilities granted to Atlandes (Project A63) in France for the expansion, maintenance and management of a section of the A63 motorway (Bayonne – Bordeaux).
In the real estate sector, during the first half of 2011 Banca IMI's leadership position in the structuring of loans was confirmed. Origination activities resulted in the finalisation and signing of credit facilities for NH Italia for the development of company activities and the plan for optimising its real estate assets, for the Borio Mangiarotti Group for the real estate and residential development of the south-west hinterland of Milan and for Fimit SGR – Fondo Omega for the purchase and optimisation of a building located in Rome.
With regard to advisory services, mandates were acquired from Redigaffi for optimising the assets of the "Fondo Due" real estate fund, structuring and placing two new funds, managed by BNP Paribas REIM SGR and IDEA FIMIT SGR, respectively, as well as a mandate from a leading asset management company for optimising a hotel complex in Venice.
Within the area of securitisations, the structuring and placement of "Class A Asset-Backed Floating Rate Notes due 2040" were completed, deriving from a securitisation of loans originated by Alba Leasing. The securitisation of loans originated by Farma Factoring was also completed, and the consultancy for the Parent Company in the placement of asset-backed commercial papers issued by Romulus Funding continued.
In the syndicated loans segment, Banca IMI finalised transactions for Prysmian, Ansaldo Energia, Aran Word, Assiteca, Snai, Metroweb, Stroili and Coin. At international level, it participated in the Compagnie Eurepeenne de Prevoyance deal. Lastly, it acted as agent in the most important structured syndicated loan transactions in Italy, such as that of the Coin Group, the share capital increases of Monte dei Paschi di Siena, the Stroili Group, Edison Group, Cinecittà, Alfapart Group, Barbaro Group, Zoppas Group, Cremonini Group, K-Flex Group, Mare Nostrum, Euticals Group and Fracasso Group and, in the area of distressed loans, the Zucchi Group, Zaleski Group, Lucchini Group and Canepa.

Proprietary Trading

During the half year, the Proprietary Trading segment recorded a positive contribution in terms of profit. In detail, structured credit products benefited from the favourable market conditions, generating positive valuation margins on both unfunded and funded positions (European/US ABSs/CDOs) and on monoline structures. Taking into account write-downs and write-backs, exposure to risk decreased from 3,715 million euro as at 31 December 2010 to 2,974 million euro as at 30 June 2011.
The hedge fund portfolio showed movement through both the management of pre-existing units and new acquisitions: the portfolio at the end of June 2011 totalled 688 million euro, down compared to the 814 million euro at the end of December 2010. The funds segment had a positive impact on the income statement due to valuations in the banking and energy sectors, which were the most affected by the uncertainties relating to the global economic situation.

Investment Banking, Capital Market and Primary Markets

In the first half of 2011, trends in the stock markets and, specifically, the Italian stock market, did not have an impact on the recovery of equity capital market activities, either in the IPO segment or in share capital increases in the banking sector. In this context, Banca IMI acted as the joint global coordinator and/or joint bookrunner in the share capital increases of Intesa Sanpaolo, Banca Monte dei Paschi di Siena, and Commerzbank and acted as the underwriter in the share capital increase of Piraeus Bank. In the role of joint global coordinator and joint bookrunner, it also directed the IPO of Prada, for the purpose of listing on the Hong Kong Stock Market, and the IPO of Ferragamo, for the purpose of listing on MTA market of Borsa Italiana. At international level, in the role of co-manager, it participated in the placement syndicates for Cemex and Celesio convertible bonds and Danaher shares. In relation to the Italian market, at the end of the half year, Banca IMI ranked first in terms of the number of transactions, and second in terms of the value of transactions performed. Moreover, the Bank was also assigned to act as joint global coordinator and joint bookrunner in the upcoming IPOs of Sea and Avio.
In the takeover bid segment, Banca IMI oversaw the mandatory takeover bid on SNAI shares and the sell-out of Fastweb and Socotherm shares, as the intermediary responsible for coordinating subscriptions. At the end of June 2011, Banca IMI was specialist or corporate broker for 37 companies quoted on the Italian market, confirming its leadership in this market segment.
In the debt capital markets segment, in the first six months of 2011 Banca IMI, confirmed its increasing capacity for international penetration, with 29 transactions closed for domestic issuers and 10 for international issuers. With regard to Italian corporate customers, the Bank carried out the role of bookrunner for Telecom Italia's issue and for Pirelli's inaugural bond. Following the spin-off of Fiat's industrial operations into Fiat Industrial, it assisted both companies on the public debt market, and assisted FGA Capital, the joint venture of Crédit Agricole Consumer Finance and Fiat Group Automobiles specialising in loans to the automobile sector. The Bank increased its presence on the international market, holding the role of bookrunner for the new issues by the Spanish company Gas Natural Fenosa, by RCI Banque, finance company of the Renault Group, and by CEZ, a company operating in the generation, distribution and sale of electricity in the Czech Republic. Moreover, it acted as the bookrunner for Anheuser-Busch Inbev, Banca PSA, and Deutsche Bahn, the German railway company. Lastly, it coordinated the placement syndicate for the public offerring of General Electric European Funding bonds and, in the high-yield market, the issue of Guala Closures Group. For financial institutions, on the senior unsecured domestic market, the Bank acted as bookrunner for the eurobonds issued by Banca delle Marche, Banca Popolare dell'Emilia Romagna, Banca Popolare di Vicenza, Banca Sella, Cassa di Risparmio di Bolzano, Cassa di Risparmio di Cesena, Credito Valtellinese, UBI Banca and Veneto Banca. In addition to the foregoing, the Bank acted as bookrunner for the unsecured senior notes issued by Intesa Sanpaolo, the covered bonds issued by UniCredit, Monte dei Paschi di Siena and Banca Carige and, internationally, the issues by National Australia Bank and Goldman Sachs. Lastly, Banca IMI participated as co-manager in the three issues of the European Financial Stability Fund (EFSF) and the issue by the Republic of Italy of a Euro Inflation Linked 15-year Benchmark BTP. As confirmation of the ongoing efforts to expand its business outside of Italy, also in collaboration with the International Subsidiary Banks Division, Banca IMI assisted VUB Banka with its issue in the Slovak Republic.
In M&A activities, Banca IMI achieved positive results during the half year, completing 18 transactions for a total value of over 32 billion euro, in a scenario of considerable recovery both in Europe and in Italy. Specifically, the Bank assisted Wind Telecomunicazioni, F2i, il Sole 24 Ore, Buongiorno, Global Games, and Prysmian in the purchase and exchange takeover bid on Draka. Moreover, services were provided, in the energy and oil & gas segments, to F2i, Axa, Api and Eni, in the industrial sector, to Finmeccanica and Saceccav Depurazioni, and in the consumer sector, to PAI, Financière Tintoretto, the shareholders of Vesevo and to the Tuo Group. In the pharmaceuticals segment, the Bank provided services to Mandarin Fund and Eutical and, lastly, in the Financial Institutions segment, to the J.Hirsch & Co. Fund and to the Parent Company in acquiring 52% of Banco Emiliano Romagnolo.

Factoring and Leasing

Mediofactoring reported a turnover of 24.7 billion euro in the first half of 2011, a 68.1% increase on the same period of 2010, allowing it to remain the number-one domestic factoring provider by turnover. This performance may be attributed to its transactions without recourse, which almost doubled compared to the first six months of the previous year. Compared to 31 December 2010, period-end loans amounted to 7.9 billion euro, down by 5.4%. The amount outstanding also decreased from the beginning of the year (-2.4%). The decrease in loans can be linked to the seasonality of factoring, characterised by increasing rises in operations over the year. The positive performance of factoring, net of seasonal trends, was confirmed by the average volumes, amounting to 6.6 billion euro, which reported an increase of 24.2% compared to the same period of 2010. In terms of income statement figures, the operating margin for the first six months of 2011, amounting to 75 million euro, was up 22% on the same period last year as a result of the increase in operating income (+18.7%) which more than offset the increase in operating costs (+7.8%). Net income was 39 million euro, up by 38.8% compared to the previous year, benefiting from lower net adjustments to loans (-20.1% compared to the first half of the previous year).

Through Leasint and Centro Leasing, Intesa Sanpaolo is the number-one leasing provider in the Italian market with a share of 18.4%, up from 17.9% at the end of December 2010.
In the first half of 2011 Leasint entered into 5,860 new contracts, for a total amount of 1,953 million euro (+15.1% compared to the same period of 2010), with an increase also in the amount outstanding (+5.4%). The composition of the portfolio was influenced by the considerable growth in Leasenergy, the product devoted to power generation attributable to the Instrumental and Property segments, which represent 31.2% of the total portfolio. Net of the development of Leasenergy, there were increases in the real estate segment (+33.1%), also thanks to the completion of the transaction with Lavazza, and in the automotive segment (+12.6%), while the movable property segment declined (-18.9%). Net income, as market conditions remained difficult, amounted to 23 million euro, up 7.2% on the first half of 2010 due to the increase in revenues (+3.8%) and stable adjustments to loans.

During the first half of 2011, Centro Leasing achieved an operating margin which slightly decreased (-0.4%) due to the reduction in operating income (-3.8%) only partly offset by the significant cost savings (-12.8%). The company ended the half year with net income of 2 million euro, compared to a net loss of 5 million euro in the same period of 2010, benefiting from lower adjustments to loans (-23.6%).

Public Finance

(millions of euro)

Income statement/Alternative performance indicators	30.06.2011	30.06.2010	Changes	
			amount	%
Net interest income	155	142	13	9.2
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	27	29	-2	-6.9
Profits (Losses) on trading	13	-13	26	
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	1	-	-
Operating income	**196**	**159**	**37**	**23.3**
Personnel expenses	-18	-19	-1	-5.3
Other administrative expenses	-19	-22	-3	-13.6
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-37**	**-41**	**-4**	**-9.8**
Operating margin	**159**	**118**	**41**	**34.7**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-	-	-
Net adjustments to loans	-17	-13	4	30.8
Net impairment losses on other assets	-12	-	12	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**130**	**105**	**25**	**23.8**
Taxes on income from continuing operations	-52	-39	13	33.3
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-2	-2	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**78**	**64**	**14**	**21.9**
Allocated capital	**1,169**	**1,236**	**-67**	**-5.4**
Profitability ratios (%)				
Cost / Income ratio	18.9	25.8	-6.9	-26.7
ROE annualised	13.5	10.4	3.0	28.9
EVA® adjusted [(a)] (millions of euro)	23	7	16	

(millions of euro)

	30.06.2011	31.12.2010	Changes	
			amount	%
Loans to customers	40,044	40,508	-464	-1.1
Direct customer deposits	5,278	5,757	-479	-8.3
of which: due to customers	*3,742*	*4,211*	*-469*	*-11.1*
securities issued	*1,536*	*1,546*	*-10*	*-0.6*

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

The results of the Public Finance in the first half of 2011 show growth in revenues and net income, owing to the positive trend in all the main income statement items.
Operating income amounted to 196 million euro, up 23.3% compared to the first half of 2010, due to the following factors: net interest income of 155 million euro, up by 9.2% compared to the same period of the previous year, owing to the increase in average spreads to customers, the substantial stability of operations, which benefited from the development of the component linked to customers both in Italy (where the short-term segment produced significant non-recurring contributions) and internationally; net fee and commission income of 27 million euro, down by 6.9%; profits on trading of 13 million euro, compared to losses of 13 million euro in the first six months of 2010, which essentially benefited from increases related to credit risk adjustment valuations and fair value adjustments in hedge accounting, as well as higher revenues from operations with customers. Average loans to customers decreased slightly (-1%, including securities), and include new disbursements of 4.1 billion from June 2010 to June 2011. Operating costs amounted to 37 million euro, decreasing by 9.8% compared to the first half of the

previous year, reflecting effective cost containment measures. Therefore, the cost/income ratio decreased to 18.9% from 25.8% in the first six months of 2010, also owing to the contribution of non-recurring revenues. As a result of the above trends, the operating margin, amounting to 159 million euro, increased by 34.7%. After greater net adjustments to loans and other assets (+16 million euro, of which 12 million euro referring to the impairment of Greek government bonds maturing by 2020, recorded under net adjustments to other assets), income before tax from continuing operations stood at 130 million euro, up by 23.8% on the same period of the previous year. Lastly, net income, at 78 million euro, recorded an increase of 21.9% compared to the same period of 2010.

At quarterly level, operating income for the second quarter of 2011 showed a decrease of 14.6% compared to the first quarter, as a result of the fall in net interest income, which, in the first quarter, had benefited from significant non-recurring contributions from customers, and the fall in net fee and commission income, influenced by the postponement of several transactions in advanced stages of trading to the next quarter. Net income decreased (-47.3%), owing to the previously described trend in revenues, with stable costs and higher adjustments, also including the impairment of Greek government bonds.

Capital allocated amounted to 1,169 million euro, down on the figure recorded in the first half of 2010, specifically due to the decrease in credit risk associated with the downturn in loans. The annualised ROE performed well, rising from 10.4% to 13.5%, due to both the reduction in capital allocated and the favourable trend observed in net income. EVA® rose to 23 million euro from 7 million euro in the corresponding period of the previous year.

With regard to the main balance sheet figures, loans to customers amounted to 40,044 million euro, slightly down (-1.1%) since the beginning of the year, owing to the trend in repayments and new disbursements. Direct customer deposits amounted to 5,278 million euro, down 8.3%, primarily as a result of the lower cash balances of current accounts.

Business	Public Finance serves central governments, public entities, local authorities, universities, public utilities, general contractors, and public and private healthcare providers
Mission	To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and the modernisation of the public administration by pursuing international growth opportunities in countries of strategic interest to the Group through operations in six priority areas of action: – loans for infrastructure projects – support for the healthcare system, universities and scientific research – improvement of public utilities – support for the public administration's financial equilibrium – funding for urban and local development projects – introduction of innovative tools for effective management of the banking services used by public entities and government-owned companies
Distribution structure	18 domestic branches and 3 representative offices abroad (Istanbul, London and Paris)

In the first half of 2011, to support and promote the development of large national infrastructures, Public Finance continued activity on large motorway projects, including the BreBeMi project (Brescia-Bergamo-Milano motorway) and the Milan East outer ring road. Worth noting is the loan granted to Strada dei Parchi for maintenance and upgrading works on the A24/A25 motorway.

In support of healthcare services, universities and scientific research, in order to foster the efficiency of the healthcare system of the Lazio Region, Public Finance oversaw the factoring without recourse of receivables due to contracted healthcare facilities and suppliers due to the Local Healthcare Authorities of the Region. A similar intervention was implemented for receivables from suppliers of Healthcare Companies and Hospitals in the Campania Region. As part of initiatives supporting education, the modernisation of the buildings of the Università degli Studi di Bologna was financed and, as part of a financial consultancy project, an agreement was signed for the purchase without recourse of certified receivables from Università Cattolica del Sacro Cuore.

In the area of the improvement of public services and utilities, Public Finance granted a loan to AGSM Verona, a Venetian utility operating in the electricity sector, and promoted the development of an integrated cycle plant to manage the integrated cycle in the province of Grosseto. In the transport sector, the Bank granted a loan to Ferrovie dello Stato to implement projects relating to the development of the high-speed line, and to the Municipality of Milan to carry out extraordinary maintenance on vehicles used for public transport. In the alternative low-environmental-impact energy sector, the division is involved in wind farm and photovoltaic projects, specifically in the Lazio, Tuscany, Puglia, Sicily, Abruzzo and Marche Regions.

In order to support the financial balance of the public sector, disbursements continued for the funding of the long-term investment expenses of various local entities (including the Province of Pesaro Urbino and the Municipalities of Genoa and Monza). Moreover, a loan was granted to the Commissioner's Office of the Municipality of Rome to finance a repayment plan for the entity's past debt. In order to alleviate the financial pressure on local entities and make financial resources available to businesses, the support to the Public Administration and their suppliers was confirmed through advances on considerations owed to local entities by these parties. Numerous agreements were signed to factor without recourse the receivables due to suppliers of goods and services to municipalities, provinces and regions throughout Italy, including the Basilicata region, the municipalities of Milan, Monza, Brescia, Modena, Forlì, Pescara, Imperia, Seregno, Nuoro and Giulianova and the provinces of Turin, Varese, Alessandria, La Spezia, Florence and Lecco.

As part of loans that benefit from State subsidies, short-term loans were granted to the special commissioners of Tirrenia and Siremar and support continued to be provided to defence system suppliers as part of priority investment programmes for national defence.

Urban and local development projects included significant activities in the area of logistics services: various loans were granted to upgrade the harbour infrastructures to the Port Authorities of La Spezia, Naples and Livorno, and to develop the new headquarters of the Ravenna freight terminal. Disbursements to projects of national scope continued, such as the EUR Congress Centre in Rome, and significant transactions were finalised for the local areas, such as the loan granted to Azienda Lombarda per l'Edilizia Residenziale della Provincia di Bergamo (ALER) for the development of social housing projects.

With regard to international activities, Public Finance became operational in the representative office in Warsaw, to oversee the chain of interaction between public and private entities in Central Eastern Europe. The structuring of the Gebze-Orhangazi-Izmir motorway, one of the main works launched in Turkey with the contribution of Italian builders, continued. In addition a bond was subscribed as part of the inaugural issue for the "Spanish Electricity Deficit", the first transaction in a five-year issue programme which allowed Spain to begin paying the receivables owed to utilities companies in the electricity system (Enel is one of the main beneficiaries of the programme, through its subsidiary Endesa).

International Subsidiary Banks

(millions of euro)

Income statement/Alternative performance indicators	30.06.2011	30.06.2010	Changes amount	Changes %
Net interest income	872	809	63	7.8
Dividends and profits (losses) on investments carried at equity	10	7	3	42.9
Net fee and commission income	285	279	6	2.2
Profits (Losses) on trading	45	53	-8	-15.1
Income from insurance business	-	-	-	-
Other operating income (expenses)	-24	-23	1	4.3
Operating income	**1,188**	**1,125**	**63**	**5.6**
Personnel expenses	-288	-289	-1	-0.3
Other administrative expenses	-220	-213	7	3.3
Adjustments to property, equipment and intangible assets	-68	-68	-	-
Operating costs	**-576**	**-570**	**6**	**1.1**
Operating margin	**612**	**555**	**57**	**10.3**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	2	6	-4	-66.7
Net adjustments to loans	-320	-279	41	14.7
Net impairment losses on other assets	-6	-2	4	
Profits (Losses) on investments held to maturity and on other investments	4	1	3	
Income (Loss) before tax from continuing operations	**292**	**281**	**11**	**3.9**
Taxes on income from continuing operations	-78	-73	5	6.8
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-	-	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**214**	**208**	**6**	**2.9**
Allocated capital	**2,443**	**2,416**	**27**	**1.1**
Profitability ratios (%)				
Cost / Income ratio	48.5	50.7	-2.2	-4.3
ROE annualised	17.7	17.4	0.3	1.7
EVA® adjusted [(a)] (millions of euro)	57	61	-4	-6.6

(millions of euro)

	30.06.2011	31.12.2010	Changes amount	Changes %
Loans to customers	31,341	30,926	415	1.3
Direct customer deposits	30,231	30,259	-28	-0.1
of which: due to customers	*27,360*	*27,457*	*-97*	*-0.4*
securities issued	*2,853*	*2,802*	*51*	*1.8*
financial liabilities designated at fair value through profit and loss	*18*	*-*	*18*	*-*

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

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

In the first half of 2011, the Division's operating income was up 5.6% compared to the same period of the previous year, to 1,188 million euro. A detailed analysis shows that net interest income came to 872 million euro, an increase on the 809 million euro in the first six months of 2010 (+7.8%), owing chiefly to Privredna Banka Zagreb (+37 million euro), VUB Banka (+21 million euro), Banca Intesa Beograd (+13 million euro), Pravex Bank (+9 million euro) and Banka Koper (+4 million euro) only partly absorbed by the decrease of CIB Bank (-18 million euro). Net fee and commission income reported an increase of 2.2%, attributable in particular to Privredna Banka Zagreb (+5 million euro), and VUB Banka (+3 million euro). Conversely, profits on trading, amounting

to 45 million euro, fell compared to the same period of 2010 (-15.1%), primarily due to lower contributions from Banka Koper (-3 million euro), VUB Banka (-2 million euro), Privredna Banka Zagreb (-2 million euro), Banca Intesa Russia (-2 million euro) and Pravex Bank (-2 million euro), only partly offset by the increase of CIB Bank (+4 million euro).
Operating costs came to 576 million euro, up 1.1% compared to the first six months of the previous year. As a result of the above revenue and cost trends, the operating margin came to 612 million euro, up 10.3%. Income before tax from continuing operations of 292 million euro was up 3.9%, despite higher net adjustments to loans, increasing from 279 million euro to 320 million euro. The Division closed the first half of 2011 with net income of 214 million euro (236 million euro excluding the impact of extraordinary taxes in Hungary), up 2.9% compared to the same period in 2010.
Analysing quarterly development, the second quarter of 2011 reported an operating margin up 0.9% on the first quarter, mainly thanks to higher revenues (+1.3%) which more than offset the growth in costs (+1.8%). Income before tax from continuing operations and net income grew significantly (+37.2% and +48.3%, respectively).
Capital allocated, which represents 10% of the Group's total, climbed slightly to 2,443 million euro. The annualised ROE rose to 17.7% from 17.4% in the first half of 2010, mainly due to the above trend in net income. Value creation, expressed in terms of EVA®, came to 57 million euro compared to 61 million euro in the same period of the previous year.
The Division’s intermediated volumes showed a slight increase compared to the end of December 2010 (+0.6%). This trend was the result of growth in loans to customers (+1.3%) and substantial stability in direct deposits.

Business	It is responsible for the Group’s operations on the international markets through commercial bank subsidiaries and associates
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group’s strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks’ operations and the management of the relationships between international subsidiary banks and the Parent Company’s central units and the branches and other foreign offices of the Corporate and Investment Banking Division
Organisational structure	
South-Eastern Europe	Presence in Albania, Bosnia-Herzegovina, Croatia, Romania and Serbia
Central-Eastern Europe	Presence in Slovakia, Slovenia and Hungary
Commonwealth of Independent States & South Mediterranean Area	Presence in Egypt, the Russian Federation and Ukraine
Distribution structure	1,724 branches in 13 countries

South-Eastern Europe

In the first half of 2011, the operating income of the Privredna Banka Zagreb Group, including ISP Card, amounted to 265 million euro (+17.4% compared to the same period of the previous year). The performance may be primarily attributed to the growth in net interest income and net fee and commission income, which more than offset the decrease in profits on trading. Operating costs increased 0.5%, amounting to 118 million euro, as a result of the rise in personnel expenses. These results generated an operating margin of 147 million euro, up 35.7% on the first six months of 2010. Net income, amounting to 78 million euro, was up by 18.7%.

Banca Intesa Beograd, including Intesa Leasing Beograd, recorded an operating margin of 78 million euro, a 14% increase on the first half of 2010. Operating income grew by 14%, mainly as a result of the performance of net interest income (+14.5%), which benefited from the growth in average volumes and spread, and in profits on trading (+4.6%). Operating costs were up 13.9%, primarily owing to the increase in administrative expenses associated with the installation of the new data centre and advertising costs, as well as personnel expenses. Net income amounted to 47 million euro, compared to 36 million euro for the same period in the previous year.
Intesa Sanpaolo Banka Bosna i Hercegovina ended the first half of 2011 with an operating margin of 6.8 million euro, up 38.5% on the same period of the previous year. This trend is due to higher revenues (+14.3%) and, in particular, to net interest income (+13.5%) due to the lower cost of funding and the increase in average volumes. Operating costs rose by 1.7%, in the personnel expenses component. Net income came to 3 million euro, up from 1.7 million euro of the first half of 2010, despite higher net adjustments to loans (+10.8%).

Intesa Sanpaolo Bank Albania posted an operating margin of 12 million euro, up 6.4% on the corresponding period of the previous year. All the main components of revenues remained essentially stable. Operating costs fell 9.6%, primarily due to the decrease in administrative expenses and personnel expenses. Net income came to 9.5 million euro, up 39.8% on the first six months of 2010, also as a result of the lower adjustments to loans (-36.6%).

The companies operating in Romania (Intesa Sanpaolo Bank Romania and Banca CR Firenze Romania) recorded a total operating margin of 5.3 million euro, up 17.9% on the same period of the previous year. In detail, operating income decreased by 8.4% due to the decreases in net interest income (-6.1%) attributable to the higher cost of funding, in net fee and commission income (-9.2%) and in profits on trading (-20%). The decrease in operating costs (-14.1%) was mainly due to lower personnel and administrative expenses. The companies closed the first half of 2011 with a net loss of 6.2 million euro, compared to a loss of 3.3 million euro in the same period of 2010.

Central-Eastern Europe

Banka Koper, including Finor Leasing, reported operating income of 50 million euro, up 4.3% on the first half of 2010. The increase was mainly due to the higher net interest income and net fee and commission income, which more than absorbed the reduction in profits from trading. Operating costs decreased, owing to savings on personnel expenses and lower amortisation and depreciation. Net income came to 9.4 million euro, down 23.7% on the first six months of 2010, as a result of the higher net adjustments to loans.

The VUB Banka Group achieved an operating margin of 145 million euro, up 14.8% on the first half of 2010, benefiting from an increase in operating income (+9.2%), attributable to net interest income (+11.6%) and net fee and commission income (+6%), which more than offset growth in operating costs (+2.6%), particularly administrative and personnel expenses. Net income, amounting to 89 million euro, increased by 32.8% on the first six months of 2010, benefiting from the reduction in net adjustments to loans (-19.8%).

The CIB Bank Group recorded operating income of 219 million euro, down 8% on the same period of 2010. This performance was attributable to the decreases in net interest income (-10.9%) and net fee and commission income (-6.2%), which absorbed the growth in profits on trading (+37.1%). Operating costs decreased by 8.4%, owing to savings on personnel expenses (-18.9%) and lower amortisation and depreciation (-8.2%). The net result, affected by the increase in adjustments to loans, was a loss of 42 million euro, compared to a loss of 19 million euro for the first half of the previous year.

Commonwealth of Independent States & South Mediterranean Area

Banca Intesa Russia closed out its income statement for the first half of 2011 with a net income of 7.3 million euro compared to 7.9 million euro in the same period of the previous year. Operating income decreased by 1.3% due to the downturn in profits (losses) on trading (-46.7%) and net interest income (-1.3%), which absorbed the increase in net fee and commission income (+10.1%). Operating costs showed an increase of 11.1% attributable to all components and, in particular, amortisation charges relating to the launch of the new information technology system. Net adjustments to loans of 16 million euro were down 24.5% compared to the first half of 2010, when the loan portfolio deteriorated severely in connection with the Russian market crisis.

The operating margin of Pravex Bank in the first half of 2011 showed income of 3.6 million (compared to a loss of 2.3 million in the same period of 2010) thanks to the growth in operating income (+33.5%) and, in particular, in net interest income, which more than doubled as a result of the growth in the total spread due to the lower cost of funding, and in net fee and commission income (+1.6%). Operating costs grew by 6% as a result of higher administrative expenses and amortisation and depreciation. After adjustments to loans of 1.3 million euro, compared with 9.6 million euro in adjustments in the first six months of the previous year, Pravex Bank closed the first half of 2011 with a net income of 2.5 million euro, compared to a loss of 8.7 million euro in the same period of 2010.

Bank of Alexandria achieved an operating margin of 45 million euro, down 13.5% on the first half of 2010 (net of the exchange-rate effect, the result would have been -2.4%). Operating income decreased by 4.8%, mainly due to the downturn in profits (losses) on trading (-16.5%) and, to a lesser extent, in net interest income (-2.8%), and net fee and commission income (-5.4%). Operating costs showed an increase (+3.5%) attributable to the expansion of operations. After the release of 2.4 million euro from allowances for risks and charges and net adjustments to loans of 27 million euro, up on the first six months of the previous year due to the country's political and financial crisis, net income came to 18 million euro compared to the 46 million euro generated in the same period of 2010.

Eurizon Capital

(millions of euro)

Income statement/Alternative performance indicators	30.06.2011	30.06.2010	Changes	
			amount	%
Net interest income	-	-	-	-
Dividends and profits (losses) on investments carried at equity	7	8	-1	-12.5
Net fee and commission income	127	125	2	1.6
Profits (Losses) on trading	1	-	1	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	1	4	-3	-75.0
Operating income	**136**	**137**	**-1**	**-0.7**
Personnel expenses	-27	-26	1	3.8
Other administrative expenses	-37	-39	-2	-5.1
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-64**	**-65**	**-1**	**-1.5**
Operating margin	**72**	**72**	**-**	**-**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-	-	-
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**72**	**72**	**-**	**-**
Taxes on income from continuing operations	-16	-16	-	-
Merger and restructuring-related charges (net of tax)	-	-	-	-
Effect of purchase price allocation (net of tax)	-19	-19	-	-
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-1	-1	
Net income	**37**	**36**	**1**	**2.8**
Allocated capital	**66**	**67**	**-1**	**-1.5**
Profitability ratios (%)				
Cost / Income ratio	47.1	47.4	-0.3	-0.6
ROE annualised	113.1	108.4	4.7	4.3
EVA® adjusted [(a)] (millions of euro)	52	52	-	-

(millions of euro)

	30.06.2011	31.12.2010	Changes	
			amount	%
Assets under management	139,522	136,426	3,096	2.3

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

Overall, total assets managed by Eurizon Capital as at the end of June 2011 stood at 139.5 billion euro, up 2.3% since the beginning of the year, thanks to the strong performance of net inflows. During the half year, net inflows amounted to a positive 3.3 billion euro, driven by insurance products (which benefited from the contribution from the life insurance business arising from the placement of class I policies by the Intesa Sanpaolo networks and the inflows from the unit-linked policies of Prospettiva, managed by Eurizon Capital). Conversely, mutual funds, retail asset management, hedge funds and institutional asset management generated outflows. Eurizon Capital's share of the mutual fund market was 17.6% as at 30 June 2011, compared to 17.3% at the end of December 2010, thanks to the impact of net inflows which were less penalising than those for the sector nationally.

Operating income for the first half of 2011, amounting to 136 million euro, remained substantially stable on the same period of 2010 (-0.7%). This trend is the result of the positive performance of net fee and commission income (+1.6%), favoured by the rise in average assets under management, and profits (losses) on trading, which benefited from the capital gains realised on investments in funds. Conversely, there has been a decrease in other operating income (-3 million euro), which in the first half of 2010 had included the income relating to the charge back to Intesa Sanpaolo of costs for the "Action Plan Fund" project, as well

as the contribution of the investee Penghua Fund Management Company Limited (-1 million euro). Operating costs were down (-1.5%), attributable to administrative expenses and, significantly, service costs. As a result of the above revenue and cost trends, the operating margin came to 72 million euro, in line with the figure for the first half of the previous year. Eurizon Capital closed the first six months of 2011 with a net income of 37 million euro (56 million euro net of the effects on the income statement of the purchase price allocation) up 2.8% compared to the same period of the previous year.
On a quarterly basis, the second quarter of 2011 showed a decrease in income before tax from continuing operations of 6.9% compared to the first quarter, mainly due to a fall in operating income (-3.3%) and, significantly, in profits (losses) on trading.
Capital absorbed amounted to 66 million euro, substantially in line with the figure of the first half of 2010. Annualised ROE reached the characteristic high values of this Business Unit, due to limited absorption of capital compared to the considerable volumes of assets managed by the company and placed by the Group's banking networks. The EVA® indicator, which measures value creation, amounted to 52 million euro, stable compared to the figure of the same period of the previous year.

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

In the framework of significant events, on 29 June 2011 the merger by incorporation of subsidiary Eurizon A.I. SGR into Eurizon Capital SGR was resolved, which shall be finalised by the end of this year.
In terms of products managed, in the first half of 2011 the rationalisation of the range of Italian mutual funds took effect. This resulted in the reduction of the number of funds (with five mergers by incorporation of products with equivalent investment strategies and the elimination of products limited in scope) and the restyling of the range and services through changes in product features (return targets, methods for calculating performance commissions, and amendments to management policies). During the period the management of several products was reallocated, in line with the specialisation of the product companies: in detail, management mandates were provided to Eurizon Capital SA (Luxembourg) on Italian money-market funds, to Epsilon on Italian and Luxembourg secured/protected funds and to Eurizon A.I. on the Luxembourg fund Eurizon Multimanager Stars Fund – Total Return Alpha Strategy.
As regards international mutual funds, a new range of capital protected products was created within the fund "Investment Solution by Epsilon", whose sub-funds are managed by Epsilon SGR through mandate. In May and June 2011, three sub-funds of this new product line were marketed, with the objective of pursuing growth of invested capital while guaranteeing protection of the subscribed value. Since the beginning of the year, an additional sub-fund in the range of capital protected products "Eurizon Focus Capitale Protetto" was marketed, entitled "Protezione 3/2017". Lastly, the range of the fund "Eurizon Strategia Flessibile" was expanded through the launch of two sub-funds ("Obbligazioni 03/2016" and "Obbligazioni 06/2016"), which are part of the new generation of flexible bonds.
In asset management, during the half year, the offering was simplified, involving a total of 21 lines currently marketed, maintaining the same risk profile and the same service level for customers. The range of asset management products marketed by Banca dei Territori was enriched by the new line "GP Strategia Valore Azioni Più", targeted to the personal segment, which replicates the management methods developed on "GP Investimento Private" and completes the range composed of the "GP Strategia Valore" and "GP Strategia Valore Più" lines. This line features a growing exposure to stock markets and a higher risk profile and recommended term. During the period, the offering of "GP Dedicata" was expanded with the launch of two new products ("Obbligazionario Euro Tasso" and "Obbligazionario Governativo Italia"), which offer managers the opportunity to optimise bond allocation in the current interest rate scenario.
Lastly, as regards hedge funds managed by Eurizon A.I. SGR, the Delta Diversified fund was merged by incorporation into the Low Volatility fund, and the Volatility Target was merged by incorporation into the Multi Alpha fund, which brought the funds currently managed by the company down from 10 to the current 8.

Banca Fideuram

(millions of euro)

Income statement/Alternative performance indicators	30.06.2011	30.06.2010	Changes amount	Changes %
Net interest income	63	57	6	10.5
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	280	255	25	9.8
Profits (Losses) on trading	3	22	-19	-86.4
Income from insurance business	54	43	11	25.6
Other operating income (expenses)	-	-4	-4	
Operating income	**400**	**373**	**27**	**7.2**
Personnel expenses	-72	-68	4	5.9
Other administrative expenses	-92	-92	-	-
Adjustments to property, equipment and intangible assets	-6	-8	-2	-25.0
Operating costs	**-170**	**-168**	**2**	**1.2**
Operating margin	**230**	**205**	**25**	**12.2**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-22	-42	-20	-47.6
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-8	-2	6	
Profits (Losses) on investments held to maturity and on other investments	7	-	7	-
Income (Loss) before tax from continuing operations	**207**	**161**	**46**	**28.6**
Taxes on income from continuing operations	-55	-46	9	19.6
Merger and restructuring-related charges (net of tax)	-	-4	-4	
Effect of purchase price allocation (net of tax)	-47	-52	-5	-9.6
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**105**	**59**	**46**	**78.0**
Allocated capital	**525**	**509**	**16**	**3.1**
Profitability ratios (%)				
Cost / Income ratio	42.5	45.0	-2.5	-5.6
ROE annualised	40.3	23.4	17.0	72.5
EVA® adjusted [(a)] (millions of euro)	125	89	36	40.4

(millions of euro)

	30.06.2011	31.12.2010	Changes amount	Changes %
Assets under management	54,829	53,500	1,329	2.5

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

[(a)] Net of merger and restructuring-related charges and effect of purchase price allocation, as per IFRS 3.

The figures shown in the table and commented on below include the results of Fideuram Vita, the company dedicated to the management of the portfolio of policies distributed by the financial advisors of the Fideuram Group, spun-off from EurizonVita and acquired by Banca Fideuram (19.99% of the capital) on 29 July 2010.
From 1 June 2011 Banca Sara entered the scope of Banca Fideuram, following the conclusion of the purchase of the entire shareholding in the company by Sara Assicurazioni. In this regard, the reclassification of the figures to include the results of Banca Sara only concerned the balance sheet and balance sheet aggregates (AUM, financial advisors) as at 30 June 2011.
Lastly on 27 June, the sale of Fideuram Bank (Suisse) to Banca Credinvest was finalised, realising a capital gain of 7 million euro.

Assets under management of the Banca Fideuram Group at the end of June 2011 amounted to 73.7 billion euro (of which 54.8 billion euro in assets under management and 18.9 billion euro in assets under administration), up by 3% since the beginning of the year. The assets under management acquired through the purchase of Banca Sara contributed 2.2 billion euro to this result. In detail, assets under management, which represent almost two-thirds of the aggregate, showed an increase of 2.5%, driven by the sharp rise in the mutual fund segment. Assets under administration also showed growth (+4.6%), mainly due to the strong

performance of net inflows. In the first six months of 2011 net inflows of assets under management, amounting to 908 million euro, decreased by 476 million euro compared to the flows in the same period of the previous year which, however, included 235 million euro for the repatriation of financial assets held abroad under the "Third Tax Amnesty". A breakdown by aggregate shows that assets under management, which reported a positive balance of 539 million euro compared to 3.1 billion euro in the first half of 2010, was affected by the repositioning of customer portfolios towards assets under management, which occurred in 2010. Assets under administration showed a positive balance of 369 million euro, compared to a negative balance of 1.7 million euro in the first half of 2010.
The number of private bankers rose from 4,349 at the end of December 2010 to 4,779 as at 30 June 2011 (including the 340 professionals acquired through the purchase of Banca Sara).
The operating margin for the first half of 2011 stood at 230 million euro, up 12.2% compared to the same period of 2010, driven by the development of operating income (+7.2%) and essentially stable operating costs (+2 million euro). In detail, the revenue performance was essentially due to the increase in net fee and commission income (+9.8%). In particular, recurring fee and commission income, i.e. fee and commission income correlated with assets under management, which represents the most important component of fee and commission income, rose significantly compared to the first six months of the previous year owing to both the growth of assets under management and, to a lesser extent, the repositioning of the product mix to favour forms of assets under management with a less conservative risk profile. Front-end net fee and commission income, associated with the placement of securities, funds and insurance policies and the receipt and transmission of orders, which represents 9% of net fee and commission income, decreased, mainly due to the effect of lower volumes in receipt and transmission of orders, as well as due to reduced placement of securities and insurance products, only partly offset by higher mutual fund placement fees. Fee and commission expense, essentially related to incentives for the network for attracting new money, decreased compared to the first half of 2010 due to fewer incentives paid and allocated to the network of private bankers during the period. Among the main income captions, net interest income also increased (+10.5%), thanks to the effects of the increase in short-term interest rates on the floating-rate portfolio, which more than offset the decrease in average volumes managed, as well as the income from the insurance business of Fideuram Vita (+11 million euro). Conversely, profits (losses) on trading showed declining performance (-19 million euro), in relation to lower capital gains on sales of bonds in the portfolio. The impairment of two Greek government bonds classified in the available for sale portfolio was recorded under adjustments. Profits on investments held to maturity and on other investments include the capital gain realised on sale of the investment in Fideuram Bank (Suisse).
Income before tax from continuing operations amounted to 207 million euro compared to 161 million euro in the first six months of 2010 (+28.6%).
Banca Fideuram closed the first half of 2011 with a net income of 105 million euro (+78%), which rises to 152 million euro if the effects of the purchase price allocation on the income statement are excluded.
The capital absorbed by Banca Fideuram amounted to 525 million euro, a moderate increase on the first six months of 2010. Annualised ROE was 40.3%, a significant increase owing to the positive net income performance. EVA®, which measures value creation, increased, reaching 125 million euro.

Business	Asset-gathering activity through financial advisors networks at the service of customers with medium/high savings potential
Mission	To aid customers with informed management of their assets, beginning with a thorough analysis of their true needs and risk profile. To advice on financial and pension issues with the aid of highly qualified professionals in a fully transparent manner and in full compliance with the rules
Distribution structure	98 branches in Italy with 4,779 private bankers

The initiatives undertaken by Banca Fideuram in the first half of 2011 were focused on enriching the offering, as a result of the introduction of innovative products consistent with the Group's strategic objectives. To carry out these initiatives, Banca Fideuram optimised internal skills of the Group, on one hand, and developed and consolidated partnerships with third party asset managers, on the other. The activity affected both the asset management and banking segments, with a view to creating value for customers through a distinctive level of service and offering.

With regard to the Bank's funds, the revision of the range of flexible funds continued with the establishment of the "Fonditalia Flexible Strategy" sub-fund, which proposes an active strategy based on the diversification of risk factors.
Within the scope of "Fideuram Multibrand" (third-party funds), new sub-funds in previously distributed SICAVs were introduced, and new classes were included, in relation to those already placed. Moreover, in consideration of the purchase of Banca Sara, the first half of the year was marked by selection and integration activities which involved offerings from third-party funds, in order to define a range of products aligned at Group level.
In terms of portfolio management, the "Symphonia" offering was updated with the marketing of the new uniform management contract "Symphonia Electa Plus".
In the insurance business, "Fideuram Vita Insieme", the first unit-linked policy in Italy which combines investments in internal funds and external UCIs into a single product, was launched.
The initiatives relating to assets under administration involved the offering of investments in securities and banking products. In relation to investments in securities, Banca Fideuram participated in numerous issues by the Intesa Sanpaolo Group for Banca dei Territori. In detail, seven placements were made on the primary market through fixed-rate senior bonds with a duration of two years. A blended-rate placement on an exclusive basis was made for the Banca Fideuram Group networks, issued by

Banca IMI, with a duration of six years, which provides a fixed-rate step up coupon for the first two years, and inflation-linked coupons for the next four years. Lastly, Banca Fideuram participated in the issue of subordinated floating-rate Intesa Sanpaolo notes issued on an exclusive basis for the Banca Fideuram Group and Intesa Sanpaolo Private Banking networks.
Two years from the introduction of the new SEI advanced advisory service, which offers customised solutions to meet all investment needs and evolve with them as they change over time, around 28,000 customers had subscribed to the service, with assets of about 11 billion euro and over 2,500 active private bankers.

Corporate Centre

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

The Corporate Centre closed the first half of 2011 with an operating loss of 52 million euro, compared to -353 million euro in the corresponding period of the previous year. This trend was mainly the result of the contribution of profits (losses) on trading, which benefited from the capital gains realised on the sale of the remaining 25% of the investment in Findomestic. Income before tax from continuing operations amounted to -248 million euro (-815 million euro in the first six months of 2010) and included the capital gains realised on the sale of CR La Spezia and other branches to Crédit Agricole. The net loss amounted to 225 million euro compared to 123 million in income in the same period of the previous year, which had also included the income from the securities services business, with the finalisation of the sale of said business to State Street Co..

Treasury services

The Treasury Department includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks and settlement risks. Intesa Sanpaolo is a direct member and provider of settlement services for both Group banks and third-party banks. In the first half of 2011, the Bank maintained its role as a critical player within the euro payments system, confirming its market share in Target2 at Italian and European levels. During the period the Treasury Department continued to devote considerable attention to various working groups within the ECB, Bank of Italy and Italian Banking Association concerning the development of new international settlement systems. In detail, in addition to the Target2-Securities and CCBM2 (single European platform for securities settlement and centralised cross-border management of collateral) projects, Monte Titoli's X-COM project for the purpose of creating the first domestic Triparty Collateral Management service, is entering the development phase. As part of this initiative, Intesa Sanpaolo is already involved in defining the system specifics and organisational and implementation processes to launch the new platform by the end of 2011, at least the portion regarding the re-use of "eligible" securities in pooling by the Central Bank in order to optimise its secondary liquidity profiles.
The Parent Company's commitment to eliminating settlement risk in foreign exchange transactions continued, where, as a direct member of the CLS system, it continued to offer a clearing service in line with the quality standards of the major European banks. In this regard, the implementation process, which resulted in Epsilon SGR operating in CLS as a third party of Intesa Sanpaolo from the beginning of July 2011, is almost completed.

In the first half of 2011, money markets were affected by the continuing tension on the government bond markets of peripheral countries in the Eurozone, with a specific worsening of the critical issues in Greece. The uncertainties regarding the aid to grant to the country, which dragged on through all of June, influenced the climate of uncertainty in all market segments. This caused tensions on exchange rates due to general concerns about the Euro's durability and the volatility in interest rates in relation to the changing expectations of operators regarding the European Central Bank's decisions about whether to change policy rates.
In the area of monetary policy, in April, in order to confirm the strict approach of the Eurosystem to expectations of medium/long-term inflation, the European Central Bank opted to initially increase the official rates, from 1% to 1.25% (this was the first rise since May 2009). In June, the European Central Bank also announced the details on the main refinancing transactions for July – October of this year, confirming fixed-rate weekly and monthly auctions with award of the full amount and floating-rate quarterly auctions (linked to the MRO rate), with award of the full amount. The above decision ensured a stress-free situation in terms of liquidity and steady system-wide excess liquidity was the determining factor in keeping very short-term rates at levels slightly lower than the official rates. The short-term interest rate curve reflected the ECB's decisions to raise rates, taken in April's meeting, and the curve already showed the effects of the expectations of an additional rise of 25 bp, which occurred in July. The market has incorporated a moderate adjustment to the official rates during this year.
The U.S. money market also continued to be marked by excess structural liquidity which, based on the recent comments by the Federal Reserve, should continue in the next few quarters, despite the fact that on 30 June the Fed decided to interrupt the second phase of Quantitative Easing, the programme of purchasing government bonds.
Intesa Sanpaolo's money market operations continued to be concentrated almost completely on short-term maturities, in line with the general market trend.
Securities issues remained the main source of short-term funding. The increases in fees for the Federal Deposit Insurance Corporation (FDIC) for wholesale funding of US banks created an initial favourable push for short-term issues in the US by European banks (not subject to the tax), which, however, returned to normal in June due to the increasing aversion of US investors to European risk.
There was a reduction in the duration of this form of funding, not only due to increased aversion to the Europe risk, but also due to regulatory reasons, which force increasingly prudential liquidity risk profiles on investors. Intesa Sanpaolo's outstanding debt remains substantially stable.
In the second half of March, the addition of the Luxembourg subsidiary Société Européenne de Banque, which benefits from the privilege of being located in a country considered to be low-risk, to the European ECP Programme, was highly appreciated by investors, showing a steady growth trend. Intesa Sanpaolo's liquidity position remained on average in excess of its current needs and stayed positive beyond the period of survival required by the regulators.

For the securities portfolio, the first half of 2011 was marked by the sovereign debt crisis and the possible methods for resolving said crisis. In the first part of the year, the different perception of Italy risk compared to that of other peripheral countries favoured a substantial tightening of spreads on Italian government bonds, both versus Bunds and Swaps. As a result, the desk's sovereign portfolio, considerably concentrated on the short-term part of the Italian curve, was subject to generous profit taking. Conversely, in the second quarter, the renewed fears of default for Greek debt resulted in a new expansion of yield spreads to significant levels. In this context, the portfolio of Italian AFS securities was considerably and dynamically implemented. In the same period, the primary market for covered bonds was highly active, both due to the favourable regulatory framework and the objective difficulty of many banks (expecially those operating in peripheral countries) to acquire unsecured funding. These conditions thus allowed the Bank to continue its strategy of increasing the covered bond portfolio, maintaining its low volatility. Therefore, investment was focused on Italian securities offering high yields in relation to the type of asset class and showing good prospects for performance and, at the same time, it was attempted to maintain efficient diversification of portfolio risk, participating, even though to a lesser extent, in the issues of several UK and French banks. In view of the regulatory tightening of liquidity ratios, the portfolio of senior bank notes was not increased and it was deemed necessary to lighten the existing positions, as they had maturities of less than 2 years and still significant carry values.

Operating ACM and Structured Operations

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

Funding

In terms of medium/long-term funding, in the first half of 2011, the total amount of Group securities placed on the Italian market through its own and third-party networks came to 15.3 billion euro. As to composition of the placed securities, plain vanilla securities prevailed with a 65.3% share of the total, whereas the weight of structured bonds (mainly represented by interest rate structured securities) was 34.7%. A breakdown by average maturity shows a concentration of 2-year maturities (with a weight of 46.5%), whilst 29.8% is represented by 4-year securities, 17.2% by 6-year securities and the remaining 6.5% by 3, 5 and 7-year bonds. In terms of the international market, during the first six months of 2011, a total of approximately 10.7 billion euro of "unsecured" transactions were completed, 6.9 billion euro of which in the form of bond issues placed on the Euromarket, 3 billion dollars of which (for a value of 2.2 billion euro) on the US market, approximately 1.5 billion euro of which placed in the form of "unsecured" private placements and approximately 100 million euro of which in medium/long-term deposits made by international branches and subsidiaries.
The most significant transactions include a floating rate public issue of 2 billion euro, with 3-year maturity. The worsening of tensions in terms of sovereign risk in the second quarter of the year, and the resulting expansion of spreads, resulted in a particularly cautious and selective approach to accessing international capital markets.

In structured funding, during the first six months of 2011 Intesa Sanpaolo issued two Covered Bonds (CB) as part of the issue programme secured by assets from the public sector originated by the subsidiary BIIS, including one on the institutional market, amounting to 1.5 billion euro, with a term of 10 years and a fixed rate coupon at 5%, and the other fully subscribed by BIIS for 2.4 billion euro, with a term of 2 years and a floating rate coupon. Both bonds are listed on the Luxembourg Stock Exchange and rated Aaa by Moody's. Intesa Sanpaolo then placed a second public operation on the institutional market as part of the Covered Bond Programme secured by mortgages, amounting to 2.5 billion euro, with a duration of 5.5 years at a fixed rate of 4.375%. The bonds, which were assigned an Aaa rating by Moody's, are listed on the Luxembourg Stock Exchange. In the private placement segment, Intesa Sanpaolo also issued two Registered Covered Bonds, for 100 million euro with a 5.25% fixed-rate coupon and duration of 15 years, and for 300 million euro with a 5.375% fixed-rate coupon and duration of 20 years. These bonds have a rating of Aaa from Moody's and are unlisted. These transactions are particularly important with a view to diversifying sources of funding, as registered covered bonds are a new market for Intesa Sanpaolo. Their investors are mainly medium-small German insurance companies which are interested in holding the bonds to maturity, for significantly long terms.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2011	6,705	1,679	294	8,678
30.06.2010	6,393	1,526	301	8,220
% change [(a)]	4.9	10.0	-2.3	5.6
Loans to customers				
30.06.2011	321,035	41,719	9,607	372,361
31.12.2010	324,622	40,631	10,834	376,087
% change [(b)]	-1.1	2.7	-11.3	-1.0
Direct customer deposits				
30.06.2011	321,890	70,806	21,754	414,450
31.12.2010	330,590	69,023	25,406	425,019
% change [(b)]	-2.6	2.6	-14.4	-2.5

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

[(a)] The change expresses the ratio between 30.06.2011 and 30.06.2010.

[(b)] The change expresses the ratio between 30.06.2011 and 31.12.2010.

With regard to subdivision by geographical areas, the activities of the Intesa Sanpaolo Group continue to be concentrated in the domestic market. Italy accounted for 77% of revenues, 78% of customer deposits and 86% of loans to customers. Abroad, the Group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania, Romania and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).
As regards the performance of operations in the first half of 2011, compared to the same period of the previous year, loans decreased slightly in Italy in relation to growth in European countries, and a declining trend in other areas. Deposits showed the same trend. Operating income recorded positive development in Italy and, above all, in the other European countries.

Risk management

BASIC PRINCIPLES

Intesa Sanpaolo Group policies relating to risk acceptance are defined by the Parent Company's Management Bodies, the Supervisory Board and the Management Board, with support from specific Committees, particularly Control Committee and from the Group Risk Governance Committee and the Chief Risk Officer, who reports directly to the Chief Executive Officer.
The Parent Company is in charge of overall direction, management and control of risks, whereas Group companies that generate credit and/or financial risks operate within the assigned autonomy limits and have their own control structures. A service agreement governs the risk control activities performed by the Parent Company's functions on behalf of the main subsidiaries. These functions report directly to the subsidiaries' Management Bodies.
The risk measurement and management tools together define a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss that could be borne by the Group over a period of one year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the Budget assumptions and projected economic scenario under ordinary and stress conditions. The assessment of capital is included in business reporting (Group Risk Tableau de Bord) and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

BASEL 2 REGULATIONS AND THE INTERNAL PROJECT

As part of the Basel 2 Project, the goal of which is for the main Group companies to adopt advanced approaches relating to credit risks, the Supervisory Authority granted permission to make a transition from the FIRB approach (in use since December 2008) to the AIRB approach in the Corporate segment, effective the report as at 31 December 2010.
The scope of application of the AIRB approach extends to the Parent Company, the network banks, Banca Infrastrutture Innovazione e Sviluppo and Mediocredito Italiano. The release of specific LGD models is planned for the end of 2011 and will allow transition to the AIRB approach for the product companies (Leasint and Mediofactoring). The foreign bank VUB Banka obtained permission to use the FIRB approach effective the report as at 31 December 2010. An application for authorisation of direct transition to the AIRB approach will be submitted in the third quarter of 2011 for Banca IMI, which currently uses the Standardised approach, and for Intesa Sanpaolo Bank Ireland Plc.
In addition, recognition of the IRB approach for the Retail Mortgage segment was obtained in June 2010. For the network banks of the former Casse del Centro, the extension of the IRB approach for residential mortgages is planned by the end of this year.
For the SME Retail segment, second generation models, which will allow commencement of the validation process for transition to the IRB approach in the fourth quarter of the year, are currently at release stage.
The development of rating models for the other segments and the extension of the scope of companies is proceeding according to the gradual roll-out plan for the advanced approaches presented to the Supervisory Authority.
With regard to operational risk, it should be noted that the Group was authorised, effective the report as at 31 December 2009, to use the Advanced AMA Approach (internal model) to determine the associated capital requirement on an initial scope that includes Organisational Units, the Banks and Companies of the Banca dei Territori Division (excluding network banks belonging to Cassa di Risparmio di Firenze Group, but including Casse del Centro), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was also authorised to extend advanced approaches to a second set of Organisational Units and Companies of the Corporate and Investment Banking Division, in addition to Setefi, to the remaining banks of the Cassa di Risparmio di Firenze Group and to PBZ Banka. The remaining companies, currently using the Standardised approach (TSA) or Basic Indicator Approach (BIA), will migrate progressively to the Advanced approaches starting from the end of 2011, based on the roll-out plan presented to the Management and Supervisory Authorities.
In 2011 the Group presented its Internal Capital Adequacy Assessment Process Report as a "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal methodologies for the measurement of risk, internal capital and total capital available.
As part of its adoption of Basel 2, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 2 - Pillar 3" or simply "Pillar 3".
The document is published on the website (group.intesasanpaolo.com) each quarter, inasmuch as Intesa Sanpaolo is among the groups that have adopted validated internal approaches for credit, market and operational risk.

CREDIT RISK

The Group's strategies, powers and rules for the granting and managing of loans are aimed at:
- achieving the goal of sustainable growth of lending operations consistent with the risk appetite and value creation;
- diversifying the portfolio, limiting the concentration of exposures on single counterparties/groups, single economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency;

- privileging lending of a commercial nature or intended for new investments in production, provided that they are sustainable, over those of a merely financial nature;
- constantly monitoring relationships, through the use of both IT procedures and systematic surveillance of positions that show irregularities, with the aim of detecting any symptoms of performance deterioration in a timely manner.

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

Credit quality

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

(millions of euro)

	30.06.2011			31.12.2010			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	22,377	-14,398	7,979	20,523	-13,187	7,336	643
Substandard loans	11,105	-2,299	8,806	11,252	-2,354	8,898	-92
Restructured loans	3,619	-313	3,306	3,631	-297	3,334	-28
Past due loans	1,346	-152	1,194	1,655	-152	1,503	-309
Non-performing loans	**38,447**	**-17,162**	**21,285**	**37,061**	**-15,990**	**21,071**	**214**
Performing loans	335,367	-2,415	332,952	339,465	-2,466	336,999	-4,047
Performing loans represented by securities	18,565	-441	18,124	18,499	-482	18,017	107
Loans to customers	**392,379**	**-20,018**	**372,361**	**395,025**	**-18,938**	**376,087**	**-3,726**

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

The table above shows an increase in non-performing loans over the first half of 2011. A comparison of the net exposures between 30 June 2011 and 31 December 2010, in fact, shows an increase of 214 million euro which brings the "Non-performing loans" aggregate to a level of 21,285 million euro. The overall coverage of non-performing loans, as at 30 June 2011, came to 44.6%, up 43.1% over the fourth quarter of 2010.
In detail, exposures classified as doubtful came to 7,979 million euro as at 30 June 2011, up by 8.8% since the beginning of the year and representing 2.1% of total loans. The coverage ratio was over 64%.
Substandard loans, on the other hand, amounted to 8,806 million euro, a decrease of 1% compared to 31 December 2010. Substandard loans declined to 2.4% of total loans, essentially stable compared to the previous quarter and to last year. The coverage ratio decreased to a level slightly under 21%.
Restructured loans, amounting to 3,306 million euro, remained stable during the first half, both in absolute values (-28 million euro decrease in the first six months of 2011) and in terms of incidence on total loans to customers. The coverage ratio of restructured loans was slightly higher than December 2010 levels, reaching 8.6%. Past due loans, which came to 1,194 million euro, decreased by around 21% due to the reclassification as performing of significant positions in the first quarter of 2011. The coverage ratio rose to over 11%.
Performing exposures decreased from 337 billion euro to 333 billion euro. In this regard, adjustments were essentially stable during the first half and the percentage of lump-sum adjustments made to cover this category of loans remained substantially unchanged compared to 31 December 2010.

MARKET RISKS

TRADING BOOK

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

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

A number of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 5% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading books were interest rates and foreign exchange rates, both relating to linear pay-offs.
For some of the risk factors indicated above, the Supervisory Authority has validated the internal models for the reporting of the capital absorptions of both Intesa Sanpaolo and Banca IMI.
In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of funds underlying CPPI (Constant Proportion Portfolio Insurance) products for Banca IMI, (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo, (iv) position risk on dividend derivatives, (v) position risk on commodities for Banca IMI, the only legal entity in the Group authorized to hold open positions in commodities.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS, hedge funds).
VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of VaR, defined as the sum of VaR and of the simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI.
In the second quarter of 2011, market risks generated by Intesa Sanpaolo and Banca IMI were stable with respect to the averages for the first quarter of 2011. The Intesa Sanpaolo average VaR for the period decreased, offset by an increase for Banca IMI. The average VaR for the period totalled 36.4 million euro.

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

(millions of euro)

	2011				2010			
	average 2nd quarter	minimum 2nd quarter	maximum 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	15.3	14.0	16.6	18.7	22.3	27.6	27.0	19.5
Banca IMI	21.1	14.9	27.5	17.4	14.5	15.8	13.9	11.7
Total	**36.4**	**30.7**	**42.2**	**36.1**	**36.8**	**43.4**	**40.9**	**31.3**

[(a)] Each line in the table sets out past estimates of daily VaR calculated on the quartely historical time-series respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for Intesa Sanpaolo and Banca IMI are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

In the first half of 2011, market risks generated by Intesa Sanpaolo and Banca IMI increased with respect to the values for 2010. The average VaR for the first half of 2011 totalled 36.3 million euro.

(millions of euro)

	2011			2010		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Intesa Sanpaolo	17.0	14.0	21.5	23.2	17.7	23.0
Banca IMI	19.3	13.6	27.5	12.8	6.8	13.0
Total	**36.3**	**30.7**	**42.4**	**36.1**	**25.7**	**33.5**

[(a)] Each line in the table sets out past estimates of daily VaR calculated on the half-yearly historical time-series respectively of Intesa Sanpaolo and Banca IMI; minimum and maximum values for Intesa Sanpaolo and Banca IMI are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

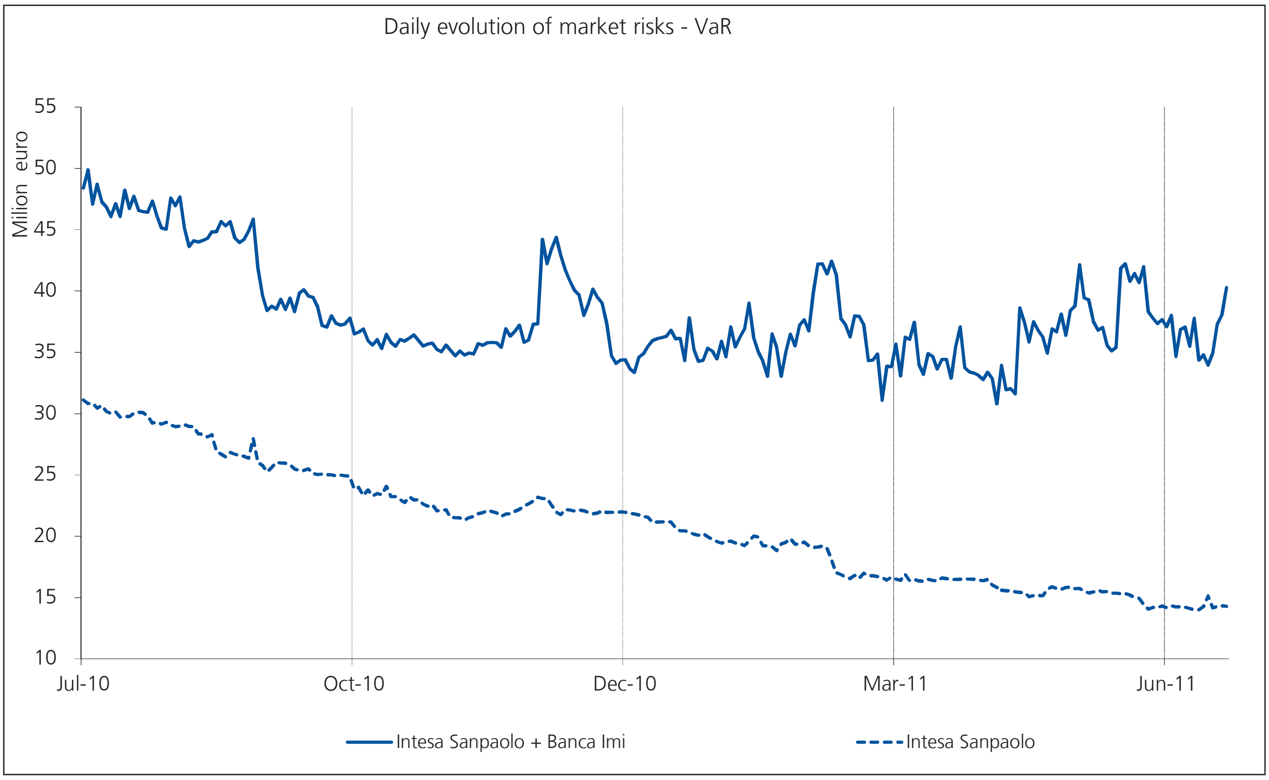
For Intesa Sanpaolo the breakdown of risk profile in the second quarter of 2011 with regard to the various factors shows the prevalence of the hedge fund risk, which accounted for 60% of total VaR; for Banca IMI credit spread risk was the most significant, representing 56% of total VaR.

Contribution of risk factors to overall VaR [(a)]

1st half 2011	Shares	Hedge funds	Rates	Credit spreads	Foreign exchange rates	Other parameters	Comodities
Intesa Sanpaolo	0%	60%	12%	24%	1%	3%	0%
Banca IMI	8%	0%	19%	56%	1%	10%	6%
Total	**6%**	**20%**	**17%**	**45%**	**1%**	**7%**	**4%**

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the first half of 2011, broken down between Intesa Sanpaolo and Banca IMI and indicating the distribution of overall capital at risk.

VaR in the last twelve months is set out below. On average, risks remained stable in the second quarter of 2011. At the end of June Banca IMI recorded a peak in VaR due to purchases in the Italian government sector made to take advantage of market opportunities. The VaR for Intesa Sanpaolo shows a downward trend due to the decrease in the securities portfolio, particularly government securities.



Risk control with regard to the trading activity of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of June is summarised as follows:

– on stock market positions, a bearish scenario, that is a 5% decrease in stock prices with a simultaneous 10% increase in volatility would have led to a 4 million euro loss;
– on interest rate exposures, a parallel +25 basis point shift in the yield curve would have led to a 16 million euro loss, whereas a parallel -25 basis point shift would have led to a 15 million euro gain;
– on exposures sensitive to credit spread fluctuations, a 25 basis point widening in spreads would have led to a 115 million euro loss, 8 million euro of which due to structured credit products (SCPs), whereas a 25 basis point tightening of the spreads would have led to a 117 million euro gain, 7 million euro of which due to SCPs;
– on foreign exchange exposures (main position on Euro/USD), the portfolio would have recorded an 8 million euro gain in the event of exchange depreciation (-10%). The negative effect in case of foreign exchange appreciation (+10%) would have been 5 million euro;
– lastly, on commodity exposures a 6 million euro loss would have been recorded in the event of a 50% decrease in prices.

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITY	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%	-50%	+50%
Total	-4	5	15	-16	117	-115	8	-5	-6	6
of which SCP					*7*	*-8*				

BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the other main Group companies that carry out retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in quoted companies not fully consolidated, mostly held by the Parent Company and by Equiter, IMI Investimenti and Private Equity International.

The following methods are used to measure financial risks of the Group's banking book:

– Value at Risk (VaR);
– Sensitivity Analysis.

Value at Risk is calculated as the maximum potential loss in the portfolio's market value that could be recorded over a 10-day holding period with a 99% confidence level (parametric VaR).

Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity). For interest rate risk, an adverse movement is defined as a parallel and uniform shift of ±100 basis points of the interest rate curve. The measurements include an estimate of the prepayment effect and of the risk originated by customer demand loans and deposits.

Furthermore, interest margin sensitivity is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±100 basis points, over a period of 12 months. This measure highlights the effect of variations in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

Hedging of interest rate risk is aimed at (i) protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) reducing the volatility of future cash flows related to a particular asset/liability. The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS) and options on interest rates stipulated with third parties or with other Group companies. The latter, in turn, cover risk in the market so that the hedging transactions meet the criteria to qualify as IAS-compliant for consolidated financial statements.

Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. A first method refers to the fair value hedge of specifically identified assets or liabilities (micro-hedging), mainly consisting of bonds issued or acquired by Group companies and loans to customers. In addition, macro-hedging is carried out on the stable portion of on demand deposits and in order to hedge against fair value changes intrinsic to the instalments under accrual generated by floating rate operations. The Group is exposed to this risk in the period from the date on which the rate is set and the interest payment date.

Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on variable rate funding to the extent that the latter finances fixed-rate investments (macro cash flow hedge). In other cases, micro cash flow hedges are applied to specific assets or liabilities.

The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting.

In the first six months of 2011, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 193 million euro settling at 33 million euro at the end of June, almost entirely concentrated on the euro currency; this figure compares with 426 million euro at the end of 2010.

Interest margin sensitivity – in the event of a 100 basis point rise in interest rates – amounted to 352 million euro (-348 million euro in the event of reduction) at the end of June 2011; these values record a slight increase compared to the 2010 year-end figures amounting to +163 million euro and -166 million euro, respectively, in the event of an increase/decrease in interest rates.

Interest rate risk, measured in terms of VaR, averaged 80 million euro in the first half of 2011 (98 million euro at the end of 2010) and reached a value of 67 million euro at the end of June, which also was the minimum value for the period. The peak value was 96 million euro.

Price risk generated by minority stakes in listed companies, mostly held in the AFS (Available for Sale) category, measured in terms of VaR, recorded an average level of 81 million euro (86 million euro at the end of 2010) in the first six months of 2011, with minimum and peak values of 71 million euro and 98 million euro respectively. VaR at the end of June amounted to 81 million euro.

Lastly, an analysis of banking book sensitivity to price risk, measuring the impact on Shareholders' Equity of a price shock on the above quoted assets recorded in the AFS category shows a sensitivity to a 10% negative shock equal to -76 million euro at the end of June 2011.

INFORMATION ON FINANCIAL PRODUCTS

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

DETERMINATION OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

General principles

This chapter summarises the criteria used by the Group to measure the fair value of financial instruments. These criteria are unchanged with respect to those adopted for the previous year financial statements. For more details, reference should be made to the description included in the Annual Report 2010.

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

The fair value of financial instruments is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.

A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.

When no quote on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:

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

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: absolute priority is attributed to effective market quotes (level 1) for valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (Comparable Approach - level 2) and a lower priority to assets and liabilities whose fair value is determined using valuation techniques based on non-observable and, therefore, more discretional inputs (Mark-to-Model Approach - level 3).

The following instruments are considered quoted on an active market (level 1): equities quoted on a regulated market, bonds quoted on the EuroMTS circuit and those for which it is possible to continuously derive from the main price contribution international platforms at least three bid and ask prices, mutual funds, spot exchange rates, derivatives for which quotes are available on an active market (for example, futures and exchange traded options). Lastly, hedge funds for which the fund administrator provides the NAV (Net Asset Value) with the frequency established in the subscription contract, are considered as quoted on an active market, provided that no adjustments are required for the valuation of the liquidity or counterparty risks of the underlying assets. Conversely, all other financial instruments, which do not fall in the categories described above, are not considered quoted on an active market.

For financial instruments quoted on active markets, the current bid price is used for financial assets and the current asking price for financial liabilities, obtained on the most advantageous available active market at the close of the reference period.

For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.

When no prices can be derived on active markets, the fair value of financial instruments is determined using the Comparable Approach (level 2) which uses measurement models based on market parameters. In this case, the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official quotes of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model). The use of this approach requires the search for transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. The calculation methodologies used in the comparable approach reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – that significantly influence the final valuation.

The fair value of bonds without official quotes expressed by an active market is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics. Credit spread sources are contributed and liquid securities of the same issuer, credit default swaps on the same reference entity, contributed and liquid securities issued by an issuer with the same rating and belonging to the same sector. The different seniority of the security to be priced relatively to the issuer's debt structure is also considered.

Similarly, with respect to financial liabilities designated at fair value through profit and loss, the credit spread of the Intesa Sanpaolo Group is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market quotes and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.

In consideration of their number and complexity, a systematic reference framework has been developed for derivatives which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.

Interest rate, foreign exchange, equity, inflation and commodity derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are valued through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market.
Moreover, when determining fair value, the credit quality of the counterparty is also considered. Fair value considers counterparty credit risk and future exposures of the contract through the so-called Credit Risk Adjustment (CRA).
With respect to structured credit products, in the case of ABS, if significant prices are not available, valuation techniques consider parameters which may be presumed from the market (Comparable Approach), such as spreads presumed from new issuers and/or collected from the major investment banks, further strengthened by a qualitative analysis relative to the performance of the underlying asset presumed from periodic investor reports and subject to backtesting with actual sale prices.
Financial instruments for which fair value is determined using the comparable approach also include equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, using, therefore, the so-called "relative" valuation models based on multipliers. Multipliers are used under the comparable companies' or comparable transactions' approach. In the former case, reference is made to a sample of comparable listed companies, therefore the stock prices from which the multiples to measure the investment are deducted. In the latter case, reference is made to the trading prices of the market related to comparable companies registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions.
Finally, loans also fall under the financial instruments whose fair value is determined using the comparable approach. In particular, for medium- and long-term assets and liabilities measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach, in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount future cash flows.
The calculation of the fair value of certain types of financial instruments is based on valuation models which consider parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator (level 3). In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:
- the development of future cash-flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured under the Mark-to-Model Approach:
- debt securities and complex credit derivatives (CDOs) included among structured credit products and credit derivatives on index tranches;
- hedge funds not included in level 1;
- shareholding and other equities measured using models based on discounted cash flows;
- other loans, of a smaller amount, classified in the available-for-sale portfolio;
- derivative transactions relating to securitisations and equity-risk structured options.

The fair value of debt securities and complex credit derivatives (funded and unfunded CDOs) is determined based on a quantitative model which estimates losses on collateral with a simulation of the relevant cash flows which uses copula functions. The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default - derived from market spreads, recovery rates, the correlation between the value of collaterals present in the structure and the expected residual life of the contract. In order to incorporate high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters. On the basis of this valuation, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis, condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.), are summarised in an indicator representing credit quality on which downgrades depend, so as to proceed to a consistent adjustment in the valuation. Finally, for this class of products, management has the possibility to decide a further adjustment which must be based on prices observed from counterparties and on expert opinions.
With respect to credit derivatives on index tranches, off-the-run series are valued at level 3 when no reliable and verifiable quotes are available from the Risk Management Department. Fair value is determined based on the quotes of series being issued, adjusted to reflect the different underlying.
The fair value of hedge funds is determined by reducing the operating NAV provided by the Fund Administrator, by an amount deriving from an individual measurement process of the counterparty risk (being the risk associated with the credit quality of the fund's prime brokers[1]) and the liquidity risk (which occurs when the assets in which the fund is invested become so illiquid that they cast doubts as to the validity of the valuation process).
Equities to which the "relative" models indicated with respect to level 2 are not applied are valued using "absolute" valuation models. In particular, these models are based on flows which substantially anticipate the measurement of the security value by estimating the cash flows it can generate over time, discounted using a rate that is in line with the risk level of the instrument, equity models or equity-income models.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.
The valuation process of financial instruments ("Fair Value Policy") entails the following phases:

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

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

The fair value policy also provides for adjustments to reflect the model risk and other uncertainties relating to valuation. In particular, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. Indeed, it is possible that models which price elementary instruments with the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shift), and periodically reviewed. These fair value adjustments, due to model risks, are part of a Mark to Market Adjustment Policy adopted for the purpose of considering, in addition to model risk described above, also other factors eligible to influence valuation and essentially attributable to:
– high and/or complex risk profile;
– position illiquidity determined by temporary or structural market conditions or in relation to the entity of exchange values held (in case of excessive concentration);
– valuation difficulties due to the lack of liquid and observable market parameters.

Fair value hierarchy

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

(millions of euro)

Financial assets / liabilities at fair value	30.06.2011			31.12.2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	21,696	37,787	1,072	24,649	45,783	1,464
2. Financial assets designated at fair value through profit or loss	29,719	6,340	244	28,746	6,576	228
3. Financial assets available for sale	62,316	5,087	1,588	54,308	5,655	1,856
4. Hedging derivatives	-	5,054	4	-	7,368	3
Total	**113,731**	**54,268**	**2,908**	**107,703**	**65,382**	**3,551**
1. Financial liabilities held for trading	5,653	31,990	572	4,015	40,213	815
2. Financial liabilities designated at fair value through profit or loss	3,929	20,800	-	3,722	22,422	-
3. Hedging derivatives	-	5,269	-	-	5,884	-
Total	**9,582**	**58,059**	**572**	**7,737**	**68,519**	**815**

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

As shown in the table, level 3 instruments, which have more discretion in fair value measurement, still account for a limited portion of the financial instruments portfolio and the relevant balances were down on those at 2010 year end. Conversely, almost 70% of the financial assets measured at fair value are determined based on market prices (no discretion).

The decrease in assets/liabilities held for trading, mainly concentrated in level 2, in the first half of 2011 assumed significant proportions and is largely attributable to derivatives. The increase in level 1 financial assets available for sale was attributable to the purchase of quoted bonds.

In general, in the first half of 2011 no transfers of significant amounts between the various levels were recorded for financial assets and liabilities at fair value.

The sensitivity analysis of level 3 financial assets and liabilities shows a 18 million euro[2] decrease in fair value due to complex credit derivatives, when the following parameters change:

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

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

STRUCTURED CREDIT PRODUCTS

During the first half of 2011, the total risk exposure to structured credit products fell considerably following the repayment of certain assets held in portfolio. This drop can be ascribed to the portfolio management strategy focused on gradually reducing exposure to the portion held in assets originated in the United States, and at the same time repositioning towards Asset Backed products with European underlyings, particularly assets originated in Italy. During the first half of 2011 the positive trend in the secondary market continued, with a consequent beneficial impact on the value of structured credit products, which contributed 45 million euro to the half year result.

The overall risk exposure of structured credit products rose from 3,715 million euro as at 31 December 2010 to 2,974 million euro as at 30 June 2011, in addition to an exposure of 61 million euro in connection with packages (87 million euro as at 31 December 2010). The considerable decrease in exposure in the first half of 2011 is due to the total/partial repayment of assets held in portfolio. In particular, June 2011 saw the settlement of two unfunded positions included in the "Other structured credit products – unfunded Super Senior CDOs" aggregate for a notional value of approximately 500 million euro.

As at 30 June 2011, 6% of the outstanding positions were affected by a reduction in creditworthiness. The slight increase over the 4% as at 31 December 2010 can be attributed to unfunded positions originated in the United States. The situation of the structured credit product portfolio at the end of the first half of 2011 is described by the following indicators:

- 78% of exposure was Investment Grade, compared to 80% as at 31 December 2010 – this decrease is due to the closure of unfunded positions with an AA/A rating;
- 47% had an AAA rating;
- 22% had a BBB rating or less, compared to 20% as at 31 December 2010;
- 11% of the exposure had a pre-2005 vintage[3];
- 35% has a 2005 vintage;
- only 7% of the exposure related to the US Residential segment, and 20% to the US Non-Residential segment;
- the remaining exposure (73% of the total) is 69% European.

In terms of underlying contract types, slightly less than half the exposure consisted of CLOs (31%) and CDOs (18%); the rest was almost entirely made up of ABSs (13%, down due to the closure of certain unfunded positions) and RMBSs (32%), with CMBSs representing 6% of the total.

As concerns valuation methods, of "long" positions, approximately 39% are measured using the mark-to-model (100% of unfunded positions, 29% of funded positions, 100% of the monoline risk and the non-monoline "packages"), 49% with the comparable approach (57% of funded positions) and 12% are measured using effective market quotes (14% of funded positions). Of the "short" positions, 59% are measured using the mark-to-model (100% of unfunded positions and 100% of positions of funds) and 41% 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 30 June 2011 and income statement captions (sum of realised charges and profits, write-downs and write-backs) in the first half of 2011, compared with the corresponding values recorded as at 31 December 2010.

Table (b) sets out figures related to structured packages, normally made up of a 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 security hedged.

Values expressed in USD as at 31 December 2010 were translated at an exchange rate of 1.3362 euro, and as at 30 June 2011 at an exchange rate of 1.4453 euro.

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

Structured credit products: summary tables

a) Exposure in funded and unfunded ABS/CDOs

(millions of euro)

Financial assets held for trading	30.06.2011		31.12.2010	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement** Profits (Losses) on trading
US subprime exposure	**22**	**4**	**24**	**1**
Contagion area	**125**	**3**	**140**	**19**
- Multisector CDOs	49	-3	61	-4
- Alt-A	-	-	-	-
- TruPS	76	6	79	23
- Prime CMOs	-	-	-	-
Other structured credit products	**900**	**24**	**1,298**	**40**
- European/US ABS/CDOs	749	8	607	3
- Unfunded super senior CDOs	168	12	672	26
- Other unfunded positions	-17	4	19	11
Total	**1,047**	**31**	**1,462**	**60**
in addition to:				
Positions of funds	-	-3	-	16
Total Financial assets held for trading	**1,047**	**28**	**1,462**	**76**

Loans	30.06.2011		31.12.2010	
	Risk exposure (**) (including write-downs and write-backs)	**Income Statement**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement**
US subprime exposure	**3**	**-**	**3**	**-**
Contagion area	**66**	**-**	**89**	**-**
- Multisector CDOs	10	-	15	-
- Alt-A	37	-	49	-
- TruPS	-	-	-	-
- Prime CMOs	19	-	25	-
Other structured credit products	**1,858**	**8**	**2,161**	**7**
- Funded European/US ABS/CDOs	1,266	-1	1,253	3
- Funded super senior CDOs	572	9	777	8
- Other Romulus funded securities	20	-	131	-4
Total	**1,927**	**8**	**2,253**	**7**
in addition to:				
Positions of funds	-	-	-	-
Total Loans	**1,927**	**8**	**2,253**	**7**
TOTAL	**2,974**	**36**	**3,715**	**83**

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

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

b) Exposure in packages

(millions of euro)

	30.06.2011		31.12.2010	
	Credit exposure to monoline insurers (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading	**Credit exposure to monoline insurers** (CDS fair value post write-down for CRA)	**Income Statement** Profits (Losses) on trading
Monoline risk	28	8	17	19
Non monoline packages	33	1	70	1
TOTAL	**61**	**9**	**87**	**20**

From an income statement perspective, structured credit products generated a net income of +45 million euro as at 30 June 2011 compared to 103 million euro for 2010.
The exposure in funded and unfunded ABSs/CDOs had an effect on “Profits (Losses) on trading – Caption 80” of +28 million euro. The profit on this segment was a result of the effects of:
– unfunded Super Senior CDO positions included in “Other structured credit products” (+12 million euro as at 30 June 2011); the profit in this segment was generated as a result of the improvement in spreads on the European and US secondary markets and of the limited downgrade/default impact;
– European and US funded ABSs/CDOs (+8 million euro) and other unfunded positions (+4 million euro), also included in the area "Other structured credit products";
– the US Subprime exposure (+4 million euro), entirely attributable to unfunded positions included in the segment;
– instruments included in the “Contagion area”; in particular the TruPS recorded a positive 6 million euro result and the Multisector CDO positions made a negative contribution of 3 million euro, which deteriorates further if the positions in funds attributable to this sector are considered (-3 million euro).

The securities reclassified to the loan portfolio showed an overall impact on the income statement of 8 million euro as at 30 June 2011. This figure was made up of the following:
– 3 million euro loss from the impairment of a security included in the portfolio of the Romulus vehicle;
– 11 million euro gain from the market sale of positions in reclassified debt securities, including 7 million euro attributable to the subsidiary Banca IMI and 4 million euro to the Parent Company.

As at 30 June 2011 the loan portfolio contained ABSs issued by parties resident in EU countries in situations of financial difficulty (known as “PIGS”). In particular, these consist of:
– 158 million euro in nominal value of securities issued by parties resident in Spain; as at 30 June 2011 these securities had a book value of 144 million euro and a fair value of 110 million euro;
– 39 million euro in nominal value of securities issued by parties resident in Portugal; as at 30 June 2011 these securities had a book value of 35 million euro and a fair value of 27 million euro;
– 13 million euro in nominal value of securities issued by parties resident in Greece; as at 30 June 2011 these securities had a book value of 12 million euro and a fair value of 9 million euro;
– 2 million euro in nominal value of securities issued by parties resident in Ireland; as at 30 June 2011 these securities had a book value of 2 million euro and a fair value of 1 million euro.

The “Monoline risk” and “Non-monoline packages” made a positive contribution of 9 million euro as at 30 June 2011, compared to +20 million euro recorded at the end of 2010.
It should be noted that the "Structured credit products" aggregate was identified in 2007, immediately following the outbreak of the "subprime phenomenon" and, in disclosure to the market, has been kept essentially constant.
As at 30 June 2011, the aggregate included bonds reclassified as loans, which are summarised in the tables below.

(millions of euro)

	Nominal value	**Risk exposure** (*) (including write-downs and write-backs)	**Fair value as at 30.06.2011**	**Benefit from the reclassification as at 30.06.2011**	**Effect on Shareholders' Equity**
Reclassified securities:					
- from financial assets available for sale to loans	159	85	68		17
- from financial assets held for trading to loans	1,760	1,653	1,501	152	
Total Securities reclassified to loans	**1,919**	**1,738**	**1,569**	**152**	**17**
Securities classified under loans from inception	195	189			
Total securities classified under loans from inception	**195**	**189**			
TOTAL LOANS	**2,114**	**1,927**	**1,569**	**152**	**17**

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

(millions of euro)

Negative economic effect without reclassification for 2008	-299
Negative economic effect without reclassification for 2009	-7
Positive economic effect without reclassification for 2010	117
Positive economic effect without reclassification for 2011	37
BENEFIT FROM THE RECLASSIFICATION AS AT 30.06.2011	**-152**

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 (raising funds on the market, acquiring/selling/managing assets, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions or managing credit risk inherent in an entity's portfolio).
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases the Bank is the sponsor and establishes a SPE to achieve one of the objectives cited above. There have not been any changes in the consolidation criteria compared to those reported in the 2010 financial statements.

Funding SPEs

These are entities established 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.
There were no significant changes with respect to the data and information reported as at 31 December 2010.

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. The latter retain the majority of the risks and rewards of the companies in question and, as a consequence, are consolidated pursuant to IAS 27/SIC 12.
Compared to the figures as at 31 December 2010 there was a decrease in investments in bonds and liquidity to 60% (64% at the end of the previous year), offset by an increase in corporate bond investments (from approximately 12% to around 16%).

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 resources 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, which are part of the scope of consolidation as at 30 June 2011, are the same reported in the financial statements as at 31 December 2010. With particular reference to the vehicle Adriano Finance S.r.l., note the early unwinding of the Series 2 self-securitisation in May 2011, completed on retrocession of the mortgage portfolio to the Parent Company Intesa Sanpaolo and full repayment of the subordinated loan granted for 50 million euro and of the Class A notes. The Class B notes were partly redeemed, given the lower value of the mortgage portfolio as at the date of settlement.
The securitised assets of vehicles in this category are represented by performing mortgages, non-performing mortgages and lease-related performing mortgages. For the Augusto, Colombo and Diocleziano vehicles the assets were made up of land financing or receivables for public works.
With regard, on the other hand, to the vehicles ISP CB Pubblico S.r.l. and ISP CB Ipotecario S.r.l., SPE used to support the covered bond issue programme there were three covered bond issues during the first half of 2011:

- the first, for an amount of 1.5 billion euro, was issued under the Issue Programme for a maximum amount of 10 billion euro backed by public sector loans sold by Banca Infrastrutture Innovazione e Sviluppo to ISP CB Pubblico S.r.l.. This issue, which was completed in January and has a 10-year maturity, is targeted at institutional investors and financial intermediaries and is listed on the Luxembourg Stock Exchange;
- the second, for an amount of 2.4 billion euro, was issued, like the first, under the Issue Programme for a maximum amount of 10 billion euro backed by performing public sector loans sold by BIIS to ISP CB Pubblico S.r.l.. The bonds issued, with a floating rate linked to the 6-month Euribor plus spread, were fully subscribed by BIIS, which allocated them as security for its funding at the European Central Bank, through transactions carried out via the Parent Company;
- the third, for an amount of 2.5 billion euro, was issued under the Issue Programme for a maximum amount of 20 billion euro backed by triple-A-rated securitised securities (RMBS), with underlying composed of Italian residential mortgage loans originated by Intesa Sanpaolo, which were sold by the latter to the vehicle ISP CB Ipotecario S.r.l.. This issue, which was completed in February and has a maturity of 5.5 years, is targeted at institutional investors and institutional financial intermediaries and is listed on the Luxembourg Stock Exchange.

Regarding the ISP CB Ipotecario S.r.l. vehicle, with effect from 27 June 2011 in economic terms, the Parent Company Intesa Sanpaolo sold a portfolio of residential mortgages to the vehicle at a sale price of 2,319 million euro, paid to the transferor through a subordinated loan disbursed for that amount in July.
As also already noted in the financial statements as at 31 December 2010, Intesa Sanpaolo controls, pursuant to SIC 12, the vehicles Romulus Funding Corporation and Duomo Funding Plc.. Compared to the situation described at the end of 2010:

- there was a sale at fair value to Intesa Sanpaolo, completed at the beginning of March 2011, of part of the securities held by Romulus that were included within the scope of structured credit products. At the end of the first half these securities had a nominal value of 123 million euro and were recognised in the consolidated financial statements with a book value of

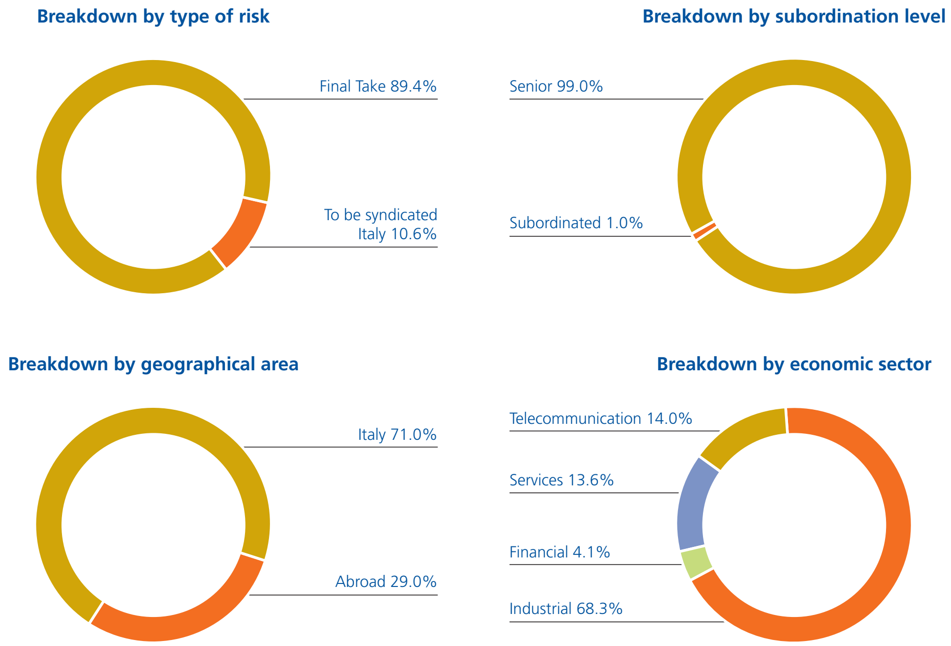
114 million euro. One of these securities was subject to impairment losses, during the first half of 2011, amounting to 3 million euro, which were recognised under "Net adjustments to loans – caption 130";
– with regard to the breakdown by rating of the assets portfolio held by the vehicle, the increase in assets with a rating in the range Aa3 to Aa1 (from 49% in December 2010 to approximately 59% in June 2011) and, at the same time, a decrease in the percentage of unrated assets (from around 49% in December 2010 to 32% in June 2011);
– regarding the liquidity lines granted to the Romulus vehicle, a decrease in the loan facility from 294 million euro (as at 31 December 2010) to 112 million euro, bringing the amount used to a nil value;
– the decrease in the total letter of credit granted to the vehicle by ISP from 78 million euro to 44 million euro.

The self-securitisations carried out through the vehicle SPQR II S.r.l. were closed ahead of the due date during the first half of 2011, through the sale to Banca Infrastrutture Innovazione e Sviluppo of the entire portfolios underlying the CBO 1 and CBO 2 securitisations and redemption of the senior and junior bonds issued, which were entirely held by BIIS. Subsequently, BIIS sold the securities repurchased to the vehicle ISP CB Pubblico S.r.l. to proceed with the second of the three covered bond issues reported above.

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.
As at 30 June 2011, the situation of the only vehicle of this kind controlled by Intesa Sanpaolo, Intesa Investimenti S.p.A., was exactly that described as at 31 December 2010. The Lunar Funding vehicle is still included in the scope of consolidation.

Other unconsolidated Special Purpose Entities
With regard to the other unconsolidated SPEs (Project Financing, Asset Backed and Credit Derivatives) reference should be made to the Financial statements as at 31 December 2010. For the Asset Backed SPEs in which the Group has the majority of voting rights, held by just one international subsidiary, total assets fell to 47 million euro (76 million euro in December 2010). In fact, almost all the SPEs in this category were merged by incorporation into the subsidiary holding the related equity investments.
For operations involving the vehicles used for Leveraged & Acquisition Finance transactions a description is provided in the sections below.

LEVERAGED FINANCE TRANSACTIONS
Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These are mainly positions in support of Leveraged Buy Out projects (therefore with high financial leverage), i.e. linked to the full or part acquisition of companies through recourse to SPEs created for this purpose. After acquisition of the target company's securities package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.
None of these SPEs is consolidated, since the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.
As at 30 June 2011, 116 transactions for a total amount granted of 4,388 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 fund portfolio as at 30 June 2011 totalled 688 million euro, compared to the 814 million euro recorded at the end of 2010. As at the same date, there was an overall loss of 24 million euro, compared to the 26 million euro profit recorded in the first half of 2010 and 84 million euro profit at the end of the previous year.
The 24 million euro net loss recognised as at 30 June 2011 under "Profits (Losses) on trading – caption 80" included:

– 4 million euro net losses for the first half on trading of funds (including -1 million euro in the structured credit products disclosure);
– 16 million euro from net write-downs of positions remaining at the end of the half year (including -2 million euro in the structured credit products disclosure);
– 4 million euro related to other net charges.

Net capital losses on the final residual amount (-16 million euro) were spread across 42 positions, 19 of which with capital losses (-32 million euro) and 23 with capital gains (16 million euro).
The figures for this half year should be considered in light of the negative contingent economic scenario that has resulted in a general weakening, especially in the financial and energy sectors, which until the end of last year had recorded excellent performances. In fact, a comparison of the results for this half year with those for the same period in 2010 shows that the negative portfolio performance is mainly attributable to the few positions that had invested in the aforementioned sectors and which have suffered strong capital losses. The performance of the remaining positions was again relatively stable.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering only relations with customers, as at 30 June 2011, the Intesa Sanpaolo Group presented, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), a positive fair value, considering netting agreements, of 2,409 million euro (3,268 million euro as at 31 December 2010). The notional value of such derivatives totalled 44,189 million euro (45,875 million euro as at 31 December 2010). Of these, notional value of plain vanilla contracts was 36,051 million euro (35,054 million euro as at 31 December 2010), and of structured contracts was 8,138 million euro (10,821 million euro as at 31 December 2010).
Please note that the fair value of structured contracts outstanding with the 10 customers with the highest exposures was 224 million euro (309 million euro as at 31 December 2010). The same indicator, referred to the total contracts with a positive fair value, was 1,021 million euro.
Conversely, the negative fair value determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 642 million euro as at 30 June 2011 (552 million as at 31 December 2010). The notional value of such derivatives totalled 17,033 million euro (13,157 million euro as at 31 December 2010). Of these, notional value of plain vanilla contracts was 15,939 million euro (11,576 million euro as at 31 December 2010), and of structured contracts was 1,094 million euro (1,581 million euro as at 31 December 2010).
The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Credit Risk Adjustment"). With regard to contracts outstanding as at 30 June 2011, this led to a positive effect of 25 million euro being recorded under "Profits (Losses) on trading" in the income statement.

As concerns the means of calculation of the aforesaid Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see the specific paragraphs in this chapter.
Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.

OPERATIONAL RISK

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual, out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has for some time defined the overall operational risk management framework by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.
As already noted, effective from the report at 31 December 2009, the Group was authorised by the Supervisory Authority to use the Advanced Measurement Approach (AMA – internal model) to determine capital requirements for operational risk on an initial scope that includes the Banks and Companies of the Banca dei Territori Division (excluding the network banks belonging to Cassa di Risparmio di Firenze Group, but including the Casse del Centro banks), Leasint, Eurizon Capital and VUB Banka. Effective 31 December 2010, the Group was also authorised to extend advanced approaches to a second set of Organisational Units and Companies of the Corporate and Investment Banking Division, in addition to Setefi, to the remaining banks of the Cassa di Risparmio di Firenze Group and to PBZ Banka. The remaining companies, currently using the Standardised approach (TSA) or Basic Indicator Approach (BIA), will migrate progressively to the Advanced approaches starting from the end of 2011, based on the gradual roll-out plan presented to the Management and Supervisory Authorities.
The control of operational risk was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is responsible for the approval and supervision of the policies and for their functionality in terms of the efficiency and effectiveness of the risk management and control system.
The tasks of the Group Compliance and Operational Risk Committee include periodically reviewing the Group's overall operational risk profile, authorising any corrective measures, coordinating and monitoring the effectiveness of the main mitigation activities and approving operational risk transfer strategies.

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

The Self-assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.
The process of collecting data on operational events (in particular operational losses, obtained from both internal and external sources) provides significant information on the exposure. It also contributes to building knowledge and understanding of the exposure to operational risk, on the one hand, and assessing the effectiveness or potential weaknesses of the internal control system, on the other hand.
The internal model for calculating capital absorption is conceived in such a way as to combine all the main sources of quantitative (operational losses) and qualitative information (self-assessment).
The quantitative component is based on an analysis of historical data concerning internal events (recorded by organisational units, appropriately verified by the central function and managed by a dedicated IT system) and external events (the Operational Riskdata eXchange Association).
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by management (subsidiaries, Parent Company's business areas, the Corporate Centre) with the objective of assessing the potential economic impact of particularly serious operational events. Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst loss); Capital-at-risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied on quantitative data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%; the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the business environment, to take account of the effectiveness of internal controls in the various organisational units.
Operational risks are monitored by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.
In order to support the operational risk management process on a continuous basis, a structured training programme was fully implemented for employees actively involved in the process of managing and mitigating operational risk.
In addition, the Group has activated a traditional operational risk transfer policy (to protect against offences such as employee disloyalty, theft and theft damage, cash and valuables in transit losses, computer fraud, forgery, earthquake and fire, and professional liability), which contributes to mitigating exposure to operational risk, although it does not have an impact in terms of capital requirements, as the insurance mitigation component of the internal model has not yet been submitted for regulatory approval.

To determine its capital requirements, the Group employs a combination of the methods allowed under applicable regulations. The capital absorption resulting from this process amounts to approximately 2,180 million euro as at 30 June 2011 (2,174 million euro as at 31 December 2010).

Legal risks

Legal risks have been thoroughly and individually analysed by the Parent Company and Group companies. Provisions have been made to the Allowances for risks and charges when there are legal obligations that are likely to result in a financial outlay and where the amount of the disbursement may be reliably estimated.
During the period, no new significant legal procedures were commenced or important developments took place with respect to those underway.
Reference should be made to the Notes to the 2010 consolidated financial statements for a detailed description of litigation regarding anatocism and bonds in default, the insolvency of the Cirio Group, the tax-collection litigation with former Gest Line, the litigation between Banca Infrastrutture Innovazione e Sviluppo and the Municipality of Taranto, the class actions by Codacons and Altroconsumo, the Angelo Rizzoli litigation, the Allegra Finanz AG litigation, other judicial and administrative proceedings at the New York branch in relation to alleged embargo violations and labour litigation.
With regard to the Altroconsumo class action, it should be noted that, by order filed on 28 April 2011, the Court of Turin, having rejected the objections of unconstitutionality raised by the plaintiffs, declared the class action as inadmissible. This decision was challenged by the consumer association before the Court of Appeal. The hearing to discuss the merits will be held in September.

Tax litigation

The Notes to the 2010 consolidated financial statements (Part E) provide extensive information on pending tax litigation and the related risks and provisions.
On that occasion, particular reference was made to the assessment notice served upon Intesa Sanpaolo regarding the 2005 tax year, amongst other things including the alleged "misuse of a right" on structured financing transactions involving the shares of companies listed in Italy, amounting to a total of 377 million euro in IRES, IRAP, withholding tax, penalties and interest. The Bank appealed against this demand before the relevant Provincial Tax Committee.
In May this year the Tax Police of the Milan Guardia di Finanza began a tax inspection into Intesa Sanpaolo with regard to any transactions of this kind executed in 2006 and later years. This inspection is still in progress.
During the first half of 2011 the same Tax Police squad issued reports of findings against Intesa Sanpaolo and other companies in (or formerly of) the Group in relation to transactions under repurchase agreement in foreign bonds completed in the period 2006 to 2009, which generated credits for taxes prepaid in other countries and which the inspectors believe were not due as a result of alleged misuse of a right. The tax benefit challenged totals approximately 119 million euro, of which 72 million euro for Intesa Sanpaolo and 47 million euro referring to other companies in (or formerly of) the Group and for which the Bank has issued waiver of liability in the related disposal documents.
No specific provision has been allocated in relation to the tax demands as the expected result of any litigation that might arise is currently viewed as positive.

INSURANCE RISKS

Life business

The typical risks of a life insurance portfolio can be divided into three main categories: premium risk, actuarial and demographic risks and reserve risk.

Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on the sustainability and profitability (both at product level and at portfolio level, including liabilities).

Actuarial and demographic risks are guarded against by a regular statistical analysis of the evolution of liabilities, divided by type of risks and through simulations of expected profitability on the assets which cover technical reserves.

Reserve risk is managed through the exact calculation of mathematical reserves, with a series of detailed checks as well as overall verifications, by comparing results with the estimates produced on a monthly basis.

The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

Non-life business

The risks of the non-life insurance portfolio are essentially premium risk and reserve risk.

Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).

Reserve risk is guarded against through the exact calculation of technical reserves.

Financial risks

In line with the growing focus in the insurance sector on the issues of value, risk and capital in recent years, a series of initiatives has been launched with the objective of both strengthening risk governance and managing and controlling financial risks.

With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Finance Policy is the main control and monitoring instrument for market and credit risks.

The Policy defines the goals and the operating limits that are needed to distinguish the investments in terms of eligible assets and asset allocation, breakdown by rating classes and credit risk, concentration risk by issuer and sector, market risks, in turn measured in terms of sensitivity to variations in risk factors and Value at Risk on a 1-year holding period.

Investment portfolios

The investments of the insurance companies of Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Eurizon Vita, Sud Polo Vita, Centrovita and Fideuram Vita) are made with their free capital and to cover contractual obligations with customers. These essentially refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.

As at 30 June 2011, the investment portfolios of Group companies, recorded at book value, amounted to 79,482 million euro; of these, the share regarding traditional revaluable life policies, non-life policies and free capital (Class C portfolio or portfolio at risk) amounted to 45,929 million euro, while the other component (Class D portfolio or portfolio with total risk retained by the insured) mostly comprised investments related to pension funds, index- and unit-linked policies and totalled 33,553 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets included in the "portfolio at-risk".

In terms of breakdown by asset class, net of derivative positions, 93.2% of assets, i.e. approximately 42,918 million euro, were bonds, while assets subject to equity risk represented 2% of the total and amounted to 896 million euro. The remaining part (2,220 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (4.8%).

The carrying value of derivatives came to approximately -105 million euro, almost entirely relating to hedging derivatives, with effective management derivatives[4] only amounting to around -10 million euro.

At the end of the first half of 2011, investments of Intesa Sanpaolo Vita, Eurizon Vita, Sud Polo Vita, CentroVita and Fideuram Vita free capital amounted to approximately 2,336 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) equal to approximately 81 million euro.

The modified duration of the bond portfolio, or the synthetic financial term of assets, is approximately 5.5 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of approximately 5.7 years. The related portfolios of assets have a modified duration of around 5.1 years.

The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 2,209 million euro. On the basis of this hypothetical scenario, the value of hedging derivatives in the portfolio undergoes an approximate 99 million euro rise which partly offsets the corresponding loss on the bonds.

The investment portfolio had a high credit rating. AAA/AA bonds represented approximately 77.4% of total investments and A bonds approximately 10.2%. Low investment grade securities (BBB) were approximately 4.4% of the total and the portion of speculative grade or unrated was minimal (approximately 1.2%).

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central banks approximately made up 69.5% of the total investments, while financial companies (mostly banks) contributed almost 19.7% of exposure and industrial securities made up approximately 4%.

At the end of the first half of 2011, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 2,463 million euro, with 1,995 million euro due to government issuers and 468 million euro to corporate issuers (financial institutions and industrial companies).

[4] ISVAP Regulation 36 of 31/01/2011 on investments defines effective management derivatives as all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

Shareholder base, transactions with related parties and other information

Shareholder base

Following completion of the capital increase resolved by Intesa Sanpaolo's Shareholders' Meeting of 10 May 2011, according to records in the Shareholders' Register and the most recent available information as at 30 June 2011, shareholders with stakes exceeding 2% – threshold that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (art. 120 of the Consolidated Law on Finance "TUF") – are as follows.

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

(*) held directly or indirectly.

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

(***) held as assets under management.

Transactions with related parties

Procedural features

In implementation of Consob Resolution 17221 as amended, on 26 November 2010 the Management Board and the Supervisory Board – after obtaining the Control Committee's favourable opinion – approved the "Intesa Sanpaolo Group Regulations on the management of transactions with related parties".

These Regulations, which came into full force from 1 January 2011, set forth criteria for the entire Group for identifying related parties, assessing and approving transactions, and subsequently providing information to Corporate bodies and to the market.

In accordance with the criteria established by the Supervisory Authority, under the new Regulations the following are considered related parties of Intesa Sanpaolo: subsidiaries and associates, joint ventures, pension funds of the Group, shareholders holding an interest of over 2% in the Bank's voting capital and relative corporate groups, key managers, close family members of key managers and related significant shareholdings.

In this regard, it has been decided that the category of Key Managers will include not only Management and Supervisory Board Members but also General Managers, the Manager responsible for preparing the Company's financial reports, the Heads of business units, the Heads of governance areas, the Heads of head office Departments that report directly to the CEO and to the Chairman of the Management Board, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic Operations and Special Projects.

As far as shareholders are concerned, the Bank confirmed the decision taken in 2008 to extend application of the rules. This approach allows closer monitoring of transactions with the main shareholders, by subjecting them to the same requirements for assessment, approval and subsequent disclosure to the Corporate bodies and the market as for transactions with related parties.

The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with related parties of Intesa Sanpaolo, to ensure appropriateness of the transactions. The Regulations also require detailed examination of the reasons and interests behind the transactions and their effects on the Bank's financials.

With regard to decision-making, the procedure in the new Regulations distinguishes between:

- transactions for smaller amounts, excluded from application of the regulations;
- transactions of lesser importance, equal to or greater than the small-amount thresholds (250,000 euro for individuals, 1 million euro for entities connected to managers with strategic responsibilities, 5 million euro for significant shareholders and related corporate groups, associates and pension funds, and 20 million euro for subsidiaries);
- transactions of greater importance, if they exceed the threshold of 5% of the indicators defined by Consob (approximately 2 billion euro for Intesa Sanpaolo);
- strategic transactions pursuant to the Articles of Association;
- transactions attributed to the shareholders' meeting.

An important role is reserved in the approval process for the Related Party Transactions Committee, which has been established within the Supervisory Board and is composed of 3 effective members and one alternate, who meet the independence

requirements laid down in the Corporate Governance Code of Listed Companies. The Related Party Transactions Committee can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party.
All transactions – that are not minor and not exempt – undertaken by the Parent Company with one of its related parties are subject to approval by the Management Board upon recommendation by the Related Party Transactions Committee, and, for strategic transactions, authorisation of the Supervisory Board is also required.
For transactions undertaken by subsidiaries with related parties of Intesa Sanpaolo, the Regulations require these transactions to be approved, subject to authorisation from the Parent Company, by the Board of Directors of the subsidiaries concerned. Each company may also choose to include specific internal control measures in its own decision-making process that can also cover transactions carried out by the company with its "own related parties".
The Regulations also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with related parties completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts equal to or greater than the thresholds of lesser importance. Bank funding transactions and intragroup loans are excluded from this requirement, regardless of the amount, provided they are entered into with subsidiaries and no other related parties have any significant interests.
Finally, please note that if the related party also qualifies as a relevant person pursuant to art. 136 of the Consolidated Law on Banking the special decision-making procedure established under that law also applies. This requires the transaction to be submitted for prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.
In accordance with the abovementioned art. 136, anyone who carries out direction, administration or control functions at banks or companies that are part of the Banking Group cannot directly or indirectly enter into contracts which lead to obligations with the company they belong to or carry out financing transactions with another company or bank in the Banking Group without approval from the administrative and control bodies of the company or bank that is party to the contract; in these cases the contract or the act must be approved by the Parent Company. As provided for by Law 262/2005 and Legislative Decree 303/2006, the special decision-making procedure has also been applied to contracts entered into by the Bank or companies in the Banking Group with companies controlled by board members or companies in which board members have administration, direction or control functions. Moreover, it also applies to the controlling companies and controlled companies (unless the contracts which lead to the obligation are drawn up between companies belonging to the same Banking Group or refer to transactions on the interbank market).
Furthermore, the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors are confirmed, insofar as art. 2391 requires each Board Member to report every instance of interest possessed, on his/her own name or through third parties, that may be significant in carrying out his/her function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with related parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the board as per article 2391 of the Italian Civil Code.

Information on transactions with related parties

More significant transactions
During the first half of 2011 the Group did not carry out any transactions that qualified as non-ordinary "more significant transactions" at non-market or non-standard conditions that would have resulted – in accordance with the Group Regulations on the management of transactions with related parties of Intesa Sanpaolo – in an obligation to publish a market disclosure document.

Transactions of ordinary or recurrent nature
Ordinary or recurrent transactions entered into with related parties in the first half of 2011 fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above. Transactions with intragroup related parties or entities in which the Group holds most of the risks and rewards and that are consolidated in accordance with SIC 12 are not included in this report as they are netted at consolidated level.
Receivable and payable balances with related parties as at 30 June 2011 within the consolidated accounts, amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.
The scope of related parties considered for the tables in this section has been adjusted to take account of the revised version of IAS 24 and consequently, with effect from 1 January 2011, also includes the subsidiaries of the associates and the companies subject to joint control of Intesa Sanpaolo.

	30.06.2011	
	Amount (millions of euro)	**Impact** (%)
Total financial assets	8,599	1.5
Total other assets	92	0.6
Total financial liabilities	4,922	1.6
Total other liabilities	72	0.0

	30.06.2011	
	Amount (millions of euro)	**Impact** (%)
Total interest income	109	1.2
Total interest expense	-12	0.3
Total fee and commission income	32	1.0
Total fee and commission expense	-1	0.2
Total operating costs	-15	0.3

During the half year, there were no provisions for non performing loans related to balances with related parties and no losses were registered in the period in connection with uncollectible or non performing loans due from related parties, with the exception of 26.4 million euro related to associates (including the adjustment to the Risanamento convertible loan, described below). The Telecom measurement made by Telco for the financial statements as at 30 April 2011 involved an adjustment of Telco's recognition value in Intesa Sanpaolo's consolidated accounts from 371 to 244 million euro, with a 127 million euro write-down of the investment. Adjustments for 12.4 million euro were also made to other investments in associates (RCS Mediagroup, Noverca, Cargoitalia and other minority interests). Allowances for risks and charges include the provisions made against any outstanding or probable disputes.

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

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given/ received and commitments
Subsidiaries	1	-	-	-	-	7	2	20	15	1	4	4
Companies subject to joint control and related subsidiaries	9	-	17	-	-	102	1	-	12	-	13	20
Associates and related subsidiaries	141	-	208	-	40	2,677	-	7	282	149	1	2,430
Key Managers and control bodies	-	-	-	-	-	2	-	-	7	-	-	1
Other related parties	-	-	-	-	-	2	-	-	250	-	-	3
Total	**151**	**-**	**225**	**-**	**40**	**2,790**	**3**	**27**	**566**	**150**	**18**	**2,458**
Shareholders (*)	1,254	991	418	-	510	2,220	89	2,673	727	779	54	1,475

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

Relations between the Intesa Sanpaolo Group and Bank Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. For information concerning remuneration policies, including the information required by Consob Communication No. 11012984 of 24 February 2011, refer to the file "Report on Corporate Governance and Ownership Structures". In this respect, on 20 July 2011 the Intesa Sanpaolo Supervisory Board - upon proposal of the Management Board - approved the Group's new remuneration policies. These policies adopt the regulations recently issued by the Bank of Italy on this matter, within the established deadline of 31 July 2011.
Concerning transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.
The Group's most significant associates – and the companies controlled by them – are Telco, Telecom, Autostrada BS-VR-VI-PD (Serenissima), the NH Hoteles Group, Bank of Qingdao, Alitalia - Compagnia Aerea Italiana, Penghua Fund Management, SIA-SSB, RCS Mediagroup, Pirelli & C., Nuovo Trasporto Viaggiatori and Autostrade Lombarde. With regard to this category, please note that, with effect from 1 January 2011, the revised version of IAS 24 also includes the subsidiaries of the associates as related parties.
The joint ventures of the period include Allfunds Bank SA.

The category "Other related parties" includes the Bank's pension funds, the close relatives of managers and entities controlled by them.

Less significant transactions

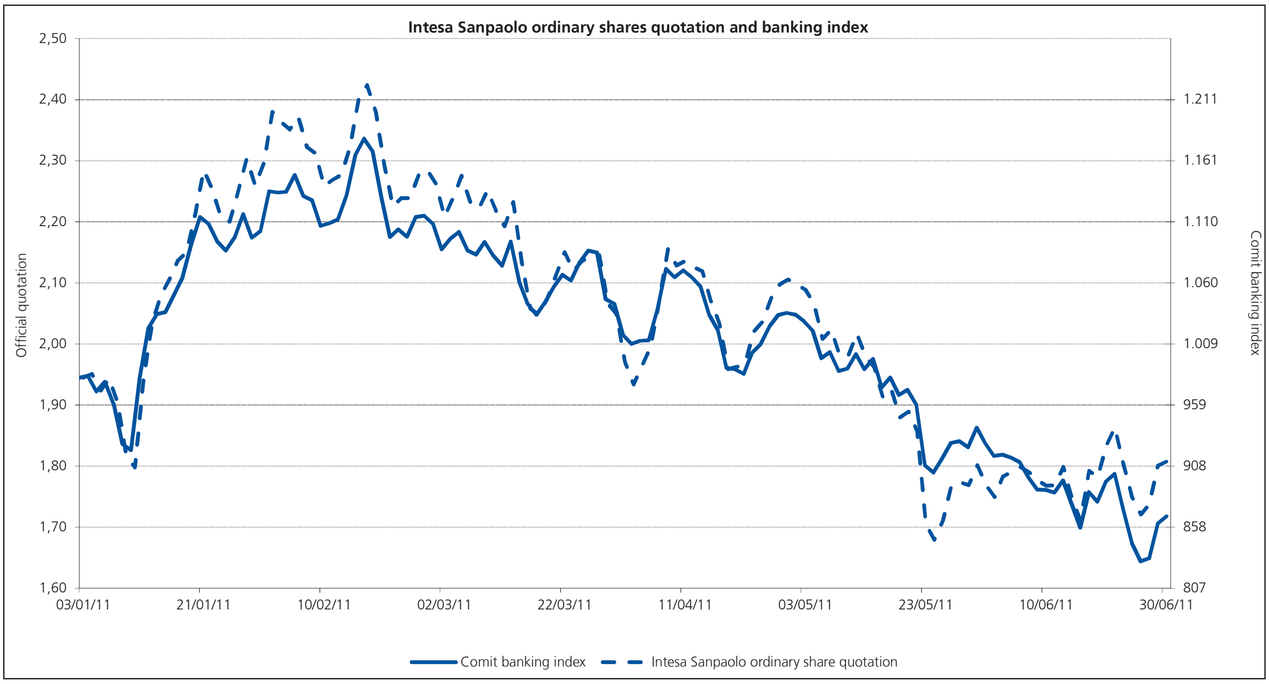
The most notable less significant transactions concluded during the first half of 2011 by the Parent Company or subsidiaries with related parties are reported below.
Transactions during the period undertaken with bank managers, their close family members and entities controlled by them, were attributable to the Intesa Sanpaolo Group's normal operations and were fully compliant with applicable legislation.
During the period, the Group granted credit facilities to the Group's Pension Funds, at market conditions, in order to support ordinary operations.

Specific transactions

The Group's most significant dealings with associates and companies controlled by associates during the period included loans granted to Pirelli & C, the NH Hoteles Group, Iren, Società di Progetto Autostrada diretta Brescia-Milano Telco, Telecom Italia, RCN Finanziaria/Pietra/ISM Investimenti, Prelios, RCS Mediagroup, Infragruppo and other minor associates, all with interest terms in line with market interest rates. Share capital increases were subscribed with respect to Autostrada BS-VR-VI-PD (Serenissima), Cargoitalia, the Noverca Group, GCL Holdings Sarl and other minor associates.
Last February, as part of a plan to limit the company's exposure with respect to the banking system, Intesa Sanpaolo subscribed the capital increase of Risanamento, partly in cash and partly through the assignment of loans, for a total amount of 81.7 million euro, at 0.28 euro per share. Following this transaction, the company's investment amounted to approximately 36%. Subsequently, in June, Intesa Sanpaolo signed, on a proportional basis, a convertible loan for 151.7 million euro, against voluntary offsetting of pre-existing loans for an equal amount, adjusted during the first half year by 6.3 million euro.
With respect to transactions with Shareholders with stakes exceeding 2% of the Bank's voting capital (to which the provisions governing transactions with related parties were extended as a form of self-regulation, subjecting them to the same assessment and approval procedure as applied to transactions with related parties), on 22 June 2010, Intesa Sanpaolo and Crédit Agricole finalised the terms and conditions underlying the agreement disclosed on 18 February 2010, providing for the sale by Intesa Sanpaolo to the Crédit Agricole Group of the entire investment held through the subsidiary Cassa di Risparmio di Firenze in Cassa di Risparmio della Spezia (80% of share capital) and 96 branches of the Group located throughout Italy against a total consideration of approximately 740 million euro (subject to a purchase price adjustment mechanism). Consistency thereof with market conditions is supported by the fairness opinion expressed by an independent expert.
The transactions were completed during the first half of 2011, as better described in the Executive Summary.
Moreover, the Parent Company transferred ordinary shares of Banca Prossima, representing 28.33% of the share capital, to Compagnia di San Paolo and Fondazione Cariplo, each of which paid 13.5 million, and Fondazione Cassa di Risparmio di Padova e Rovigo, for 7 million euro, while Cassa di Risparmio di Firenze sold a building to Ente Cassa di Risparmio di Firenze for 60 million euro, with the appropriateness of this amount evaluated also with the assistance of independent experts.
Finally, as already reported, Intesa Sanpaolo is among the Italian banking creditors of the Carlo Tassara Group which signed a term sheet at the end of 2008 (subsequently modified during the first half of 2009) to stabilise and gradually reduce the total debt owed by the Carlo Tassara Group to banks.
Following non-exercising of the option in the capital increase completed in June 2011, Carlo Tassara's investment in Intesa Sanpaolo fell to below 2%. Therefore, in accordance with the aforementioned Group regulations, this company should no longer be classified under related parties.
During the first half of 2011, the agreement was renegotiated, with more stringent conditions from a procedural and economic standpoint, but with an extension of the standstill to 31 December 2013.

Stock price performance

The temporary easing of the strains on sovereign debt drove the European banking industry index up to its maximum levels for the period at around mid-February. Subsequently, renewed strains and fears about the prospects for economic recovery led the index to lose the ground gained in the first part of the half year. In fact, after recording performance of 21.9% on 17 February, the Euro Stoxx Banks index closed the first half of the year slightly down (-0.3%), with a performance level of 2.3% lower than the Euro Stoxx 50 index.
The Italian banking sector proved to be even more sensitive to performance of sovereign debt and began to record lower performance than the European one starting from mid-April, with the approach of the recapitalisation transactions announced by several of the major banks, following the gradual widening of the BTP-BUND spread. After the period peaks recorded in mid-February, when the Italian banking index performance achieved a 24% increase compared to December 2010, the half year ended with negative performance of 9.4%.
The price of Intesa Sanpaolo ordinary shares during the first half of 2011 followed the trend of banking industry indexes, with growth until mid-February, when the period peak was achieved, followed by a downward trend leading to a 7.1% decline at the end of June compared to the beginning of the year.
The price of Intesa Sanpaolo savings shares was down by approximately 13% at the end of the first half of 2011 compared to the beginning of the year. The discount with respect to ordinary shares increased, achieving 19% from 13% at the beginning of the year.
At the end of the first half of 2011, Intesa Sanpaolo's capitalisation grew to 29.4 billion euro from 26.3 billion euro at the beginning of the year, essentially due to the capital increase in June.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and savings shares carrying different rights for the allocation of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share. Net income attributable to both ordinary and savings shares was determined considering the most recent dividends declared for each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, to the same extent to all shares outstanding.

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

	30.06.2011		30.06.2010	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average number of shares	12,023,476,106	931,242,524	11,846,124,008	932,135,524
Income attributable to the various categories of shares *(millions of euro)*	1,296	106	1,557	133
Basic EPS (*euro*)	0.11	0.11	0.13	0.14
Diluted EPS (*euro*)	0.11	0.11	0.13	0.14
Basic EPS annualised (*) (*euro*)	0.22	0.22	0.26	0.28
Diluted EPS annualised (*) (*euro*)	0.22	0.22	0.26	0.28

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

Price/book value

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

Even for the Intesa Sanpaolo Group, the performance of the index – for the first half of 2011 restated for average figures as well as for period-end figures – is significantly impacted by market trends.

(millions of euro)

	30.06.2011	1st half 2011	2010	2009	2008	2007
Market capitalisation	29,390	33,308	31,209	32,228	48,639	71,058
Shareholders' equity	58,935	56,234	53,107	50,818	50,256	51,558
Price / book value	**0.50**	**0.59**	**0.59**	**0.63**	**0.97**	**1.38**

Ratings

On 6 May 2011 the international ratings agency Moody's reduced Intesa Sanpaolo's Bank Financial Strength rating to C+ (from B-) and its long-term rating to Aa3 (from Aa2). On 23 June, Moody's then placed the long-term rating under review for possible downgrade, following a similar decision for the Italian Republic. The short-term rating is unchanged.
On 24 May 2011, the international ratings agency Standard & Poor's revised the outlook from stable to negative, following a similar decision for the Italian Republic, maintaining both the short-term and long-term rating unchanged.
The ratings and outlook assigned by Fitch are unchanged.

	Rating Agency		
	Moody's	**Standard & Poor's**	**Fitch**
Short-term debt	P-1	A-1	F1+
Long-term debt	Aa3 (*)	A+	AA-
Outlook	Long-term rating under review	Negative	Stable
Financial strength	C+	-	-
Individual	-	-	B
Viability rating	-	-	aa-
Support	-	-	1

(*) Rating under review for possible downgrade.

Forecast for the year

The current economic growth phase should continue throughout 2011. However, the macroeconomic effects of the earthquake in Japan, debt sustainability problems in many advanced countries and numerous geopolitical hotbeds of tension could increase the volatility of economic data and of the markets.
Eurozone macroeconomic forecasts appear relatively less glowing due to accelerated fiscal restriction and the debt crisis, negatively impacting the financial positions of outlying European countries. Rising inflation should come to a halt.
Average annual growth in Italy should approach the levels of 2010, with greater stability expected in employment. Economic growth will be moderate, also driven by domestic demand.
In the United States, monetary policy should be exceptionally expansionary for all of 2011. In the eurozone, however, following the new wave of tension on sovereign debt that has also affected Italy and Spain, a rise in the official ECB rates is no longer expected. The contrasting trend of monetary policies, strains on government bonds and uncertainties as to the outcome of the Greek crisis will continue to fuel currency tension. Risk premium containment measures on government bond markets are possible provided fiscal targets are met and, more importantly, that European Council measures of 21 July on mechanisms for dealing with the sovereign debt crisis are implemented rapidly. Bank rates should increase gradually, though once again at relatively moderate levels in 2011. The cost of bank funding will be affected by the strains on government bonds, which will mainly impact bond and wholesale rates. As to short-term margins, the mark-down should continue to improve.
With regard to lending activity, the growth in business loans should continue, largely supported by a good short-term trend, while a more moderate medium-/long-term performance is expected. Good performance is expected in loans to households for home purchases, driven by the still low, albeit increasing, interest rates on new loans. Overall, loans should grow at a moderate pace on account of the low economic growth forecast.
Direct deposits will continue to be a strategic resource for banks, also on account of funding possibilities on the institutional market and the trends in associated costs. Italian bank deposits and bonds should continue to attract domestic investors, albeit with a lower savings rate than in the past. However, the recovery of direct deposits is expected to be slow and moderate, as it will be affected, inter alia, by the increase in the opportunity cost of holding liquid assets, compared to the exceptionally low levels of 2009-10, which should continue to favour investors' appeal for securities.
Uncertainty linked to the performance of the financial markets will play its part in the trend of mutual fund inflows. Life insurance inflows should remain positive, though down on the 2010 performance.

In this context and compared to 2010, in 2011 the Intesa Sanpaolo Group is expected to record a recovery in revenues, a containment of operating costs, a decline in the cost of credit and, hence, an improvement in recurring profitability, in line with the 2011-2013/2015 Business Plan. The key priority of the Plan is to ensure sustainable profitability in the medium term through developing long-lasting client relationships, fine-tuning cost discipline and investments, while at the same time monitoring asset quality and strengthening liquidity and capital base.

The Management Board

Milano, 5 August 2011

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

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

   of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements, in the first half of 2011.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the half-yearly condensed consolidated financial statements as at 30 June 2011 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[1].

3. The undersigned also certify that:

   3.1 The half-yearly condensed consolidated financial statements as at 30 June 2011:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

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

05 August 2011

Corrado Passera
Managing Director and CEO

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

[1] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors' Report

Ernst & Young

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

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

1. We have reviewed the interim condensed consolidated financial statements of Intesa Sanpaolo S.p.A. and its subsidiaries (the "Intesa Sanpaolo Group") as of June 30, 2011, comprising the balance sheet, the income statement, the statement of comprehensive income, the changes in shareholders' equity and the statement of cash flows and the related explanatory notes. Management Board of Intesa Sanpaolo S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

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

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made respectively to our auditors' report dated March 29, 2011 and our auditors' review report dated August 28, 2010. Moreover, the explanatory notes include certain additional comparative financial information, restated to take into account the changes in the consolidated entities; we have not examined such financial information.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Intesa Sanpaolo Group as of June 30, 2011 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, August 6, 2011

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

This report has been translated into the English language solely for the convenience of international readers

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Attachments

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2010 and the restated consolidated balance sheet as at 31 December 2010

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

Reconciliation between the consolidated income statement as at 30 June 2011 and the restated consolidated income statement as at 30 June 2011

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between consolidated financial statements and restated consolidated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2010 and the restated consolidated balance sheet as at 31 December 2010

(millions of euro)

Assets		31.12.2010 Published (*)	Changes in the scope of consolidation			31.12.2010 Restated
			Disposals in favour of Crédit Agricole (a)	Purchase of Banca Sara (b)	Disposal of Fideuram Bank Suisse (c)	
10.	Cash and cash equivalents	4,758	-57	-	-13	4,688
20.	Financial assets held for trading	71,899	-3	-	-	71,896
30.	Financial assets designated at fair value through profit and loss	35,549	-	1	-	35,550
40.	Financial assets available for sale	61,612	-5	212	-	61,819
50.	Investments held to maturity	3,839	-	-	-	3,839
60.	Due from banks	42,737	-1,259	12	-14	41,476
70.	Loans to customers	379,235	-3,187	41	-2	376,087
80.	Hedging derivatives	7,377	-6	-	-	7,371
90.	Fair value change of financial assets in hedged portfolios (+/-)	92	-	-	-	92
100.	Investments in associates and companies subject to joint control	2,716	-4	-	-	2,712
110.	Technical insurance reserves reassured with third parties	27	-	-	-	27
120.	Property and equipment	5,455	-78	-	-	5,377
130.	Intangible assets	25,990	-355	-	-	25,635
	of which					
	- goodwill	*19,217*	*-254*	-	-	*18,963*
140.	Tax assets	8,733	-19	9	-	8,723
	a) current	*2,759*	*-7*	-	-	*2,752*
	b) deferred	*5,974*	*-12*	*9*	-	*5,971*
150.	Non-current assets held for sale and discontinued operations	75	-	-	-	75
160.	Other assets	8,663	-45	35	-	8,653
Total Assets		**658,757**	**-5,018**	**310**	**-29**	**654,020**

(*) Historic data originally published in the 2010 Annual Report.

(a) Disposal of the subsidiary C.R. Spezia and 96 branches by C.R. Firenze, C.R. Veneto and the Parent Company.

(b) Purchase of Banca Sara by Banca Fideuram.

(c) Disposal of Fideuram Bank Suisse by Banca Fideuram.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2010 Published (*)	Changes in the scope of consolidation			31.12.2010 Restated
			Disposals in favour of Crédit Agricole (a)	Purchase of Banca Sara (b)	Disposal of Fideuram Bank Suisse (c)	
10.	Due to banks	52,860	-375	1	-	52,486
20.	Due to customers	221,064	-4,165	275	-27	217,147
30.	Securities issued	179,983	-253	-	-	179,730
40.	Financial liabilities held for trading	45,045	-2	-	-	45,043
50.	Financial liabilities designated at fair value through profit and loss	26,144	-	-	-	26,144
60.	Hedging derivatives	5,884	-	-	-	5,884
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,412	-2	-	-	1,410
80.	Tax liabilities	3,269	-30	-	-	3,239
	a) current	*661*	-	-	-	*661*
	b) deferred	*2,608*	*-30*	-	-	*2,578*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-
100.	Other liabilities	13,658	-101	15	-1	13,571
110.	Employee termination indemnities	1,370	-26	1	-	1,345
120.	Allowances for risks and charges	3,280	-17	18	-1	3,280
	a) post employment benefits	*374*	*-4*	-	-	*370*
	b) other allowances	*2,906*	*-13*	*18*	*-1*	*2,910*
130.	Technical reserves	50,188	-	-	-	50,188
140.	Valuation reserves	-1,054	-	-	-	-1,054
150.	Redeemable shares	-	-	-	-	-
160.	Equity instruments	-	-	-	-	-
170.	Reserves	12,143	-	-	-	12,143
180.	Share premium reserve	33,102	-	-	-	33,102
190.	Share capital	6,647	-	-	-	6,647
200.	Treasury shares (-)	-10	-	-	-	-10
210.	Minority interests (+/-)	1,067	-47	-	-	1,020
220.	Net income (loss)	2,705	-	-	-	2,705
Total Liabilities and Shareholders' Equity		**658,757**	**-5,018**	**310**	**-29**	**654,020**

(*) Historic data originally published in the 2010 Annual Report.

(a) Disposal of the subsidiary C.R. Spezia and 96 branches by C.R. Firenze, C.R. Veneto and the Parent Company.

(b) Purchase of Banca Sara by Banca Fideuram.

(c) Disposal of Fideuram Bank Suisse by Banca Fideuram.

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

(millions of euro)

	30.06.2010 Published (*)	Changes in the scope of consolidation					30.06.2010 Restated
		Acquisition of Banca Monte Paschi di Siena branches (a)	Acquisition of Intesa Vita (b)	Sale of branches to Crédit Agricole (c)	Disposal of Fideuram Bank Suisse (d)	Total change in the scope of consolida-tion	
10. Interest and similar income	8,572	14	278	-71	-	221	8,793
20. Interest and similar expense	-3,389	-1	-5	11	-	5	-3,384
30. Interest margin	**5,183**	**13**	**273**	**-60**	**-**	**226**	**5,409**
40. Fee and commission income	3,212	12	18	-27	-3	-	3,212
50. Fee and commission expense	-617	-	-15	-	1	-14	-631
60. Net fee and commission income	**2,595**	**12**	**3**	**-27**	**-2**	**-14**	**2,581**
70. Dividend and similar income	285	-	6	-	-	6	291
80. Profits (Losses) on trading	95	-	-34	-	-	-34	61
90. Fair value adjustments in hedge accounting	-84	-	-	-	-	-	-84
100. Profits (Losses) on disposal or repurchase of	152	-	70	-	-	70	222
a) loans	*-2*	-	-	-	-	-	*-2*
b) financial assets available for sale	*153*	-	*70*	-	-	*70*	*223*
c) investments held to maturity	-	-	-	-	-	-	-
d) financial liabilities	*1*	-	-	-	-	-	*1*
110. Profits (Losses) on financial assets and liabilities designated at fair value	53	-	83	-	-	83	136
120. Net interest and other banking income	**8,279**	**25**	**401**	**-87**	**-2**	**337**	**8,616**
130. Net losses / recoveries on impairment	-1,467	-	-7	8	-	1	-1,466
a) loans	*-1,419*	-	-	*8*	-	*8*	*-1,411*
b) financial assets available for sale	*-47*	-	*-7*	-	-	*-7*	*-54*
c) investments held to maturity	-	-	-	-	-	-	-
d) other financial activities	*-1*	-	-	-	-	-	*-1*
140. Net income from banking activities	**6,812**	**25**	**394**	**-79**	**-2**	**338**	**7,150**
150. Net insurance premiums	3,832	-	1,824	-	-	1,824	5,656
160. Other net insurance income (expense)	-4,009	-	-2,156	-	-	-2,156	-6,165
170. Net income from banking and insurance activities	**6,635**	**25**	**62**	**-79**	**-2**	**6**	**6,641**
180. Administrative expenses	-4,594	-15	-17	64	2	34	-4,560
a) personnel expenses	*-2,802*	*-8*	*-7*	*43*	*1*	*29*	*-2,773*
b) other administrative expenses	*-1,792*	*-7*	*-10*	*21*	*1*	*5*	*-1,787*
190. Net provisions for risks and charges	-197	-	-	-	-	-	-197
200. Net adjustments to / recoveries on property and equipment	-194	-	-	1	-	1	-193
210. Net adjustments to / recoveries on intangible assets	-357	-	-	1	-	1	-356
220. Other operating expenses (income)	252	-	-	-3	-	-3	249
230. Operating expenses	**-5,090**	**-15**	**-17**	**63**	**2**	**33**	**-5,057**
240. Profits (Losses) on investments in associates and companies subject to joint control	11	-	-11	-	-	-11	-
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-
260. Goodwill impairment	-	-	-	-	-	-	-
270. Profits (Losses) on disposal of investments	9	-	-	-	-	-	9
280. Income (Loss) before tax from continuing operations	**1,565**	**10**	**34**	**-16**	**-**	**28**	**1,593**
290. Taxes on income from continuing operations	-533	-4	-23	5	-	-22	-555
300. Income (Loss) after tax from continuing operations	**1,032**	**6**	**11**	**-11**	**-**	**6**	**1,038**
310. Income (Loss) after tax from discontinued operations	691	-	-	-	-	-	691
320. Net income (loss)	**1,723**	**6**	**11**	**-11**	**-**	**6**	**1,729**
330. Minority interests	-33	-6	-11	11	-	-6	-39
340. Parent Company's net income (loss)	**1,690**	**-**	**-**	**-**	**-**	**-**	**1,690**

[*] Historic data originally published in the 2010 Half-yearly Report. The Consolidated Income Statement as at 30 June 2010 remains unchanged in compliance with IFRS 3 and IFRS 5 since there were neither adjustments to acquisition costs related to merging transactions nor newly classified discontinued operations in the caption "Income (Loss) after tax from discontinued operations".

[a] 2010 income statement results of the 50 branches of Banca Monte dei Paschi di Siena purchased from Gruppo Cassa di Risparmio di Firenze in June 2010.

[b] Income statement results for 2010 of Intesa Vita net of the deconsolidation of the valuation at equity.

[c] 2010 income statement results of C.R. Spezia and the 96 branches sold to Credit Agricole during the first half of 2011.

[d] 2010 income statement results of Fideuram Bank Suisse, disposed of in June 2011.

Reconciliation between the consolidated income statement as at 30 June 2011 and the restated consolidated income statement as at 30 June 2011

(in millions of euro)

	30.06.2011	Changes in the scope of consolidation			30.06.2011 restated
		Sale of branches to Crédit Agricole (a)	Disposal of Fideuram Bank (b)	Total change in the scope of consolida-tion	
10. Interest and similar income	9,195	-19	-	-19	9,176
20. Interest and similar expense	-3,627	1	-	1	-3,626
30. Interest margin	**5,568**	**-18**	**-**	**-18**	**5,550**
40. Fee and commission income	3,176	-11	-1	-12	3,164
50. Fee and commission expense	-620	-	-	-	-620
60. Net fee and commission income	**2,556**	**-11**	**-1**	**-12**	**2,544**
70. Dividend and similar income	376	-	-	-	376
80. Profits (Losses) on trading	167	-	-	-	167
90. Fair value adjustments in hedge accounting	-29	-	-	-	-29
100. Profits (Losses) on disposal or repurchase of	475	-	-	-	475
a) loans	*12*	-	-	-	*12*
b) financial assets available for sale	*457*	-	-	-	*457*
c) investments held to maturity	*-1*	-	-	-	*-1*
d) financial liabilities	*7*	-	-	-	*7*
110. Profits (Losses) on financial assets and liabilities designated at fair value	-109	-	-	-	-109
120. Net interest and other banking income	**9,004**	**-29**	**-1**	**-30**	**8,974**
130. Net losses / recoveries on impairment	-1,395	-	-	-	-1,395
a) loans	*-1,343*	-	-	-	*-1,343*
b) financial assets available for sale	*-86*	-	-	-	*-86*
c) investments held to maturity	*-1*	-	-	-	*-1*
d) other financial activities	*35*	-	-	-	*35*
140. Net income from banking activities	**7,609**	**-29**	**-1**	**-30**	**7,579**
150. Net insurance premiums	5,669	-	-	-	5,669
160. Other net insurance income (expense)	-6,089	-	-	-	-6,089
170. Net income from banking and insurance activities	**7,189**	**-29**	**-1**	**-30**	**7,159**
180. Administrative expenses	-4,520	26	1	27	-4,493
a) personnel expenses	*-2,792*	*18*	-	*18*	*-2,774*
b) other administrative expenses	*-1,728*	*8*	*1*	*9*	*-1,719*
190. Net provisions for risks and charges	-88	-	-	-	-88
200. Net adjustments to / recoveries on property and equipment	-182	-	-	-	-182
210. Net adjustments to / recoveries on intangible assets	-348	-	-	-	-348
220. Other operating expenses (income)	236	-	-	-	236
230. Operating expenses	**-4,902**	**26**	**1**	**27**	**-4,875**
240. Profits (Losses) on investments in associates and companies subject to joint control	-128	-	-	-	-128
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-
260. Goodwill impairment	-	-	-	-	-
270. Profits (Losses) on disposal of investments	176	-	-	-	176
280. Income (Loss) before tax from continuing operations	**2,335**	**-3**	**-**	**-3**	**2,332**
290. Taxes on income from continuing operations	-888	1	-	1	-887
300. Income (Loss) after tax from continuing operations	**1,447**	**-2**	**-**	**-2**	**1,445**
310. Income (Loss) after tax from discontinued operations	-	-	-	-	-
320. Net income (loss)	**1,447**	**-2**	**-**	**-2**	**1,445**
330. Minority interests	-45	2	-	2	-43
340. Parent Company's net income (loss)	**1,402**	**-**	**-**	**-**	**1,402**

[a] 2011 income statement results of the 96 branches sold to Credit Agricole in the first half of 2011.

[b] 2011 income statement results of Fideuram Bank Suisse, disposed of in June 2011.

Restated consolidated financial statements

Restated consolidated balance sheet

(millions of euro)

Assets		30.06.2011	31.12.2010 restated	Changes amount	Changes %
10.	Cash and cash equivalents	4,252	4,688	-436	-9.3
20.	Financial assets held for trading	60,555	71,896	-11,341	-15.8
30.	Financial assets designated at fair value through profit and loss	36,303	35,550	753	2.1
40.	Financial assets available for sale	68,991	61,819	7,172	11.6
50.	Investments held to maturity	2,856	3,839	-983	-25.6
60.	Due from banks	43,194	41,476	1,718	4.1
70.	Loans to customers	372,361	376,087	-3,726	-1.0
80.	Hedging derivatives	5,058	7,371	-2,313	-31.4
90.	Fair value change of financial assets in hedged portfolios (+/-)	61	92	-31	-33.7
100.	Investments in associates and companies subject to joint control	2,694	2,712	-18	-0.7
110.	Technical insurance reserves reassured with third parties	22	27	-5	-18.5
120.	Property and equipment	5,391	5,377	14	0.3
130.	Intangible assets	25,343	25,635	-292	-1.1
	of which				
	- goodwill	*18,891*	*18,963*	*-72*	*-0.4*
140.	Tax assets	7,826	8,723	-897	-10.3
	a) current	*1,923*	*2,752*	*-829*	*-30.1*
	b) deferred	*5,903*	*5,971*	*-68*	*-1.1*
150.	Non-current assets held for sale and discontinued operations	38	75	-37	-49.3
160.	Other assets	9,728	8,653	1,075	12.4
Total Assets		**644,673**	**654,020**	**-9,347**	**-1.4**

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2011	31.12.2010 restated	Changes amount	Changes %
10.	Due to banks	49,665	52,486	-2,821	-5.4
20.	Due to customers	211,341	217,147	-5,806	-2.7
30.	Securities issued	176,036	179,730	-3,694	-2.1
40.	Financial liabilities held for trading	38,215	45,043	-6,828	-15.2
50.	Financial liabilities designated at fair value through profit and loss	24,729	26,144	-1,415	-5.4
60.	Hedging derivatives	5,269	5,884	-615	-10.5
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	752	1,410	-658	-46.7
80.	Tax liabilities	3,284	3,239	45	1.4
	a) current	*588*	*661*	*-73*	*-11.0*
	b) deferred	*2,696*	*2,578*	*118*	*4.6*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	
100.	Other liabilities	18,160	13,571	4,589	33.8
110.	Employee termination indemnities	1,348	1,345	3	0.2
120.	Allowances for risks and charges	3,014	3,280	-266	-8.1
	a) post employment benefits	*362*	*370*	*-8*	*-2.2*
	b) other allowances	*2,652*	*2,910*	*-258*	*-8.9*
130.	Technical reserves	52,887	50,188	2,699	5.4
140.	Valuation reserves	-937	-1,054	-117	-11.1
150.	Redeemable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	13,792	12,143	1,649	13.6
180.	Share premium reserve	36,143	33,102	3,041	9.2
190.	Share capital	8,546	6,647	1,899	28.6
200.	Treasury shares (-)	-11	-10	1	10.0
210.	Minority interests (+/-)	1,038	1,020	18	1.8
220.	Net income (loss)	1,402	2,705	-1,303	-48.2
Total Liabilities and Shareholders' Equity		**644,673**	**654,020**	**-9,347**	**-1.4**

Restated consolidated income statement

(millions of euro)

	First half 2011 Restated	First half 2010 Restated	Changes amount	Changes %
10. Interest and similar income	9,176	8,793	383	4.4
20. Interest and similar expense	-3,626	-3,384	242	7.2
30. Interest margin	**5,550**	**5,409**	**141**	**2.6**
40. Fee and commission income	3,164	3,212	-48	-1.5
50. Fee and commission expense	-620	-631	-11	-1.7
60. Net fee and commission income	**2,544**	**2,581**	**-37**	**-1.4**
70. Dividend and similar income	376	291	85	29.2
80. Profits (Losses) on trading	167	61	106	
90. Fair value adjustments in hedge accounting	-29	-84	-55	-65.5
100. Profits (Losses) on disposal or repurchase of	475	222	253	
a) loans	*12*	*-2*	*14*	
b) financial assets available for sale	*457*	*223*	*234*	
c) investments held to maturity	*-1*	*-*	*1*	
d) financial liabilities	*7*	*1*	*6*	
110. Profits (Losses) on financial assets and liabilities designated at fair value	-109	136	-245	
120. Net interest and other banking income	**8,974**	**8,616**	**358**	**4.2**
130. Net losses / recoveries on impairment	-1,395	-1,466	-71	-4.8
a) loans	*-1,343*	*-1,411*	*-68*	*-4.8*
b) financial assets available for sale	*-86*	*-54*	*32*	*59.3*
c) investments held to maturity	*-1*	*-*	*1*	
d) other financial activities	*35*	*-1*	*36*	
140. Net income from banking activities	**7,579**	**7,150**	**429**	**6.0**
150. Net insurance premiums	5,669	5,656	13	0.2
160. Other net insurance income (expense)	-6,089	-6,165	-76	-1.2
170. Net income from banking and insurance activities	**7,159**	**6,641**	**518**	**7.8**
180. Administrative expenses	-4,493	-4,560	-67	-1.5
a) personnel expenses	*-2,774*	*-2,773*	*1*	*0.0*
b) other administrative expenses	*-1,719*	*-1,787*	*-68*	*-3.8*
190. Net provisions for risks and charges	-88	-197	-109	-55.3
200. Net adjustments to / recoveries on property and equipment	-182	-193	-11	-5.7
210. Net adjustments to / recoveries on intangible assets	-348	-356	-8	-2.2
220. Other operating expenses (income)	236	249	-13	-5.2
230. Operating expenses	**-4,875**	**-5,057**	**-182**	**-3.6**
240. Profits (Losses) on investments in associates and companies subject to joint control	-128	-	128	
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260. Goodwill impairment	-	-	-	
270. Profits (Losses) on disposal of investments	176	9	167	
280. Income (Loss) before tax from continuing operations	**2,332**	**1,593**	**739**	**46.4**
290. Taxes on income from continuing operations	-887	-555	332	59.8
300. Income (Loss) after tax from continuing operations	**1,445**	**1,038**	**407**	**39.2**
310. Income (Loss) after tax from discontinued operations	-	691	-691	
320. Net income (loss)	**1,445**	**1,729**	**-284**	**-16.4**
330. Minority interests	-43	-39	4	10.3
340. Parent Company's net income (loss)	**1,402**	**1,690**	**-288**	**-17.0**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the restated consolidated balance sheet - Assets	30.06.2011	31.12.2010
Financial assets held for trading		60,555	71,896
	Caption 20 - Financial assets held for trading	*60,555*	*71,896*
Financial assets designated at fair value through profit and loss		36,303	35,550
	Caption 30 - Financial assets designated at fair value through profit and loss	*36,303*	*35,550*
Financial assets available for sale		68,991	61,819
	Caption 40 - Financial assets available for sale	*68,991*	*61,819*
Investments held to maturity		2,856	3,839
	Caption 50 - Investments held to maturity	*2,856*	*3,839*
Due from banks		43,194	41,476
	Caption 60 - Due from banks	*43,194*	*41,476*
Loans to customers		372,361	376,087
	Caption 70 - Loans to customers	*372,361*	*376,087*
Investments in associates and companies subject to joint control		2,694	2,712
	Caption 100 - Investments in associates and companies subject to joint control	*2,694*	*2,712*
Property, equipment and intangible assets		30,734	31,012
	Caption 120 - Property and equipment	*5,391*	*5,377*
	+ Caption 130 - Intangible assets	*25,343*	*25,635*
Tax assets		7,826	8,723
	Caption 140 - Tax assets	*7,826*	*8,723*
Non-current assets held for sale and discontinued operations		38	75
	Caption 150 - Non-current assets held for sale and discontinued operations	*38*	*75*
Other assets		19,121	20,831
	Caption 10 - Cash and cash equivalents	*4,252*	*4,688*
	+ Caption 160 - Other assets	*9,728*	*8,653*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*22*	*27*
	+ Caption 80 - Hedging derivatives	*5,058*	*7,371*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*61*	*92*
Total Assets	**Total Assets**	**644,673**	**654,020**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the restated consolidated balance sheet - Liabilities and Shareholders' Equity	30.06.2011	31.12.2010
Due to banks		49,665	52,486
	Caption 10 - Due to banks	*49,665*	*52,486*
Due to customers and securities issued		387,377	396,877
	Caption 20 - Due to customers	*211,341*	*217,147*
	+ Caption 30 - Securities issued	*176,036*	*179,730*
Financial liabilities held for trading		38,215	45,043
	Caption 40 - Financial liabilities held for trading	*38,215*	*45,043*
Financial liabilities designated at fair value through profit and loss		24,729	26,144
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*24,729*	*26,144*
Tax liabilities		3,284	3,239
	Caption 80 - Tax liabilities	*3,284*	*3,239*
Liabilities associated with non-current assets held for sale and discontinued operations		-	-
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*-*	*-*
Other liabilities		24,181	20,865
	Caption 100 - Other liabilities	*18,160*	*13,571*
	+ Caption 60 - Hedging derivatives	*5,269*	*5,884*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*752*	*1,410*
Technical reserves		52,887	50,188
	Caption 130 - Technical reserves	*52,887*	*50,188*
Allowances for specific purpose		4,362	4,625
	Caption 110 - Employee termination indemnities	*1,348*	*1,345*
	Caption 120 - Allowances for risks and charges	*3,014*	*3,280*
Share capital		8,546	6,647
	Caption 190 - Share capital	*8,546*	*6,647*
Reserves (net of treasury shares)		49,924	45,235
	Caption 170 - Reserves	*13,792*	*12,143*
	Caption 180 - Share premium reserve	*36,143*	*33,102*
	– Caption 200 - Treasury shares	*-11*	*-10*
Valuation reserves		-937	-1,054
	Caption 140 - Valuation reserves	*-937*	*-1,054*
Minority interests		1,038	1,020
	Caption 210 - Minority interests	*1,038*	*1,020*
Net income (loss)		1,402	2,705
	Caption 220 - Net income (loss)	*1,402*	*2,705*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**644,673**	**654,020**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the restated consolidated income statement	30.06.2011	30.06.2010
Net interest income		4,739	4,816
	Caption 30 - Interest margin	*5,550*	*5,409*
	- Caption 30 (partial) - Contribution of insurance business	*-995*	*-745*
	- Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	*26*	*35*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*37*	*38*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*176*	*133*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-45*	*-42*
	+ Caption 190 (partial)- 'Net provisions for risks and charges (Time value allowances for risks and charges)	*-10*	*-12*
Dividends and profits (losses) on investments in associates and companies subject to joint control (carried at equity)		41	23
	Caption 70 - Dividend and similar income	*376*	*291*
	- Caption 70 (partial) - Contribution of insurance business	*-58*	*-60*
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-292*	*-205*
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*15*	*-3*
Net fee and commission income		2,784	2,788
	Caption 60 - Net fee and commission income	*2,544*	*2,581*
	- Caption 60 (partial) - Contribution of insurance business	*248*	*212*
	+ Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*-8*	*-5*
Profits (Losses) on trading		821	215
	Caption 80 - Profits (Losses) on trading	*167*	*61*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-29*	*-84*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*457*	*223*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*7*	*1*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designated at fair value	*-109*	*136*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*292*	*205*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	*-37*	*-38*
	- Caption 80 (partial) - Contribution of insurance business	*73*	*-289*
	- Caption 100 b) (partial) Financial assets available for sale (Effect of purchase cost allocation)	*-*	*-*
Income from insurance business		285	355
	+ Caption 150 - Net insurance premiums	*5,669*	*5,656*
	+ Caption 160 - Other net insurance income (expense)	*-6,089*	*-6,165*
	+ Caption 30 (partial) - Contribution of insurance business	*995*	*745*
	+ Caption 60 (partial) - Contribution of insurance business	*-248*	*-212*
	+ Caption 70 (partial) - Contribution of insurance business	*58*	*60*
	+ Caption 80 (partial) - Contribution of insurance business	*-73*	*289*
	- Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*-27*	*-18*
Other operating income (expenses)		8	23
	Caption 220 - Other operating income (expenses)	*236*	*249*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-7*	*-5*
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of deferred taxes)	*-221*	*-221*
Operating income		**8,678**	**8,220**
Personnel expenses		-2,724	-2,709
	Caption 180 a) - Personnel expenses	*-2,774*	*-2,773*
	- Caption 180 a) (partial) - Personnel expenses (Merger and restructuring related charges)	*5*	*22*
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*45*	*42*
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	*-*	*-*
Other administrative expenses		-1,472	-1,509
	Caption 180 b) - Other administrative expenses	*-1,719*	*-1,787*
	- Caption 180 b) (partial) - Other administrative expenses (Merger and restructuring related charges)	*11*	*28*
	- Caption 180 b) (partial) - Other administrative expenses (Recovery of expenses on mortgage documentation)	*8*	*5*
	- Caption 180 b) (partial) - Taxation introduced in Hungary	*-*	*19*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of deferred taxes)	*221*	*221*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*7*	*5*
Adjustments to property, equipment and intangible assets		-301	-289
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-182*	*-193*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-348*	*-356*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Merger and restructuring related charges)	*3*	*4*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)	*6*	*9*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	*-*	*8*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	*-*	*-*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*-11*	*-12*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*231*	*251*
Operating costs		**-4,497**	**-4,507**
Operating margin		**4,181**	**3,713**

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the restated consolidated income statement	30.06.2011	30.06.2010
Operating margin		**4,181**	**3,713**
Goodwill impairment		-	-
	Caption 260 - Goodwill impairment	-	-
	- Caption 260 -(partial) - Goodwill impairment	-	-
Net provisions for risks and charges		-78	-184
	Caption 190 - Net provisions for risks and charges	*-88*	*-197*
	- Caption 190 (partial) - Net provisions for risks and charges (Merger and restructuring related charges)	-	*1*
	- Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*10*	*12*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	-	-
Net adjustments to loans		-1,457	-1,544
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*12*	*-2*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-1,343*	*-1,411*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-176*	*-133*
	- Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	*12*	-
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*35*	*-1*
	- Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	*3*	*3*
Net impairment losses on other assets		-74	-43
	+ Caption 130 a) (partial) - Reclassification of Greek government bonds impairment	*-12*	-
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-86*	*-54*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*-1*	-
	+ Caption 160 (partial) - Other net insurance income (expense) - changes in technical reserves due to impairment of securities AFS	*27*	*18*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment)	-	*-8*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - merger and restructuring related charges)	-	-
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment)	-	-
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - merger and restructuring related charges)	*-2*	*1*
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	-	-
Profits (Losses) on investments held to maturity and on other investments		33	11
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-1*	-
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*-128*	-
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-15*	*3*
	+ Caption 270 - Profits (Losses) on disposal of investments	*176*	*9*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	*1*	*-1*
Income (Loss) before tax from continuing operations		**2,605**	**1,953**
Taxes on income from continuing operations		-973	-680
	Caption 290 - Taxes on income from continuing operations	*-887*	*-555*
	+ Caption 180 b) (partial) - Taxation introduced in Hungary	-	*-19*
	- Caption 290 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)	*-7*	*-22*
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*-79*	*-84*
Merger and restructuring related charges (net of taxes)		-16	-43
	+ Caption 180 a) (partial) - Personnel expenses (Merger and restructuring related charges)	*-5*	*-22*
	+ Caption 180 b) (partial) - Other administrative expenses (Merger and restructuring related charges)	*-11*	*-28*
	+ Caption 190 (partial) - Net provisions for risks and charges (Merger and restructuring related charges)	-	*-1*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Impairment - merger and restructuring related charges)	*-3*	*-4*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)	*-6*	*-9*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Impairment - merger and restructuring related charges)	*2*	*-1*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)	*7*	*22*
Effect of purchase cost allocation (net of tax)		-171	-192
	+ Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	*-26*	*-35*
	+ Caption 100 b) (partial) Financial assets available for sale (Effect of purchase cost allocation)	-	-
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*11*	*12*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*-231*	*-251*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	*-3*	*-3*
	+ Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	-	-
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	*-1*	*1*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*79*	*84*

(millions of euro)

Captions of the reclassified consolidated income statement	Captions of the restated consolidated income statement	30.06.2011	30.06.2010
Income (Loss) after tax from discontinued operations		-	691
	Caption 310 - Income (Loss) after tax from discontinued operations	*-*	*691*
	+ *Caption 260 - (partial) - Goodwill impairment*	*-*	*-*
Minority interests		-43	-39
	Caption 330 - Minority interests	*-43*	*-39*
Net income	**Caption 340 - Parent Company's net income (loss)**	**1,402**	**1,690**

Glossary

GLOSSARY

The definition of certain technical terms is provided below, in the meaning adopted in the "Report" and with exclusion of the terms today widely used or which are used in a context that already clarifies their meaning

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

ABS (receivables)
ABS whose collateral is made up of receivables.

Acquisition finance
Leveraged buy-out financing.

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

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

AIRB (Advanced Internal Ratings-Based) Approach
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. With the Advanced Approach, banks use their own internal estimates for all inputs (PD, LGD, EAD and Maturity) used for credit risk assessment, whereas for Foundation IRB they only estimate PD.

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

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

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

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

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

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

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

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

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

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

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

β
The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

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

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to “proprietary” trading.

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

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

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

Bookrunner
See *Lead manager* and *Joint lead manager*.

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

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

Business combinations
In accordance with international accounting standard IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

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

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

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
Equity Tranche (B): The riskiest portion of the portfolio, it is also known as “first loss” and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
Mezzanine Tranche (B): The tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.
Senior/Super-senior Tranche (B): The tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

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

Carry trade
The carry trade is a financial transaction in which funds are procured in a country with a low cost of money and then invested in a country with high interest rates to take advantage of the difference in returns.

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

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

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

Categories of financial instruments provided for by IAS 39
Financial assets “held-for-trading”, which includes the following: any asset acquired for the purpose of selling it in the near term or part of portfolios of instruments managed jointly for the purpose of short-term profit-taking, and assets that the entity decides in any case to measure at fair value, with fair value changes recognized in profit and loss; *financial assets “held-to-maturity”,* non-derivative assets with fixed term and fixed or determinable payments, that an entity intends and is able to hold to maturity; “*Loans and receivables”,* non-derivative financial assets with fixed or determinable payments not quoted in an active market; *financial assets* “*available-for-sale”,* specifically designated as such, or, to a lesser extent, others not falling under the previous categories.

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

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations

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

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

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

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

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

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

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

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

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

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

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

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

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

Covenant
A covenant is a clause, expressly agreed upon during the contractual phase, under which a lender is entitled to renegotiate and revoke a loan upon the occurrence of the events set out in the clause, linking the debtor's financial performance to events that trigger termination/amendment of contractual conditions (maturity, rates, etc.).

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.

CPPI (Constant Proportion Insurance Portfolio)
A technique consisting of forming a portfolio of two assets, one without risk that offers a certain rate of return (risk-free) and one with risk that offers a generally higher return. The purpose of the re-balancing procedure is to prevent the value of the portfolio from falling below a predetermined level (floor), which rises at the risk-free rate over time and coincides with the capital to be guaranteed at maturity.

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

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts for the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market, mainly by means of instruments other than cash, to acquire credit exposures of varying maturities and intensities, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

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

Credit risk
The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

Credit Risk Adjustment (CRA)
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments in order to consider the counterparty's credit quality.

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

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

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

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

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

CRP (Country Risk Premium)
Country risk premium; it expresses the component of the cost of capital aimed specifically at providing compensation for the risk implicit in a given country's equity market (namely the risk associated with financial, political and monetary instability).

Cumulative loss
Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Default
Declared inability to honour one's debts and/or make the relevant interest payments.

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

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

Delta
Value that expresses the sensitivity of the price of the underlying asset for an option. Delta is positive for call options because the price of the option rises along with the price of the underlying asset. Delta is negative for put options because a rise in the price of the underlying asset yields a decrease in the price of the option.

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

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

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

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

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

Dynamics of funding
Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time current accounts and time deposits, certificates of deposit), repo agreements and bonds (including

subordinated loans). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

EAD – Exposure At Default
Relating to positions on or off balance sheet, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach are entitled to estimate EAD. The others are required to make reference to statutory estimates.

EDF – Expected Default Frequency
Frequency of default, normally based on a sample internal or external to the bank, which represents the average risk level associable with a counterparty.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

Embedded derivatives
Embedded derivatives are clauses (contractual terms) included in a financial instrument that generate the same effects as an independent derivative.

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

Eonia (Euro overnight index average)
Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the euro area.

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

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

ERP (equity risk premium)
Risk premium demanded by investors in the market in question. ISP uses the risk premium calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2009) by New York University - Stern School of Business.

EVA (Economic Value Added)
An indicator that provides a snapshot of the amount of value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

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

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

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

Expected loss
Amount of losses on loans or receivables that an entity could sustain over a holding period of one year. Given a portfolio of loans and receivables, the expected loss represents the average value of the distribution of losses.

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

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

Fair value
The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

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

Fair Value Option (FVO)
The Fair Value Option is one option for classifying a financial instrument.
When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

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

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

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry

group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Forward Rate Agreement
See "*Forwards*".

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

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

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

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

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

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

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

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

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

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

Harmonised mutual funds
Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering quotas to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

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

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

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

Hybrid instruments included in Tier 1 capital
Financial instruments that may be included in Tier 1 capital up to specific limits when the funding raised is available on an ongoing basis and there is an ability to absorb losses that fully guarantees the bank's capital stability. Such instruments may be classified as innovative or non-innovative depending on whether there are incentives for early redemption by the issuer (e.g., step-up clauses).

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB (International Accounting Standard Board)
The IASB (previously known as the IASC) is the entity responsible for issuing international accounting standards (IAS/IFRS).

ICAAP (Internal Capital Adequacy Assessment Process)
Process adopted to determine the amount of capital needed to cover all risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

IFRIC (International Financial Reporting Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

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

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." It represents the risk level inherent in the portfolio of performing loans and constitutes the basic indicator for determining the size of the stock of collective adjustments to be set aside in the financial statements.

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

Index-linked life insurance policies
Life insurance policies the benefits of which are based on indexes, normally drawn from equity markets. Policies may guarantee capital or offer a minimum return.

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

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

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

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

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

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

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

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

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

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

Ke (Cost of Equity)
Cost of equity, the minimum return demanded for investments of the same risk level.

Ke – g
Difference between the discounting rate for cash flows and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

Lambda (λ)
Coefficient that measures the assessed item's specific exposure to country risk. In the model used by Intesa Sanpaolo, it is estimated to be 1, in that it is presumed that it is necessary to vary the country's risk level.

LDA - Loss Distribution Approach
It is a model used to assess exposure to operational risk. It makes it possible to estimate the amount of expected and unexpected loss for any event/loss combination and any *business line*.

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

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

Liquidity risk
The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the

difficulty/impossibility of rapidly converting financial assets into cash without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

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

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

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

Macro-hedging
Use of macro-hedging. Hedging procedure involving a single derivative product for various positions.

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

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

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

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

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

Market risk
Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

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

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

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

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

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

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

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

Non-performing
Term generally referring to loans for which payments are overdue.

Operational risk
The risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual or non-contractual liability or other disputes; it does not include strategic risk (losses due to wrong management strategies) or reputational risk (loss of market shares as a consequence of negative publicity regarding the bank).

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

Other related parties – close relatives
An individual's "close relatives" comprise those family members likely to influence or be influenced by such

individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

Outsourcing
The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

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

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

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

Performing
Term generally referring to loans characterised by regular performance.

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

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

Preferred shares
See "*Core Tier 1*".

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

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

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk, and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Ratings
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or

financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

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

Risk-free
Return on risk-free investments. For the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on ten-year *Bunds* has been adopted, while for countries with "strong" growth prospects, the return on 30-year *Bunds* has been used.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)
It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

RWA (Risk Weighted Assets)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (*strike price*).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export sector.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or doubtful loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate *swap*, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g).

Tier 1
Core capital (Tier 1) includes the paid-in capital, the share premium reserve, reserves from retained earnings (including IAS/IFRS first-time–adoption reserve other than those included under valuation reserves), and excludes treasury shares and intangible assets. Consolidated Tier 1 capital also includes minority interest.

Tier 2
Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses, and the other positive elements that constitute capital items of a secondary nature; the positive "prudential filters" of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity investments, negative items related to loans, other negative elements, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before elements to be deducted". Tier 2 capital is made up of the difference between "Tier 2 capital before items to be deducted" and 50 per cent of "items to be deducted".

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to regulatory capital components (Tier 1 plus Tier 2).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Upper Tier 2
Hybrid capital instruments (e.g., perpetual loans) that make up the highest quality elements of Tier 2 capital.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change in or underestimation of volatility.

Vega01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations. Especially in the US, the phenomenon of mortgages granted to borrowers with inadequate income and providing insufficient documentation became significant from 2005.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO's cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See "*Asset management*".

What-if Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

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Financial calendar

Approval of results as at 30 September 2011:	8 November 2011

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An ability to develop new solutions, attention to and ongoing dialogue with households, businesses, the third sector and public institutions underlie Intesa Sanpaolo's commitment to contribute to Italy's growth.
A role that we carry out with professionalism, a sense of responsibility and passion, offering innovative, personalised products and services and sharing our projects with our customers.
This is the origin of the decision to tell our story through the vivid, positive stories of our customers, representing, with these images, the projects achieved, the spirit of initiative and entrepreneurial determination and ability.

Brunello Cucinelli S.p.A., Solomeo (PG).

Students in the Villa Amoretti Public Library, Torino.

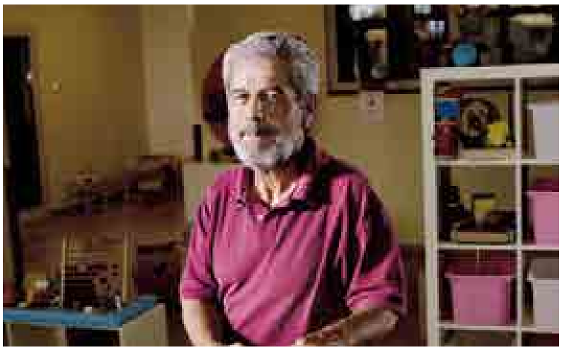
I Leprotti, Abbiategrasso (MI).

Photovoltaic plant in Montalto di Castro, Viterbo.

The Venturino family, Maretto (AT).

Esaote S.p.A., Genova.

Buccellati Holding Italia S.p.A., Milano.



La Casa dei Girasoli, "Genitori Oggi" Non-Profit Voluntary Association, San Giustino Umbro (PG).

Photo: Alessandro Digaetano