

1.1. CREDIT RISK

The Group adopts credit strategies and policies aimed at:

- coordination of the actions aimed at the achievement of a sustainable objective, consistent with the risk appetite and value creation;
- portfolio diversification, limiting the concentration of exposures on single counterparties/groups, single sectors or geographical areas;
- efficient selection of the single borrowers via an attentive creditworthiness analysis aimed at containing default risk, notwithstanding the objective of privileging commercial lending or loans to support new production capacity with respect to merely financial interventions;
- control of relationship characteristics, carried out with information technology procedures and systematic surveillance of the relationships which present irregularities, both aimed at rapidly identifying any signs of deterioration in risk exposures.

The quality of the loan portfolio is constantly monitored by specific operating checks for all the phases of loan management (analysis, granting, monitoring, management of non-performing loans).

The management of credit risk profiles of the loan portfolio is assured, starting from the analysis and granting phases, by:

- regulations on Credit policies;
- checks on the existence of the necessary conditions for creditworthiness, with particular focus on the client's current and prospective capacity to produce satisfactory income and congruous cash flows;
- the assessment of the nature and size of proposed loans, considering the actual requirements of the counterparty requesting the loan, the course of the relationship already in progress and the presence of any relationship between the client and other borrowers.

QUALITATIVE INFORMATION

Credit risk management policies

Organisation

In 2008, the areas of responsibility relating to credit operations were redefined through a new organisational structure based on a rigorous segregation of functions and tasks.

Within the specific area of Group credit management, the Chief Financial Officer - in accordance with the strategic guidelines and risk management policies set out by the Management Board and approved by the Supervisory Board - sets out the credit strategies and assesses the need for their adjustment over time; the Chief Lending Officer coordinates the implementation of the credit guidelines established for the Group, makes the significant credit decisions and supervises doubtful credit and the recovery of non-performing loans; the Chief Risk Officer ensures the measurement and control of the Group risk exposures and monitors risk performance and credit quality on an ongoing basis; and the Chief Operating Officer provides specialist support in the setting out of the credit processes ensuring the synergy between costs and excellence of the service offered.

Approval limits attributed to the credit approval functions of the Parent Company and of subsidiaries are defined in terms of total Bank/Banking Group exposure to each counterparty/economic group, with a case-by-case approach and require the attribution of an internal rating to each counterparty at the time of granting and monitoring and the periodic update of the rating at least once a year. The rating and any credit risk mitigation factors, influence the determination of the credit approval competence of each delegated body, which is formulated to ensure its credit risk equivalence in terms of capital absorbed.

Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality.

In the credit-granting phase, coordination mechanisms have been introduced with which Intesa Sanpaolo exercises its direction, governance and support of the Group:

- "Credit policies", which discipline the conduct to be followed when taking on credit risk with customers;
- "Credit-granting limit", intended as the overall limit of loans which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- "Compliance opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

The Chief Risk Officer is responsible, at Group level, for the definition and the development of credit risk

measurement methodologies, with the objective of ensuring alignment to best practice, as well as for the analysis of the risk profile and the preparation of summary reports for the Bank's top management on the changes in the credit quality of the Group's assets.

Control structures operating within the single Companies are responsible for the measurement and monitoring the portion of the loan book assigned to them.

For the main subsidiaries such functions are performed, on the basis of an outsourcing contract, by the Parent Company's risk control functions which periodically report to the Board of Directors and the Audit Committee of the subsidiary.

With reference to concentration risk, limits are periodically defined for single counterparties and for significant industrial and geographical aggregates. Post loan origination interventions are aimed at acting on the risk profile of the entire portfolio, using all the opportunities present on the secondary loan market, in view of an active management of business assets.

Management, measurement and control systems

Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.

Risk measurement uses rating models that are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.

As described in the paragraph relating to the Basel 2 Project, the Group:

- has obtained the authorisation for the use of the IRB Foundation approach for the Corporate segment;
- has implemented the rating models and the credit processes for the SME Retail and Retail (Residential mortgages); with the release of the Loss Given Default (LGD) model, which is in the completion stage, it will be possible to send the request for authorisation for the use of the IRB Advanced approach during 2009;
- the rating models for the other segments are also being developed and extended to the other Group lending banks, according to a progressive rollout plan for the advanced approaches presented to the Supervisory authority.

The allocation of the rating is generally spread across the branches, except for certain types of counterparty (mainly large groups and complex conglomerates, non-banking financial institutions and insurance companies), which are centralised in specialist Head Office units and require expert assessments.

As mentioned above, ratings and credit-risk mitigation factors (guarantees, facility types and covenants) are used in credit-granting processes as part of the determination of autonomy limits; ratings also contribute to defining Credit policies.

Furthermore, the rating system includes a behavioural score available on a monthly basis, which is the main element used for monitoring credit. It interacts with processes and procedures for loan management and credit risk control and allows timely assessments to be formulated when any anomalies arise or persist. The positions to which the synthetic risk index mentioned above attributes a high risk valuation, which is confirmed over time, are intercepted by the Non-performing Loan Process. This process, supported by a dedicated electronic procedure, enables constant monitoring, largely with automatic interventions, of all the phases for the management of anomalous positions. The positions which show an anomalous trend are classified into different processes based on the risk level, including the automatic classification in non-performing assets, as described in the related paragraph below.

The entire loan portfolio is subject to a specific periodic review carried out for each counterparty/economic group by the competent central or peripheral structures based on the credit line limits.

The Credit Information Portal offers the Operating Units of the Banca dei Territori and the Corporate and Investment Banking Divisions, down to the respective Area structures, access via the Bank's Intranet to a wide range of specific monthly reports for their respective portfolios and to a series of "Alerts" that identify the potentially-critical situations among those analysed.

In 2009, the review of the content and layout will be completed and the target version of the Credit Information Portal will be made available to the Parent Company and the Network Banks.

The exchange of basic information flows among different Group entities is assured by the Group's "Centrale Rischio" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each client/economic group both towards the Group as a whole and towards individual Group companies.

Directional control of credit risks is achieved through a portfolio model which summarises the information

on asset quality in risk indicators, including expected loss and capital at risk.

The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default. The latter is measured with reference to an economic rather than an accounting concept of loss, based on the discounting of recoveries net of internal and external costs associated to recovery activities.

The expected loss represents the average of the loss distribution, whereas the capital at risk is defined as the maximum “unexpected” loss that the Group may incur with particular confidence levels. These indicators are calculated with reference to the current portfolio situation and on a dynamic basis, by determining the projected level, based on both the forecasted macro economic scenario and on stress scenarios.

The expected loss, transformed into “incurred loss” as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group’s capital adequacy. Both indicators are also used in the value-based management reporting system.

The credit portfolio model also allows identification of the undesired concentration effects and extent and content of actions:

- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to so-called “large exposures”, to loans subject to country risk and to loans to financial institutions;
- aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on maximisation of overall portfolio value.

Techniques for the mitigation of credit risk

The techniques for the mitigation of credit risk are the elements that contribute to reducing the loss given default. They include guarantees, facility types and covenants.

The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual loan, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present.

The loss given default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.

Within the credit granting and management process, Credit policies favour higher mitigating factors for counterparties classified by the rating system as non investment grade and for certain types of medium-long term exposures.

The “very strong” and “strong” mitigating factors include pledges on financial collateral and residential mortgages. Other mitigating guarantees include pledges on non-financial assets, non-residential mortgages and personal guarantees issued by unrated parties, provided they have sufficient personal assets.

The strength of the personal guarantees issued by rated parties typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the guarantor’s credit quality.

Non-performing financial assets

For the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due), the Bank applies regulations issued by the Bank of Italy, supplemented by internal provisions that establish criteria and automatic rules for the transfer of loans to the various risk categories.

With reference to loans expired and/or past due, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within the decentralised organisational units in the Areas/Banks that perform specialist activities and within the Head Office structures, responsible for the overall management and coordination of these matters.

During 2008, the management of doubtful loans - pending the implementation of a project aimed at the overall redefinition of the loan recovery operations within the Group - continued using essentially the same procedures as those adopted in the year 2007.

Specifically, for the former Sanpaolo Network this management remained centralised in specialised head office functions within the Loan Recovery Department that rely on personnel located throughout the branch network to conduct the related recovery activities. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.

The assessment of the loans has been reviewed whenever events capable of significantly changing recovery prospects became known to the Bank. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.

As regards the former Intesa Network, the management of doubtful loans - with the exception of loans of an amount up to 15,500 euro that are sold without recourse to third party companies when classified as doubtful - has been assigned by management mandate and within set limits to the company Italfondiaro S.p.A..

The activities carried out by Italfondiaro have already been subject to ongoing monitoring by the relevant internal functions of the Bank.

Please note in particular that the assessment of loans has been conducted using similar procedures to those established for the internal management of positions, and the other management activities are progressively being brought into line with the guidelines established for the internally managed positions. On this point please note that, since June 2008, the Loan Recovery Department has also supervised the management of the positions assigned to Italfondiaro.

The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structure owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery.

For financial statement purposes, the classification in substandard loans also occurs automatically for exposures which exceed objective payment terms, such as expired and/or past due loans as well as positions that meet the criteria of Objective Substandard Loan established by the Bank of Italy.

The return to performing of exposures classified as Substandard, Restructured and Doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.

As for exposures classified in "loans expired and past due" the return to performing occurs automatically when the exposure is reimbursed.

The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1. Performing and non-performing exposures: amounts, adjustments, changes, economic and geographical breakdown

In the tables in this section the information related to country risk is not presented separately in compliance with the methodological decision made by the Intesa Sanpaolo Group for collective measurement of performing loans based on parameters that include "country risk".

A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book value)

(in millions of euro)

	Banking group					Other companies			Total
	Doubtful loans	Standard loans	Restructured exposures	Past due exposures	Country risk	Other Assets	Non-performing	Other	
1. Financial assets held for trading	1	14	-	6	-	60,769	-	290	61,080
2. Financial assets available for sale	5	-	-	-	-	13,781	8	15,289	29,083
3. Investments held to maturity	-	1	-	-	-	5,571	-	-	5,572
4. Due from banks	1	27	-	4	-	56,213	-	126	56,371
5. Loans to customers	3,968	5,286	399	1,867	-	382,436	6	1,227	395,189
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	1,177	-	18,550	19,727
7. Financial assets under disposal	8	19	-	6	-	932	-	16	981
8. Hedging derivatives	-	-	-	-	-	5,389	-	-	5,389
Total 31.12.2008	3,983	5,347	399	1,883	-	526,268	14	35,498	573,392
Total 31.12.2007	2,927	3,589	190	1,002	-	473,800	-	38,640	520,148

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

(in millions of euro)

	Non-performing assets				Other assets			Total (net exposure)
	Gross exposure	Individual adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
A. Banking group								
1. Financial assets held for trading	28	-7	-	21	X	X	60,769	60,790
2. Financial assets available for sale	5	-	-	5	13,794	-13	13,781	13,786
3. Investments held to maturity	1	-	-	1	5,571	-	5,571	5,572
4. Due from banks	106	-74	-	32	56,258	-45	56,213	56,245
5. Loans to customers	22,578	-11,058	-	11,520	384,903	-2,467	382,436	393,956
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	1,177	1,177
7. Financial assets under disposal	45	-12	-	33	937	-5	932	965
8. Hedging derivatives	-	-	-	-	X	X	5,389	5,389
Total A	22,763	-11,151	-	11,612	461,463	-2,530	526,268	537,880
B. Other consolidated companies								
1. Financial assets held for trading	114	-114	-	-	X	X	290	290
2. Financial assets available for sale	8	-	-	8	15,289	-	15,289	15,297
3. Investments held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	126	-	126	126
5. Loans to customers	36	-30	-	6	1,227	-	1,227	1,233
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	18,550	18,550
7. Financial assets under disposal	-	-	-	-	16	-	16	16
8. Hedging derivatives	-	-	-	-	X	X	-	-
Total B	158	-144	-	14	16,658	-	35,498	35,512
Total 31.12.2008	22,921	-11,295	-	11,626	478,121	-2,530	561,766	573,392
Total 31.12.2007	16,703	-8,564	-431	7,708	438,998	-2,302	512,440	520,148

A.1.3. On- and off-balance sheet exposures to banks: gross and net values

(in millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
A.1 Banking group				
a) Doubtful loans	15	-13	-	2
b) Substandard loans	90	-63	-	27
c) Restructured exposures	-	-	-	-
d) Past due exposures	4	-	-	4
e) Country risk	-	X	-	-
f) Other assets	64,085	X	-45	64,040
Total A.1	64,194	-76	-45	64,073
A.2 Other companies				
a) Non-performing	82	-74	-	8
b) Other	2,425	-	-	2,425
Total A.2	2,507	-74	-	2,433
TOTAL A	66,701	-150	-45	66,506
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Non-performing	5	-	-	5
b) Other	48,108	X	-13	48,095
Total B.1	48,113	-	-13	48,100
B.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	-	X	-	-
Total B.2	-	-	-	-
TOTAL B	48,113	-	-13	48,100

A.1.4. On-balance sheet exposures to banks: changes in non-performing exposures and gross exposures subject to “country risk”

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	7	-	-	7	-
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	8	92	-	4	-
B.1 inflows from performing exposures	4	92	-	6	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	4	-	-	-2	-
B.4 business combinations	-	-	-	-	-
C. Decreases	-	-2	-	-7	-
C.1 outflows to performing exposures	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 repayments	-	-2	-	-7	-
C.4 credit disposals	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
C.7 business combinations	-	-	-	-	-
D. Final gross exposure	15	90	-	4	-
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.5. On-balance sheet exposures to banks: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	7	-	-	-	-
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	6	63	-	-	-
B.1 impairment losses	6	63	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
B.4 business combinations	-	-	-	-	-
C. Decreases	-	-	-	-	-
C.1 recoveries on impairment losses	-	-	-	-	-
C.2 recoveries on repayments	-	-	-	-	-
C.3 write-offs	-	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-	-
C.5 other decreases	-	-	-	-	-
C.6 business combinations	-	-	-	-	-
D. Final total adjustments	13	63	-	-	-
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.6. On- and off-balance sheet exposures to customers: gross and net values

(in millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
A.1 Banking group				
a) Doubtful loans	13,048	-9,067	-	3,981
b) Substandard loans	7,018	-1,712	-	5,306
c) Restructured exposures	534	-135	-	399
d) Past due exposures	2,035	-161	-	1,874
e) Country risk	-	X	-	-
f) Other assets	417,088	X	-2,488	414,600
Total A.1	439,723	-11,075	-2,488	426,160
A.2 Other companies				
a) Non-performing	77	-70	-	7
b) Other	33,025	-	-	33,025
Total A.2	33,102	-70	-	33,032
TOTAL A	472,825	-11,145	-2,488	459,192
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Non-performing	767	-158	-	609
b) Other	133,009	X	-292	132,717
Total B.1	133,776	-158	-292	133,326
B.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	6	X	-	6
Total B.2	6	-	-	6
TOTAL B	133,782	-158	-292	133,332

A.1.7. On-balance sheet exposures to customers: changes in non-performing exposures and gross exposures subject to “country risk”

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	10,267	5,019	262	1,120	-
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	4,630	8,087	482	4,635	-
B.1 inflows from performing loans	775	4,869	253	3,877	-
B.2 transfers from other non-performing exposure categories	2,542	1,713	147	94	-
B.3 other increases	977	1,299	65	431	-
B.4 business combinations	336	206	17	233	-
C. Decreases	-1,849	-6,088	-210	-3,720	-
C.1 outflows to performing loans	-106	-1,214	-10	-1,104	-
C.2 write-offs	-557	-177	-72	-18	-
C.3 repayments	-1,025	-1,885	-80	-818	-
C.4 credit disposals	-58	-18	-	-	-
C.5 transfers to other non-performing exposure categories	-78	-2,709	-47	-1,689	-
C.6 other decreases	-25	-85	-1	-91	-
C.7 business combinations	-	-	-	-	-
D. Final gross exposure	13,048	7,018	534	2,035	-
- of which exposures sold not derecognised	9	15	-	7	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.8. On-balance sheet exposures to customers: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	7,340	1,444	72	131	-
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	3,185	1,764	168	271	-
B.1 impairment losses	1,839	1,359	93	210	-
B.2 transfers from other non-performing exposure categories	618	186	63	16	-
B.3 other increases	488	159	8	38	-
B.4 business combinations	240	60	4	7	-
C. Decreases	-1,458	-1,496	-105	-241	-
C.1 recoveries on impairment losses	-415	-391	-9	-26	-
C.2 recoveries on repayments	-309	-155	-3	-18	-
C.3 write-offs	-557	-177	-72	-18	-
C.4 transfers to other non-performing exposure categories	-42	-683	-21	-145	-
C.5 other decreases	-135	-90	-	-34	-
C.6 business combinations	-	-	-	-	-
D. Final total adjustments	9,067	1,712	135	161	-
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.2. Classification of exposures based on external and internal ratings

A.2.1. Breakdown of on- and off-balance sheet exposures by external rating classes

Breakdown of exposures by external rating class is based on ratings assigned by Standard and Poor's, Moody's and Fitch; where two ratings for the one customer are available, the more prudential of the two is adopted and, where three are available, the intermediate.

The ratings of the non-performing loans are included in the column "under B-".

	External rating classes						(in millions of euro)	
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-	Unrated	Total
A. On-balance sheet exposures	55,527	39,601	13,796	2,967	754	12,957	364,630	490,232
B. Derivatives	17,513	14,537	4,626	303	237	27	4,256	41,499
B.1. Financial derivatives	15,754	13,209	4,298	97	212	22	3,409	37,001
B.2. Credit derivatives	1,759	1,328	328	206	25	5	847	4,498
C. Guarantees given	5,352	2,593	2,978	996	84	454	40,847	53,304
D. Commitments to lend funds	7,885	4,101	4,636	1,232	1,443	596	66,728	86,621
Total	86,277	60,832	26,036	5,498	2,518	14,034	476,461	671,656

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

Breakdown of exposures by internal rating class is based on all ratings available in the credit risk management system. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.

Unrated loans account for 35% of all loans and refer to customer segments for which a rating model is not yet available (loans to private parties), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries in Eastern Europe and other emerging nations, which have yet to be fully integrated into the credit risk management system.

For the purposes of calculating the risk indicators, unrated counterparties are assigned an estimated rating on the basis of the average probabilities of default, deriving from the past experience of the respective sectors.

When unrated counterparties and non-performing assets are excluded, rating classes at investment grade account for the majority, 68% of the total, whilst 21% fall within the BB+/BB- range and 11% fall under higher risk classes (of which around 1% are below B-).

	External rating classes							(in millions of euro)	
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-	Non-performing exposures	Unrated	Total
A. On-balance sheet exposures	69,641	52,806	87,545	73,041	34,246	3,782	11,593	157,578	490,232
B. Derivatives	17,253	14,211	4,958	1,098	563	31	22	3,363	41,499
B.1. Financial derivatives	15,874	12,997	4,630	892	538	27	20	2,023	37,001
B.2. Credit derivatives	1,379	1,214	328	206	25	4	2	1,340	4,498
C. Guarantees given	6,334	6,656	9,922	10,184	3,400	490	415	15,903	53,304
D. Commitments to lend funds	8,157	5,101	8,189	5,374	2,864	171	177	56,588	86,621
Total	101,385	78,774	110,614	89,697	41,073	4,474	12,207	233,432	671,656

A.3. Breakdown of guaranteed exposures by type of guarantee

A.3.1. Guaranteed on-balance sheet exposures to banks and customers

(in millions of euro)

EXPOSURE	GUARANTEED EXPOSURES TO BANKS		GUARANTEED EXPOSURES TO CUSTOMERS		TOTAL
	Totally guaranteed	Partly guaranteed	Totally guaranteed	Partly guaranteed	
EXPOSURE	23,759	458	188,887	30,810	243,914
COLLATERAL ⁽¹⁾					
Real estate assets	8	1	128,442	2,161	130,612
Securities	23,195	2	13,184	2,637	39,018
Other assets	3	6	3,076	2,921	6,006
GUARANTEES ⁽¹⁾					
Credit derivatives					
<i>Governments</i>	-	-	-	-	-
<i>Other public entities</i>	-	-	-	-	-
<i>Banks</i>	-	-	30	11	41
<i>Other counterparties</i>	-	-	-	-	-
Guarantees given					
<i>Governments</i>	100	100	3,802	6,621	10,623
<i>Other public entities</i>	124	19	614	428	1,185
<i>Banks</i>	324	49	3,311	2,082	5,766
<i>Other counterparties</i>	9	178	45,213	6,281	51,681
TOTAL GUARANTEES ⁽¹⁾	23,763	355	197,672	23,142	244,932

⁽¹⁾ Fair value of the guarantee or, if difficult to determine, contractual value.

A.3.2. Guaranteed off-balance sheet exposures to banks and customers

(in millions of euro)

EXPOSURE	GUARANTEED EXPOSURES TO BANKS		GUARANTEED EXPOSURES TO CUSTOMERS		TOTAL
	Totally guaranteed	Partly guaranteed	Totally guaranteed	Partly guaranteed	
EXPOSURE	1,987	22	21,051	5,702	28,762
COLLATERAL ⁽¹⁾					
Real estate assets	22	-	7,192	544	7,758
Securities	2	-	630	626	1,258
Other assets	2,371	4	1,054	221	3,650
GUARANTEES ⁽¹⁾					
Credit derivatives					
<i>Governments</i>	-	-	-	-	-
<i>Other public entities</i>	-	-	-	-	-
<i>Banks</i>	-	-	-	-	-
<i>Other counterparties</i>	-	-	-	-	-
Guarantees given					
<i>Governments</i>	-	-	2,029	-	2,029
<i>Other public entities</i>	4	-	9	48	61
<i>Banks</i>	64	7	1,099	125	1,295
<i>Other counterparties</i>	47	-	9,333	1,186	10,566
TOTAL GUARANTEES ⁽¹⁾	2,510	11	21,346	2,750	26,617

⁽¹⁾ Fair value of the guarantee or, if difficult to determine, contractual value.

A.3.3. Non-performing guaranteed on-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS				GUARANTEED EXPOSURES TO CUSTOMERS			
	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%
EXPOSURE	-	-	-	-	4,536	2,157	711	224
AMOUNT GUARANTEED	-	-	-	-	4,536	2,157	668	107
COLLATERAL⁽¹⁾								
Real estate assets	-	-	-	-	3,687	1,218	159	26
Securities	-	-	-	-	77	79	85	20
Other assets	-	-	-	-	27	33	38	6
GUARANTEES⁽¹⁾								
Credit derivatives								
<i>Governments and Central Banks</i>	-	-	-	-	-	-	-	-
<i>Other public entities</i>	-	-	-	-	-	-	-	-
<i>Banks</i>	-	-	-	-	-	-	-	-
<i>Financial institutions</i>	-	-	-	-	-	-	-	-
<i>Insurance companies</i>	-	-	-	-	-	-	-	-
<i>Non-financial companies</i>	-	-	-	-	-	-	-	-
<i>Other counterparties</i>	-	-	-	-	-	-	-	-
Guarantees given								
<i>Governments and Central Banks</i>	-	-	-	-	1	2	3	-
<i>Other public entities</i>	-	-	-	-	3	6	7	-
<i>Banks</i>	-	-	-	-	6	8	8	2
<i>Financial institutions</i>	-	-	-	-	31	4	15	2
<i>Insurance companies</i>	-	-	-	-	1	-	1	-
<i>Non-financial companies</i>	-	-	-	-	15	17	3	-
<i>Other counterparties</i>	-	-	-	-	1,940	825	355	59
TOTAL GUARANTEES⁽¹⁾	-	-	-	-	5,788	2,192	674	115
EXCESS FAIR VALUE GUARANTEE	-	-	-	-	1,252	35	6	8

⁽¹⁾ Fair value of the guarantee or, if difficult to determine, guaranteed exposure.**A.3.4. Non-performing guaranteed off-balance sheet exposures to banks and customers**

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS				GUARANTEED EXPOSURES TO CUSTOMERS			
	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%
EXPOSURE	-	-	-	-	155	116	39	27
AMOUNT GUARANTEED	-	-	-	-	145	117	35	10
COLLATERAL⁽¹⁾								
Real estate assets	-	-	-	-	83	23	6	1
Securities	-	-	-	-	9	1	10	1
Other assets	-	-	-	-	3	2	3	1
GUARANTEES⁽¹⁾								
Credit derivatives								
<i>Governments and Central Banks</i>	-	-	-	-	-	-	-	-
<i>Other public entities</i>	-	-	-	-	-	-	-	-
<i>Banks</i>	-	-	-	-	-	-	-	-
<i>Financial institutions</i>	-	-	-	-	-	-	-	-
<i>Insurance companies</i>	-	-	-	-	-	-	-	-
<i>Non-financial companies</i>	-	-	-	-	-	-	-	-
<i>Other counterparties</i>	-	-	-	-	-	-	-	-
Guarantees given								
<i>Governments and Central Banks</i>	-	-	-	-	-	-	-	-
<i>Other public entities</i>	-	-	-	-	-	-	1	-
<i>Banks</i>	-	-	-	-	1	-	-	6
<i>Financial institutions</i>	-	-	-	-	-	-	-	-
<i>Insurance companies</i>	-	-	-	-	-	-	-	-
<i>Non-financial companies</i>	-	-	-	-	3	-	-	-
<i>Other counterparties</i>	-	-	-	-	60	90	16	1
TOTAL GUARANTEES⁽¹⁾	-	-	-	-	159	116	36	10
EXCESS FAIR VALUE GUARANTEE	-	-	-	-	14	-1	1	-

⁽¹⁾ Fair value of the guarantee or, if difficult to determine, guaranteed exposure.

B. BREAKDOWN AND CONCENTRATION OF LOANS

B.1. Breakdown of on- and off-balance sheet exposures to customers by sector

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES					TOTAL OFF-BALANCE SHEET EXPOSURES	(in millions of euro)	
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		TOTAL 31.12.2008	TOTAL 31.12.2007
GOVERNMENTS AND CENTRAL BANKS														
Gross exposure	4	-	-	11	22,608	22,623	-	-	-	-	3,529	3,529	26,152	22,969
Individual impairment losses	-2	-	-	-	-	-2	-	-	-	-	-	-	-2	-54
Collective impairment losses	-	-	-	-	-6	-6	-	-	-	-	-1	-1	-7	-18
Net exposure	2	-	-	11	22,602	22,615	-	-	-	-	3,528	3,528	26,143	22,897
OTHER PUBLIC ENTITIES														
Gross exposure	2	76	-	556	22,111	22,745	-	-	-	-	3,773	3,773	26,518	26,170
Individual impairment losses	-1	-6	-	-12	-	-19	-	-	-	-	-	-	-19	-1
Collective impairment losses	-	-	-	-	-50	-50	-	-	-	-	-2	-2	-52	-49
Net exposure	1	70	-	544	22,061	22,676	-	-	-	-	3,771	3,771	26,447	26,120
FINANCIAL INSTITUTIONS														
Gross exposure	568	43	13	26	38,040	38,690	1	4	-	-	17,121	17,126	55,816	52,587
Individual impairment losses	-487	-17	-2	-9	-	-515	-	-	-	-	-	-	-515	-361
Collective impairment losses	-	-	-	-	-92	-92	-	-	-	-	-52	-52	-144	-122
Net exposure	81	26	11	17	37,948	38,083	1	4	-	-	17,069	17,074	55,157	52,104
INSURANCE COMPANIES														
Gross exposure	-	-	-	-	2,980	2,980	-	-	-	-	2,069	2,069	5,049	5,949
Individual impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective impairment losses	-	-	-	-	-2	-2	-	-	-	-	-4	-4	-6	-7
Net exposure	-	-	-	-	2,978	2,978	-	-	-	-	2,065	2,065	5,043	5,942
NON-FINANCIAL COMPANIES														
Gross exposure	9,509	4,958	521	982	233,468	249,438	217	424	-	110	99,787	100,538	349,976	353,229
Individual impairment losses	-6,606	-1,252	-133	-68	-	-8,059	-85	-56	-	-16	-	-157	-8,216	-6,818
Collective impairment losses	-	-	-	-	-1,909	-1,909	-	-	-	-	-190	-190	-2,099	-2,035
Net exposure	2,903	3,706	388	914	231,559	239,470	132	368	-	94	99,597	100,191	339,661	344,376
OTHER COUNTERPARTIES														
Gross exposure	2,965	1,941	-	460	97,881	103,247	1	7	-	3	6,730	6,741	109,988	99,883
Individual impairment losses	-1,971	-437	-	-72	-	-2,480	-	-1	-	-	-	-1	-2,481	-1,525
Collective impairment losses	-	-	-	-	-433	-433	-	-	-	-	-43	-43	-476	-768
Net exposure	994	1,504	-	388	97,448	100,334	1	6	-	3	6,687	6,697	107,031	97,590

B.2. Breakdown of on- and off-balance sheet exposures to customers by geographical area (book value)

	(in millions of euro)									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	exposure		exposure		exposure		exposure		exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	11,527	3,727	1,094	209	97	21	43	9	295	23
A.2. Substandard loans	6,025	4,605	861	628	63	28	10	-	52	36
A.3. Restructured exposures	493	363	39	35	-	-	2	1	-	-
A.4. Past due exposures	2,008	1,855	23	15	3	3	1	1	-	-
A.5. Other exposures	334,957	332,989	63,213	62,770	8,079	8,060	4,539	4,529	6,302	6,251
Total A	355,010	343,539	65,230	63,657	8,242	8,112	4,595	4,540	6,649	6,310
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	175	125	14	8	-	-	-	-	29	-
B.2. Substandard loans	378	323	54	52	1	1	-	-	2	2
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	111	95	-	-	-	-	3	3	-	-
B.5. Other exposures	65,706	65,552	44,466	44,344	20,883	20,875	1,226	1,224	728	722
Total B	66,370	66,095	44,534	44,404	20,884	20,876	1,229	1,227	759	724
TOTAL (A+B) 31.12.2008	421,380	409,634	109,764	108,061	29,126	28,988	5,824	5,767	7,408	7,034
TOTAL 31.12.2007	402,071	392,070	123,116	121,824	25,853	25,791	3,890	3,855	5,857	5,489

B.3. Breakdown of on- and off-balance sheet exposures to banks by geographical area (book value)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		(in millions of euro) REST OF THE WORLD	
	exposure		exposure		exposure		exposure		exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	1	-	6	-	8	2	-	-	-	-
A.2. Substandard loans	-	-	90	27	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	4	4	-	-	-	-	-	-
A.5. Other exposures	17,133	17,131	38,485	38,452	3,114	3,111	2,779	2,774	2,573	2,571
Total A	17,134	17,131	38,585	38,483	3,122	3,113	2,779	2,774	2,573	2,571
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	1	1	-	-	-	-
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	-	-	4	4	-	-	-	-	-	-
B.5. Other exposures	14,178	14,178	30,121	30,116	1,585	1,584	1,940	1,934	284	283
Total B	14,178	14,178	30,125	30,120	1,586	1,585	1,940	1,934	284	283
TOTAL (A+B) 31.12.2008	31,312	31,309	68,710	68,603	4,708	4,698	4,719	4,708	2,857	2,854
TOTAL 31.12.2007	27,834	27,830	55,795	55,746	5,201	5,197	4,046	4,035	3,818	3,816

B.4. Large credit risks

Large risks

a) Amount (in millions of euro)	10,959
b) Number	2

C. SECURITISATIONS AND ASSET SALES

C.1. Securitisations

Qualitative information

Securitisations structured in the year are described in the paragraphs below.

Adriano Finance

On 4 August 2008, a securitisation was completed of a portfolio of performing residential mortgages through the vehicle Adriano Finance.

The structuring of the transaction was carried out by Intesa Sanpaolo and Banca IMI as Arrangers.

Adriano Finance issued RMBS securities at par (Adriano Finance F/R Notes due December 2055) for a total amount of 7,998 million euro, made up as follows:

- Class A for an amount of 7,558 million euro (senior tranche);
- Class B for an amount of 440 million euro (junior tranche).

The Class A notes (with an expected average lifetime of 4.9 years), eligible for ECB refinancing operations, are quoted on the Luxembourg Stock Exchange and have obtained a AAA rating from both the Standard & Poor's and Moody's agencies. The Class B notes on the other hand are unrated.

Both classes of Notes have been fully underwritten by Intesa Sanpaolo. The transaction's financial structure provides for the half-yearly payment of interest on 5 February and 5 August of each year. The first coupon was paid on 5 February 2009, whereas the repayment of the principal will start, after 18 months from the issue, from the payment date of 5 February 2010.

The Bank also granted the vehicle a subordinated loan with limited recourse (with the same maturity date as the legal maturity for the notes) for an amount of 50 million euro that was used on the date of the issue of the notes to establish the Cash Reserve required by the Rating Agencies.

Given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded under the consolidated balance sheet assets.

On 18 December 2008, a second securitisation was completed, again through the vehicle Adriano Finance, of a portfolio of performing residential mortgages.

The structuring of the transaction was performed by Intesa Sanpaolo as Arranger.

Adriano Finance issued RMBS notes with a price corresponding to 100% of their nominal amount (Adriano Finance F/R Notes due December 2058) for a total amount of 5,679 million euro, made up as follows:

- Class A for an amount of 5,281 million euro (senior tranche);
- Class B for an amount of 398 million euro (junior tranche).

For the Class A notes, with an average expected lifetime of 4.9 years, quoted on the Luxembourg Stock Exchange and assigned a AAA rating by Standard & Poor's, a request has been made to the Luxembourg central bank for eligibility for use for ECB refinancing operations. The Class B notes on the other hand are unrated.

Both classes of Notes have been fully underwritten by Intesa Sanpaolo.

The transaction's financial structure provides for the half-yearly payment of interest on 31 January and 31 July of each year. The first coupon will be paid on 31 July 2009, whereas the repayment of the principal will start, after at least 18 months from the issue, from the payment date of 31 July 2010.

The Bank also granted the vehicle a subordinated loan with limited recourse (with the same maturity date as the legal maturity for the notes) for an amount of 50 million euro that was used on the date of the issue of the notes to establish the Cash Reserve required by Standard & Poor's.

Given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded under the consolidated balance sheet assets.

Adriano Finance 2

On 31 December 2008, a securitisation was completed of a portfolio of performing residential mortgages through the vehicle Adriano Finance 2.

The structuring of the transaction was performed by Intesa Sanpaolo and Banca IMI as Arrangers.

Adriano Finance 2 issued RMBS notes with a price corresponding to 100% of their nominal amount (Adriano Finance F/R Notes due June 2061) for a total amount of 13,050 million euro, made up as follows:

- Class A for an amount of 12,174 million euro (senior tranche);
- Class B for an amount of 876 million euro (junior tranche).

For the Class A notes, with an average expected lifetime of 5 years, quoted on the Luxembourg Stock Exchange and assigned a AAA rating by Fitch, a request has already been made to the Luxembourg central bank for eligibility for use for ECB refinancing operations. The Class B notes are unrated.

The transaction's financial structure provides for the half-yearly payment of interest on 29 January and 29 July of each year. The first coupon will be paid on 29 July 2009, whereas the repayment of the principal will start, after at least 18 months from the issue, from the payment date of 29 July 2010.

The Bank also granted the vehicle a subordinated loan with limited recourse (with the same maturity date as the legal maturity for the notes) for an amount of 150 million euro that was used on the date of the issue of the notes to establish the Cash Reserve required by Fitch.

Given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded in the consolidated balance sheet assets.

SPQR II

In July 2008, in order to reduce the overall cost of funding and increase the level of liquidity of its assets, Banca IMI completed a securitisation of securities recorded under financial assets held for trading, aimed at making the portfolio sold more effective for the purposes of funding from the European Central Bank.

This transaction included the sale without recourse to SPQR II S.r.l. (a multi-segment Special Purpose Vehicle regulated by Law 130/99, already used for a similar transaction originated by the former Banca OPI) of a portfolio of bonds issued by Italian and foreign banks, insurance companies, corporates and securitisation vehicles, for a market value of around 747.8 million euro.

SPQR II in turn issued:

- Class A senior notes for 696,250,000 euro, with an A rating (Fitch Ratings) and quoted on the Luxembourg stock exchange;
- Class D junior notes for 82,195,000 euro, without a rating and unquoted.

Both classes were subscribed for by Banca IMI at nominal value, and because the Company had consequently substantially maintained all the risks and benefits attached to the transferred assets, the transaction was not derecognised in these financial statements.

From an operational perspective, the Senior class was set aside with the European Central Bank by means of repurchase agreements carried out through the Parent Company Intesa Sanpaolo.

For this transaction Banca IMI acted as originator, sole arranger, lead manager and swap counterparty for the hedging. It also supported the credit enhancement of the overall structure, through a subordinated loan agreement commitment for a maximum amount of 100 million euro, which could be requested by SPQR II S.r.l. when certain conditions were met. Banca IMI also undertook the role of servicer.

On 23 December 2008, Banca Infrastrutture Innovazione e Sviluppo (BIIS) carried out a securitisation of one of its portfolios for 1,330 million euro, consisting of bonds issued by Italian local authorities (municipal, provincial and regional) through the vehicle SPQR II, as part of the prudential enhancement of the already broad availability of the Intesa Sanpaolo Group's eligible assets for the Central Banks.

The structuring of the transaction was performed by Banca IMI as Arranger. Banca IMI was responsible for the offer of securities, as Lead Manager and Book Runner.

The transaction consists of one single senior tranche (class A) of 1,238 million euro, with an expected average lifetime of 9.3 years, quoted on the Luxembourg Stock Exchange and rated A by Fitch Ratings, and one junior tranche (class D) of 92 million euro.

The Notes are issued at a price equal to 100% of the nominal amount of the Notes and pay a floating rate coupon based on the 6 month Euribor rate.

Both classes of notes were purchased in full by BIIS.

Given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded in the consolidated balance sheet assets.

CR Firenze Mutui

Although not realised during the year, please note that Carifirenze, consolidated for the first time in the complete financial statements of the Intesa Sanpaolo Group, as at the year end had an outstanding securitisation relating to “performing” mortgages, carried out in the fourth quarter of 2002, through the special purpose vehicle CR Firenze Mutui S.r.l.. For this transaction the vehicle had issued securities for 521 million euro. As at the year end date the securities issued amounted to 197.8 million euro. Of these, Carifirenze kept the entire junior tranche (class D) of 8.2 million euro in its portfolio.

With regard to the performance of the transaction, as at the year end, in consideration of the residual value of the securitised loans and outstanding commitments, a value adjustment was made to the class “D” notes with the recognition in the income statement of the amount of 1.4 million euro, including 0.3 million euro from the reversal to the income statement of the valuation reserve. For these securities, monitoring is performed on a quarterly basis of the performance of the transaction, in order to determine the valuation of the class “D” notes included in the Bank’s portfolio, and to adjust them to their estimated realisable value.

Quantitative information

Please note that the tables below (with the exception of those of paragraph C.1.8) do not include the transactions in which the Group, as originator, has fully repurchased the securities issued by the vehicle used for the securitisation (self-securitisations).

These involved, as at 31 December 2008, the transactions carried out through the vehicles Adriano Finance, Adriano Finance 2 and SPQR II.

For this type of transaction, as stated in the paragraphs above, given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded under the consolidated balance sheet assets.

C.1.1. Breakdown of exposures deriving from securitisations by quality of underlying asset

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	exposure		exposure		exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	241	230	146	133	116	107
a) Non-performing	-	-	63	54	22	16
b) Other	241	230	83	79	94	91
B. Third party underlying assets	5,475	5,135	749	664	67	65
a) Non-performing	-	-	-	-	-	-
b) Other	5,475	5,135	749	664	67	65
Total	5,716	5,365	895	797	183	172

Part of the positions shown in the table above has been included within the structured credit products: 3,607 million euro of gross exposures and 3,185 million euro net, in any case almost entirely attributable to exposures not included in US subprime exposures. For further information on the relative economic and risk effects, see the chapter on market risks in this Part of the Notes to the consolidated financial statements.

Off- balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	exposure		exposure		exposure		exposure		exposure		exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	13	13	-	-	19	19	-	-	-	-	-	-
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	13	13	-	-	19	19	-	-	-	-	-	-
B. Third party underlying assets	-	-	70	70	2	2	-	-	774	774	-	-
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	70	70	2	2	-	-	774	774	-	-
TOTAL	13	13	70	70	21	21	-	-	774	774	-	-

C.1.2. Breakdown of exposures deriving from main "originated" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(in millions of euro)

	On-balance sheet exposures							
	Senior		Mezzanine		Junior			
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries		
A. Fully derecognised	42	-	59	-8	62	-9		
A.1 Intesa Lease Sec								
- performing leasing contracts	25	-	-	-	-	-		
A.2 Intesa Sec 2								
- performing residential mortgages	15	-	5	-	31	-		
A.3 Intesa Sec								
- performing mortgages	-	-	-	-	8	-1		
A.4 Intesa Sec Npl								
- doubtful mortgages	-	-	54	-8	16	-6		
A.5 Cr Firenze Mutui								
- performing mortgages	2	-	-	-	7	-2		
B. Partly derecognised	-	-	-	-	-	-		
C. Not derecognised	188	-11	74	-5	45	-		
C.1 Intesa Sec 3								
- performing residential mortgages	165	-7	-	-	27	-		
C.2 Da Vinci								
- Loans to the aircraft sector	2	-4	1	-1	-	-		
C.3 Vespucci								
- Asset backed securities and collateralised debt obligations	-	-	70	-4	-	-		
C.4 Split 2								
- performing leasing contracts	21	-	3	-	18	-		
TOTAL	230	-11	133	-13	107	-9		

The securitisations in the previous table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on such exemption, assets or liabilities sold and derecognised, based on previous accounting principles and deriving from securitisations prior to 1 January 2004, have not been recorded in the financial statements, even if derecognition does not meet the requirements of IAS 39.

Off- balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	13	-	-	-	-	-	-	-	-	-	-	-
A.1 Intesa Sec												
- performing mortgages	13	-	-	-	-	-	-	-	-	-	-	-
A.2 Intesa Sec Npl												
- doubtful mortgages	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	19	-	-	-	-	-	-	-
C.1 Da Vinci												
- loans to the aircraft and aeronautical sector	-	-	-	-	19	-	-	-	-	-	-	-
TOTAL	13	-	-	-	19	-	-	-	-	-	-	-

C.1.3. Breakdown of exposures deriving from main “third party” securitisations by type of securitised asset and by type of exposure

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 AYT Cedulas						
- public sector financing	295	-2	-	-	-	-
A.2 Capital Mortgages						
- residential mortgages	59	-1	4	-	-	-
A.3 Cartesio						
- loans	122	-	-	-	-	-
A.4 Cordusio RMBS Securitisation						
- residential mortgages	57	-	11	-2	-	-
A.5 CPG tranche AEM						
- public utilities	52	-	-	-	-	-
A.6 D'Annunzio						
- trade receivables	185	-	-	-	-	-
A.7 Duchess (*)						
- securities	119	-59	-	-	-	-
A.8 Euterpe						
- amounts due from tax authorities - utilities	145	-	-	-	-	-
A.9 Fondo Immobili Pubblici						
- public real estate assets	84	-2	173	-6	-	-
A.10 Geldilux						
- loans	235	-3	-	-	-	-
A.11 Posillipo Finance						
- securities	199	-	-	-	-	-
A.12 Rhodium (*)						
- securities	74	-12	-	-	-	-
A.13 Santander Hipotecario						
- residential mortgages	51	-	-	-	-	-
A.14 Soc. Cart. Crediti INPS						
- social security contributions	495	-1	-	-	-	-
A.15 Smstr (*)						
- securities	57	-35	-	-	-	-
A.16 Società di Cartolarizzazione Italiana						
Crediti 1						
- personal loans	205	-	-	-	-	-
A.17 Stone tower (*)						
- securities	55	-3	-	-	-	-
A.18 Duomo portfolio	489	-	3	-	-	-
A.19 Romulus portfolio	398	-33	4	-	-	-
A.20 Single management portfolio of investment grade ABS	101	-	-	-	-	-
A.21 Residual portfolio divided in 406 securities	1,658	-189 (**)	469	-77 (***)	65	-2
TOTAL	5,135	-340	664	-85	65	-2

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

(**) Of which -9 million euro related to securities included in packages.

(***) Of which -42 million euro related to securities included in packages.

Off- balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 Duomo												
- Asset Backed Securities and Collateralised debt obligations	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Manzoni												
- Asset Backed Securities	-	-	-	-	2	-	-	-	-	-	-	-
A.3 Romulus												
- Asset Backed Securities and Collateralised debt obligations	-	-	70	-	-	-	-	-	774	-	-	-
Total	-	-	70	-	2	-	-	-	774	-	-	-

C.1.4. Breakdown of exposures to securitisations by financial assets portfolio and by type

(in millions of euro)

	On-balance sheet exposures ^(*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	936	82	13	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	247	62	43	-	-	-
Investments held to maturity	120	-	-	-	-	-
Loans ^(**)	3,874	579	71	13	844	2
Total 31.12.2008	5,177	723	127	13	844	2
Total 31.12.2007	6,978	770	130	13	1,233	2

(*) Excluding on- and off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised from assets for a total respectively of 307 million euro and of 19 million euro.

(**) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

C.1.5. Total amount of securitised assets underlying junior securities or other forms of backing

(in millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	1,922	384
A.1 Fully derecognised	390	X
1. Doubtful loans	86	X
2. Substandard loans	2	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	302	X
A.2 Partly derecognised	-	X
1. Doubtful loans	-	X
2. Substandard loans	-	X
3. Restructured exposures	-	X
4. Past due exposures	-	X
5. Other assets	-	X
A.3 Not derecognised	1,532	384
1. Doubtful loans	6	-
2. Substandard loans	8	-
3. Restructured exposures	-	-
4. Past due exposures	4	-
5. Other assets	1,514	384
B. Third party underlying assets	1,413	100
B.1. Doubtful loans	-	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	2	-
B.5. Other assets	1,411	100

C.1.6. Interests in special purpose vehicles

Name	Direct ownership	Registered office	% Stake
Intesa Lease Sec	Intesa Sanpaolo	Milano	60.00%
Intesa Sec	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 2	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 3	Intesa Sanpaolo	Milano	60.00%
Intesa Sec Npl	Intesa Sanpaolo	Milano	60.00%
Augusto	Intesa Sanpaolo	Milano	5.00%
Adriano Finance	Intesa Sanpaolo	Milano	5.00%
Adriano Finance 2	Intesa Sanpaolo	Milano	5.00%
Adriano Finance 3	Intesa Sanpaolo	Milano	5.00%
Colombo	Intesa Sanpaolo	Milano	5.00%
Diocleziano	Intesa Sanpaolo	Milano	5.00%
CR Firenze Mutui	CR Firenze	Conegliano Veneto	10.00%

The vehicles ISP CB Ipotecario, ISP CB Pubblico and Intesa Sec 4, were formed in 2007 to support future securitisations. They are wholly owned by the Parent Company and have registered offices in Milano.

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

Servicer	Special purpose vehicles	Securitized assets (in millions of euro)		Collections of loans in the year (in millions of euro)		Percentage of reimbursed securities (period-end figure)					
		Non- performing	Performing	Non- performing	Performing	Senior		Mezzanine		Junior	
						Non- performing	Performing	Non- performing	Performing	Non- performing	Performing
Intesa Sanpaolo	Intesa Sec	-	20	-	20	-	100	-	93	-	-
Intesa Sanpaolo	Intesa Sec 2	-	487	-	219	-	79	-	-	-	-
Italfondario	Intesa Sec Npl	84	17	56	-	100	-	44	-	-	-
Intesa Sanpaolo	Intesa Sec 3	19	2,417	-	767	-	31	-	-	-	-
Leasint	Split 2	10	604	-	399	-	66	-	-	-	-
Leasint	Intesa Lease Sec	-	261	-	209	-	88	-	-	-	-
CR Firenze	CR Firenze Mutui	4	184	-	65	-	68	-	-	-	-
Total		117	3,990	56	1,679						

C.1.8. Banking group's special purpose vehicles

Intesa Sec

Securitisation of performing mortgages

(in millions of euro)

A. Securitised assets		20
A.1 Loans		18
- loans outstanding	17	
- past due loans	1	
A.2 Securities		-
A.3 Other assets		2
- accrued income on IRS	1	
- other loans	1	
B. Investments of the funds collected from loan management		10
B.1 Debt securities		-
B.2 Equities		-
B.3 Liquidity		10
C. Securities issued		25
C.1 Class A1		-
C.2 Class A2		10
C.3 Class B		7
C.4 Class C		8
D. Financing received		2
E. Other liabilities		3
E.1 Due to Parent Company		-
E.2 Accrued expenses – interest on securities issued		1
E.3 Accrued expenses on IRS		1
E.4 "Additional return" allowance		1
F. Interest expense on securities issued		2
G. Commissions and fees		-
G.1 Servicing		-
G.2 Other services		-
H. Other expenses		2
H.1 Interest expense		2
H.2 Additional return		-
I. Interest income on securitised assets		2
L. Other revenues		2
L.1 Interest income		2

Intesa Sec 2

Securitisation of performing residential mortgages

(in millions of euro)

A. Securitised assets		487
A.1 Loans	470	
- loans outstanding	450	
- past due loans	20	
A.2 Securities	-	
A.3 Other assets	17	
- accrued income on IRS	2	
- suspended items for DPP	9	
- tax credits	6	
B. Investments of the funds collected from loan management		82
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	82	
C. Securities issued		504
C.1 Class A1	-	
C.2 Class A2	402	
C.3 Class B	41	
C.4 Class C	61	
D. Financing received		19
E. Other liabilities		18
E.1 Due to Parent Company	4	
E.2 Other DPP liabilities	9	
E.3 Accrued expenses – interest on securities issued	2	
E.4 Accrued expenses on IRS	3	
F. Interest expense on securities issued		31
G. Commissions and fees		1
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		44
H.1 Interest expense	35	
H.2 Cost of liquidation DPP of the period	9	
I. Interest income on securitised assets		35
L. Other revenues		41
L.1 Interest income	41	
L.2 Revenues from penalties for advanced extinguishment and other	-	

Intesa Sec 3

Securitisation of performing residential mortgages

(in millions of euro)

A. Securitised assets		2,436
A.1 Loans	2,411	
- loans outstanding	2,371	
- past due loans	40	
A.2 Securities	-	
A.3 Other assets	25	
- accrued income on IRS	24	
- tax credits/ others	1	
B. Investments of the funds collected from loan management		236
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	236	
C. Securities issued		2,551
C.1 class A1	182	
C.2 Class A2	1,275	
C.3 Class A3	948	
C.4 Class B	73	
C.5 Class C	73	
D. Financing received		23
E. Other liabilities		86
E.1 Due to Parent Company	1	
E.2 Allowance for "additional return"	35	
E.3 Accrued expenses – interest on securities issued	22	
E.4 Accrued expenses on IRS	28	
F. Interest expense on securities issued		170
G. Commissions and fees		4
G.1 Servicing	4	
G.2 Securities placement commissions	-	
H. Other expenses		180
H.1 Interest expense	147	
H.2 Additional return	33	
I. Interest income on securitised assets		166
L. Other revenues		186
L.1 Interest income	184	
L.2 Revenues from penalties for advanced extinguishment and other	2	

Intesa Sec Npl

Securitisation of non-performing mortgages

(in millions of euro)

A. Securitised assets			101
A.1 Loans		93	
- loans outstanding	1		
- past due loans	84		
- loans for overdue interest	8		
A.2 Securities		-	
A.3 Other assets		8	
- cap premium paid	6		
- other loans	2		
B. Investments of the funds collected from loan management			21
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		21	
C. Securities issued			159
C.1 Class A		-	
C.2 Class B		-	
C.3 Class C		118	
C.4 Class D		41	
C.5 Class E		-	
D. Financing received			2
E. Other liabilities			20
E.1 Amounts due for services rendered		3	
E.2 Accrued expenses – interest on securities issued		15	
E.3 Other accrued expenses		-	
E.4 Floor option premium		2	
F. Interest expense on securities issued			15
G. Commissions and fees			3
G.1 Servicing		3	
G.2 Other services		-	
H. Other expenses			18
H.1 Interest expense		1	
H.2 Other expenses		3	
H.3 Losses on overdue interest		11	
H.4 Forecasted losses on loans		3	
I. Interest income on securitised assets			18
L. Other revenues			28
L.1 Interest income		1	
L.2 Recovery of legal expenses		1	
L.3 Write-backs		26	

Split 2

Securitisation of loans arising from leasing contracts

(in millions of euro)

A. Securitised assets		614
A.1 Loans	614	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		116
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	116	
C. Securities issued		705
C.1 Class A	577	
C.2 Class B	64	
C.3 Class C	46	
C.4 Class D	18	
D. Financing received		-
E. Other liabilities		23
F. Interest expense on securities issued		42
G. Commissions and fees		1
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		1
I. Interest income on securitised assets		38
L. Other revenues		5

SPQR II (CBO 1 transaction)

Performing securities AFS issued by public entities

(in millions of euro)

A. Securitised assets		1,834
A.1 Loans	-	
A.2 Securities	1,834	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		180
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	17	
B.4 Investments and cash equivalents	121	
B.5 Accrued income and prepaid expenses	42	
C. Securities issued		1,917
C.1 Class A1	1,850	
C.4 Class D	67	
D. Financing received		-
E. Other liabilities		97
E.1 Accrued expenses and deferred income	82	
E.2 Due to the originator	15	
F. Interest expense on securities issued		99
G. Commissions and fees		-
H. Other expenses		7
I. Interest income on securitised assets		84
L. Other revenues		22

SPQR II (CBO 2 transaction)

Performing securities AFS issued by public entities

(milioni di euro)

A. Securitised assets		1,309
A.1 Loans	-	
A.2 Securities	1,307	
A.3 Other assets	2	
B. Investments of the funds collected from loan management		53
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	52	
B.4 Investments and cash equivalents	-	
B.5 Accrued income and prepaid expenses	1	
C. Securities issued		1,330
C.1 Class A1	1,238	
C.4 Class D	92	
D. Financing received		-
E. Other liabilities		32
E.1 Accrued expenses and deferred income	2	
E.2 Due to the originator	30	
F. Interest expense on securities issued		1
G. Commissions and fees		-
H. Other expenses		10
I. Interest income on securitised assets		11
L. Other revenues		-

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(in millions of euro)

A. Securitised assets		261
A.1 Loans	261	
- principal	244	
- credits for invoiced leasing instalments	17	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		35
B.1 Debt securities	31	
B.2 Equities	-	
B.3 Liquidity	4	
C. Securities issued		275
C.1 Class A1	-	
C.2 Class A2	58	
C.3 Class A3	111	
C.4 Class B	84	
C.5 Class C	22	
D. Financing received		-
E. Other liabilities		32
E.1 Other accrued expenses and deferred income	1	
E.2 Allowance for "additional return"	31	
F. Interest expense on securities issued		21
G. Commissions and fees		1
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		33
H.1 Interest expense	17	
H.2 Other expenses	3	
H.3 Losses on loans	1	
H.4 Forecasted losses on loans	1	
H.5 Additional return	11	
I. Interest income on securitised assets		29
L. Other revenues		22
L.1 Interest income	19	
L.2 Value recoveries	2	
L.3 Other revenues	1	

CR Firenze Mutui

Securitisation of performing residential mortgages

(milioni di euro)

A. Securitised assets		188
A.1 Loans	188	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		22
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	22	
C. Securities issued		198
C.1 Class A	154	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		-
E. Other liabilities		12
F. Interest expense on securities issued		11
G. Commissions and fees		4
G.1 Servicing	4	
G.2 Other services	-	
H. Other expenses		-
I. Interest income on securitised assets		13
L. Other revenues		2

Adriano Finance (Tranche 1)

Securitisation of performing residential mortgages

(milioni di euro)

A. Securitised assets			7,333
A.1 Loans		7,119	
- loans outstanding	7,080		
- past due loans	39		
A.2 Securities		-	
A.3 Other assets		214	
- accrued income on IRS	208		
- tax credits/ others	6		
B. Investments of the funds collected from loan management			1,289
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		1,289	
C. Securities issued			7,998
C.1 Class A		7,558	
C.2 Class B		440	
D. Financing received			51
E. Other liabilities			575
E.1 Due to Parent Company		6	
E.2 Allowance for "additional return"		39	
E.3 Accrued expenses – interest on securities issued		175	
E.4 Accrued expenses on IRS		355	
F. Interest expense on securities issued			175
G. Commissions and fees			7
G.1 Servicing		6	
G.2 Other services		1	
H. Other expenses			395
H.1 Interest expense		356	
H.2 Additional return		39	
I. Interest income on securitised assets			344
L. Other revenues			231
L.1 Interest income		229	
L.2 Revenues from penalties for advanced extinguishment and other		2	

Adriano Finance (Tranche 2)

Securitisation of performing residential mortgages

(milioni di euro)

A. Securitised assets			5,577
A.1 Loans		5,566	
- loans outstanding	5,523		
- past due loans	43		
A.2 Securities		-	
A.3 Other assets		11	
- accrued income on IRS	11		
- tax credits	-		
B. Investments of the funds collected from loan management			260
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		260	
C. Securities issued			5,679
C.1 Class A		5,281	
C.2 Class B		398	
D. Financing received			50
E. Other liabilities			106
E.1 Due to Parent Company		1	
E.3 Accrued expenses – interest on securities issued		9	
E.4 Accrued expenses on IRS		96	
F. Interest expense on securities issued			9
G. Commissions and fees			1
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			96
H.1 Interest expense		96	
H.2 Other expenses		-	
I. Interest income on securitised assets			58
L. Other revenues			50
L.1 Interest income		50	
L.2 Revenues from penalties for advanced extinguishment and other		-	

Adriano Finance 2

Securitisation of performing residential mortgages

(milioni di euro)

A. Securitised assets			13,058
A.1 Loans		12,998	
- loans outstanding	12,996		
- past due loans	2		
A.2 Securities		-	
A.3 Other assets		60	
- accrued income on mortgages	60		
B. Investments of the funds collected from loan management			233
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		233	
C. Securities issued			13,050
C.1 Class A		12,174	
C.2 Class B		876	
D. Financing received			150
E. Other liabilities			94
E.1 Due to customers		29	
E.3 Accrued expenses – interest on securities issued		2	
E.4 Accrued expenses on IRS		63	
F. Interest expense on securities issued			1
G. Commissions and fees			1
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			64
H.1 Interest expense		63	
H.2 Forecast losses on loans		1	
I. Interest income on securitised assets			35
L. Other revenues			28
L.1 Interest income		28	
L.2 Revenues from penalties for advanced extinguishment and other		-	

C.2. Sales

C.2.1. Financial assets sold not derecognised

(in millions of euro)

	Cash assets					Derivatives	Total 31.12.2008	Total 31.12.2007
	Debt securities	Equities	UCITS	Loans	Non-performing assets			
FINANCIAL ASSETS HELD FOR TRADING	3,040	-	-	-	-	-	3,040	6,777
- Financial assets sold totally recognised (book value)	3,040	-	-	-	-	-	3,040	6,777
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	10	-	-	-	-	X	10	12
- Financial assets sold totally recognised (book value)	10	-	-	-	-	X	10	12
- Financial assets sold partly recognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	X	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	3,349	-	-	-	-	X	3,349	2,787
- Financial assets sold totally recognised (book value)	3,349	-	-	-	-	X	3,349	2,787
- Financial assets sold partly recognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	X	-	-
INVESTMENTS HELD TO MATURITY	596	X	X	-	-	X	596	1,689
- Financial assets sold totally recognised (book value)	596	X	X	-	-	X	596	1,689
- Financial assets sold partly recognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	-	X	-	-
DUE FROM BANKS	359	X	X	-	-	X	359	55
- Financial assets sold totally recognised (book value)	359	X	X	-	-	X	359	55
- Financial assets sold partly recognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	-	X	-	-
LOANS TO CUSTOMERS	2,358	X	X	49	-	X	2,407	1,308
- Financial assets sold totally recognised (book value)	2,358	X	X	49	-	X	2,407	1,308
- Financial assets sold partly recognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	-	X	-	-
Total 31.12.2008	9,712	-	-	49	-	-	9,761	X
Total 31.12.2007	12,557	-	-	71	-	-	X	12,628

Financial assets sold not derecognised are made up of securities relative to repurchase agreements.

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

(in millions of euro)

	Due to customers		Due to banks		Securities issued		Total 31.12.2008	Total 31.12.2007
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised		
Financial assets held for trading	2,779	-	6,319	-	-	-	9,098	6,777
Financial assets measured at fair value	-	-	8	-	-	-	8	12
Financial assets available for sale	1,313	-	68	-	-	-	1,381	2,787
Investments held to maturity	408	-	-	-	-	-	408	1,689
Due from banks	-	-	-	-	-	-	-	55
Loans to customers	-	-	1	-	3,159	-	3,160	1,308
Total	4,500	-	6,396	-	3,159	-	14,055	12,628

The financial liabilities corresponding to financial assets sold and not derecognised (shown in the columns Due to banks and Due to customers) relate to reverse repurchase agreements, as shown in the tables 1.1 Due to banks and 2.1 Due to customers.

The column Securities issued shows (as required by the regulations) the securities issued by the vehicles Split 2 and Intesa Sec 3.

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December, the expected loss on core banks (Basel 2 validation area) was made up 0.46% of disbursed loans, a 0.05 percentage point increase on the figure as at the end of 2007. This increase was partly due to the introduction of the new rating models in the Retail segment and partly to the general deterioration of credit quality, as a result of the economic crisis.

The economic capital corresponded to 3.5% of disbursed loans, a reduction of 0.1% compared to the figure in 2007. This figure runs counter to the expected loss as a result of the greater diversification of the portfolio.